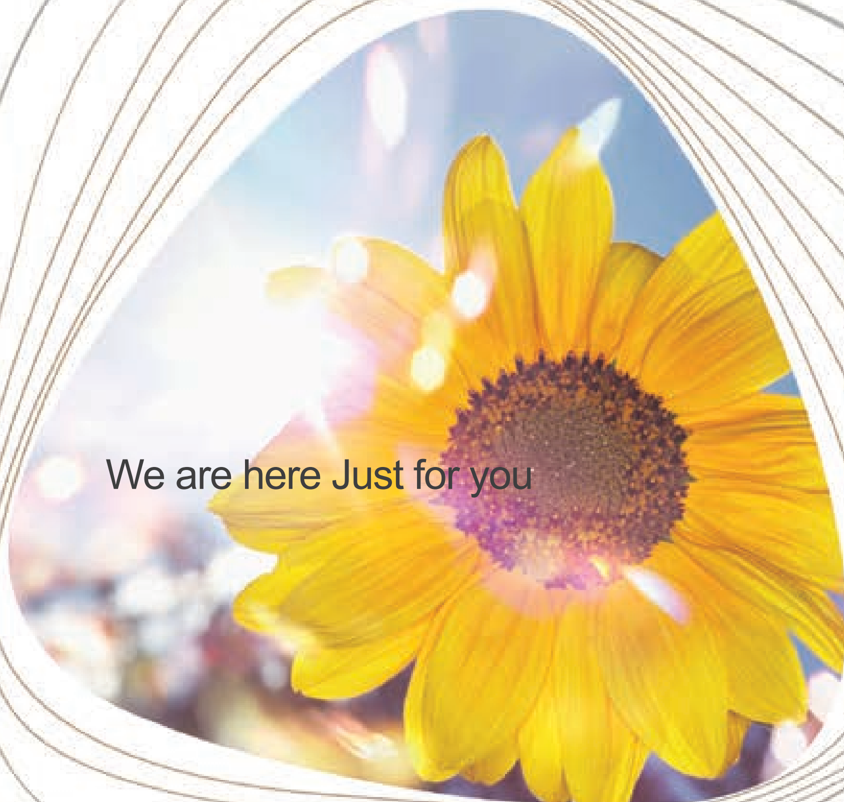
招商銀行
CHINA MERCHANTS BANK

CHINA MERCHANTS BANK CO., LTD.

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

Stock Code : 03968



2015
Interim Report

Important Notice

1. The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of the Company confirm that the contents in this report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will individually and collectively accept legal responsibility for such contents.

2. The 38th meeting of the Ninth Session of the Board of Directors of the Company was held at the CMB CHINA MERCHANTS BANK University, Shenzhen on 25 August 2015. The meeting was presided by Li Jianhong, Chairman of the Board. 16 out of 17 eligible directors attended the meeting in person. Wong Kwai Lam (Independent Director) was unable to attend the meeting because of business engagements, and entrusted Leung Kam Chung, Antony (Independent Director) to exercise the voting right. 6 supervisors of the Company were present at the meeting. The convening of the meeting complied with the relevant provisions of the Company Law and the Articles of Association of the Company.

3. The Company will not implement the profit appropriation nor will it transfer any capital reserve into share capital for the first half of 2015.

4. The Company's 2015 interim financial report is unaudited.

5. Unless otherwise stated, all monetary sums stated in this interim report are expressed in RMB.

6. Li Jianhong, Chairman of the Company, Tian Huiyu, President and Chief Executive Officer, Li Hao, First Executive Vice President and Chief Financial Officer, and Wang Tao, the person in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements in this interim report.

7. We have included in this report certain forward-looking statements with respect to the financial position, operating results and business development of the Group. We use words such as "will", "may", "expect", "try", "strive", "plan", "anticipate", "aim at", and similar expressions to indicate forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we give no assurance that these expectations will turn into reality or prove to be correct. Therefore they should not be deemed as the Group's commitments. Investors should not place undue reliance on such statements and should pay more attention to investment risks. You are cautioned that such forward-looking statements are related to future events or future financial position, business, or other performances of the Group, and are subject to a number of uncertainties which may cause substantial differences from those in the actual results.

Contents

Definitions

The Company, the Bank, CMB or China Merchants Bank: China Merchants Bank Co., Ltd.

The Group: China Merchants Bank Co., Ltd. and its subsidiaries

China Banking Regulatory Commission or CBRC: China Banking Regulatory Commission

China Securities Regulatory Commission or CSRC: China Securities Regulatory Commission

Hong Kong Stock Exchange or SEHK: The Stock Exchange of Hong Kong Limited

Hong Kong Listing Rules: The Rules Governing the Listing of Securities on the SEHK

Wing Lung Bank or WLB: Wing Lung Bank Limited

Wing Lung Group: Wing Lung Bank and its subsidiaries

CMB Financial Leasing or CMBFL: CMB Financial Leasing Co., Ltd.

CMB International Capital or CMBIC: CMB International Capital Holdings Corporation Limited

China Merchants Fund or CMFM: China Merchants Fund Management Co., Ltd.

CIGNA & CMB Life Insurance: CIGNA & CMB Life Insurance Co., Ltd.

CM Securities: China Merchants Securities Co., Ltd.

KPMG Huazhen Certified Public Accountants: KPMG Huazhen Certified Public Accountants (Special General Partnership)

SFO: Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Model Code: Model Code for Securities Transactions by Directors of Listed Issuers

Significant Risk Warning

The Company has disclosed herein the major risks involved in its operations and the proposed risk management measures. Please refer to the section headed "Risk Management" in Chapter III for the details in relation to risk management.

I Company Information

1 Company Profile

1.1 **Registered Company Name in Chinese:** 招商銀行股份有限公司 (Abbreviated Name in Chinese: 招商銀行)
Registered Company Name in English: China Merchants Bank Co., Ltd.

1.2 **Legal Representative:** Li Jianhong
Authorised Representatives: Tian Huiyu, Li Hao
Secretary of the Board of Directors: Xu Shiqing
Joint Company Secretaries: Xu Shiqing, Seng Sze Ka Mee Natalia (FCIS, FCS(PE), FHKIoD, FTIHK)
Securities Representative: Wu Jianbing

1.3 **Registered and Office Address:**
7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China

1.4 **Mailing Address:**
7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China
Postcode: 518040
Tel: 86755-83198888
Fax: 86755-83195109
E-mail: cmb@cmbchina.com
Website: www.cmbchina.com
Customer service hotline: 95555

1.5 **Principal Place of Business in Hong Kong:**
21st Floor, Bank of America Tower, 12 Harcourt Road, Hong Kong

1.6 **Share Listing:**

A Shares:	Shanghai Stock Exchange
	Abbreviated Name of A Shares: CMB
	Stock Code: 600036
H Shares:	SEHK
	Abbreviated Name of H Shares: CM BANK
	Stock Code: 03968

1.7

Domestic Auditor:	KPMG Huazhen Certified Public Accountants
	Office Address: 8th Floor, Tower 2, Oriental Plaza, 1 East Chang An Avenue, Beijing, China
International Auditor:	KPMG Certified Public Accountants
	Office Address: 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

1.8 **Legal Advisor as to PRC Law:** Jun He Law Offices
Legal Advisor as to Hong Kong Law: Herbert Smith Freehills

1.9 Depository for A Shares:
China Securities Depository & Clearing Corporation Ltd., Shanghai Branch

1.10 Share Register and Transfer Office as to H Shares:
Computershare Hong Kong Investor Services Ltd.
Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

1.11 Websites and Newspapers designated by the Company for Information Disclosure:

Mainland China:	*"China Securities Journal", "Securities Times", "Shanghai Securities News"* website of Shanghai Stock Exchange (www.sse.com.cn), website of the Company (www.cmbchina.com)
Hong Kong:	website of SEHK (www.hkex.com.hk), website of the Company (www.cmbchina.com)

Place of maintenance of interim reports: Office of the Board of Directors of the Company

1.12 Other Information about the Company:
Initial registration date: 31 March 1987
Initial registration place: Shenzhen Administration for Industry and Commerce, Shekou Branch
Registered No. of business license for an enterprise as a legal person: 440301104433862
Taxation Registration No.: Shen Shui Deng Zi 44030010001686X
Organisation Code: 10001686-X

II Summary of Accounting Data and Financial Indicators

2.1 Key Accounting Data and Financial Indicators

Operating Results

	January to June 2015	January to June 2014	Changes +/(-)%
	(in millions of RMB)		
Net operating income(1)	**104,381**	84,510	23.51
Profit before tax	**43,384**	40,265	7.75
Net profit attributable to the Bank's shareholders	**32,976**	30,459	8.26

Per Share

	January to June 2015	January to June 2014	Changes +/(-)%
	(RMB)		
Basic earnings attributable to the Bank's shareholders	**1.31**	1.21	8.26
Diluted earnings attributable to the Bank's shareholders	**1.31**	1.21	8.26
Period-end net assets attributable to the Bank's shareholders	**13.17**	11.34	16.14

Volume Indicators

	30 June 2015	31 December 2014	Changes +/(-)%
	(in millions of RMB)		
Total assets	**5,221,221**	4,731,829	10.34
of which: total loans and advances to customers	**2,646,157**	2,513,919	5.26
Total liabilities	**4,888,303**	4,416,769	10.68
of which: total deposits from customers	**3,441,792**	3,304,438	4.16
Total equity attributable to the Bank's shareholders	**332,075**	314,404	5.62

Note: (1) Net operating income is the sum of net interest income, net fee and commission income, other net income as well as the share of profits of associates and joint ventures.

2.2 Financial Ratios

	January to June 2015 (%)	January to December 2014 (%) (restated)[5]	January to June 2014 (%) (restated)	Changes over the corresponding period of the previous year +/(-)
Profitability indicators[1]				
Return on average assets (after tax) attributable to the Bank's shareholders	**1.33**	1.28	1.35	Decreased by 0.02 percentage point
Return on average equity (after tax) attributable to the Bank's shareholders	**20.40**	19.28	22.10	Decreased by 1.70 percentage points
Net interest spread	**2.60**	2.45	2.48	Increased by 0.12 percentage point
Net interest margin	**2.77**	2.64	2.68	Increased by 0.09 percentage point
As percentage of net operating income				
– Net interest income	**63.33**	70.38	66.47	Decreased by 3.14 percentage points
– Net non-interest income	**36.67**	29.62	33.53	Increased by 3.14 percentage points
Cost-to-income ratio (excluding business tax and surcharges, same as below)	**24.35**	30.42	26.70	Decreased by 2.35 percentage points

	30 June 2015 (%)	31 December 2014 (%)	30 June 2014 (%)	Changes over the end of the previous year +/(-)
Asset quality indicators				
Non-performing loan ratio	**1.50**	1.11	0.98	Increased by 0.39 percentage point
Allowance coverage ratio of non-performing loans[2]	**204.17**	233.42	251.29	Decreased by 29.25 percentage points
Allowance ratio of loans[3]	**3.06**	2.59	2.46	Increased by 0.47 percentage point
Capital adequacy indicators (weighted)[4]				
Tier 1 capital adequacy ratio	**9.67**	9.60	8.73	Increased by 0.07 percentage point
Capital adequacy ratio	**11.77**	11.74	10.89	Increased by 0.03 percentage point
Equity to total assets	**6.38**	6.66	5.69	Decreased by 0.28 percentage point

Notes: (1) The indicators were calculated on an annualised basis.

(2) Allowance coverage ratio of non-performing loans = allowances for impairment losses/balance of non-performing loans.

(3) Allowance ratio of loans = allowances for impairment losses/total loans and advances to customers.

(4) As at 30 June 2015, calculated in accordance with the advanced measurement approach set out in the "Capital Rules for Commercial Banks (Provisional)" issued by CBRC on 7 June 2012, the Group's capital adequacy ratio and Tier 1 capital adequacy ratio were 12.40% and 10.50%, respectively, up by 0.63 percentage point and 0.83 percentage point, respectively, as compared with those calculated by using the weighted approach.

(5) In 2015, the Group reclassified the income from credit card instalments under non-interest income to interest income, as such, financial indicators relating to net interest income and net non-interest income have been restated.

III Report of the Board of Directors

3.1 Analysis of Overall Operation

In the first half of 2015, the Group overcame various unfavourable factors, consistently promoted strategic transformation and maintained steady development, which were reflected mainly in the following aspects:

Profitability improved steadily. In the first half of 2015, the Group accomplished net profit attributable to its shareholders of RMB32.976 billion, representing an increase of RMB2.517 billion or 8.26% as compared to the same period of last year. The Group realised net interest income of RMB66.104 billion and net non-interest income of RMB38.277 billion, representing a year-on-year increase of RMB9.934 billion or 17.69%, and a year-on-year increase of RMB9.937 billion or 35.06% respectively. The annualised return on average asset (ROAA) and annualised return on average equity (ROAE) attributable to the shareholders of the Bank were 1.33% and 20.40%, respectively, decreasing by 0.02 percentage point and 1.70 percentage points from 1.35% and 22.10% for the corresponding period of 2014, respectively. Firstly, the expansion of asset volume brought about an increase in net interest income. Secondly, the vigorous development of intermediary business to satisfy the customers' rising needs for wealth management resulted in a rapid increase in net fee and commission income. Thirdly, the effectively refined allocation of operating expenses led to continuous decline in the cost-to-income ratio.

The scale of assets and liabilities expanded steadily. As at the end of June 2015, the Group's total assets amounted to RMB5,221.221 billion, representing an increase of RMB489.392 billion or 10.34%, as compared with the beginning of the year. The total loans and advances to customers amounted to RMB2,646.157 billion, representing an increase of RMB132.238 billion or 5.26%, as compared with the beginning of the year. The total deposits from customers amounted to RMB3,441.792 billion, representing an increase of RMB137.354 billion or 4.16%, as compared with the beginning of the year.

The non-performing assets increased while the allowance coverage ratio remained stable. As at the end of June 2015, the Group had a balance of non-performing loans of RMB39.615 billion, representing an increase of RMB11.698 billion as compared with the beginning of the year. The non-performing loan ratio was 1.50%, up by 0.39 percentage point as compared with the beginning of the year. The non-performing loan allowance coverage ratio was 204.17%, representing a decrease of 29.25 percentage points as compared with the beginning of the year.

3.2 Analysis of Income Statement

3.2.1 Financial highlights

	January to June 2015	January to June 2014 (restated)
	(in millions of RMB)	
Net interest income	**66,104**	56,170
Net fee and commission income	**31,097**	21,390
Other net income	**7,046**	6,857
Operating expenses	**(31,680)**	(27,762)
Provision for insurance claims	**(146)**	(163)
Share of profits of associates	**2**	2
Share of profits of joint ventures	**132**	91
Impairment losses on assets	**(29,171)**	(16,320)
Profit before tax	**43,384**	40,265
Income tax	**(10,215)**	(9,746)
Net profit	**33,169**	30,519
Net profit attributable to the Bank's shareholders	**32,976**	30,459

From January to June 2015, the Group realised a profit before tax of RMB43.384 billion, representing an increase of 7.75% as compared to the same period of last year. The effective income tax rate was 23.55%, representing a decrease of 0.65 percentage point as compared to the same period of last year.

3.2.2 Net operating income

From January to June 2015, the net operating income of the Group was RMB104.381 billion, representing an increase of 23.51% as compared to the same period of last year. The net interest income accounted for 63.33% of the total net operating income, representing a decrease of 3.14 percentage points as compared to the same period of last year; the net non-interest income accounted for 36.67% of the total net operating income, representing an increase of 3.14 percentage points as compared to the same period of last year.

The following table sets out the composition of the net operating income of the Group in the same period of the past 3 years.

	January to June 2015 (%)	January to June 2014 (%) (restated)	January to June 2013 (%) (restated)
Net interest income	**63.33**	66.47	75.39
Net fee and commission income	**29.79**	25.31	20.55
Other net income	**6.75**	8.11	4.02
Share of profits of associates and joint ventures	**0.13**	0.11	0.04
Total	**100.00**	100.00	100.00

3.2.3 Net interest income

From January to June 2015, the Group's net interest income amounted to RMB66.104 billion, representing an increase of 17.69% as compared to the same period of last year, which was mainly due to the increase in the volume of interest-earning assets.

The following table sets out the average balances of assets and liabilities, interest income/interest expense, and annualised average yield/cost of the Group during the period indicated. The average balances of interest-earning assets and interest-bearing liabilities are the average of the daily balances.

	January to June 2015			January to December 2014			January to June 2014		
	Average balance	**Interest Income**	**Annualised average yield (%)**	Average balance	Interest income (restated)	Average yield (%)	Average balance	Interest income (restated)	Annualised average yield (%)
				(in millions of RMB, except for percentages)					
Interest-earning assets									
Loans and advances	**2,616,200**	**80,712**	**6.22**	2,400,646	150,929	6.29	2,331,546	72,621	6.28
Investments	**1,069,862**	**23,249**	**4.38**	873,418	37,749	4.32	796,694	17,438	4.41
Balances with the central bank	**599,397**	**4,333**	**1.46**	563,026	8,318	1.48	540,385	4,011	1.50
Placements with banks and other financial institutions	**523,934**	**10,065**	**3.87**	603,612	31,040	5.14	560,636	14,519	5.22
Total	**4,809,393**	**118,359**	**4.96**	4,440,702	228,036	5.14	4,229,261	108,589	5.18

	January to June 2015			January to December 2014			January to June 2014		
	Average balance	Interest expense	Annualised average cost (%)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Annualised average cost (%)
	(in millions of RMB, except for percentages)								
Interest-bearing liabilities									
Deposits from customers	**3,262,174**	**32,176**	**1.99**	3,056,634	64,102	2.10	2,915,742	29,411	2.03
Placements from banks and other financial institutions	**1,018,914**	**16,382**	**3.24**	960,520	42,669	4.44	911,805	21,387	4.73
Issued debts	**149,158**	**3,259**	**4.41**	92,385	3,921	4.24	82,522	1,621	3.96
Borrowings from the central bank	**24,890**	**438**	**3.55**	4,000	142	3.55	–	–	–
Total	**4,455,136**	**52,255**	**2.36**	4,113,539	110,834	2.69	3,910,069	52,419	2.70
Net interest income	**/**	**66,104**	**/**	/	117,202	/	/	56,170	/
Net interest spread	**/**	**/**	**2.60**	/	/	2.45	/	/	2.48
Net interest margin	**/**	**/**	**2.77**	/	/	2.64	/	/	2.68

From January to June 2015, affected by the substantial decrease in the average cost of interest-bearing liabilities, net interest spread of the Group was 2.60%, up by 12 basis points as compared with the first half of 2014. The average yield of interest-earning assets was 4.96%, down by 22 basis points as compared with the first half of 2014 while the average cost of interest-bearing liabilities was 2.36%, down by 34 basis points as compared with the first half of 2014.

From January to June 2015, net interest margin of the Group was 2.77%, up by 9 basis points as compared with the first half of 2014.

The following table sets forth, for the period indicated, the breakdown of changes in interest income and interest expenses due to changes in volume and interest rate. Changes in volume are measured by changes in average balances (daily average balance), while changes in interest rate are measured by changes in average interest rate; changes in interest income and expense caused by changes in volume and interest rate together are accounted for as the changes incurred by volume.

	January to June 2015 compared with January to June 2014		
	Increase/(decrease) due to		Net increase/
	Volume	Interest rate	(decrease)
	(in millions of RMB)		
Assets			
Loans and advances	8,785	(694)	8,091
Investments	5,930	(119)	5,811
Balances with the central bank	429	(107)	322
Placements with banks and other financial institutions	(701)	(3,753)	(4,454)
Changes in interest income	14,443	(4,673)	9,770
Liabilities			
Deposits from customers	3,343	(578)	2,765
Placements from banks and other financial institutions	1,732	(6,737)	(5,005)
Issued debts	1,454	184	1,638
Borrowings from the central bank	438	–	438
Changes in interest expense	6,967	(7,131)	(164)
Changes in net interest income	7,476	2,458	9,934

The following table sets out the average balances of assets and liabilities, interest income/interest expense and annualised average yield/cost of the Group during the period indicated. The average balances of interest-earning assets and interest-bearing liabilities are the average of daily balances.

	January to March 2015			April to June 2015		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
	(in millions of RMB, except for percentages)					
Interest-earning assets						
Loans and advances	2,599,137	40,886	6.38	2,633,076	39,826	6.07
Investments	981,189	11,229	4.64	1,157,561	12,020	4.16
Balances with the central bank	600,862	2,185	1.47	597,949	2,148	1.44
Placements with banks and other financial institutions	484,469	5,419	4.54	562,965	4,646	3.31
Total	4,665,657	59,719	5.19	4,951,551	58,640	4.75

	January to March 2015			April to June 2015		
	Average balance	Interest expense	Annualised average cost (%)	Average balance	Interest expense	Annualised average cost (%)
	(in millions of RMB, except for percentages)					
Interest-bearing liabilities						
Deposits from customers	3,278,765	16,413	2.03	3,245,766	15,763	1.95
Placements from banks and other financial institutions	886,506	8,294	3.79	1,149,867	8,088	2.82
Issued debts	133,489	1,441	4.38	164,655	1,818	4.43
Borrowings from the central bank	20,833	182	3.54	28,902	256	3.55
Total	4,319,593	26,330	2.47	4,589,190	25,925	2.27
Net interest income	/	33,389	/	/	32,715	/
Net interest spread	/	/	2.72	/	/	2.48
Net interest margin	/	/	2.90	/	/	2.65

Affected by the decrease in interest rate, in the second quarter of 2015, net interest spread of the Group was 2.48%, down by 24 basis points as compared with the first quarter of 2015. The average yield of the interest-earning assets was 4.75%, down by 44 basis points as compared with the first quarter of 2015 while the average cost of interest-bearing liabilities was 2.27%, down by 20 basis points as compared with the first quarter of 2015.

In the second quarter of 2015, net interest margin of the Group was 2.65%, down by 25 basis points as compared with the first quarter of 2015.

3.2.4 Interest income

From January to June 2015, the Group recorded an interest income of RMB118.359 billion, an increase of 9.00% as compared to the same period of last year, mainly due to the increase in the scale of interest-earning assets. Interest income from loans and advances continued to constitute the majority of interest income of the Group.

Interest income from loans and advances

From January to June 2015, the interest income from loans and advances of the Group was RMB80.712 billion, representing an increase of RMB8.091 billion or 11.14% as compared to the same period of last year.

The following table sets forth, for the periods indicated, the average balance, the interest income and the annualised average yield of different types of loans and advances of the Group.

	January to June 2015			January to June 2014		
	Average balance	**Interest income**	**Annualised average yield (%)**	Average balance	Interest income (restated)	Annualised average yield (%)
	(in millions of RMB, except for percentages)					
Corporate loans	**1,488,803**	**40,777**	**5.52**	1,426,145	40,195	5.68
Retail loans	**1,028,466**	**37,579**	**7.37**	821,653	29,853	7.33
Discounted bills	**98,931**	**2,356**	**4.80**	83,748	2,573	6.20
Loans and advances	**2,616,200**	**80,712**	**6.22**	2,331,546	72,621	6.28

From January to June 2015, from the perspective of the terms of loans and advances of the Company, the average balance of short-term loans was RMB1,398.325 billion, with the interest income amounting to RMB46.507 billion, and the average yield reaching 6.71%; the average balance of medium to long-term loans was RMB984.786 billion, with the interest income amounting to RMB29.465 billion, and the average yield reaching 6.03%. The fact that the average yield of short-term loans was higher than that of medium to long-term loans is mainly because of the relatively high yield of credit card overdrafts and small and micro enterprise loans among short-term loans.

3.2.5 Interest expense

From January to June 2015, the interest expense of the Group was RMB52.255 billion, a decrease of RMB0.164 billion or 0.31% as compared with the corresponding period of the previous year, which was primarily attributable to the decrease in the average cost of interest-bearing liabilities.

Interest expense on deposits from customers

From January to June 2015, the Group's interest expense on deposits from customers increased by RMB32.176 billion or 9.40% as compared with the corresponding period of the previous year, which was primarily attributable to the increase in the average balance of deposits from customers as compared with the corresponding period of the previous year.

The following table sets forth, for the periods indicated, the average balance, the interest expense and the annualised average cost for deposits from corporate and retail customers of the Group.

	January to June 2015			January to June 2014		
	Average balance	Interest expense	Annualised average cost (%)	Average balance	Interest expense	Annualised average cost (%)
	(in millions of RMB, except for percentages)					
Deposits from corporate customers						
Demand	947,508	3,143	0.67	836,446	2,922	0.70
Time	1,232,761	21,297	3.48	1,087,032	18,571	3.45
Subtotal	**2,180,269**	**24,440**	**2.26**	1,923,478	21,493	2.25
Deposits from retail customers						
Demand	660,591	1,429	0.44	571,000	1,384	0.49
Time	421,314	6,307	3.02	421,264	6,534	3.13
Subtotal	**1,081,905**	**7,736**	**1.44**	992,264	7,918	1.61
Total deposits from customers	**3,262,174**	**32,176**	**1.99**	2,915,742	29,411	2.03

3.2.6 Net non-interest income

From January to June 2015, the Group recorded net non-interest income of RMB38.277 billion, representing an increase of RMB9.937 billion or 35.06% as compared with the corresponding period of the previous year. Specifically, the net non-interest income from retail finance amounted to RMB16.102 billion, an increase of 95.77% over the corresponding period of the previous year, accounting for 42.07% of the Group's net non-interest income; the net non-interest income from corporate finance amounted to RMB10.060 billion, a decrease of 3.92% over the corresponding period of the previous year, accounting for 26.28% of the Group's net non-interest income. The net non-interest income from financial institutions finance amounted to RMB8.796 billion, an increase of 35.07% over the corresponding period of the previous year, accounting for 22.98% of the Group's net non-interest income. The net non-interest income from other businesses amounted to RMB3.319 billion, an increase of 5.94% over the corresponding period of the previous year, accounting for 8.67% of the Group's net non-interest income. The following table sets forth, for the periods indicated, the principal components of net non-interest income of the Group.

	January to June 2015	January to June 2014 (restated)
	(in millions of RMB)	
Fee and commission income	**33,240**	23,023
Less: Fee and commission expense	**(2,143)**	(1,633)
Net fee and commission income	**31,097**	21,390
Other net non-interest income	**7,180**	6,950
Total net non-interest income	**38,277**	28,340

3.2.7 Net fee and commission income

From January to June of 2015, net fee and commission income of the Group increased by RMB9.707 billion or 45.38% as compared with that for the corresponding period of the previous year, which was primarily attributable to the increase in the commissions from custody and other trustee businesses and agency services fees.

The following table sets forth, for the periods indicated, the principal components of net fee and commission income of the Group.

	January to June of 2015	January to June of 2014 (restated)
	(in millions of RMB))	
Fee and commission income	**33,240**	23,023
Bank card fees	**4,492**	3,352
Settlement and clearing fees	**1,980**	2,232
Agency services fees	**8,791**	3,302
Commissions from credit commitment and loan business	**2,565**	2,524
Commissions from custody and other trustee businesses	**10,552**	6,697
Others	**4,860**	4,916
Fee and commission expense	**(2,143)**	(1,633)
Fee and net commission income	**31,097**	21,390

Bank card fees increased by RMB1.140 billion or 34.01% as compared with those for the corresponding period of the previous year, which was primarily attributable to the rapid increase in POS income.

Settlement and clearing fees decreased by RMB252 million or 11.29% as compared with those for the corresponding period of the previous year, which was primarily attributable to the decrease in the settlement income of letter of credit.

Agency services fees increased by RMB5.489 billion or 166.23% as compared with those for the corresponding period of the previous year, which was primarily attributable to the active capital market and the rapid growth of funds-distribution business in the first half of 2015.

Commissions from credit commitment and loan business increased by RMB41 million or 1.62% as compared with those for the corresponding period of the previous year.

Commissions from custody and other trustee businesses increased by RMB3.855 billion or 57.56% as compared with those for the corresponding period of the previous year, which was primarily attributable to the rapid growth in the income from wealth management business such as entrusted wealth management products which amounted to RMB4.870 billion, representing an increase of RMB1.530 billion as compared with that for the corresponding period of the previous year.

Other fee and commission income decreased by RMB56 million or 1.14% as compared with that for the corresponding period of the previous year.

3.2.8 Other net income

From January to June of 2015, other net income of the Group amounted to RMB7.046 billion, representing an increase of RMB189 million or 2.76% as compared with that for the corresponding period of the previous year.

The following table sets forth, for the periods indicated, the principal components of other net income of the Group.

	January to June of 2015	January to June of 2014
	(in millions of RMB)	
Net trading profit/(loss)		
– Foreign exchange	**323**	2,130
– Securities, derivatives and other trading activities	**1,357**	325
Net losses or gains on financial instruments designated at fair value through profit or loss	**(65)**	(417)
Net gains/(losses) on the sale of available-for-sale financial assets	**451**	45
Gains on investment in funds	**46**	10
Rental income on assets under operating lease	**329**	208
Bills spread income	**4,331**	3,323
Insurance operating income	**234**	229
Net (losses)/gains on trading of precious metal	**(86)**	885
Others	**126**	119
Other net income in total	**7,046**	6,857

3.2.9 Operating expenses

From January to June of 2015, operating expenses of the Group stood at RMB31.680 billion, representing an increase of 14.11% as compared with that for the corresponding period of the previous year, which was lower than that of net operating income in the corresponding period of the previous year. The cost-to-income ratio was 24.35%, representing a decrease of 2.35 percentage points as compared with that for the corresponding period of the previous year.

The following table sets forth, for the periods indicated, the principal components of the operating expenses of the Group.

	January to June of 2015	January to June of 2014
	(in millions of RMB)	
Staff costs	**15,912**	14,375
Business tax and surcharges	**6,266**	5,201
Depreciation of fixed assets and investment properties	**1,943**	1,759
Rental expenses	**1,861**	1,568
Other general and administrative expenses	**5,698**	4,859
Total operating expenses	**31,680**	27,762

3.2.10 Impairment losses on assets

From January to June of 2015, impairment losses on assets of the Group were RMB29.171 billion, representing an increase of 78.74% as compared with those for the corresponding period of the previous year.

The following table sets forth, for the periods indicated, the principal components of impairment losses on the assets of the Group.

	January to June of 2015 (in millions of RMB)	January to June of 2014
Assets impairment charged/(released) on		
– Loans and advances	**29,026**	16,345
– Others	**145**	(25)
Total impairment losses on assets	**29,171**	16,320

Impairment losses on loans constituted the largest proportion of impairment losses on assets. In the first half of 2015, impairment losses on loans were RMB29.026 billion, representing an increase of 77.58% as compared with those for the corresponding period of the previous year, which was mainly due to the increased provision for deteriorated assets and the additional provision for the heightened credit risks associated with overcapacity industries amidst economic downturn. For details of the provision for impairment losses on loans, please refer to the section headed "Analysis of Loan Quality" in this chapter.

3.3 Analysis of Balance Sheet

3.3.1 Assets

As at 30 June 2015, total assets of the Group amounted to RMB5,221.221 billion, representing an increase of 10.34% as compared with those at the end of 2014, which was mainly attributable to the increase in the financial assets purchased under repurchase agreements, investments in securities and other financial assets, loans and advances of the Group.

The following table sets forth, as at the dates indicated, the components of the total assets of the Group.

	30 June 2015		31 December 2014	
	Amount	**Percentage of the total (%)**	Amount	Percentage of the total (%)
	(In millions of RMB, excluding percentages)			
Total loans and advances to customers	**2,646,157**	**50.68**	2,513,919	53.13
Provision for impairment losses on loans	**(80,880)**	**(1.55)**	(65,165)	(1.38)
Net loans and advances to customers	**2,565,277**	**49.13**	2,448,754	51.75
Investments	**1,312,712**	**25.14**	996,217	21.05
Cash, precious metal and balances with the central bank	**643,904**	**12.33**	670,007	14.16
Balances with banks and other financial institutions	**61,508**	**1.18**	55,986	1.18
Inter-bank lending and financial assets purchased under repurchase agreements	**531,943**	**10.19**	469,065	9.91
Interest receivable	**25,692**	**0.49**	23,560	0.50
Investment in associates and joint ventures	**2,650**	**0.05**	1,484	0.03
Fixed assets	**29,504**	**0.57**	27,445	0.58
Investment properties	**1,715**	**0.04**	1,684	0.04
Intangible assets	**3,235**	**0.06**	3,292	0.07
Deferred tax assets	**16,282**	**0.31**	10,291	0.22
Goodwill	**9,954**	**0.19**	9,953	0.21
Other assets	**16,845**	**0.32**	14,091	0.30
Total assets	**5,221,221**	**100.00**	4,731,829	100.00

3.3.1.1 Loans and advances

As at 30 June 2015, total loans and advances of the Group amounted to RMB2,646.157 billion, representing an increase of 5.26% over the end of the previous year; total loans and advances accounted for 50.68% of the total assets, representing a decrease of 2.45 percentage points as compared with that at the end of the previous year.

The distribution of loans classified by product type

The following table sets forth, as at the dates indicated, the loans and advances to customers of the Group by product type.

	30 June 2015		31 December 2014	
	Amount	**Percentage of the total (%)**	Amount	Percentage of the total (%)
	(In millions of RMB, excluding percentages)			
Corporate loans	**1,465,069**	**55.36**	1,467,585	58.38
Discounted bills	**107,892**	**4.08**	75,007	2.98
Retail loans	**1,073,196**	**40.56**	971,327	38.64
Total loans and advances to customers	**2,646,157**	**100.00**	2,513,919	100.00

Corporate loans

As at 30 June 2015, the Group's total corporate loans amounted to RMB1,465.069 billion, representing a decrease of 0.17% as compared with that at the end of the previous year. Total corporate loans accounted for 55.36% of total loans and advances to customers, representing a decrease of 3.02 percentage points as compared with that at the end of the previous year. In the first half of 2015, the Group supported the development of the real economy, satisfied the diversified financing demand of customers, and promoted the optimisation of corporate loan structure while taking into account the adjustment in total amount and structure of its loans.

Discounted bills

As at 30 June 2015, discounted bills amounted to RMB107.892 billion, representing an increase of 43.84% as compared with the end of the previous year. The Group vigorously expanded its discounted bills business featuring low risk and low capital consumption. Based on the timeline of granting loans, the Group made flexible adjustments to the scale of bills financing and took various measures including optimisation of structure, centralisation of operation, acceleration of circulation and increase in volume to increase the overall return on bill assets.

Retail loans

As at 30 June 2015, retail loans amounted to RMB1,073.196 billion, representing an increase of 10.49% as compared with that at the end of the previous year; and retail loans accounted for 40.56% of total loans and advances, up by 1.92 percentage points as compared with that at the end of the previous year. To consistently implement its operation strategy of "Asset-light Banking", the Group reinforced its retail customer base of micro enterprises, increased residential mortgage loans and credit card loans while adapting to changes in market situation.

3.3.1.2 Investments

Investments

Investment securities and other financial assets of the Group were composed of listed and unlisted securities denominated in Renminbi and foreign currencies, including financial assets designated at fair value through profit or loss, derivative financial assets, available-for-sale financial assets, held to-maturity investments and investment receivables.

The following table sets forth the components of investment portfolios of the Group according to accounting classification.

	30 June 2015		31 December 2014	
	Amount	**Percentage of the total (%)**	Amount	Percentage of the total (%)
	(in millions of RMB, except for percentages)			
Financial assets held for trading	**44,530**	**3.39**	33,022	3.31
Financial assets designated at fair value through profit or loss	**7,571**	**0.58**	7,168	0.72
Derivative financial assets	**7,428**	**0.57**	9,315	0.94
Available-for-sale financial assets	**272,809**	**20.78**	278,526	27.96
Held-to-maturity investments	**299,230**	**22.79**	259,434	26.04
Investment receivables	**681,144**	**51.89**	408,752	41.03
Total investments	**1,312,712**	**100.00**	996,217	100.00

Financial assets held for trading

As at 30 June 2015, the net value of financial assets held for trading of the Group was RMB44.530 billion, representing an increase of RMB11.508 billion or 34.85% as compared with that at the end of 2014. Such investments were made mainly to seize the opportunities of transactions in the bond market.

In the first half of 2015, China's macro-economy and inflation continued to bottom out, and a pickup in the issuance of new shares and the replacement of local debts posed some impact on short-term liquidity and medium and long-term allocation demands. Under this situation, the central bank lowered the deposit reserve ratio and the lending benchmark interest rates appropriately to replenish market liquidity. The interbank market interest rates showed such divergence that the interest rates of short and medium-term notes dropped significantly, while those of long-term bonds fluctuated within a large range. Based on its intensified market research, the Group adopted the aggressive trading strategy in line with market situation. The Group proactively used its long-term bonds and interest rate derivatives to buy low and sell high while expanding the trading of short and medium-term bonds, thereby achieving relatively better trading revenue.

The following table sets forth the components of the portfolio of financial assets held for trading of the Group.

	30 June 2015	31 December 2014
	(in millions of RMB)	
Bonds issued by the PRC government	**3,782**	5,351
Bonds issued by policy banks	**11,475**	6,165
Bonds issued by commercial banks and other financial institutions	**7,911**	6,458
Others(note)	**21,362**	15,048
Total Financial assets held for trading	**44,530**	33,022

Note: including other bonds, equity investments and fund investments.

Financial assets designated at fair value through profit or loss

The following table sets forth the components of the portfolio of financial assets designated at fair value through profit or loss of the Group.

	30 June 2015	31 December 2014
	(in millions of RMB)	
Bonds issued by the PRC government	**305**	299
Bonds issued by policy banks	**3,843**	3,970
Bonds issued by commercial banks and other financial institutions	**962**	766
Other bonds	**2,461**	2,133
Total financial assets designated at fair value through profit or loss	**7,571**	7,168

Available-for-sale financial assets

As at 30 June 2015, the net value of available-for-sale financial assets of the Group was RMB272.809 billion, representing a decrease of RMB5.717 billion or 2.05% as compared with that at the end of 2014. The investment in this category was made mainly due to the need for allocation of assets and liabilities and improvement in operating performance.

In the first half of 2015, in order to stabilise economic growth and lower the financing cost for real economy, the central bank announced several cuts in the deposit reserve ratios and the benchmark loan rates, and adjusted market liquidity by using such monetary policy tools as MLF and PSL since the beginning of the year, leading to improvement in the inter-bank market liquidity as compared with 2014. In response to the market trends, the Group took opportunities to increase its investments primarily in interest-bearing bonds and bonds with high credit ratings, and moderately extended bond duration. As a result, the Company optimised its assets and liabilities structure.

The following table sets forth the components of the portfolio of the available-for-sale financial assets of the Group.

	30 June 2015	31 December 2014
	(in millions of RMB)	
Bonds issued by the PRC government	**88,584**	77,265
Bonds issued by the People's Bank of China (the "PBOC")	**–**	99
Bonds issued by policy banks	**70,291**	91,223
Bonds issued by commercial banks and other financial institutions	**39,763**	34,190
Other bonds	**71,421**	73,828
Equity investments	**2,492**	2,215
Fund investments	**884**	317
Total available-for-sale financial assets	**273,435**	279,137
Less: Impairment allowances	**(626)**	(611)
Net available-for-sale financial assets	**272,809**	278,526

Held-to-maturity investments

As at 30 June 2015, the net amount of held-to-maturity investments of the Group was RMB299.230 billion, representing an increase of RMB39.796 billion or 15.34% as compared with the end of the previous year. Held-to-maturity investments are held on a long term basis for the strategic purpose of the Group. Given the generally volatile capital market in the first half of the year, the Group moderately extended the duration of investment portfolios based on the requirements for the interest rate risk management of bank accounts and liquidity risk management, and purchased more medium to long-term bonds bearing fixed interest rates when their yields were at a higher level. Such purchases focused on the bonds issued by the PRC government, policy banks, local governments and commercial banks which led to a faster growth in such investments.

The following table sets forth the components of held-to-maturity investments of the Group.

	30 June 2015	31 December 2014
	(in millions of RMB)	
Bonds issued by the PRC government	**134,042**	109,919
Bonds issued by policy banks	**146,298**	133,197
Bonds issued by commercial banks and other financial institutions	**11,165**	9,410
Other bonds	**7,796**	6,979
Total held-to-maturity investments	**299,301**	259,505
Less: Impairment allowances	**(71)**	(71)
Net held-to-maturity investments	**299,230**	259,434

Investment receivables

Investment receivables are unlisted PRC certificated bonds and other investments in the debt securities held by the Group, which are not publicly quoted in China or overseas. As at 30 June 2015, the Group's net investment receivables amounted to RMB681.144 billion, representing an increase of RMB272.392 billion as compared with that at the end of 2014, mainly due to the increased investment in the trust beneficiary rights and the insurance asset management plan.

The following table sets forth the composition of the Group's investment receivables.

	30 June 2015	31 December 2014
	(in millions of RMB)	
Standard investment in debt securities		
Bonds issued by the PRC government	**839**	594
Bonds issued by commercial banks and other financial institutions	**12,791**	21,229
Other bonds	**19,974**	21,335
Non-standard investment in debt securities		
Credit		
– Insurance Asset Management Plan	**–**	–
– Trust Beneficiary Rights and others	**261,046**	239,121
Non-credit		
– Insurance Asset Management Plan	**86,455**	56,330
– Trust Beneficiary Rights and others	**300,169**	70,211
Total investment receivables	**681,274**	408,820
Less: Provision for impairment losses	**(130)**	(68)
Net investment receivables	**681,144**	408,752

Carrying value and market value

All bond investments classified as financial assets designated at fair value through profit or loss and available-for-sale investments were stated at market value or fair value. Due to the lack of a mature trading market for the investment receivables in the Group's investment portfolio and as the Group expected to recover the carrying value upon their maturity, the Group has not made any assessment on their market value or fair value herein.

The following table sets forth, as at the dates indicated, the carrying value and market value of the held-to-maturity listed investments in our investment portfolio.

	30 June 2015		31 December 2014	
	Carrying value	Market/fair value	Carrying value	Market/fair value
	(in millions of RMB)			
Held-to-maturity listed investments	**297,721**	**303,329**	256,074	261,326

Securities investments

Stock code	Name	Currency	Initial investment ('000)	Shareholdings at end of period (shares)	Carrying value at end of period ('000)	Percentage of total Investments at end of period (%)	Profits/(losses) for the reporting period ('000)
USY39656AA40	Industrial and Commercial Bank of China	USD	100,000	N/A	104,003	44.44	2,320
00388.HK	Hong Kong Exchanges and Clearing Ltd.	HK$	14,700	1,038,512	283,962	15.65	–
WLGF II	Wing Lung Growth Fund	RMB	127,000	N/A	127,000	8.74	–
V	Visa Inc	USD	2,049	217,444	13,573	5.80	–
03988.HK	Bank of China Ltd.	HK$	46,932	15,182,000	76,214	4.20	–
01288.HK	Agricultural Bank of China Ltd.	HK$	32,323	10,000,000	41,800	2.30	–
02388.HK	BOC Hong Kong (Holdings) Limited	HK$	16,265	1,077,000	34,787	1.92	–
00941.HK	China Mobile Ltd.	HK$	24,726	319,500	31,694	1.75	–
MA	Master Card	USD	–	38,400	3,589	1.53	–
02778.HK	Champion Real Estate Investment Trust	HK$	31,755	6,164	26,135	1.44	–
Other securities investments at the end of the period		HK$	167,667	N/A	206,830	11.40	(14,064)
Other securities investments at the end of the period		USD	2,500	N/A	1,941	0.83	–

Notes: 1. The above table ranked the securities according to their carrying values at the end of the period to show the top 10 holdings.

2. Other securities investments referred to those other than the top 10 holdings.

Analysis on investments in foreign currency bonds

As at 30 June 2015, the Group had a balance of investments in foreign currency bonds of USD6.297 billion, among which USD3.471 billion was held by the Company and USD2.826 billion was held by Wing Lung Group.

As at 30 June 2015, the investments in foreign currency bonds held by the Company were categorised by issuer as follows: 36.44% of the foreign currency bonds were issued by the PRC government and Chinese companies; 23.29% by overseas governments and institutions; 15.25% by overseas financial institutions and 25.02% by overseas non-financial companies. The Company has made a provision for impairment losses of USD92 million for its investments in foreign currency bonds, and the floating valuation gains of the investment in foreign currency bonds was USD48 million.

Companies in which the Company holds controlling interests and other Investee companies

Shareholdings in non-listed financial companies

Name of companies	Initial Investment ('000)	Shareholding percentage at beginning of period (%)	Shareholding percentage at end of period (%)	Carrying value at end of period ('000)	Profits/ (losses) for the reporting period[1] ('000)	Change in owners' equity for the reporting period ('000)	Origination of shares
Wing Lung Bank Ltd.	32,081,937	100.00	100.00	30,313,858	1,313,347	1,367,167	Equity investment
CMB International Capital Corporation Ltd.	855,545	100.00	100.00	855,545	204,413	208,174	Ownership upon establishment by promotion
CMB Financial Leasing Co., Ltd.	6,000,000	100.00	100.00	6,000,000	745,362	745,295	Ownership upon establishment by promotion
China Merchants Fund Management Co., Ltd	708,193	55.00	55.00	882,274	163,203	234,816	Equity investment
CIGNA & CMB Life Insurance Co., Ltd.	646,443	50.00	50.00	1,343,157	108,717	114,471	Equity investment
Taizhou Bank Co., Ltd.	306,671	10.00	10.00	345,708	120,600	–	Equity investment
China UnionPay Co., Ltd.	155,000	3.75	3.75	155,000	4,000	1,722	Equity investment
EPS Company (Hong Kong) Ltd.	HK$8,400	2.10	2.10	HK$8,400	HK$1,250	–	Equity investment
Yantai City Commercial Bank Corporation Ltd.	189,620	3.77	3.77	149,700	–	–	Equity investment
Bank Consortium Holdings Ltd.	HK$20,000	13.33	13.33	HK$77,841	HK$11,578	HK$46	Equity investment
Joint Electronic Teller Services Ltd.	HK$2,000	20.00	20.00	HK$8,821	HK$310	–	Equity investment
Hong Kong Life Insurance Ltd.	HK$70,000	16.67	16.67	HK$107,445	HK$8,381	HK$2,563	Equity investment
BC Reinsurance Ltd.	HK$21,000	21.00	21.00	HK$84,009	HK$21,528	–	Equity investment
Professional Liability Underwriting Services Ltd.	HK$810	27.00	27.00	HK$3,257	HK$536	HK$(10)	Equity investment
CMB-China Unicom Consumption Finance Co., Ltd.	1,000,000	N/A	50.00	981,141	(8,852)	–	Equity investment
I-Tech Solutions Limited	HK$3,000	50.00	50.00	HK$2,902	HK$25	–	Equity investment
Hong Kong Precious Metals Exchange Ltd.	HK$136	0.35	0.35	HK$136	–	–	Equity investment
AR Consultant Service Ltd.	HK$4,023	8.70	8.70	HK$10,661	–	HK$2,681	Equity investment
Luen Fung Hang Life Ltd.	MOP6,000	6.00	6.00	MOP6,000	–	–	Equity investment
China Insurance Brokers Co., Ltd.	HK$570	3.00	3.00	–	–	–	Equity investment

Note: (1) Profits/(losses) for the reporting period indicate the impact on the consolidated net profits of the Group for the reporting period.

Derivative financial instruments

As at 30 June 2015, the major categories and amount of derivative financial instruments held by the Group were shown in the following table. For details of derivative financial instruments, please refer to Note 34(b) to the financial statements "Off-balance-sheet risk items – Use of derivatives".

	30 June 2015			31 December 2014		
	Notional amount	**Fair value**		Notional amount	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
	(in millions of RMB)					
Interest rate derivatives	**632,697**	**899**	**(745)**	360,545	420	(629)
Currency derivatives	**935,764**	**6,513**	**(6,992)**	1,020,501	8,879	(9,615)
Other derivatives	**635**	**16**	**(6)**	1,039	16	(2)
Total	**1,569,096**	**7,428**	**(7,743)**	1,382,085	9,315	(10,246)

In the first half of 2015, the RMB derivatives market developed rapidly along with the progress of reform in the interest rate and exchange rate regime. The Group actively seized opportunities arising from interest rate fluctuations on the inter-bank market to aggressively increase the proprietary trading in interest rate derivatives such as interest rate swaps, to capture a bigger market share in the interest rate derivative market and to generate more income from such trading activities. Meanwhile, by capitalising on the slowdown of USD appreciation and the narrowing of RMB exchange rate fluctuation, the Group actively seized market opportunities brought about by the fluctuation of RMB foreign exchange swap transactions and option transactions, thereby aggressively increasing the proprietary trading in derivatives, significantly expanding our market share in the foreign exchange derivatives trading market, and eventually generating considerable income from such trading activities.

3.3.1.3 Goodwill

As at 30 June 2015, the Group had a balance of provision for impairment losses on goodwill of RMB579 million and the carrying value of goodwill was RMB9.954 billion.

3.3.2 Liabilities

As at 30 June 2015, total liabilities of the Group amounted to RMB4,888.303 billion, representing an increase of 10.68% as compared with that at the end of 2014, which was primarily due to the steady growth in deposits from banks and other financial institutions, disposal of financial assets repurchased and deposits from customers.

The following table sets forth, as at the dates indicated, the components of total liabilities of the Group.

	30 June 2015		31 December 2014	
	Amount	**Percentage of the total (%)**	Amount	Percentage of the total (%)
	(in millions of RMB, except for percentages)			
Deposits from customers	**3,441,792**	**70.41**	3,304,438	74.82
Deposits from banks and other financial institutions	**880,796**	**18.02**	697,448	15.79
Borrowings from the central bank	**25,000**	**0.51**	20,000	0.45
Placements from banks and other financial institutions	**93,796**	**1.92**	94,603	2.14
Financial liabilities designated at fair value through profit or loss	**14,030**	**0.29**	13,369	0.30
Derivative financial liabilities	**7,743**	**0.16**	10,246	0.23
Proceeds from disposal of financial assets repurchased	**122,190**	**2.50**	66,988	1.52
Accrued payroll	**9,417**	**0.19**	6,068	0.14
Taxes payable	**14,909**	**0.30**	11,656	0.26
Interest payable	**38,696**	**0.79**	45,349	1.03
Bonds payable	**162,156**	**3.32**	106,155	2.40
Deferred income tax liabilities	**750**	**0.01**	771	0.02
Other liabilities	**77,028**	**1.58**	39,678	0.90
Total liabilities	**4,888,303**	**100.00**	4,416,769	100.00

Deposits from customers

As at 30 June 2015, total deposits from customers of the Group amounted to RMB3,441.792 billion, representing an increase of 4.16% as compared with the end of 2014. Deposits from customers accounted for 70.41% of the total liabilities of the Group and were the major funding source of the Group.

The following table sets forth, as at the dates indicated, the deposits from customers of the Group by product type and customer type.

	30 June 2015		31 December 2014	
	Amount	Percentage of the total (%)	Amount	Percentage of the total (%)
	(in millions of RMB, except for percentages)			
Deposits from corporate customers				
Demand	**1,088,956**	**31.64**	973,646	29.46
Time	**1,217,390**	**35.37**	1,237,765	37.46
Subtotal	**2,306,346**	**67.01**	2,211,411	66.92
Deposits from retail customers				
Demand	**734,168**	**21.33**	644,836	19.52
Time	**401,278**	**11.66**	448,191	13.56
Subtotal	**1,135,446**	**32.99**	1,093,027	33.08
Total deposits from customers	**3,441,792**	**100.00**	3,304,438	100.00

In the first half of 2015, affected by the active capital market, retail customers continued to transfer their deposits to investments. As at 30 June 2015, the percentage of retail deposits to total deposits from customers of the Group was 32.99%, representing a decrease of 0.09 percentage point as compared with the end of 2014.

As at 30 June 2015, the percentage of demand deposits to total deposits from customers of the Group was 52.97%, representing an increase of 3.99 percentage points as compared with the end of 2014. Among the figures, the corporate demand deposits accounted for 47.22% of the corporate deposits, representing an increase of 3.19 percentage points as compared with that at the end of 2014, and the retail demand deposits accounted for 64.66% of the retail deposits, representing an increase of 5.66 percentage points as compared with that at the end of 2014.

3.3.3 Shareholders' equity

	30 June 2015	31 December 2014
	(in millions of RMB)	
Share capital	**25,220**	25,220
Capital reserve	**67,523**	67,523
Investment revaluation reserve	**3,209**	1,902
Hedging reserve	**108**	(163)
Surplus reserve	**28,690**	28,690
Regulatory general reserve	**53,981**	53,979
Retained profits	**154,615**	121,665
Proposed profit appropriations	**–**	16,897
Difference arising from converting financial statements denominated in foreign currency	**(1,271)**	(1,309)
Total equity attributable to the shareholders of the Company	**332,075**	314,404
Minority shareholders' equity	**843**	656
Total shareholders' equity	**332,918**	315,060

3.3.4 Market share of deposit and lending businesses

According to the Statements of Incomes and Expenditures Relating to Lendings by Financial Institutions published by the PBOC in June 2015, the market share and ranking of the Bank among the 31 national small- and medium-sized banks in terms of total loans and deposits as at the end of the reporting period are as follows:

Items (expressed in RMB)	Market share (%)	Ranking
Total deposits	7.40	1
Total personal deposits	6.29	1
Total loans	6.53	2
Total personal loans	11.30	1

Note: From 2010, the PBOC had applied new classifications for all financial institutions in the PRC based on their total assets in preparing the Statements of Incomes and Expenditures Relating to Lendings by Financial Institutions, being large-sized banks, national small-and medium-sized banks, and local small-and medium-sized banks, etc. The national small-and medium-sized banks are China Merchants Bank, Agricultural Development Bank, Export-Import Bank, China Citic Bank, Shanghai Pudong Development Bank, China Minsheng Bank, China Everbright Bank, Industrial Bank, Huaxia Bank, Guangdong Development Bank, Evergrowing Bank, China Zheshang Bank, Bohai Bank, Bank of Beijing, Bank of Tianjin, Baoshang Bank, Shengjing Bank, Bank of Dalian, Bank of Jinzhou, Harbin Bank, Bank of Shanghai, Bank of Nanjing, Bank of Jiangsu, Bank of Ningbo, Bank of Hangzhou, Chouzhou Bank, Jinan Bank, Weihai Bank, Linshang Bank, Ping An Bank, and Bank of Chongqing.

3.4 Analysis of Loan Quality

During the reporting period, the Group saw reasonable growth in the volume of its credit assets, an increase in its non-performing assets and a healthy allowance coverage. As at 30 June 2015, total loans and advances to customers of the Group were RMB2,646.157 billion, representing an increase of 5.26% as compared with the end of the previous year; the non-performing loan ratio was 1.50%, 0.39 percentage point up from the end of the previous year; whereas the non-performing loan allowance coverage ratio was 204.17%, representing a decrease of 29.25 percentage points as compared with the end of the previous year; the loan allowance ratio was 3.06%, representing an increase of 0.47 percentage point as compared with the end of the previous year.

3.4.1 Distribution of loans by 5-tier loan classification

The following table sets forth the 5-tier loan classification of the Group as at the dates indicated.

	30 June 2015		31 December 2014	
	Amount	**Percentage of the total (%)**	Amount	Percentage of the total (%)
	(in millions of RMB, except for percentages)			
Normal	**2,542,454**	**96.08**	2,439,368	97.03
Special mention	**64,088**	**2.42**	46,634	1.86
Substandard	**28,129**	**1.07**	17,343	0.69
Doubtful	**8,536**	**0.32**	7,580	0.30
Loss	**2,950**	**0.11**	2,994	0.12
Total loans and advances to customers	**2,646,157**	**100.00**	2,513,919	100.00
Total non-performing loans	**39,615**	**1.50**	27,917	1.11

Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans. Affected by the slowdown in economy, the non-performing loans and special mention loans of the Group increased accordingly. As at the end of the reporting period, total non-performing loans of the Group amounted to RMB39.615 billion, representing an increase of 41.90% as compared with the end of the previous year. Specifically, the increase in non-performing loans was driven mainly by substandard loans. During the reporting period, the proportion of substandard loans increased by 0.38 percentage point to 1.07%; the proportion of loss loans decreased by 0.01 percentage point as compared with the end of the previous year as a result of write-offs. As at the end of the reporting period, the special mention loans amounted to RMB64.088 billion, accounting for 2.42% of the total loans, and representing an increase of 0.56 percentage point over the end of the previous year.

3.4.2 Distribution of loans and non-performing loans by product type

	30 June 2015				31 December 2014			
	Loan balance	Percentage of the total (%)	Non-performing loans	Non-performing loan ratio (%)(1)	Loan balance	Percentage of the total (%)	Non-performing loans	Non-performing loan ratio (%)(1)
	(in millions of RMB, except for percentages)							
Corporate loans	**1,465,069**	**55.36**	**29,471**	**2.01**	1,467,585	58.38	20,466	1.39
Working capital loans	**752,427**	**28.43**	**16,759**	**2.23**	762,925	30.35	12,574	1.65
Fixed asset loans	**344,333**	**13.01**	**2,523**	**0.73**	350,416	13.94	1,324	0.38
Trade finance	**230,239**	**8.70**	**2,908**	**1.26**	231,298	9.20	2,106	0.91
Others(2)	**138,070**	**5.22**	**7,281**	**5.27**	122,946	4.89	4,462	3.63
Discounted bills(3)	**107,892**	**4.08**	**–**	**–**	75,007	2.98	–	–
Retail loans	**1,073,196**	**40.56**	**10,144**	**0.95**	971,327	38.64	7,451	0.77
Residential mortgage loans	**408,688**	**15.44**	**1,374**	**0.34**	329,178	13.09	871	0.26
Micro enterprise loans	**331,493**	**12.53**	**4,424**	**1.33**	338,813	13.48	3,612	1.07
Credit card loans	**245,534**	**9.28**	**2,989**	**1.22**	219,888	8.75	2,069	0.94
Others(4)	**87,481**	**3.31**	**1,357**	**1.55**	83,448	3.32	899	1.08
Total loans and advances to customers	**2,646,157**	**100.00**	**39,615**	**1.50**	2,513,919	100.00	27,917	1.11

Notes: (1) Represents the percentage of non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of other corporate loans such as financial leasing, merger and acquisition loans and corporate mortgage loans.

(3) The Company will transfer its overdue discounted bills to corporate loans for accounting purposes.

(4) Consists primarily of general consumption loans, commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

In 2015, the Group steadily developed its retail business, increased credit card loans and residential mortgage loans, and adjusted the structure of micro enterprise loans. As a result, the percentage of retail loans increased by 1.92 percentage points to 40.56%. As the repayment ability of certain individual borrowers deteriorated due to economic downturn, the ratio of non-performing retail loans was 0.95%, up by 0.18 percentage point as compared with the end of the previous year.

Since the Group further optimised its corporate loan portfolio and vigorously promoted the development of strategic businesses such as M&A finance, cross-border finance and supply chain finance, the proportion of corporate loans for the reporting period decreased by 3.02 percentage points as compared with the end of the previous year. Affected by the previous economic incentive policies in the PRC, the non-performing corporate loan ratio of the Group increased accordingly. As at the end of the reporting period, the ratio of non-performing corporate loans was 2.01%, up by 0.62 percentage point as compared with the end of the previous year, among which, the increase of non-performing loans included in "Others" category was mainly due to the deterioration in repayment ability of certain major customers.

3.4.3 Distribution of loans and non-performing loans by industry

	30 June 2015				31 December 2014			
	Loan balance	Percentage of the total (%)	Non-performing loans	Non-performing loan ratio (%)(1)	Loan balance	Percentage of the total (%)	Non-performing loans	Non-performing loan ratio (%)(1)
	(in millions of RMB, except for percentages)							
Corporate loans	**1,465,069**	**55.36**	**29,471**	**2.01**	1,467,585	58.38	20,466	1.39
Manufacturing	**348,411**	**13.17**	**11,880**	**3.41**	360,270	14.33	9,628	2.67
Wholesale and retail	**268,685**	**10.15**	**10,014**	**3.73**	301,395	11.99	6,547	2.17
Property development	**183,360**	**6.93**	**442**	**0.24**	179,983	7.16	460	0.26
Transportation, storage and postal services	**159,718**	**6.04**	**1,609**	**1.01**	148,473	5.91	741	0.50
Production and supply of electric power, heat, gas and water	**105,797**	**4.00**	**11**	**0.01**	101,064	4.02	–	–
Construction	**103,003**	**3.89**	**938**	**0.91**	102,314	4.07	396	0.39
Leasing and commercial services	**62,985**	**2.38**	**203**	**0.32**	52,152	2.07	110	0.21
Mining	**61,245**	**2.31**	**2,793**	**4.56**	64,960	2.58	1,629	2.51
Water conservancy, environment and public utilities	**33,422**	**1.26**	**182**	**0.54**	30,421	1.21	150	0.49
Information transmission, software and IT service	**22,783**	**0.86**	**87**	**0.38**	22,313	0.89	55	0.25
Others(2)	**115,660**	**4.37**	**1,312**	**1.13**	104,240	4.15	750	0.72
Discounted bills	**107,892**	**4.08**	**–**	**–**	75,007	2.98	–	–
Retail loans	**1,073,196**	**40.56**	**10,144**	**0.95**	971,327	38.64	7,451	0.77
Total loans and advances to customers	**2,646,157**	**100.00**	**39,615**	**1.50**	2,513,919	100.00	27,917	1.11

Notes: (1) Represents the percentage of non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of finance, agriculture, forestry, animal husbandry, fishery, accommodation and catering, culture, sports and entertainment, etc.

In 2015, the Group facilitated the development of real economy, constantly optimised its risk asset portfolio, and gave priority to consumption industries with short cycles, strategic emerging industries and local major infrastructure projects. The differential risk prevention and control strategy was formulated for key areas such as industries with surplus production capacity, small- and micro- enterprise customers, private groups, guarantee circles, real estate, local government financing platforms and trade financing. The Group also optimised the allocation of credit resources so as to maintain an overall balance among risk, revenue and cost. During the reporting period, 76% of the increment in non-performing corporate loans was related primarily to three industries, ie. wholesale and retail, manufacturing, and mining.

3.4.4 Distribution of loans and non-performing loans by region

	30 June 2015				31 December 2014			
	Loan balance	Percentage of the total (%)	Non-performing loans	Non-performing loan ratio (%)[1]	Loan balance	Percentage of the total (%)	Non-performing loans	Non-performing loan ratio (%)[1]
	(in millions of RMB, except for percentages)							
Head Office	**314,718**	**11.89**	**3,575**	**1.14**	290,911	11.57	2,658	0.91
Yangtze River Delta	**498,205**	**18.83**	**9,212**	**1.85**	479,535	19.07	9,895	2.06
Bohai Rim	**354,940**	**13.41**	**4,953**	**1.40**	344,987	13.72	2,675	0.78
Pearl River Delta and West Side of Taiwan Strait	**415,788**	**15.71**	**4,513**	**1.09**	385,848	15.35	3,675	0.95
North-east China	**138,885**	**5.25**	**2,673**	**1.92**	128,884	5.13	1,823	1.41
Central China	**289,462**	**10.94**	**6,957**	**2.40**	263,511	10.48	4,331	1.64
Western China	**340,549**	**12.87**	**7,289**	**2.14**	322,046	12.81	2,409	0.75
Overseas	**60,209**	**2.28**	**–**	**–**	69,523	2.77	–	–
Subsidiaries	**233,401**	**8.82**	**443**	**0.19**	228,674	9.10	451	0.20
Total loans and advances to customers	**2,646,157**	**100.00**	**39,615**	**1.50**	2,513,919	100.00	27,917	1.11

Note: (1) Represents the percentage of non-performing loans in a certain category to the total loans of that category.

In 2015, the Group flexibly adjusted its regional credit granting policies to optimise the allocation of credit portfolio and took the initiative to prevent the occurrence of regional risk by tightening the loan approval standard for the risk concentrated regions and reinforcing the management of credit granting rights. During the reporting period, 84% of the increment in non-performing loans of the Group occurred in Western China, Central China and Bohai Rim.

3.4.5 Distribution of loans and non-performing loans by type of guarantees

	30 June 2015				31 December 2014			
	Loan balance	Percentage of the total (%)	Non-performing loans	Non-performing loan ratio (%)(1)	Loan balance	Percentage of the total (%)	Non-performing loans	Non-performing loan ratio (%)(1)
	(in millions of RMB, except for percentages)							
Credit loans	**588,645**	**22.25**	**5,723**	**0.97**	544,936	21.68	3,000	0.55
Guaranteed loans	**434,531**	**16.42**	**17,570**	**4.04**	450,713	17.93	11,077	2.46
Collateralised loans	**1,134,912**	**42.88**	**14,344**	**1.26**	1,059,962	42.16	12,651	1.19
Pledged loans	**380,177**	**14.37**	**1,978**	**0.52**	383,301	15.25	1,189	0.31
Discounted bills	**107,892**	**4.08**	**–**	**–**	75,007	2.98	–	–
Total loans and advances to customers	**2,646,157**	**100.00**	**39,615**	**1.50**	2,513,919	100.00	27,917	1.11

Note: (1) Represents the percentage of non-performing loans in a certain category to the total loans of that category.

During the economic downturn period, the Group put an emphasis on enhancing risk prevention through various risk mitigation measures, including demanding more collaterals. As at the end of the reporting period, the percentage of collateralised loans increased by 0.72 percentage point as compared with the end of the previous year, while the percentage of credit loans increased by 0.57 percentage point as compared with the end of the previous year which was mainly due to the increase of credit card loans.

3.4.6 Loans to the top ten single borrowers

Top ten borrowers	Industry	Balance as at 30 June 2015 (in millions of RMB)	Percentage of net capital (under the advanced approach) (%)	Percentage of total loans (%)
A	Transportation, storage and postal services	**8,500**	**2.25**	**0.32**
B	Transportation, storage and postal services	**5,585**	**1.48**	**0.21**
C	Transportation, storage and postal services	**4,529**	**1.20**	**0.17**
D	Manufacturing	**4,279**	**1.14**	**0.16**
E	Production and supply of electric power, heat, gas and water	**4,000**	**1.06**	**0.15**
F	Transportation, storage and postal services	**3,464**	**0.92**	**0.13**
G	Production and supply of electric power, heat, gas and water	**3,250**	**0.86**	**0.13**
H	Transportation, storage and postal services	**3,148**	**0.84**	**0.12**
I	Transportation, storage and postal services	**2,853**	**0.76**	**0.11**
J	Transportation, storage and postal services	**2,731**	**0.72**	**0.10**
Total		**42,339**	**11.23**	**1.60**

As at the end of the reporting period, the loan balance of the Group's largest single borrower amounted to RMB8.500 billion, representing 2.25% of the Group's net capital. The loan balance of the top ten single borrowers totalled RMB42.339 billion, representing 11.23% of the Group's net capital and 1.60% of the Group's total loan balance, respectively.

3.4.7 Distribution of loans by overdue term

	30 June 2015		31 December 2014	
	Amount	**Percentage of the total (%)**	Amount	Percentage of the total (%)
	(in millions of RMB, except for percentages)			
Overdue within 3 months	**44,002**	**1.66**	27,480	1.09
Overdue from 3 months up to 1 year	**31,066**	**1.17**	19,542	0.78
Overdue from 1 year up to 3 years	**6,985**	**0.26**	4,751	0.19
Overdue more than 3 years	**880**	**0.03**	931	0.04
Total overdue loans	**82,933**	**3.12**	52,704	2.10
Total loans and advances to customers	**2,646,157**	**100.00**	2,513,919	100.00

As at the end of the reporting period, overdue loans of the Group amounted to RMB82.933 billion, up by RMB30.229 billion from the end of the previous year and accounting for 3.12% of its total loans, representing an increase of 1.02 percentage points as compared with the end of the previous year. Among all the overdue loans, collateralised and pledged loans accounted for 46.92%, guaranteed loans accounted for 37.41%, while credit loans accounted for 15.67% (the majority of which were overdue loans of credit cards). The Group adopted prudent classification criteria for overdue loans, and the ratio of its non-performing loans to loans overdue for more than 90 days was 1.02.

3.4.8 Restructured loans

	30 June 2015		31 December 2014	
	Amount	**Percentage of the total (%)**	Amount	Percentage of the total (%)
	(in millions of RMB, except for percentages)			
Restructured loans (note)	**1,846**	**0.07**	996	0.04
Of which: restructured loans overdue for more than 90 days	**1,372**	**0.05**	534	0.02

Note: Represents the restructured non-performing loans.

The Group imposed strict and prudent control over loan restructuring. As at the end of the reporting period, the percentage of the Group's restructured loans to total loans was 0.07%, an increase of 0.03 percentage point as compared with that at the end of the previous year.

3.4.9 Repossessed assets and allowances for impairment losses

As at the end of the reporting period, total repossessed assets of the Group amounted to RMB1.529 billion. After deduction of allowances for impairment losses of RMB937 million, the net repossessed assets amounted to RMB592 million.

3.4.10 Changes in the allowances for impairment losses on loans

The Group adopted two methods to assess impairment losses on loans at the balance sheet date: individual assessment and portfolio assessment. Loans which were considered individually significant were assessed individually for impairment. If there was any objective evidence indicating that a loan was impaired, the impairment losses would be recognised through profit or loss for the current period, as measured by the difference between the carrying amount of the loan and its discounted value of estimated future cash flows recoverable. Loans that were not considered individually significant and loans that were individually assessed but not indicated impaired based on objective evidence were grouped into the loan portfolio with similar credit risk characteristics for the purpose of impairment testing. Based on the testing results, the Group would determine the allowances for impairment losses on a portfolio basis.

The following table sets forth the changes in the allowances for impairment losses on loans of the Group.

	In the first half of 2015 (in millions of RMB)	2014
Balance at the beginning of the period	**65,165**	48,764
Charge for the period	**30,975**	32,895
Release for the period	**(1,949)**	(1,641)
Unwinding of discount on impaired loans (note)	**(439)**	(655)
Recovery of loans and advances previously written off	**667**	651
Write-offs	**(13,532)**	(14,917)
Transfers in/out	**–**	–
Foreign exchange rate movements	**(7)**	68
Balance at the end of the period	**80,880**	65,165

Note: Represents the interest income accrued on impaired loans as a result of subsequent increases in their present value due to the passage of time.

The Group continued to adopt a stable and prudent policy in respect of making provisions. As at the end of the reporting period, the balance of allowances for impairment losses on loans amounted to RMB80.880 billion, representing an increase of RMB15.715 billion as compared with that at the end of the previous year. The non-performing loan allowance coverage ratio was 204.17%, representing a decrease of 29.25 percentage points as compared with the end of the previous year; the loan allowance ratio was 3.06%, representing an increase of 0.47 percentage point as compared with the end of the previous year.

3.5 Analysis of Capital Adequacy Ratio

As at 30 June 2015, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the advanced approach were 12.40% and 10.50%, respectively, representing an increase of 0.63 percentage point and 0.83 percentage point respectively as compared with those under the weighted approach.

The Group	At the end of the reporting period 30 June 2015	At the end of last year 31 December 2014	Increase/decrease at the end of the reporting period as compared with the end of last year (%)
	(in millions of RMB, except for percentages)		
Capital adequacy ratios under the advanced approach (1)			
1. Net core Tier 1 capital	**319,128**	301,977	5.68
2. Net Tier 1 capital	**319,135**	301,982	5.68
3. Net capital	**377,058**	358,334	5.23
4. Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period) (2)	**2,911,230**	2,748,687	5.91
Of which: Credit risk weighted assets	**2,624,338**	2,471,180	6.20
Market risk weighted assets	**31,995**	22,610	41.51
Operational risk weighted assets	**254,897**	254,897	–
5. Risk-weighted assets (having taken into consideration the floor requirements during the parallel run period)	**3,039,989**	2,893,732	5.05
6. Core Tier 1 capital adequacy ratio	**10.50%**	10.44%	Increase of 0.06 percentage point
7. Tier 1 capital adequacy ratio	**10.50%**	10.44%	Increase of 0.06 percentage point
8. Capital adequacy ratio	**12.40%**	12.38%	Increase of 0.02 percentage point
Information on leverage ratio (3)			
9. Adjusted balance of on- and off-balance-sheet assets	**6,067,779**	(note 3)	(note 3)
10. Leverage ratio	**5.26%**	4.96%	Increase of 0.30 percentage point

Notes: (1) The "advanced approach" refers to the advanced measurement approach set out in the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC on 7 June 2012. Same as below. Under the advanced approach, the core Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group and the Company remain consistent at present. In accordance with the requirements of the advanced approach, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank Co., Ltd. and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and overseas branches and sub-branches of China Merchants Bank Co., Ltd. As at 30 June 2015, the Group's subsidiaries for calculating its capital adequacy ratio include Wing Lung Bank, CMBIC, CMBFL and CMFM.

(2) The "floor requirements during the parallel run period" means that, during the parallel run period that the advanced capital measurement approaches were implemented, a commercial bank shall use the capital floor adjustment co-efficients to adjust the result of its risk weighted assets multiplying the sum of its minimum capital amount and reserve capital amount, total amount of capital deductions and the provision for excessive loan loss which can be included into capital, so as to obtain the required capital amount subject to the capital floor requirements. The capital floor adjustment co-efficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third and subsequent years during the parallel run period.

(3) Since 2015, the leverage ratio has been calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" issued by CBRC on 12 February 2012. In 2014, the leverage ratio and the total amount of on- and off-balance sheet assets were still calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks" issued by CBRC on 1 June 2011. The leverage ratio of the Group were 5.51%, 4.96% and 4.66% respectively in the first quarter of 2015, at the end of 2014 and at the end of the third quarter of 2014.

The capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the advanced approach were 11.95% and 10.05%, respectively, 0.66 percentage point and 0.87 percentage point higher as compared with those calculated by using the weighted approach.

The Company	**At the end of the reporting period 30 June 2015**	At the end of last year 31 December 2014	Increase/decrease at the end of the reporting period as compared with the end of last year (%)
	(in millions of RMB, except for percentages)		
Capital adequacy ratios under the advanced approach			
1. Net core Tier 1 capital	**282,761**	268,845	5.18
2. Net Tier 1 capital	**282,761**	268,845	5.18
3. Net capital	**336,217**	320,740	4.83
4. Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**2,685,301**	2,546,291	5.46
Of which: Credit risk weighted assets	**2,415,500**	2,285,300	5.70
Market risk weighted assets	**27,933**	19,123	46.07
Operational risk weighted assets	**241,868**	241,868	–
5. Risk-weighted assets (having taken into consideration the floor requirements during the parallel run period)	**2,813,103**	2,687,891	4.66
6. Core Tier 1 capital adequacy ratio	**10.05%**	10.00%	Increase of 0.05 percentage point
7. Tier 1 capital adequacy ratio	**10.05%**	10.00%	Increase of 0.05 percentage point
8. Capital adequacy ratio	**11.95%**	11.93%	Increase of 0.02 percentage point

As at 30 June 2015, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the weighted approach were 11.77% and 9.67% respectively, representing an increase of 0.03 percentage point and 0.07 percentage point, respectively as compared with those at the beginning of the year. Without taking into account the payment of dividends of RMB16.9 billion, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group would be 12.28% and 10.18%, respectively, representing an increase of 0.54 and 0.58 percentage point respectively as compared with those at the beginning of the year, thus maintaining a balanced internal growth of capital.

The Group	**At the end of the reporting period 30 June 2015**	At the end of last year 31 December 2014	Increase/decrease at the end of the reporting period as compared with the end of last year (%)
	(in millions of RMB, except for percentages)		
Capital adequacy ratios under the weighted approach[1]			
1. Net core Tier 1 capital	**319,128**	301,977	5.68
2. Net Tier 1 capital	**319,135**	301,982	5.68
3. Net capital	**388,314**	369,532	5.08
4. Risk-weighted assets	**3,300,300**	3,146,571	4.89
5. Core Tier 1 capital adequacy ratio	**9.67%**	9.60%	Increase of 0.07 percentage point
6. Tier 1 capital adequacy ratio	**9.67%**	9.60%	Increase of 0.07 percentage point
7. Capital adequacy ratio	**11.77%**	11.74%	Increase of 0.03 percentage point

Note: (1) The "weighted approach" refers to the weighted approach for credit risk, the standardised approach for market risk and the basic indicator approach for operational risk in accordance with the relevant provisions of the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC on 7 June 2012. Same as below.

As at 30 June 2015, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the weighted approach were 11.29% and 9.18%, respectively, representing an increase of 0.02 percentage point and 0.06 percentage point respectively as compared with those at the beginning of the year. Without taking into account the payment of dividends of RMB16.9 billion and the subscription of RMB1.0 billion of Tier 1 capital bonds issued by Wing Lung Bank, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company would be 11.87% and 9.77% respectively, representing an increase of 0.60 and 0.65 percentage point respectively as compared with those at the beginning of the year.

The Company	**At the end of the reporting period 30 June 2015**	At the end of last year 31 December 2014	Increase/decrease at the end of the reporting period as compared with the end of last year (%)
	(in millions of RMB, except for percentages)		
Capital adequacy ratios under the weighted approach			
1. Net core Tier 1 capital	**282,761**	268,845	5.18
2. Net Tier 1 capital	**282,761**	268,845	5.18
3. Net capital	**347,473**	331,937	4.68
4. Risk-weighted assets	**3,078,519**	2,946,283	4.49
5. Core Tier 1 capital adequacy ratio	**9.18%**	9.12%	Increase of 0.06 percentage point
6. Tier 1 capital adequacy ratio	**9.18%**	9.12%	Increase of 0.06 percentage point
7. Capital adequacy ratio	**11.29%**	11.27%	Increase of 0.02 percentage point

Balance of credit risk exposures

During the reporting period, the credit risk of the Company under the foundation internal rating-based approach (IRB approach) was classified into six types of risk exposures: sovereign, financial institution, corporate, retail, shareholding and others. The balances of various risk exposures are as follows:

Unit: RMB million

	Type of risk exposure	Legal person	Group
Portion covered by the foundation IRB approach	Financial institution	504,381	504,381
	Corporate	1,625,163	1,625,163
	Retail	1,257,539	1,257,539
	Of which: Personal housing mortgages	400,940	400,940
	Qualified revolving retail	460,910	460,910
	Other retail	395,689	395,689
Portion not covered by the foundation IRB approach	On-balance sheet	2,406,335	2,693,548
	Off-balance sheet	167,335	175,823
	Counterparty	4,842	6,043

Market risk capital measurement

The Group uses various approaches to calculate its market risk capital. More specifically, it uses the internal model approach to calculate the general market risk capital of the Head Office in Mainland China, and uses the standardised approach to calculate the specific market risk capital of the Head Office in Mainland China and the general market risk capital and specific market risk capital of overseas institutions. As at the end of the first half of 2015, the market risk capital of the Group was RMB2.56 billion, and its risk-weighted assets were RMB31.995 billion. Of which, the market risk capital calculated by the internal model approach was RMB1.90 billion, and the market risk capital calculated by the standardised approach was RMB660 million.

The Group's market risk capital under the internal model approach was calculated by using the market risk value based on 250 days of historical market data, 99% of the confidence coefficient and a holding period of 10 days. The following table sets forth the market risk value indicators of the Group as at the end of the first half of 2015:

Unit: RMB million

No.	Item	Pressure risk value during the reporting period	General risk value during the reporting period
1	Average value	241	235
2	Maximum value	492	330
3	Minimum value	109	151
4	Value at the end of the period	173	255

3.6 Results of Operating Segments

The following results of operating segments are presented by business segments and geographical segments. As business segment information can better reflect the business operations of the Group, the Group chooses business segment information as the primary reporting format. Segment reporting data are principally derived from the multi-dimensional profitability report on the Company's management accounting system.

Business segments

The principal businesses of the Group are corporate finance, retail finance and financial institutions finance. The following table summarises the operating results of the business segments of the Group for the periods indicated.

(in millions of RMB, except for percentages)

Item	**January to June 2015**		January to June 2014	
	Profit before tax by segment	**Percentage (%)**	Profit before tax by segment	Percentage (%)
Corporate finance	**12,041**	**27.75**	16,651	41.35
Retail finance	**19,722**	**45.46**	15,133	37.59
Financial institutions finance	**13,493**	**31.10**	10,446	25.94
Other businesses	**(1,872)**	**(4.31)**	(1,965)	(4.88)
Total	**43,384**	**100.00**	40,265	100.00

During the reporting period, there saw a rise in the percentage of profit from retail finance of the Group. Profit before tax amounted to RMB19.722 billion, up by 30.32% from the previous year, representing 45.46% of the total profit before tax, an increase of 7.87 percentage points as compared with the previous year. At the same time, the cost-to-income ratio of retail finance was 32.12%, a decrease of 4.85 percentage points as compared with that for the corresponding period in 2014.

Geographical segments

The major outlets of the Group are located in the more economically developed regions of China and some large cities in other regions. The following table sets forth the segment results of the Group by geographical location in the periods indicated.

	Total assets 30 June 2015		Total liabilities 30 June 2015		Total profit January to June 2015	
	Amount	**Percentage (%)**	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
	(in millions of RMB, except for percentages)					
Head Office	**1,949,509**	**37**	**1,671,756**	**34**	**11,166**	**26**
Yangtze River Delta	**663,251**	**13**	**659,271**	**14**	**5,827**	**14**
Bohai Rim	**488,619**	**9**	**483,459**	**10**	**6,986**	**16**
Pearl River Delta and West Side of Taiwan Strait	**609,670**	**12**	**603,974**	**12**	**7,755**	**18**
North-eastern China	**210,679**	**4**	**209,299**	**4**	**1,901**	**4**
Central China	**407,802**	**8**	**405,940**	**8**	**2,704**	**6**
Western China	**434,337**	**8**	**432,590**	**9**	**2,729**	**6**
Overseas	**127,299**	**3**	**126,528**	**3**	**977**	**2**
Subsidiaries	**330,055**	**6**	**295,486**	**6**	**3,339**	**8**
Total	**5,221,221**	**100**	**4,888,303**	**100**	**43,384**	**100**

	Total assets 31 December 2014		Total liabilities 31 December 2014		Total profit January to June 2014	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB, except for percentages)					
Head Office	1,863,145	39	1,629,954	37	(3,388)	(8)
Yangtze River Delta	590,741	12	586,447	13	8,610	21
Bohai Rim	425,612	9	414,438	9	8,994	22
Pearl River Delta and West Side of Taiwan Strait	527,907	11	515,926	12	9,430	23
North-eastern China	173,827	4	170,945	4	2,304	6
Central China	333,656	7	328,146	8	4,612	12
Western China	378,606	8	370,196	8	6,221	15
Overseas	126,892	3	121,176	3	825	2
Subsidiaries	311,443	7	279,541	6	2,657	7
Total	4,731,829	100	4,416,769	100	40,265	100

3.7 Others

3.7.1 Balance of off-balance-sheet items that may have a material effect on the financial positions and operating results of the Company and the related important information

The Group's off-balance-sheet items include derivative financial instruments, commitments and contingent liabilities. Commitments and contingent liabilities include credit commitments, operating leasing commitments, capital expenditure commitments, securities underwriting commitments, bonds redemption commitments, outstanding litigations and disputes and other contingent liabilities. The credit commitment is the primary component. As at the end of June 2015, the balance of credit commitments was RMB1,202.768 billion. For details of the contingent liabilities and commitments, please refer to "Contingent liabilities and commitments" in "Notes to the Financial Statements" of this report.

3.7.2 Outstanding overdue debts

As at the end of June 2015, the Group did not have any outstanding overdue debts.

The contents and data in section 3.8 and below are analysed from the Company's perspective.

3.8 Business Development Strategies

3.8.1 Strategic direction and positioning – "Asset-light Banking", "One Body with Two Wings"

Building "Asset-light Banking" is an inevitable choice for the Company to stay competitive under the current economic situation, which is objectively required by the change in China's economic structure and the trend of developing "Asset-light Banking" in the financial industry, and is also a feasible approach to the accomplishment of the Company's transformation and transcendence. The essence of "Asset-light Banking" is to achieve more efficient growth and more lucrative return through less capital consumption, more streamlined operation and higher flexibility. It features mainly in "light" assets, "light" operating model, "light" management pattern and "light" business culture. The Company will make concerted efforts to promptly accommodate market changes and create values for customers under the "customer-centric" service concept, thereby achieving the ultimate goal of value enhancement.

The Company will establish the "One Body with Two Wings" business structure under which retail finance is the mainstay business supported by corporate finance and financial institutions finance, and develop those businesses into three profit-generating pillars which will realise mutual integration, mutual coordination and mutual promotion. As for retail finance, the Company will develop best banking service and increase its value contribution through three major businesses, namely wealth management, small- and micro-enterprise finance and consumer finance. With respect to corporate finance, the Company will develop professional banking service, establish two business systems, namely transaction banking and investment banking, and focus on four major businesses, namely cash management, trade finance, cross-border finance and M&A financing, aiming to develop superior business features. With regard to financial institutions finance, the Company will develop elite banking service which will forge new profit drivers through macro asset management and transactions in the financial market. By establishing the "One Body with Two Wings" business structure , the Company will be in a better position to overcome the challenges of interest rate liberalisation and periodic economic fluctuations.

3.8.2 Steady development of "Asset-light Banking" and "One Body with Two Wings" through strategic transformation

Evaluation on implementation of the "Asset-light Banking" strategy

1. Percentage of risk-weighted assets to total assets continued to decline

As at the end of the reporting period, the proportion of risk-weighted assets to total assets under the advanced approach was 56.72%, down by 3.13 percentage points from 59.85% as at the end of the previous year. The growth rate of risk-weighted assets under the advanced approach stood at 4.66%, 5.78 percentage points lower than the growth rate of the Company's total assets, which was 10.44%.

During the reporting period, the Company issued a total of two tranches of credit asset-backed securities in a total amount of RMB13.7 billion. Securitisation of assets has become an important approach and breakthrough point for the Company to implement the "Asset-light Banking" strategy.

2. Net non-interest income increased rapidly

In the first half of 2015, the Company continued to vigorously expand wealth management, credit cards and other businesses, thus leading to rapid growth in the net non-interest income. In the first half of 2015, the Company realised net non-interest income of RMB35.339 billion, representing a year-on-year increase of 35.45%. The proportion of the net non-interest income to our net operating income was 35.59%, up by 3.10 percentage points as compared with the corresponding period of the previous year. Fee and commission income amounted to RMB31.020 billion, representing an increase of 45.46% as compared to the same period of last year, among which, fees and commission income from wealth management services amounted to RMB14.478 billion, representing an increase of 103.51% as compared to the same period of last year. Specifically, income from entrusted wealth management services amounted to RMB4.870 billion, representing an increase of 45.81% as compared to the same period of last year; income from sales of third-party trust programmes amounted to RMB2.649 billion, representing an increase of 95.21% as compared to the same period of last year; income from sales of third party insurance policies amounted to RMB1.664 billion, representing an increase of 37.86% as compared to the same period of last year; income from sales of mutual fund amounted to RMB5.219 billion, representing an increase of 358.61% as compared to the same period of last year; income from precious metals custody amounted to RMB76 million. Bank card fees amounted to RMB4.443 billion, representing an increase of 35.00% as compared to the same period of last year; and the bills sell-off spread income amounted to RMB4.331 billion, representing an increase of 30.33% as compared to the same period of last year. In addition, settlement and clearing fees amounted to RMB1.967 billion, representing a decrease of 11.87% as compared to the same period of last year, and fees from international guarantee and factoring amounted to RMB930 million, representing an increase of 1.64% as compared to the same period of last year.

3. Capital adequacy and capital utilisation efficiency remained stable

As at 30 June 2015, the capital adequacy ratio and Tier 1 capital adequacy ratio of the Company measured under the advanced approach were 11.95% and 10.05%, representing an increase of 0.02 percentage point and 0.05 percentage point as compared with the beginning of the year, respectively; The risk adjusted return on capital (RAROC) before tax was 27.86%, staying at a level which was significantly higher than the capital cost.

4. *The operational efficiency kept at a satisfactory level*

As at the end of the reporting period, the cost-to-income ratio of the Company was 24.04%, representing a decrease of 6.52 percentage points as compared with last year (calculated on the same statistical calibre). In the first half of 2015, the net operating income per capita was RMB1,333,900, representing an increase of 13.38% as compared with the corresponding period of the previous year; the profit before tax per capita was RMB540,000; the profit before tax per outlet was RMB26.65 million.

5. *The e-banking channel replacement ratio improved continuously*

As at the end of the reporting period, the overall counter replacement ratio in respect of retail e-banking channels reached 96.84%, representing an increase of 1.46 percentage points over the previous year. Among which, the replacement ratio in respect of mobile banking and online banking reached 95.85%. The overall counter replacement ratio in respect of corporate e-banking channels reached 58.26%; whereas 94.98% of transaction settlements were completed via online corporate finance services, representing an increase of 1.76 and 1.66 percentage points respectively over the previous year.

Analysis on achievements in implementing the "One Body with Two Wings" strategy

1. *The value contribution of retail finance continued to grow*

In the first half of 2015, the value contribution of retail finance grew steadily. Profit before tax reached RMB19.722 billion, representing an increase of 30.32% as compared to the same period of the year, and its proportion to the Company's pretax profit increased continuously to 49.03%, 8.82 percentage points higher than that for the corresponding period of the previous year. The net operating income from retail finance grew rapidly to RMB45.021 billion, representing an increase of 40.39% as compared to the same period of last year; and accounted for 45.34% of the Company's net operating income.

2. *Rapid growth in income from financial institutions finance and slight decline in income from corporate finance*

During the reporting period, the Company recorded net operating income from financial institutions finance of RMB14.922 billion, representing an increase of 30.53%, and net operating income from corporate finance of RMB38.594 billion, representing a decrease of 5.88% as compared to the same period of last year.

3. *Coordinated development with retail finance supported by corporate finance and financial institutions finance*

The Company's development strategy of "One Body with Two Wings" puts more emphasis on mutual promotion, synergic effect and overall optimum of the Company's business segments while further highlighting the strategic position of our retail finance. During the reporting period, both corporate finance and financial institutions finance of the Company experienced rapid growth, laying a solid foundation for development of our retail finance. In the first half of the year, our corporate finance offered a boost to the expansion of retail customer base by vigorously promoting payroll service, corporate card service and pension finance service . The Company handled an amount of over RMB500 billion for its payroll service, issued 64,300 cards for its corporate card service and managed pension assets of over RMB120 billion. Meanwhile, our financial institutions finance offered customised wealth management products to our retail finance, aiming at catering to the multi-level investment needs and different risk preferences of retail customers. During the reporting period, the Company offered 1,374 wealth management products with total amount of RMB1,065.2 billion to retail customers.

3.9 Changes of the External Environment and the Corresponding Measures

3.9.1 Operating Environment, the Impact of Changes in Macroeconomic Policies and Key Business Concerns

1. Overview of the macroeconomic and financial outlook

In the first half of 2015, China's economy remained weak with decelerating social investments due to depressed investment sentiment in real estate and manufacturing. Consumption, imports and exports and manufacturing demonstrated a slight recovery after continuous slowdown. The product price index remained low. In order to relieve the intensifying downward pressure on China's economy and further lower social financing cost, the central bank flexibly used various monetary policies and implemented various measures including interest rate cuts and deposit reserve ratio cuts, to further adjust the supply and demand of liquidity in the market, so as to provide more appropriate monetary financial environment for economic development. Meanwhile, the domestic capital market was generally bullish in the first half of the year and suddenly turned into drastic fluctuation in the middle of the year, reflecting investors' positive expectation on various governmental reform policies and their reasonable expectation on the challenges in sequent economic situation. The economic indicators at the end of the first half of the year suggested a struggle to bottom out from this economic downturn cycle.

Looking forward to the second half of 2015, China's economic growth will stay within a reasonable range as a whole, despite its slowdown in a steady manner. From the perspective of demand, with the continuous underpinning of infrastructure investment, the real estate investment is expected to rise, which in turn will gradually stabilise the overall investment growth rate. With the continued optimisation of consumption structure, various festival activities are expected to boost social consumption, which will lead to steady growth in consumption. Benefiting from the recovery of the US economy, the foreign trade situation will improve. From the perspective of supply, with the optimisation of industrial structure, the development of new technologies, the release of benefits from reform and further reduction in social financing cost as a result of consecutive interest-rate cuts in the first half of the year, the economic activities will expand steadily. On the whole, the annual GDP growth rate is expected to maintain at a reasonable level of about 7%, and the commodity prices may go up from the low levels. However, in view of an arduous recovery under the relatively weak economic situations at home and abroad, it is expected that the delayed effect of non-performing loans will linger on for a period time. In order to solidify the achievements resulted from the earlier macro policies and further bolster the development of the real economy, the PRC government may further improve the coordination of fiscal policy and monetary policy in the second half of the year, and strive to achieve the economic growth objective for the whole year.

In the second half of 2015, the transformation and reform of banks will become more pressing under the operating environment. In the first half of the year, as the interest rate cuts were consecutively announced and the floating band of the benchmark interest rates for deposits and loans continued to widen, the interest rate liberalisation became increasingly tough and challenging. The implementation of deposit insurance regulation and the issue of certificates of large-amount deposits have paved the way for the interest rate liberalisation at the policy level. Meanwhile, with the booming capital market and the gradual maturity of online banking, financial disintermediation will be further accelerated. Confronting the continuous slowdown of economic growth, the banking industry is under the increasing pressure for risk control. On the whole, the formation of a market structure characterised by "systematic hierarchisation and differentiated competition" will be accelerated and the decelerated profit growth will become the "new normal" in the whole industry. Against such background, the banking industry will further accelerate its pace of transformation, motivate the optimisation of business structure and continuously improve its operation management and risk control capability, striving to realise a healthy and sustainable growth.

2. *Net interest margin*

At the end of the first half of 2015, the net interest margin of the Company was 2.83%, up by 13 basis points as compared with the end of the previous year. Firstly, in the first half of this year, the percentage of low cost savings and demand deposits to total deposits rose quickly in substitution of high-cost debts driven by the active capital market; secondly, the Company enhanced control over structured deposits and medium- and long-term debts with interest rates higher than that quoted in the open market in the context of continuous interest cuts; thirdly, income from credit card repayment by instalments grew rapidly, leading to higher profitability of overall retail loans. However, it is notable that the negative impact of the central bank's interest rate cuts will become apparent gradually, which is expected to have certain pressure on the net interest margin in the second half of this year.

The measures taken to lower deposit reserve ratio and cut interest rate in the first half of 2015 had a relatively limited impact on the Company. Firstly, the Company had re-priced or re-issued a substantial amount of loans in the first quarter and proactively adjusted its business structure in response to the interest rate cut cycle, which significantly reduced the impact of consecutive interest rate cuts on net interest income during the year. Secondly, the deposit reserve ratio was lowered consecutively during the year, which increased our reserve level, further replenished our liquidity and reduced our financing cost. Moreover, the release of capital had improved investment returns. All these factors had a positive impact on the net interest income of the Bank. As for the use of capital, in addition to the overall steady growth of loans, the Company capitalised on the market demand in a timely manner to maintain rapid growth in its assets under the investment category and the financing category and achieve efficient capital operation.

Looking forward to the second half of the year, it is expected that this interest rate cut cycle will draw to an end, however, the economy will remain weak and stable. If the commodity prices continue to slump, the government may see some room to cut rates while increasing financial support, so as to further reduce the social financing cost and stimulate the development of real economy. Meanwhile, as the floating band of the benchmark interest rates for deposits and loans is widening, the implementation of supporting policies for interest rate liberalisation such as deposit insurance regulation and the issuance of certificates of large-amount deposits, the full liberalisation of interest rate is around the corner. Taking into account the cumulated effect of the rise in cost of debts and weakened demand for credit financing, the net interest margin of the Company is expected to be negatively affected. In response to the changes of external situation, the Company will further optimise its loan portfolio, properly arrange the credit resources of the Bank and strengthen innovation on investment and financing businesses, striving to improve the return on assets. Meanwhile, the Company will consistently implement the operating principle of maintaining a reasonable asset-to-liability ratio and reasonably controls the cost of debts, trying our best to maintain the relative advantage of the net interest margin and profitability of the Company.

In face of the acceleration of interest rate liberalisation, the Company will continue to promote all related work in response to interest rate liberalisation. Firstly, the Company will establish a product pricing management mechanism which takes the market yield curve as the basis for pricing, and internal fund transfer pricing (FTP) as the tool, and covers all the deposits and loans denominated in domestic currency and foreign currencies. Secondly, the Company will independently research and develop the product pricing management system covering all asset and liability businesses on-and off-balance sheet, comprehensively and accurately estimate the cost and benefit of each item and implement the "customer-centric" differentiated pricing strategy. Thirdly, the Company will strengthen the management of interest rate risk in an active and forward-looking manner, constantly optimise the asset-liability structure and continuously improve its interest rate risk with strong asset sensitivity. Fourthly, the Company will enhance the management and operational capabilities of the treasurer and strengthen the management of market financing and active liability taking; Fifthly, the Company will continue to develop the intermediary businesses and strive to increase the proportion of non-interest income, with a view to reducing its reliance on net interest income year by year.

3. *Assets quality of key areas*

As at 30 June 2015, the non-performing loan ratio of the Company was 1.62%, representing an increase of 0.42 percentage point as compared with the end of the previous year, while the proportion of special mention loans to the total was 2.55%, up by 0.61 percentage point from the end of the previous year. The allowance coverage ratio of our non-performing loans was 201.19%, representing a decrease of 28.80 percentage points as compared with the end of the previous year. The credit cost ratio was 2.46%, an increase of 1.03 percentage points as compared with the end of the previous year. The risk exposure was generally controllable.

To proactively cope with the changes in external macroeconomic environment, the Company strengthened the risk control associated with loans extended to real estate enterprises, local government financing platforms, overcapacity industries and other key areas.

In respect of real estate credit business, the Company proactively made dynamic adjustments to its credit policies, strengthened the customer list management and refined entry standards as regard to regions, sales agency, bond investments and other businesses. The Company also optimised its resources allocation by allocating all new credit resources to strategic customers and bringing bond investments and sales agency into quota management, thereby realising the on-and off-balance sheet quota management on full statistical calibres. The assets structure of our real estate credit business was further optimised. As at the end of the reporting period, the balance of our business with domestic real estate enterprises exposed to risk (calculated on the broad statistical calibre) amounted to RMB309.074 billion (including businesses such as actual and contingent credit, bond investments, proprietary trading and investment of wealth management products in non-standard assets), representing a decrease of RMB352 million as compared with the beginning of the year. Specifically, the balance of loans for domestic corporate real estate amounted to RMB144.787 billion, representing an increase of RMB3.939 billion as compared with the end of the previous year, which accounted for 6.00% of the Company's total loans, down by 0.16 percentage point as compared with the end of the previous year, and the non-performing loan ratio was 0.31%, down by 0.01 percentage point as compared with the end of the previous year. In addition, there were no non-performing assets in our businesses such as contingent credit involving real estate, bond investments, proprietary trading and investment of wealth management products in non-standard assets.

In respect of loans extended to local government financing platforms, the Company implemented quota management on full statistical calibres. The Company further specified the requirements of controlling the total annual amount of loans, adhered to the platform entry standard of "higher level and strong cash flow", and continued to optimise the loan structure of local government financing platforms. The Company also strengthened its research on the public-private partnership (PPP) model and established the entry standard of government-guided funds. In addition, the Company continued with its research on the change of debt policy of the central and local governments, with a focus on the progress of replacement of local government debts, so as to ensure the safety of creditor's rights of the Bank. As at the end of the reporting period, the balance of our business with local government financing platforms exposed to risk (calculated on the broad statistical calibre) amounted to RMB252.903 billion (including businesses such as actual and contingent credit, bond investments, proprietary trading and investment of wealth management products in non-standard assets), representing an increase of RMB14.307 billion as compared with the beginning of the year. Among which, the balance of loans on balance sheet amounted to RMB120.402 billion, representing an increase of RMB5.918 billion as compared with the end of the previous year, which accounted for 4.99% of the total loans granted by the Company, down by 0.02 percentage point as compared with the end of the previous year. There was no non-performing asset.

For overcapacity industries such as iron and steel, cement, plate glass, electrolytic aluminium, ship-building, polysilicon, wind power equipment and coal chemicals, the Company supported quality customers and withdrew risk loans by making dynamic adjustments to the credit policies for the industries, raising entry standards, implementing stringent list management, quota management and credit approval management. The Company also enhanced the monitoring of withdrawal of risk loans and optimised risk mitigation measures, thereby realising effective risk control. During the reporting period, the balance of our loans extended to overcapacity industries amounted to RMB52.275 billion, representing an increase of RMB9.531 billion as compared with the end of the previous year, and accounting for 2.17% of total loans of the Company, up by 0.30 percentage point as compared with that at the end of the previous year, which was primarily due to the provision of the Company's financial supports for competitive and advanced enterprises in the industry which are in line with the State's industrial development strategy. Impacted by national policies such as the upgrading and adjustment of industrial structure and the elimination of obsolete production capacity, the non-performing loan ratio of the Company was 1.79%, up by 0.04 percentage point as compared with that at the end of the previous year.

4. *Growth rate of risk-weighted assets*

As at the end of June 2015, the Company's risk-weighted assets under the advanced approach increased by 4.66% as compared with the beginning of the year. The Company has maintained a reasonable and healthy growth in its risk assets, which was mainly attributable to the fact that the Company has implemented the operation strategy of "Asset-light Banking", increased its effort to develop the asset-light businesses and moderately reduced the growth of risk assets. In the first half of 2015, the Company further accelerated the development of assets securitisation business. The Company issued two tranches of credit asset-backed securities in a total amount of RMB13.7 billion on the Interbank Bond Market during the reporting period, including the first securitised personal housing mortgages product after implementation of the filing system and the Banks' first securitised auto loans product after implementation of the registration system.

In the second half of 2015, the Company will continue to implement the operation strategy of "Asset-light Banking", optimise business structure and customer structure and deepen the application of the advanced approach in respect of risk capital measurement so as to increase return on capital, enhance value creation capability, keep the growth rate of risk-weighted assets at a reasonable level, and ensure a sound capital adequacy ratio to meet regulatory requirements on an ongoing basis.

5. *Capital Management*

The Company continued to optimise its business structure and enhance capital management. During the reporting period, the Company satisfied the minimum capital requirements, the reserve capital requirements and the countercyclical capital requirements under the transitional arrangements of the CBRC.

If the 2015 first phase employee stock ownership scheme of the Company is implemented, the proceeds raised by this private placement will not be more than RMB6 billion, which will be fully used to replenish the core tier-1 capital. Meanwhile, the Company will continue to pay close attention to new financing instruments such as preference shares and perpetual bonds.

In the long term, under the backdrop of economic downturn, the speeding up of credit risk exposure and accelerating interest rate liberalisation, together with uncertainties in the additional capital regulatory requirements for banks of system significance and for Second Pillar, the Bank will be confronted with certain challenges in maintaining dynamic balance among business development, profit growth and capital restraint. In the future, the Company will further strengthen the development of low-capital-consumption businesses, stick to organic growth, strive to improve profit structures and continue to increase capital utilisation efficiency and return on capital.

6. *The investment of wealth management funds in beneficiary rights of margin financing and securities lending, margin financing in the secondary stock trading market, and equity-pledged financing*

During the reporting period, the Company prudently rolled out the business of investment of wealth management funds in beneficiary rights of margin financing and securities lending and kept the overall risks exposure at a manageable level through restricting business entry and reinforcing daily monitoring, etc. The business size of investment of wealth management funds in beneficiary rights of margin financing and securities lending reached RMB86.347 billion for the first half of 2015, up by 29.73% as compared with the beginning of the year.

As at the end of the reporting period, the business size of investment of wealth management funds in margin financing of the Company in the secondary stock trading market reached approximately RMB152.3 billion. Thanks to the stringent risk control measures, both the principal and interest of equity assets were effectively safeguarded in the highly volatile stock market in the earlier period.

As at the end of the reporting period, the business size of our investment of wealth management funds in equity-pledged financing amounted to approximately RMB32.526 billion. The Company established sound business management practices and access standards, set specific standards in respect of the qualification of borrowers, scope of securities, financing term, the proportion of single stock pledge, applicable pledge rate, margin call and close-out policies, and strengthened the monitoring of its principal and interest in the highly volatile stock market.

With effective risk management measures in place, the Company was not exposed to any risk project arising from the recent market volatility.

7. The proprietary funds invested in non-standard debt assets, the resale to Party B under repurchase agreement (買入返售乙方) and the resale to Party C under repurchase agreement (買入返售丙方) (CMB as funding provider)

As at 30 June 2015, the balance of the Company's proprietary funds invested in non-standard debt assets amounted to RMB647.341 billion, representing an increase of 77.15% as compared with that at the end of the previous year. Among which, the balance of our proprietary funds invested in non-standard debt assets under the credit category amounted to RMB261.046 billion, representing an increase of 9.28% as compared with that at the end of the previous year. The non-performing ratio was 0.21%, up by 0.205 percentage point as compared with that at the end of the previous year. The balance of our proprietary funds invested in non-standard debt assets under the non-credit category amounted to RMB386.295 billion, representing an increase of 205.27% as compared with that at the end of the previous year. Such investment business developed on the basis of risk exposure of financial institutions were mainly classified into three categories: the first category comprises negotiated deposits or term deposits being placed with other commercial banks, which recorded a balance of RMB96.855 billion as of the end of June 2015, representing an increase of RMB39.623 billion as compared with that at the end of 2014. The second category comprises the beneficiary rights to discounted bank acceptance bills and commercial acceptance bills, which recorded a balance of RMB238.706 billion as of the end of June 2015, representing an increase of RMB179.248 billion as compared with that at the end of 2014; such substantial increase was mainly because the Company actively responded to the changes of external regulatory policies and increased its interbank investments. The third category comprises creditor's beneficiary rights of other commercial banks (creditor's rights include wealth management products, domestic letter of credit, etc.), which recorded a balance of RMB50.734 billion as of the end of June 2015, representing an increase of RMB40.881 billion as compared with that at the end of 2014. The Company used to and will continue to enhance risk review and compliance review in the use of funds, accurately measure risks and make adequate capital provision based on the nature of investment assets in strict compliance with the requirements of the "Notice on Regulating the Interbank Business of Financial Institutions" (Yin Fa [2014] No. 127). As at 30 June 2015, the balance of provision for our proprietary funds invested in non-standard debt assets under the credit category amounted to RMB4.763 billion, with an allowance ratio of 1.82%, up by 0.39 percentage point as compared with that at the end of the previous year.

As at 30 June 2015, the balance of the Company's reverse repurchase businesses (CMB as funding provider) including the trust beneficiary rights under resale agreements, the asset management plan and the debenture beneficiary rights amounted to an aggregate of RMB64.291 billion, representing a decrease of 41.64% as compared with that at the beginning of the year, and no non-performing assets were recorded. The Company has made capital provision for these assets based on the risk exposure of corresponding financial institutions, and has ceased to engage in the third-party reverse repurchase businesses of the trust beneficiary rights and the asset management plan as required by the "Notice on Regulating the Interbank Business of Financial Institutions" (Yin Fa [2014] No. 127), the existing transactions of which will be settled as contracted. As at the end of the reporting period, the balance of the Company's resale to Party C under repurchase agreement (買入返售丙方) amounted to RMB15.859 billion, down by 39.49% as compared with that at the end of the previous year.

8. Internet Finance

Recently, several ministries jointly issued the "Guiding Opinions on Promoting Healthy Development of Internet Finance". The central bank subsequently issued the "Administrative Measures for Online Payment by Non-bank Payment Institutions (Consultation Draft)" for public comments. The two documents clearly specify the development direction of internet finance for various types of enterprises including banks and the regulators of various types of businesses, designate banks as the fund depository for internet financial institutions and limit the transactions through third-party payment accounts to control the size of "capital pool" and "intra-system transfers" of third-party financial institutions. Those measures will enable the Company to offer more fund depository/custodian service for Internet financial institutions, increase its market share of payments and settlements, mitigate deposit disintermediation pressure and obtain more transaction data in future. The development of the Company's Internet finance is basically in line with the regulatory direction. In accordance with the relevant regulatory opinions, the Company will continue to use Internet technology and models to promote the upgrading of traditional services, in particular, to improve the user experience of online payments, foster an innovative Internet platform, and actively explore potential cooperation with established P2P platforms in respect of fund custodian/depository service.

During the reporting period, the Company continued to promote the transformation of its operation management to a more Internet-oriented one in an operation structure featuring "traffic, platform and data". For the management of Internet traffic, the Company focused on increasing the customer size and login volume of traffic portals including Mobile Banking, CMB life and corporate online banking and refining their operation management. The Company focused on the establishment of six platforms including Mobile Banking, CMB life, the Small Business E Home, C+ Cash Management (C+現金管理), ISCF Supply Chain Finance (ISCF供應鏈金融) and Financial Institutions Finance Asset Transactions (同業金融資產交易) ("Zhao Ying Tong (招贏通)") to undertake network traffic operation and promote the transformation of its business operation to a more platform-oriented one. By using data as a driving force for internet finance, the Company established a big data support platform to support traffic analysis and exploration, platform-based operational decision-making, risk control and market promotion.

In the meantime, under the strategic bank-wide Internet finance framework, the Company furthered the development and coordination of retail finance, corporate finance and financial institutions finance in their respective field and achieved remarkable results in Internet finance.

As for retail finance, the Company focused on two mobile APPs, namely Mobile Banking and CMB Life, to establish a new retail finance platform. As at the end of the reporting period, the number of registered users of CMB Life exceeded 16,100,000. For the relevant data of Mobile Banking, please refer to the section headed "3.10.4 Distribution Channel – Mobile Channel". As for mobile payment, the Company expanded the coverage of terminals for "All-in-one Mobile" and applied new technologies including HCE and Tokenization. The Company was the first in the market to launch the Visa Checkout payment service for its credit cards, becoming the first financial institution in the world to integrate such payment service into mobile terminals and the first issuing bank in China which has supported such payment service. In addition, the Company was the first to apply the face identification technology in the visual teller machine (VTM) channel.

In addition, the Company was keen to forge a cross-industry alliance and explore the new development mode of Internet-based consumption finance. The CMB-China Unicom Consumption Finance Co., Ltd. (招聯消費金融公司) jointly established by CMB and China Unicom received its financial license and commenced trial operation in March 2015. It has launched two flagship product lines, namely "Hao Qi Dai (好期貸)" and "Ling Ling Hua (零零花)", both of which achieved good results. As at the end of the reporting period, they had an aggregate of 1,880,000 registered users, a credit size of RMB890 million and a loan balance of RMB300 million with good asset quality.

As for corporate finance, the Company further optimised the mobile platform of "Small Business E Home (小企業E家)". The Company launched "E+ Account (E+賬戶)", the Internet electronic account system for industrial Internet platform, and completed its connection with various vertical industry platforms such as the traditional Chinese medicine circulation platform and the raw material trading platform for manufacturers. The Company launched its mobile cheque service to satisfy the demand of enterprises for non-office transactions and settlements in different banks and regions and at different time. As at the end of June 2015, the number of registered customers of "Small Business E Home (小企業E家)" was 862,700, and the number of customers using the mobile cheque service was 41,100.

As for financial institutions finance, the Company established "Zhao Ying Tong (招贏通)", the business platform of financial institutions finance channel, and achieved the transformation of offline traditional services to online ones by gradually operating financial institutions finance online and on mobile Internet platforms. As at the end of June 2015, the Company developed 420 customers for its financial institutions finance via the "Zhao Ying Tong (招贏通)" platform, covering various financial institutions such as securities firms, trust companies, financial companies and insurance companies.

9. *Deposit insurance system*

Deposit insurance system, together with the "lender of last resort" acted by the PBOC and the prudent regulatory requirements of the CBRC, are known as the three pillars of the financial safety net. Deposit insurance system is an important long-term commitment and its establishment marks a progress in interest rate liberalisation, having a profound effect on the operating environment of commercial banks.

Since the issuance of the "Notice on Relevant Issues Concerning the Implementation of Deposit Insurance System" by the PBOC in May 2015, the Company has been committed to the steady implementation of the deposit insurance system. Currently, the applicable rate for the deposit insurance of the Company is the benchmark rate prescribed by the PBOC, being 0.016% of the insured deposits. In future, the Company will further optimise its IT system, participate in the regular credit ratings conducted by deposit insurance authorities and cooperate with the regulators on various inspections, so as to ensure that its various management and control measures and credit rating results will meet the relevant regulatory standards.

10. New regulatory requirements on the deposit-to-loan ratio

On 24 June 2015, the "Amendments to the PRC Commercial Banking Law (Draft)" was approved at the standing meeting of the State Council, in which the requirement that the ratio of loan balance to deposit balance shall not exceed 75% was removed, and the deposit-to-loan ratio has now been treated as the liquidity monitoring indicator rather than the statutory supervision indicator, which will generally benefit the loan granting of the Company. However, due to the fact that credit resources are still subject to the regulation of loan scale and the requirements of capital adequacy ratio, coupled with the negative impact of macro economic downturn and plunging quality of loan assets as well as our own liquidity management requirements, the abolition of the deposit-to-loan ratio may have only slight impact on the grant of the Company's loans, but it has a positive effect on weakening the competition on absorbing deposits and controlling debt level. Subsequently, as for its assets, the Company will put in more efforts to support the financing demands of its customers while optimising its loan structure and customer portfolio, thereby propelling the development of real economy. As for its liabilities, the Company will fully take into consideration liquidity management and profit target, and constantly optimise its liabilities structure and financing channels. Meanwhile, the Company will strive to reduce the liability cost and financing cost for customers through intensifying its efforts to develop the non-deposit liability business, such as the increase of placements from banks and other financial institutions and the issuance of bonds, therefore promoting the stable development of each business segment.

3.9.2 Outlook and Measures

As at the end of June 2015, the balance of the Company's proprietary deposits in RMB increased by 3.97% as compared with that at the beginning of the year. Affected by various negative factors such as liquidity outflow from commercial banks to capital market, deposits from retail customers increased by 3.47% as compared with that at the beginning of the year, and deposits from corporate customers increased by 4.21% as compared with that at the beginning of the year. The balance of the Company's proprietary loans in RMB increased by 5.58%, mainly attributable to the increase in retail loans. Affected by decelerating economic growth and increasing risk exposure, small business loans and micro-enterprise loans were temporarily under pressure.

It is expected that credit risks, brought about by insufficient demand for traditional credit loans coupled with economic downturn pressure, will remain high in the second half of 2015. In response to this tough situation, the Company will further implement its strategy of "One Body with Two Wings" and devote greater efforts to pushing forward the strategic transformation and adjustment in business structure in the direction of "Asset-light Banking", which can be achieved in the following manner. Firstly, centering on improving asset quality, strengthening risk management, increasing efforts on the settlement and disposal of non-performing assets, defining risk management responsibilities and pushing forward the transformation of risk management. Secondly, increasing the intensity of structural adjustment, enhancing the efficient utilisation of credit resources and strengthening the guidance on regional credit policy and industrial policy for branches. In line with the strategy of "integrating investment and commercial banking", the Company will increase its efforts to support emerging industries, satisfy credit demand of strategic customers and increase the provision of retail loans which mainly include personal housing loans and credit card loans. On the premise of prudent risk control, the Company will continue to explore appropriate service models to serve the financing needs of small and micro- enterprises. Thirdly, focusing on the organisation and operation of quality assets, accelerating business transformation and improving customer service experience. As for retail finance, the Company will focus on developing Internet-based retail finance to realise the strategic objective of "bank on the phone" (手機即銀行). Specifically, the objective is to transform our customers' mobile phones into their bank cards, banking outlets, and banking consultants. As for corporate finance, the Company will focus on the establishment of the two business systems of investment banking and transaction banking, grasp structural opportunities, and establish a "cross-market, cross-region, and cross-business line" service system for our core customers, so as to forge our distinctive competitive edge. As for financial institutions finance targeting macro asset management, the Company will, with an emphasis on seeking business opportunities related to the multi-tiered capital market, strive to improve its risk management capacities in the course of transactions.

3.10 Business Operation

In the first half of 2015, under the complicated economic and financial situations, the Company proactively captured market opportunities, followed closely the development direction of "Asset-light Banking", adhered to the business positioning of "One Body with Two Wings", and set out detailed transformation processes of service upgrading, striving to enhance professional capabilities. The Company took a crucial step forward to specify, operate and implement business transformation, and overcome various unfavourable factors to make new breakthroughs in business transformation and development. The profit contribution of retail finance further increased, while the characteristics of corporate finance became increasingly prominent, which, together with the dual engines of financial institutions finance, made more contributions to the business growth of the Company. Meanwhile, in order to support its business transformation, the Company continuously promoted the adjustment of its organisational structure and management reform, optimised resources allocation, promoted business coordination, intensified appraisals and trainings, improved IT supports and tightened risk control, thus enhancing its professional capabilities to support strategic transformation and facilitating its business transformation towards "Asset-light Banking".

3.10.1 Retail finance

Business overview

In the first half of 2015, the profit from retail finance of the Company maintained a rapid growth with continuing improvement in value contribution. Profit before tax reached RMB19.722 billion, representing an increase of 30.32% as compared to the same period of last year. Profit from retail finance accounted for 49.03% of the total profit, up by 8.82 percentage points as compared with the corresponding period of the previous year. Net operating income generated by retail finance grew rapidly to RMB45.021 billion, up by 40.39% as compared to the same period of last year, accounting for 45.34% of the Company's net operating income. Among which, net interest income from retail finance reached RMB28.919 billion, up by 21.29% as compared to the same period of last year and accounting for 64.23% of the Company's net operating income from retail finance; net non-interest income from retail finance amounted to RMB16.102 billion, up by 95.77% as compared to the same period of last year and accounting for 35.77% of the net operating income from retail finance, and 45.57% of the Company's net non-interest income. In the first half of 2015, the retail finance of the Company recorded a fee income of RMB4.391 billion from bank cards (including credit cards), up by 35.44% as compared to the same period of last year; fee and commission income from retail wealth management was RMB11.107 billion, up by 147.76% as compared to the same period of last year and accounting for 70.59% of net fee and commission income from retail finance.

The Company always prioritised the development of its retail finance compared with its domestic peers and has secured a leading market position. With its strategy of "One Body with Two Wings", more emphasis was placed on retail finance as the main body. Through management improvement, business transformation, adjustment of customer structure and product innovation, the Company has continually reinforced and strengthened its competitive edge in respect of wealth management, small and micro enterprise finance, consumer finance and other core retail businesses.

In the second half of the year, facing the external environment of accelerating interest rate liberalisation, continuously increasing customer demand for wealth management services, heightened fluctuation in the capital market and burgeoning mobile internet, the Company will continue to adhere to its customer-centric principle and aim at creating a business model of "light retail bank" through upgrading its services, focusing on the expansion of total assets under management from customers and customer base, and improving professional expertise, so as to continually improve our management system, customer system and product system and to establish service system of its retail finance. Furthermore, the Company will continuously improve the input/output efficiency and profit contribution and enhance market competitiveness and value contribution of its retail finance.

Retail customers and total assets under management from retail customers

As at the end of June 2015, the number of retail customers of the Company reached 61.17 million, representing an increase of 8.75% as compared with that at the beginning of the year, among which, the number of Sunflower-level and above customers (retail customers of the Company with minimum total daily average assets of RMB500,000 per month) reached 1,544,200, representing an increase of 19.74% as compared with that at the beginning of the year. The balance of total assets under management (AUM) from our retail customers amounted to RMB4,322.0 billion, representing an increase of 24.56% as compared with that at the beginning of the year. Among which, the balance of total assets under management from Sunflower-level and above customers amounted to RMB3,358.1 billion, representing an increase of 29.12% as compared with that at the beginning of the year, and accounting for 77.70% of the balance of total assets under management from retail customers of the Bank. Despite the flow of deposits from retail customers from our Bank to the capital market, the total amount of new demand deposits of the Company was the largest among its domestic peers (source: PBOC). Demand deposits ratio continued to increase and, as at the end of the reporting period, period-end balance of deposits from retail customers amounted to RMB1,049.4 billion, representing an increase of 3.47% as compared with that at the beginning of the year, ranking first among national small- and medium-sized banks (source: PBOC). Demand deposits accounted for 67.19%, representing an increase of 6.14 percentage points as compared with that at the beginning of the year. Balance of deposits from retail customers accounted for 31.95% of the balance of the Company's total customer deposits, of which, the balance of deposits from Sunflower-level and above customers amounted to RMB519.6 billion. The average balance per All-in-one Card held by retail customers amounted to RMB11,900, and the transaction amount of All-in-one Card via POS reached RMB428.9 billion, representing an increase of 9.95% as compared with the corresponding period of the previous year.

In the first half of 2015, the Company fully implemented the transformation strategy of becoming an "asset-light retail bank". To this end, the Company vigorously developed asset-light businesses such as retail credit and wealth management, so as to reduce capital consumption and solidify customer base. The Company established an intensified and cost-saving business model by employing new technologies, and strengthened precise marketing on target customers to improve customer acquisition capability and operation efficiency. The Company proactively explored the new Internet-based customer acquisition model to develop mobile Internet into its major customer acquisition channel.

Meanwhile, the Company put in more efforts in the research, development and promotion of new products and new models and leveraged on asset-light channels such as Big Data and Mobile Banking to conduct precise marketing on target customers, so as to meet customers' personalised demands for various products. The Company proactively responded to the customers' demand for wealth management, and provided professional asset portfolio service according to differentiated risk appetites, life cycles and customised fund requirements of customers. The Company strengthened the settlement funds of small- and micro-enterprise customers and personal loan customers and improved overall contributions from customers through the consolidated operation of financing, settlement and other services. The Company also enhanced the operation of consumption customers by capitalising on such products and resources as credit cards, CMB Life (掌上生活), interrelated repayment and the sharing of shopping privileges (商戶共享). By establishing a comprehensive financial service model, the Company boosted the coordinated growth in AUM, savings deposits and wealth management.

Wealth management

In the first half of 2015, the Company recorded RMB3,501.1 billion in accumulated sales of personal wealth management products, RMB414.2 billion in the distribution of open-ended funds, RMB126.0 billion in the sales of trust plans and RMB37.0 billion in premium from distribution of third-party insurance policies. Fee and commission income from retail wealth management was RMB11.107 billion, representing an increase of 147.76% as compared to the same period of last year. Among which, income from distribution of funds amounted to RMB5.217 billion, representing an increase of 359.65%; income from distribution of third-party trust plans amounted to RMB2.438 billion, representing an increase of 94.73% as compared to the same period of last year; income from entrusted wealth management amounted to RMB1.721 billion, representing an increase of 108.61% as compared to the same period of last year; income from distribution of third-party insurance policies amounted to RMB1.660 billion, representing an increase of 37.87% as compared to the same period of last year; and income from precious metals custody amounted to RMB71 million.

The Company continued to implement the "customer-centric" development strategy. The Company constantly diversified its wealth management product portfolio, further improved its customer service process before, during and after sales, and established a complete asset allocation service system by offering professional asset allocation services, formulating investment strategies, and forming and implementing product investment portfolios. The Company assisted its customers to recognise investment trends in the global market, establish reasonable investment philosophy and acquire professional market research capabilities with the authoritative global market research results provided by the Investment Decision-making Committee from time to time. The Company further optimised and integrated its wealth management platform and professional asset allocation system, enhanced its awareness of risk exposure and improved the work efficiency of customer relationship managers, all in an effort to promote the rapid and stable development of its wealth management business.

Private banking

Our private banking business always follows the philosophy of "It's our job to build your everlasting family fortune", which provides high-net-worth customers with comprehensive, tailored and private wealth management services. Our private banking business has maintained a rapid and steady growth during the reporting period. As at 30 June 2015, the Company had 44,039 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 33.94% as compared with that at the beginning of the year; total assets under management from private banking customers amounted to RMB1,083.6 billion, representing an increase of 43.98% over the beginning of the year. The Company established six new private banking centers and wealth management centers in Guangzhou, Wuxi, Nanchang and other cities during the reporting period. Currently, the Company has established a high-end customer service network comprising 41 private banking centers and 61 wealth management centers.

In the first half of 2015, the Company fully promoted the upgrading of its private banking service. Through enhancing its capability in providing the relevant investment advisory services as well as optimising and enriching its open-ended product platform ranging from discretionary entrustment to home studio, the Company continued to consolidate and enhance its advantages in ultra-high-end customer service. The Company fully exerted its advantages in business coordination with overseas financial institutions to promote the expansion of its overseas presence of private banking, accelerate the establishment of overseas private banking centers, and promote the establishment of an overseas integrated service platform, so as to develop the comprehensive cross-border financial service and select the optimised product mix globally in order to satisfy customers' demands for global assets allocation. In addition, the Company has built a comprehensive financial service platform comprising tax, legal and personal financing and corporate finance services for private banking customers by proactively offering corporate finance services to the enterprises controlled by private banking customers.

Credit cards

As at the end of the reporting period, the Company had issued 64.43 million credit cards in total; the total number of active cards was 34.70 million; and 3.06 million new cards have been issued during the reporting period. As at the end of the reporting period, the number of users of credit cards in circulation was 28.45 million, up by 9.13% as compared with that at the end of the previous year. The Company constantly improved the efficiency of customer acquisition and customer management. The cumulative transaction value of credit cards from January to June 2015 was RMB839.1 billion, representing an increase of 44.37% as compared to the same period of last year; and the average transaction value per month of each active card was RMB4,172. The percentage of the revolving balances of credit cards was 27.65%. The balance of credit card overdrafts (including corporate business cards) was RMB245.359 billion, up by 11.69% as compared with that at the end of the previous year. In 2015, the Company reclassified the income from credit card repayment by instalments from non-interest income to interest income. After the adjustment, interest income from credit cards for the first half of 2015 amounted to RMB12.313 billion, representing an increase of 56.93% as compared with that for the first half of 2014 (calculated on the same statistical calibre). Non-interest income from credit cards was RMB4.608 billion, representing an increase of 53.14% as compared with that for the first half of 2014 (calculated on the same statistical calibre). Adversely affected the downturn of China's overall macro-economy, the non-performing loan ratio of credit cards reached 1.22%; however, its risk exposure remained under control.

During the reporting period, the Company continued to optimise the functions of the mobile user application CMB Life (掌上生活) by capitalising on the development trend of mobile Internet technologies. CMB Life (掌上生活) allows customers to make their credit card repayments for credit cards issued by different banks. The Company continued to enhance the customer acquisition capability , the customer management efficiency and the capability of realising customer traffic on the platform. The Company also constantly upgraded its smart "WeChat/Weibo customer service" platform, and rebuilt the official mobile website of credit card with e-commerce style, so as to realise integrated services for all channels based on "Internet+". Furthermore, the Company endeavoured to build streamlined models to acquire customers, so as to improve the efficiency in acquiring customers and constantly optimise its customer mix. The Company actively carried out the "online application + offline verification (網上申請，網點核身)" project under the Bank's retail system, leading to a steady growth in cross-sales. Moreover, the Company established a multi-dimensional system for card-based products and launched products such as Diamond Credit Card (鑽石信用卡). Besides, the Company constantly upgraded its products and services with higher profit margin and continuously improved its high-yield product portfolio. The Company also strengthened its marketing efforts in restaurant vouchers and movie tickets by launching group purchase of movie tickets and carrying out a series of activities such as "Wednesday Food 50%-off". The Company came out with a brand new management system for points accumulation, and launched socialised promotional activities such as "Red Envelope from Point Accumulation" (積分紅包) and "Crowd Funding Charity" (慈善眾籌). Moreover, the Company focused on the management of foreign customers, constantly optimised overseas sales activities for "Extraordinary" series products, and was the first to launch Visa Checkout product, so as to offer a more convenient and secured cross-border payment solution to our customers. Meanwhile, the Company improved its efficiency of capital and credit line utilisation and implemented sound risk management strategies to ensure stable and healthy development of business. The asset quality remained stable during the reporting period.

Retail loans

As at 30 June 2015, the Company's total retail loans amounted to RMB1,056.513 billion, representing an increase of 10.60% as compared with that at the end of the previous year, ranking fifth among all domestic banks. As for the increment of retail loans, the Company ranked fifth among all domestic listed banks (based on the statistics of the People's Bank of China). The retail loans accounted for 43.79% of total loans and advances to customers, up by 1.99 percentage points as compared with that at the end of the previous year. During the reporting period, the floating range of weighted average interest rates of newly granted retail loans in RMB (weighted at actual amounts, same as below) decreased by 3.04 percentage points to 25.01% as compared with the whole year of the previous year, which was mainly due to the adjustment in the structure of newly granted loans this year, as the amount of housing mortgage loans granted increased significantly as compared to the same period last year, the overall pricing capability of retail loans was affected.

Due to the macroeconomic trend, structural adjustment and risk transfer, the creditworthiness and solvency of some individual customers deteriorated. As at 30 June 2015, the balance of the Company's special mention retail loans amounted to RMB14.813 billion, representing an increase of 15.95% as compared with that at the end of the previous year. The proportion of special mention retail loans increased by 0.06 percentage point as compared with that at the end of the previous year, and the balance of non-performing loans amounted to RMB10.089 billion with non-performing loan ratio of 0.95%, up by 0.17 percentage point as compared with that at the end of the previous year. Disregarding credit cards, among the balance of new non-performing retail loans of the Company in the first half of 2015, the mortgage loans and pledged loans accounted for 81.25% of new non-performing retail loans, representing a mortgage and pledge rate of 59.20%. Given that a vast majority of such new non-performing retail loans were fully secured by collaterals, the risk associated with non-performing retail loans was generally controllable.

In 2015, the Company continued to optimise the structure of its retail loan business, and proactively supported the development of housing finance. As at the end of the reporting period, the balance of residential mortgage loans of the Company was RMB400.812 billion, representing an increase of 24.72% as compared with that at the end of the previous year and accounting for 37.94% of our retail loans.

As at the end of the reporting period, balance of the Company's loans to micro enterprises totalled RMB329.085 billion, representing a decrease of 1.95% as compared with that at the end of the previous year (calculated on the Bank's calibre), and accounted for 31.15% of retail loans, representing a decrease of 3.99 percentage points as compared with that at the end of the previous year. The decline in both balance and proportion was mainly due to the decreased demand of micro enterprises for loans and the increased risk exposure in the context of economic downturn cycle. Therefore, the Company adjusted its business structure to increase its loans extended to low risk businesses such as residential mortgage loans, and further optimised its retail loan structure. As at the end of the reporting period, the Company had a total of 1,540,000 micro-enterprise customers, representing an increase of 8.05% as compared with the end of the previous year. During the reporting period, the floating range of weighted average interest rate of newly granted micro-enterprise loans of the Company was 35.34%, up by 1.77 percentage points as compared with the previous year.

The Company has put great emphasis on loan risk management, and established a relatively sound risk management system and a streamlined loan approval model compared with its peers. By building a "Credit Factory for Retail Loan Business", and through the approach of centralised loan approval by the Head Office, the Company constantly optimised the risk-control model and applied the same to the loan approval procedures, and strengthened the capacity of the closed-loop procedures in identifying risks prior to the release of loans. The Company fully launched the automatic investigation and approval for housing loans and thus entered the new era of self-serviced and automatic loan investigation and approval. In addition, the Company realised various functions such as online loan approval which further reduced time consumption for loan investigation, and forged a "Light" model for its retail loan business. As for the post-loan stage, the Company built a standardised system integrating pre-warning, loan recovery and disposal so that the Company could prevent default risks at an early stage and improve the post-loan management efficiency. The Company promoted the optimisation and improvement of mobile banking retail loan model, launched a mobile banking product known as "Interest Saving(省息通)" and introduced customer referral function, so as to enhance the customer experience of retail loan business in a comprehensive manner.

3.10.2 Corporate finance

Business overview

In the first half of 2015, the Company proactively responded to external challenges and seized opportunities for its corporate finance, and focused on customer base building and strategic business transformation, accelerated the construction of the business systems of transaction banking and investment banking, thereby continuously enhancing its differentiated competitive edges. During the reporting period, with respect to its corporate finance, the Company realised profit before tax of RMB12.041 billion, accounting for 29.94% of profit before tax of the Company. In view of narrowing interest spread due to interest rate cuts, weak external demand for credit loans and decline in imports and exports, the Company's net operating income from corporate finance was RMB38.594 billion, representing a decrease of 5.88% as compared to the same period of last year, and accounting for 38.87% of the net operating income of the Company. Among which, the Company posted RMB28.534 billion in net interest income of corporate finance, representing a decrease of 6.56% as compared to the same period of last year, and accounting for 73.93% of the net operating income of corporate finance; and net non-interest income of corporate finance amounted to RMB10.060 billion, representing a decrease of 3.92% as compared to the same period of last year, accounting for 26.07% of the net operating income of corporate finance, and accounting for 28.47% of the net non-interest income of the Company.

For the second half of the year, the Company's corporate financial business will continue to focus on the two major categories of transaction banking and investment banking, emphasize on the development of core customer base and basic customer base, properly set up the first defense line for marketing, further develop the organization and management of high-quality assets, establish a cross-region, cross-market, and cross-business line service system for our core customers, further strengthen our capability building, system construction, process re-engineering, and accelerate the strategic transformation of the Company's corporate finance.

Corporate customers

As at 30 June 2015, the Company had 881,900 corporate depositors and 30,600 corporate borrowers.

Corporate loans

Corporate loans of the Company include working capital loans, fixed asset loans, trade finance and other loans, such as merger and acquisition loans and corporate mortgage loans. As at 30 June 2015, total corporate loans of the Company were RMB1,258.228 billion, representing a decrease of 0.42% as compared with that at the end of the previous year and accounting for 52.14% of total customer loans and advances. Among them, the balance of the medium to long-term loans to domestic enterprises amounted to RMB470.432 billion, accounting for 39.27% of the total loans to domestic enterprises, and representing a decrease of 0.03 percentage point as compared with that at the end of the previous year. The non-performing loan ratio of our corporate loans was 2.31%, representing an increase of 0.72 percentage point as compared with that at the end of the previous year, which was mainly due to weakened debt repayment ability of enterprises as a result of the economic downturn. The floating range of weighted average interest rates of newly granted corporate loans in RMB decreased by 3.75 percentage points to 9.58% as compared with the corresponding period of the previous year.

In the first half of 2015, the Company further optimised the industry distribution structure of corporate loans, giving priority to industries undergoing structural upgrading, traditionally competitive industries, strategic emerging industries, modern service sectors and green industries. Meanwhile, in response to the changes in external operating environment, the Company flexibly adjusted loans to real estate, local government financing vehicles and other industries. As at 30 June 2015, the balance of green credit loans was RMB164.660 billion, representing an increase of RMB13.713 billion as compared with that at the end of the previous year, which accounted for 13.09% of the total corporate loans of the Company. For further details of loans extended to strictly regulated industries by the state such as the real estate industry, please refer to the section headed "3.9.1 Operating Environment, the Impact of Changes in Macroeconomic Policies and Key Business Concerns – Assets quality of key areas" in this report.

The underlying data of our small enterprise businesses at the beginning of the year was different from that at the end of the previous year due to the elimination of relevant data as a result of the growth of certain enterprises at the beginning of the year. As at the end of the reporting period, balance of the Company's loans to small enterprises totalled RMB210.922 billion, representing a decrease of 7.93% over the beginning of the year (calculated on the Bank's calibre), and accounted for 17.61% of domestic corporate loans, representing a decrease of 1.58 percentage points as compared with the beginning of the year. Such decrease was mainly due to the fact that the Company prudently and proactively withdrew from small enterprises with potential risks in terms of loan granting, so as to further prevent the general risk of granting loans to small enterprises Against the backdrop of the current economic slowdown. In the meantime, in order to fully implement the development strategy of "Asset-light Banking", the Company proactively reduced the granting of general loans, and increased the use of bills of acceptance, letters of guarantee, letters of credit and other types of credits. As at the end of the reporting period, the Company had a total of 636,400 small enterprise customers, representing an increase of 26.93% as compared with that at the beginning of the year. During the reporting period, the floating range of weighted average interest rate of newly granted small enterprises loans of the Company was 21.63%, down by 1.33 percentage point as compared with the corresponding period of the previous year.

The "Qian Ying Zhan Yi (千鷹展翼)" program is a strategic brand of the Company to serve innovative emerging enterprises. During the reporting period, targeting at customers of this group , the Company adopted the "equity financing plus debt financing" model and focused on promoting the investment and loan coordination business model featuring "consultants plus investments" to operate as an investment bank, so as to offer comprehensive services to innovative growing enterprise customers. As changes in certain enterprises resulted in the updating of relevant data in accordance with the "Qian Ying Zhan Yi (千鷹展翼)" registration standards at the beginning of the year, the number of the "Qian Ying Zhan Yi (千鷹展翼)" customers at the beginning of the year was adjusted accordingly compared with that at the end of the previous year. As at 30 June 2015, the total number of registered customers reached 26,228, representing an increase of 24.59% as compared with that at the beginning of the year. The customers that have credit lines granted by the Company accounted for 45.06% of all registered customers, indicating a continuous expansion in our customer base; the credit lines granted to customers amounted to RMB416.485 billion, representing an increase of 35.93% as compared with that at the beginning of the year; the balance of loans as at the end of the reporting period amounted to RMB155.064 billion, representing an increase of 19.58% as compared with that at the beginning of the year, and a level higher than the loans granted to other enterprises; the non-performing loan ratio was 1.87%, representing an increase of 0.96 percentage point as compared with that at the beginning of the year.

In 2015, the Company continued to promote syndicated loan business to enhance inter-bank cooperation and information sharing and diversify the risks associated with large amount loans. As at 30 June 2015, the balance of syndicated loans amounted to RMB75.895 billion, representing an increase of RMB3.545 billion as compared with that at the end of the previous year.

Discounted bills

In 2015, after taking overall consideration of its total credit, liquidities, gains and risks, the Company effectively allocated and promoted its discounted bills business and the volume of the discounted bills amounted to RMB592.8 billion during the reporting period. As at 30 June 2015, the balance of discounted bills amounted to RMB98.325 billion, representing an increase of 47.39% as compared with that at the end of the previous year and accounting for 4.07% of total customer loans.

Corporate customer deposits

In the first half of 2015, the Company's corporate customer deposits continued to grow. As at 30 June 2015, the balance of corporate customer deposits amounted to RMB2,234.855 billion, representing an increase of 4.21% as compared with that at the end of the previous year, and accounting for 68.05% of the total customer deposits; while its daily average balance amounted to RMB2,105.405 billion, representing an increase of 6.95% as compared with the previous year; demand deposits accounted for 47.73% of total deposits from our corporate customers, 2.92 percentage points higher than that at the end of the previous year. Calculated on the new statistical calibre of the PBOC, during the reporting period, the domestic corporate deposits in RMB of the Company took a market share of 2.89%, up by 0.02 percentage point as compared with that at the end of the previous year.

Transaction banking business and offshore banking business

With respect to cash management business, the Company proactively responded to challenges arising from interest rate liberalisation by providing various types of customers with all-inclusive, multi-model and integrated cash management services, thereby making substantial contribution to the acquisition and retention of base customers, acquisition of low cost corporate settlement related deposits, and the cross-sales of other corporate and retail products. As at 30 June 2015, the total number of customers using cash management service of the Company reached 676,555, representing an increase of 23.40% as compared with that at the end of the previous year. The number of accounts opened for the "C+ cash management solution" exceeded 90,000. The number of the newly issued "All-in-one Card for Company (公司一卡通)" reached 110,000. Basic cash management business sustained healthy development with such innovative products as "C + Account-deposits portfolio", Cross-Border Cash Pool, Virtual Cash Pool, and the launch of CBS mobile terminals. The Company optimised cross-bank cash management products iteratively, and launched the "CBS5 Cash Management Cloud Service" (CBS5 財資管理雲服務), an innovative cross-bank cash management product, which effectively promoted the marketing of various key items focusing on customs, tax, social security and housing accumulation funds. The companies under management for fund management exceeded 21,000.

With respect to supply chain finance, the Company further optimised all the transaction procedures for core customers through smart supply chain finance, aggressively developed supply chain settlement products by adhering to the dual-core strategy of fostering the "core banking for core customers", focused on developing the innovative products such as dynamic bill pool, dual supply chain and platform-based supply chain, and provided tailored finance solutions for eight core industries including healthcare and medical care. During the year, in adherence to the "customer-oriented" concept, the Company further tapped on its customers in the supply chain and raised the standards for core enterprises and upstream and downstream customers. Calculated on the new statistical calibre, as at 30 June 2015, the Company secured the total of 415 core customers in the supply chain and 7,951 customers from upstream and downstream industries. Balance of supply chain finance amounted to RMB42.266 billion, representing an increase of 59.87% as compared with that at the end of the previous year.

With respect to integrated trade financing for domestic trade as well as for domestic and foreign trade, the Company focused on the innovation of integrated trade financing products for domestic trade and foreign trade, launched a series of products known as "Yi Rong Tong (一融通)", thereby effectively saving relevant capital. The Company provided domestic trade financing of RMB241.469 billion in the first half of the year, representing a growth of 22.05% (calculated on the same statistical calibre) as compared with that for the corresponding period of the previous year.

With respect to corporate card business, through coordinated marketing of retail and corporate lines, the Company had issued a total of 64,300 corporate cards as at 30 June 2015. Intermediary business income from corporate cards amounted to RMB51.9393 million during the reporting period.

With respect to cross-border finance business, the Company increased efforts in product innovation, committed to promoting the rapid development of "Cai Fu Tong (財富通)" and "Zi Ben Tong (資本通)", and promoted the smart cross-border finance platform. With a decline in both imports and exports under unfavorable external situations, the Company completed onshore international settlements of USD140.236 billion, representing a decrease of 7.37% as compared to the same period of last year, cross-border Renminbi settlements of RMB345.016 billion in the first half of the year, representing a decrease of 4.24% as compared to the same period of last year, the market share of our cross-border payments was 3.46%, up by 0.07 percentage point as compared with that at the beginning of the year, and ranking second among all domestic small- and medium-sized banks (based on the statistics of the State Administration of Foreign Exchange); foreign exchange settlements for customers of USD81.329 billion, representing a growth of 10.73% as compared to the same period of last year, the market share of our foreign exchange settlement was 4.44%, up by 0.08 percentage point as compared with that at the beginning of the year, and ranking first among all domestic small- and medium-sized banks (based on the statistics of the State Administration of Foreign Exchange), accumulated international trade facilities of USD13.103 billion, representing a decrease of 41.52% as compared to the same period of last year, international factoring of USD5.596 billion, representing a decrease of 45.93% as compared to the same period of last year, and international forfeiting of USD6.139 billion, representing a decrease of 40.38% as compared to the same period of last year. The number of onshore customers of our international business reached 49,325, representing a growth of 11.96% as compared to the same period of last year.

With respect to offshore business, as at 30 June 2015, the number of offshore customers reached 35,200, representing an increase of 12.10% as compared with that at the beginning of the year; offshore international settlement amounted to USD110.768 billion, representing an increase of 20.99% as compared to the same period of last year; deposits from offshore customers amounted to USD12.207 billion, representing an increase of 1.01% as compared with that at the beginning of the year; balance of offshore assets reached USD8.593 billion, representing a decrease of 5.80% as compared with that at the beginning of the year; credit assets maintained high in quality with a non-performing loan ratio of 0.60%. The cumulative net non-interest income reached USD79.5217 million, representing an increase of 8.45% as compared to the same period of last year.

Investment banking business

With respect to bond underwriting business, the Company vigorously developed the bond underwriting business with a focus on perpetual bonds, ultra-short-term commercial papers, debt financing instruments issued through private placement as well as financial bonds, and actively expanded high-end investment banking business, including refinancing of listed companies and structured financing. During the reporting period, the Company independently led the underwriting of the country's largest issue of perpetual bonds, and led the underwriting of the first ultra-short-term commercial papers for local enterprises in 10 provinces/ municipalities across the country. As at 30 June 2015, the bonds underwritten by our investment banking department amounted to RMB190.153 billion, representing an increase of 65.00% as compared to the same period of last year, ranking first among the national small- and medium-sized banks and fifth respectively among domestic peers. The Company led the underwriting of 235 bonds, representing an increase of 55.63% as compared to the same period of last year. The income from our lead underwriting business recorded an increase of 72.73% as compared to the same period of last year.

With respect to M&A advisory business, the Company regarded M&A advisory business as one of its strategic corporate finance. The Company enhanced its professional capabilities of the M&A advisory department, focused on securing potential customers from listed companies, state-owned enterprise reform and cross-border mergers and acquisitions, underwrote the first notable financing projects in the capital market, and took a leading position in the privatisation financing, thus facilitating continuous and rapid business development. As at June 30, 2015, a total of RMB30.359 billion was granted for financing M&A activities, representing an increase of 176.24% as compared to the same period of last year, involving 57 customers.

3.10.3 Financial institutions finance

Overview of business

After one and a half years since the establishment of the financial institutions finance segment of the Company, all business lines of this segment saw rapid development. The financial institutions finance of the Company continued to record stable growth in profits with increasing value contribution. During the reporting period, the Company's financial institutions finance realised pre-tax profit of RMB13.493 billion, up by 29.17% as compared to the same period of last year; net operating income was RMB14.922 billion, representing an increase of 30.53% as compared to the same period of last year, and accounting for 15.03% of the net operating income of the Company. In particular, net interest income was RMB6.126 billion, up by 24.51% as compared to the same period of last year, and net non-interest income was RMB8.796 billion, up by 35.07% as compared to the same period of last year.

In the context of the complicated situation mixed with continued economic downturn, increased financial risk exposures and market volatility, further liberalisation of interest rates and foreign exchange rates, the stricter regulatory requirements for financial institutions finance and wealth management business and the increasingly fierce competition resulting from emergence of Internet financing sector, the Company promoted its business development through transformation and established a system characterised by macro businesses with financial institutions, asset management and transactions to implement the quality banking strategy for financial institutions finance. Leveraging on the customer base operation, product innovation and management optimisation, the Company focused on building a financing channel characterised by on-and-off balance sheet financing, domestic and overseas financing, online and offline financing, on exchange and off exchange financing and internal and external business lines financing to establish a new financial institutions product line and professional service system. By further exerting the concept of investment banking and the Internet mindset and relying on quality assets, the Company optimised the marketing strategy, marched toward the forefront of the banking industry to enhance business innovations comprising financial institutions investment and financing, asset management, financial market, asset custody, bill business and futures finance, which in turn provided a strong impetus and powerful platform for the development of the Company's financial institutions finance and other businesses.

Financial institutions finance

The Company intensified construction of channels and enhanced value contribution from its financial institutions customers for the purpose of deepening comprehensive cooperation with its customer group of financial institutions. Meanwhile, it proactively responded to changes in the market and regulatory policies and adjusted and optimised the structure of the over-the-counter treasury business to generate more revenue. Meanwhile, the cross-border RMB interbank collaboration business and bill business of the Company saw a rapid growth, maintaining a leading position in the industry. As at 30 June 2015, the balance of placements from banks and other financial institutions reached RMB879.429 billion, representing an increase of 25.63% as compared with that at the beginning of the year. Among which, the proportion of demand deposits increased by 36.82 percentage points as compared with that at the beginning of the year, thus optimising the deposit structure. The balance of over-the-counter asset business with other financial institutions such as interbank placements and assets purchased for resale (including bills and beneficial rights) amounted to RMB457.380 billion as at the end of the reporting period, up by 16.99% as compared with that at the beginning of the year. The balance of funds under third-party costody amounted to RMB365.916 billion, representing an increase of 223.75% as compared with that at the beginning of the year. As for third-party custody business, the Company had a total of 5,756,400 customers, up by 35.44% as compared with that at the beginning of the year; and the trading amount of discounted bills business was RMB14,579.9 billion, an increase of 323.22% as compared to the same period of last year. Our rediscount business with the central bank amounted to RMB34.739 billion, representing an increase of 38.95% as compared to the same period of last year, ranking first among domestic peers. The volume of interbank cross-border RMB clearing service for the first half of 2015 reached RMB1,020.9 billion, representing an increase of 204.92% as compared to the same period of last year, and the total number of clearing accounts amounted to 123, an increase by 10 from the beginning of the year. The number of cross-border RMB clearing accounts from other financial institutions ranked first among national small- and medium-sized banks. As for the settlement and custody of margin trading and short selling, the Company maintained business cooperation with 70 securities firms including 6 newly added ones.

The Company has been qualified as a futures margin depository bank on China Financial Futures Exchange (CFFEX), Zhengzhou Commodity Exchange (ZCE) and Dalian Commodity Exchange (DCE), and also as a member of Shanghai Clearing House for comprehensive foreign exchange settlements. As at 30 June 2015, the Company's balance of futures deposits was RMB10.058 billion with 180 futures margin depository accounts.

Asset management business

During the reporting period, the wealth management business of the Company maintained a good development momentum. In the first half of the year, the Company developed an aggregate of 3,789 wealth management products, representing an increase of 147.97% as compared to the same period of last year; and recorded RMB5.28 trillion in the sales of wealth management products bank-wide, representing an increase of 49.58% as compared to the same period of last year. As at the end of the reporting period, the balance of wealth management products under operation by the Company amounted to RMB1,641.741 billion (excluding structured deposits), representing an increase of 80.79% as compared with that at the beginning of the year (calculated on the same statistical calibre), of which, RMB1,586.132 billion was off balance sheet, representing an increase of 90.76% as compared with that at the beginning of the year.

In addition to the stable and rapid increase in volume, the wealth management business of the Company also made a number of achievements in other fields as follows.

Firstly, business transformation was continuously depened. According to regulatory requirements, the Company increased the creation and issuance of net-worth products, and promoted net-worth management of interest rate products. By the end of the reporting period, the volume of net-worth products amounted to RMB453.920 billion, representing an increase of 87.07% as compared with that at the beginning of the year. Net-worth products accounted for 27.65% of the balance of wealth management products under operation, representing an increase of 0.93 percentage point as compared with that at the beginning of the year.

Secondly, the portfolio of asset allocation was diversified. By cooperating with asset management institutions in the industry, the Company launched external entrusted investment business with active management. During the reporting period, external entrusted investment volume of bonds reached RMB33.500 billion, and the new IPO funds reached RMB94.110 billion. The Company strictly followed the regulatory guidelines to conduct investment in non-standard assets, and the volume of non-standard assets reached RMB177.705 billion during the reporting period. The Company prudently carried out the business of equity rights in margin financing and securities lending and margin financing and securities lending in the secondary stock market, and strictly implemented the standards for equity-pledged financing. For further details, please refer to "3.9.1 Operating Environment, the Impact of Changes in Macroeconomic Policies and Key Business Concerns – The Investment of wealth management funds in beneficiary rights of margin financing and securities lending, margin financing and securities lending in the secondary stock market and equity-pledged financing".

Thirdly, product innovation achieved remarkable results. By grasping the development opportunities of the capital market, the Company increased the creation and issuance of equity products and improved the overall competitiveness of our products. The Company innovated and launched the "Zhiyuan" and "Hongyuan" product portfolios of stocks and debts invested in targeted issuance assets and hedge funds, the "Hengruibohui" direct shareholding investment products invested in the Sunshine Private Placement Funds in the secondary market leveraging on the mode of multi-manager funds (MOM).

Asset custody business

With regard to the asset custody business, the Company further promoted product innovation, system development and procedure optimisation for asset custody, successfully launched the G2 asset custody core business system and the industry-leading custody technology system, thus laying a solid foundation for the rapid development of the Company's asset custody business. The Company hit a new record in terms of both volume of and income from assets under custody. As at the end of the reporting period, the balance of assets under custody amounted to RMB5,293.417 billion, representing an increase of 49.40% as compared with that at the beginning of the year. The balance of deposits under custody was RMB124.427 billion, representing an increase of 154.04% as compared with that at the beginning of the year. The Company's custody business recorded accumulative income of RMB1.913 billion, representing an increase of 52.31% as compared to the same period of last year. The number of asset custody projects reached 9,550, representing an increase of 23.43% as compared with that at the end of last year. As at the end of June 2015, we added another 30 public offered open-ended funds (including QDII) under custody and had an aggregate of 120 open-ended funds (including QDII) under custody. In the meantime, the Company became one of the first outsourcing service institutions of private placement fund business filed with Asset Management Association of China, providing custody service for the country's first trust scheme for investment in the New Third Board and the first small-amount loan securitisation since the implementation of the filing system.

Financial markets business

RMB investment business: the Company, after conducting an intensive study on domestic financial market, grasped the trend of local-currency bond market and formulated its investment plan in a scientific way. Firstly, the Company moderately extended the duration of its investments, increased investments primarily in medium- to long-term bonds with maturity of 5 years or above. Meanwhile, the Company prioritised its investments in government bonds and the credit bonds with good credit standing. Secondly, by capitalising on the opportunities of fluctuations in interest rates and credit spreads, the Company proactively adjusted and optimised the structure of its debt portfolios and reinforced analysis and management of credit bonds to increase the earnings for the period of holding. As at the end of the reporting period, the balance of the Company's RMB bond portfolio was RMB593.265 billion, with portfolio duration of 3.95 years and the annualised portfolio yield rate of 4.23%.

Foreign currency investments: the Company seized opportunities to increase investments based on its judgment on the international market. Firstly, the Company implemented its prudent investment strategy, adjusted its investment pace and controlled the duration of its new investments. Meanwhile, the Company actively participated in the spread transactions of newly issued bonds and range trading operation to realise interest spread gains. Secondly, the Company proactively developed secondary market operations and derivative products to increase returns of debt portfolio. As at the end of the reporting period, the balance of the Company's foreign exchange bond portfolio amounted to USD3.435 billion, with a portfolio duration of 2.03 years and the annualised portfolio yield of 2.43%.

During the reporting period, the transaction amount of the Company's bond business was RMB1,343.9 billion, representing an increase of 211.09% as compared to the same period of last year; the transaction amount of proprietary derivatives business was USD265.7 billion, representing an increase of 45.22% as compared to the same period of last year. During the reporting period, a number of financial markets businesses of the Company took a leading position in the market: the RMB spot trading volume amounted to RMB1.34 trillion, ranking second among national small- and medium-sized banks; the accumulated trading volume of RMB interest rate swap business reached RMB322.8 billion, a great leap in its market ranking to No. 2 among Chinese banks; the total amount of bond lending reached RMB57.5 billion, ranking second in the market; and the trading volume of RMB options in the interbank market amounted to USD37.8 billion, ranking first in the market. Meanwhile, the Company became the second largest gold principal trader in Shanghai Gold Exchange, and the one and the only national small- and medium-sized bank among the top three participants in the market.

3.10.4 Distribution channels

The Company provides products and services via multiple distribution channels. Our distribution channels are mainly divided into physical distribution channels and e-banking channels.

Physical distribution channels

The efficiently operated physical outlets of the Company are primarily located in China's Yangtze River Delta, Pearl River Delta and Bohai Rim, and some large- and medium-sized cities in other regions. As at 30 June 2015, the Company had 127 branches, 1,451 sub-branches, 1 exclusive branch-level operation center (credit card center), 1 representative office, 3,019 self-service centers and 11,249 cash self-service machines (including 2,301 automatic teller machines and 8,948 cash recycle machines) in more than 120 cities of Mainland China. Meanwhile, the Company also had 2 subsidiaries, namely CMB Financial Leasing and China Merchants Fund, and 1 joint venture, namely CIGNA & CMB Life Insurance. The Company also has a number of subsidiaries including Wing Lung Bank and CMB International Capital in Hong Kong, and a branch in Hong Kong (Hong Kong Branch); a branch and a representative office in New York, the United States; a representative office in both London and Taipei; a branch in Singapore; and a branch in Luxembourg.

E-banking Channels

The Company attaches great importance to developing, improving and integrating e-banking channels such as mobile banking, online banking and direct banking. In the first half of 2015, the Company focused on mobile internet to enhance the online operation and management of electronic channels, effectively relieving the pressure on physical outlets of the Company.

Mobile banking

The personal mobile banking business of the Company has achieved rapid growth in the first half of 2015 as mobile banking customers were increasingly active. From January to June 2015, the number of the times that users log into the Bank's mobile banking application exceeds 700 million, which makes mobile banking the most dynamic e-channel for customers of the Company. As of 30 June 2015, the aggregate number of customers who downloaded the application reached 20,684,600, of which 14,929,100 users were monthly active customers. Meanwhile, the number of mobile banking transactions and payments has been increasing rapidly. In the first half of 2015, the total cumulative number of mobile banking transactions amounted to 764,420,800, up by 129.21% as compared with that in the corresponding period of the previous year; and the cumulative transaction amount reached RMB3,948.067 billion, up by 201.90% as compared with that in the corresponding period of the previous year. Specifically, the cumulative number of mobile banking transactions was 234,549,900, up by 223.53% as compared with that in the previous year (calculated on the same statistical calibre); and the accumulated amount of mobile banking transactions was RMB3,546.431 billion, up by 213.85% as compared with that in the corresponding period of the previous year; the cumulative number of mobile payment transactions was 529,870,900, up by 103.02% as compared with that in the corresponding period of the previous year; and the accumulated amount of mobile payment transactions was RMB401.636 billion, up by 125.96% as compared with that in the corresponding period of the previous year. The value contribution of mobile banking increased continually. Specifically, in the first half of 2015, the total sales of open-ended funds (including Zhaozhaoying (朝朝盈)) that the Bank has offered through mobile banking channel amounted to RMB182.578 billion, up by 894.50% as compared with that in the corresponding period of the previous year; the income from sales of entrusted wealth management products hit RMB532.043 billion, up by 112.44% as compared with that in the corresponding period of the previous year. During the reporting period, our mobile banking APP has introduced a new feature known as Information Center, which is designed to send messages bearing a client's transactions and account balances, notices of scheduled wealth management activities and system notice through the APP to our customers for free. On top of that, our mobile banking APP successfully ran push information system on Apple Watch platform in an innovative manner, making our mobile banking APP the first banking APP to support Apple Watch platform.

As at 30 June 2015, the number of users of corporate mobile banking services of the Company amounted to 214,000. The total number of transactions including account enquiries, payments and settlements completed through corporate mobile banking reached 2,330,000 in the first half of the year, which effectively met our corporate customers' demand for mobile financial services, and also enabled the Company to establish a brand new service channel for its online marketing campaign targeting corporate customers.

Online banking

The Company's online banking business continued to maintain a steady growth in the first half of 2015, with a rapid increase in the number of users and more frequent use of online banking.

As for its retail online banking business, as at the end of June 2015, the number of active users of the retail online banking professional edition of the Company reached 19,765,800. In the first half of the year, the total cumulative number of online retail finance transactions was 732,120,400, representing an increase of 25.79% as compared to the same period of last year; and the accumulated transaction amount was RMB17.21 trillion, representing an increase of 38.25% as compared to the same period of last year. Specifically, the cumulative number of online banking transactions was 204,120,500, up by 24.47% as compared with that for the corresponding period of the previous year; and the accumulated amount of online banking transactions was RMB16.72 trillion, up by 38.68% as compared with that for the corresponding period of the previous year; the cumulative number of online payment transactions was 527,999,900, up by 26.32% as compared with that for the corresponding period of the previous year; and the accumulated amount of online payment transactions was RMB491.148 billion, up by 25.51% as compared with that for the corresponding period of the previous year.

As for its corporate online banking business, as at 30 June 2015, the total number of corporate online banking customers of the Company reached 670,971, representing an increase of 23.63% as compared with that at the end of the previous year. Among them, the number of small enterprise customers exceeded 586,200, and the number of small enterprise customers who used our online banking services as the only way to conduct settlement transactions reached 235,800. The accumulated number of corporate online banking transactions of the whole Bank was 53,819,000, representing an increase of 63.24% as compared with that for the corresponding period of the previous year. Among them, the number of settlement transactions of small enterprise customers reached 15,990,000, accounting for 29.71% of the number of corporate online banking transactions of the whole Bank. The accumulated transaction amount of corporate online banking transactions of the whole Bank amounted to RMB38.03 trillion, representing an increase of 59.79% as compared with that for the corresponding period of the previous year.

Direct banking

The direct banking service provided by the Company integrates the convenience of direct banking channels and the direct service at counters. Under direct banking, direct banking relationship managers provide customers with real-time, speedy and professional service, including a variety of banking transactions, investment and financial advisory services, one-stop loan services and after-sale services by way of telephone, network and video. The Company has established diversified service systems such as business advisory and transaction, online loan service, online wealth management, direct transactions, distant assistant service, online interactive service and visual counters.

Since the beginning of this year, the Company hit a record high in overall customer satisfaction at 99.09%, which was achieved by constantly enhancing its service capabilities and improving customer experiences. Meanwhile, the Company continued to expedite the asset-light development of direct banking, leading to an increase of 9.26 percentage points in the proportion of online smart services as compared to the same period of last year. The number of customers whose assets were upgraded to gold card and Sunflower level recorded an increase of 18.69% as compared to the same period of last year, further reducing the customer acquisition cost. The sales of funds (including currency funds) recorded an increase of 42.36% as compared to the same period of last year; and the loans granted through "online lending" recorded an increase of 53.25% as compared to the same period of last year. The number of "All-in-one Card" activated through direct banking increased by 15.62% as compared with that for the corresponding period of the previous year. During the reporting period, the Company continued to promote the new outlet model of the simple-and-easy sub-branches based on visible counters without physical presence of counter staff. Our paperless counter service has created superior customer experience in the banking industry.

3.10.5 Overseas businesses

Hong Kong Branch

The Company established its Hong Kong Branch in 2002, which is principally engaged in corporate finance and retail finance. With regard to corporate finance, the Hong Kong Branch provides enterprises located in Hong Kong, cross-border customers travelling between Mainland China and Hong Kong and global corporations with all-round, diversified financial products and services, including deposits taking, lending, foreign exchanges, settlements, factoring, international trade financing and assets custody, takes lead or participates in syndicated loans, and engages in transaction of interbank funds, bonds and foreign exchange trading. With respect to retail finance, leveraging on its advantage in retail finance, the Hong Kong Branch proactively develops featured retail finance services and provides cross-border personal banking services for individual customers in Hong Kong and Mainland China. These featured products are "Hong Kong All-in-one Card" and "Bank-Securities Express". In addition, the Hong Kong Branch also provides rapid, convenient and safe electronic banking services for customers in both Mainland China and Hong Kong through its online corporate and retail finance platforms.

In the first half of 2015, leveraging on the advantages of Hong Kong as the bridgehead of China's foreign economic and trade activities and as a main international finance center of the world, the Hong Kong Branch continued to promote cross-border business coordination, proactively developed the local market, further strengthened internal management and risk compliance management, improved and innovated its product and service systems and strived to explore assets operation models. Each business segment achieved healthy development, and it realized profit before tax of HK$940 million, and profit per capita exceeded HK$ 6.35 million.

New York Branch

Established in 2008, the Company's New York Branch was positioned to provide various services including corporate deposits, corporate loans, project financing, trade financing, cash management, M&A financing and consulting for enterprises and financial institutions in China and the U.S.. With strong support from the parent bank and focusing on the U.S. market, the New York Branch, as an integral part of our internationalisation, is committed to providing a featured cross-border financial platform characterised by mutual coordination, while serving as a showcase and platform in improving the international management level and global service capabilities of the Company.

During the reporting period, the New York Branch successfully completed 12 cross-border M&A financing projects, launched "One-Stop Solution" for cross-border M&A projects and cross-border investment advisory services, striving to shift from a "fund provider" to a "solution provider" and realise two-way cross-border business coordination and featured operations. In the first half of 2015, the New York Branch realised the profit before tax of USD34.61 million, representing an increase of 36.18% as compared to the same period of last year.

Singapore Branch

Established in November 2013, the Singapore Branch of the Company is mainly positioned as a significant cross-border financial platform in Southeast Asia which is committed to providing high quality and comprehensive cross-border finance solutions to Chinese companies "going global" and Singaporean companies "being brought in". In addition to the general deposit and loan services, it also offers featured products including M&A financing, Cross-border Trade Express, global financing and cross-border settlement and sales of foreign exchange.

In the first half of 2015, the Singapore Branch grasped policy opportunities and initiated business coordination with Nanning Branch, successfully arranged cross-border RMB loans under the global financing mode for enterprises within the Guangxi Border Financial Reform Experimental Zone, and completed the first cross-border loan deal under the border financial reform policy. Its local businesses were developing towards the direction of customer base expansion, business growth and capital intensity, and successfully promoted the M&A business of Singapore enterprises in China.

Luxembourg Branch

Established in March 2015, the Luxembourg Branch is an important cross-border financial platform in the EU region. It provides diversified services including corporate deposits, corporate loans, project financing, trade financing, M&A financing, M&A consultancy, bond distribution and underwriting, cash management and asset management for enterprises "going global" from China and "being brought in" from Europe. It is committed to establishing a private banking platform of the Company in Europe on the basis of the superior businesses of the parent bank combined with the special advantages of Luxembourg. During the reporting period, the Luxembourg Branch made remarkable progress in improving its organisational structure, and enhancing fundamental management, and each business line has been developing in an orderly way.

3.10.6 Wing Lung Group

Wing Lung Bank was founded in 1933, with a capital of HK$1.161 billion as at 30 June 2015, and is a wholly-owned subsidiary of the Company in Hong Kong. The principal operations of Wing Lung Bank and its subsidiaries ("Wing Lung Group") comprise deposit-taking, lending, investment and wealth management, credit cards, NET banking, documentary bills, leasing and hire purchase loans, foreign exchange, futures and securities brokerage, asset management, insurance business, Mandatory Provident Fund, property management, trustee and nominees services and investment banking. At present, Wing Lung Bank has a total of 40 banking offices in Hong Kong, 4 branches and representative office in Mainland China, one branch in Macau, and three overseas branches, located respectively in Los Angeles, San Francisco, the United States and the Cayman Islands. As at 30 June 2015, the total number of employees of Wing Lung Bank is 1,912.

For the period ended 30 June 2015, profits attributable to the shareholders of Wing Lung Group was HK$1.812 billion, representing an increase of 15.97% as compared with the corresponding period of the previous year. In the first half of 2015, Wing Lung Group recorded net interest income of HK$2.043 billion, representing an increase of 6.73% as compared with the corresponding period of the previous year. The net interest margin was 1.68%, representing a decrease of 7 basis points as compared with the corresponding period of the previous year. Net non-interest income was HK$1.016 billion, representing an increase of 30.02% as compared with the corresponding period of the previous year. The cost-to-income ratio for the first half of 2015 was 31.48%, representing a decrease of 0.33 percentage points as compared with the corresponding period of the previous year. The non-performing loan ratio (including trade bills) was 0.04%.

As at 30 June 2015, the total assets of Wing Lung Group amounted to HK$264.937 billion, representing an increase of 7.02% as compared with that at the end of 2014. Total equity attributable to shareholders amounted to HK$25.256 billion, representing an increase of 9.48% as compared with that at the end of 2014. Total loans and advances to customers (including trade bills) amounted to HK$150.317 billion, representing a decrease of 2.43% as compared with that at the end of 2014. Deposits from customers amounted to HK$197.910 billion, representing an increase of 7.91% as compared with that at the end of 2014. Loan-to-deposit ratio was 57.09%, down by 6.38 percentage points as compared with that at the end of 2014. As at 30 June 2015, the common equity Tier-1 capital ratio of Wing Lung Group was 10.82%, its Tier-1 capital ratio was 12.68% and its total capital ratio was 16.35%. The average liquidity maintenance ratio for the reporting period was 42.49%, all above regulatory requirements.

For detailed financial information on Wing Lung Group, please refer to the 2015 interim results of Wing Lung Bank, which is published at the website of Wing Lung Bank (www.winglungbank.com).

3.10.7 CMB Financial Leasing

CMB Financial Leasing is one of the first five pilot bank-affiliated financial leasing firms approved by the State Council. Registered in Shanghai, it is wholly owned by the Company and commenced operation on 23 April 2008. CMBFL is guided by national industrial policies, and is mainly engaged in the provision of financial leasing services in respect of large and medium-sized equipments to domestic large enterprises and SMEs and overseas customers in electricity, manufacturing, transportation, construction and mining sectors. It satisfies different needs in respect of procurement of equipment, promotion of sales, revitalisation of assets, balancing of tax liabilities and improvement of financial structure. CMBFL also provides new financial leasing services such as capital and commodity finance (融資融物), asset management and financial advisory.

As at 30 June 2015, CMBFL had a registered capital of RMB6.0 billion and 167 employees; total assets of RMB106.478 billion, up by 2.98% as compared with that at the end of the previous year; net assets of RMB11.049 billion, up by 6.95% as compared with that at the end of the previous year. In the first half of 2015, CMBFL realised net profit of RMB718 million, up by 0.56% as compared with the corresponding period of the previous year.

3.10.8 CMB International Capital

CMB International Capital, which was established in 1993, is a wholly-owned subsidiary of the Company in Hong Kong. Currently, the business scope of CMBIC and its subsidiaries mainly covers investment banking, securities brokerage, asset management and equity investments.

As at 30 June 2015, CMBIC had a registered capital of HK$1.0 billion, 104 employees, total assets of HK$3.576 billion, representing an increase of 36.12% as compared with the beginning of the year and net assets of HK$2.160 billion, representing an increase of 16.38% as compared with that at the beginning of the year. In the first half of 2015, CMBIC achieved net operating income of HK$456 million, representing an increase of 39.45% as compared with the corresponding period of the previous year, and net profit of HK$256 million, representing an increase of 21.90% as compared with the corresponding period of the previous year.

3.10.9 China Merchants Fund

China Merchants Fund was the first sino-foreign joint venture fund manager approved by CSRC. CMFM was established on 27 December 2002 with a registered capital of RMB210 million. As at the end of the reporting period, the Company had 55% equity interest in CMFM. The businesses of CMFM include fund establishment, fund management and other operations approved by CSRC.

As at 30 June 2015, CMFM reported total assets of RMB2.474 billion, up by 8.22% as compared with the end of the previous year, net assets of RMB1.187 billion, up by 24.68% as compared with that at the end of the previous year and a workforce of 241 employees (excluding those of subsidiaries). CMFM managed a total of 53 mutual funds, 5 social security fund portfolios, 15 annuity portfolios and 75 special asset management plan portfolios with total assets under management of RMB247.067 billion, up by 45.21% as compared with that at the end of the previous year. In the first half of 2015, CMFM realised net operating income of RMB1,026 million, representing an increase of 123.53% as compared with the corresponding period of the previous year, and net profit of RMB297 million, representing an increase of 132.03% as compared with the corresponding period of the previous year. According to the statistics of Asset Management Association of China, the total size of the assets under management of CMFM (including public offered funds, social security funds, corporate annuity funds, special account services for fund companies and their subsidiaries engaged in special account services) amounted to RMB748.7 billion, ranking second in terms of the total size of the asset management business among fund management companies.

3.10.10 CIGNA & CMB Life Insurance

CIGNA & CMB Life Insurance was established in Shenzhen in August 2003, and is the first sino-foreign joint venture life insurance company after China's entry into World Trade Organisation (WTO). As at the end of the reporting period, the Company had 50% equity interest in CIGNA & CMB Life Insurance. CIGNA & CMB Life Insurance is mainly engaged in insurance businesses such as life insurance, health insurance and accident injury insurance, as well as the reinsurance of the above insurances.

As at 30 June 2015, CIGNA & CMB Life Insurance had a registered capital of RMB1,450 million and a workforce of 2,099 employees, total assets of RMB16.288 billion, representing an increase of 12.74% as compared with that at the end of the previous year, and net assets of RMB2.633 billion, representing an increase of 9.30% as compared with that at the end of the previous year. In the first half of 2015, CIGNA & CMB Life Insurance realised insurance income of RMB3.610 billion, representing an increase of 65.67% as compared to the same period of last year, and net profit of RMB191 million, representing an increase of 34.51% as compared to the same period of last year.

3.11 Risk Management

The Company, through transforming itself into an asset-light bank, stepped up the construction of a risk management system focusing on creating value after risk adjustment under the principles of "Comprehensive, Professional, Independent and Balanced Management". In 2015, against the background of complicated and volatile economic environment at home and abroad and the increasing risks in bank operations, the Company continued to improve its overall risk management system and proactively overcome and prevent various risks.

The Risk and Compliance Management Committee of the Head Office is the supreme authority of the Company in risk management. Under the framework of the risk management preference, strategies, policies and authorisations approved by the Board, the Committee is responsible for reviewing and deciding the most significant bank-wide risk management policies.

3.11.1 Credit risk management

Credit risk refers to risks arising from failure of the borrowers or the counterparties to fulfill their obligations under the negotiated terms. Credit risks borne by the Company were mainly from on- and off-balance-sheet credit business, investment business, financing business and other businesses on and off balance sheet. The Company endeavors to formulate a credit risk management framework with independent functions, balanced and checked risks and three dedicated defense lines and implements the bank-wide policies and processes regarding credit risk identification, measurement, monitoring and management to maintain a balance among risk, capital and profit of the Company.

Based on different credit risk profile and authorisation system, the Company reviews the grant of its loans at different authorisation levels. The decision-making entities include: the Risk and Compliance Management Committee, the Loan Approval Committee and the Professional Loan Approval Committee of the Head Office, as well as the Risk Control Committee and the Professional Loan Approval Committee of our branches. From business origination, due diligence, review and approval of credit, loan disbursement and post-loan management, the Company ensured that the risk management procedures were effectively implemented by introducing advanced risk quantifiable modeling tools and a risk management system. In accordance with regulatory requirements, based on factors like borrowers' ability and willingness to repay, guarantor's position, conditions of pledges and overdue period, and with the employment of the 5-category classification, the Company divided credit assets into different categories under an internal 10-category classification system. The classification of a credit asset may be initiated by a relationship manager or risk control officer and then reviewed by credit risk management departments of the Head Office and our branches according to their respective authorisation.

In 2015, under the tough internal and external conditions resulting from the combined impact of "slowdown in economic growth, difficult structural adjustments, and absorbing the adverse effects of previous economic stimulus policies", the Company accelerated transformation of risk management by adjusting asset structure, supporting strategic businesses and strengthening management in accordance with the requirements of "preventing risk, securing asset quality, strengthening foundation and promoting development", thereby effectively preventing relevant risks. Firstly, in order to improve its asset quality, the Company optimised portfolio allocations, strengthened dynamic process management and control system and enhanced the withdrawal of high-risk assets. The Company strived to improve the risk resistance of its asset portfolios by optimising asset portfolio allocation. The Company formulated the targets for asset quality management and control, established the quarterly control and rolling forecast mechanism of asset quality and made a clear division of duties on risk management. The Company also promoted establishment of the three-layered pre-warning mechanism involving the Head Office, branches and sub-branches, strengthened the screening of portfolio risk, enhanced the withdrawal of high-risk assets, and formulated the risk asset withdrawal targets for seven industries, namely overcapacity industries, customers with small enterprise risk, private guarantee companies, customers with high group risks, customers with general risk pre-warning, risk guarantee circle and micro-finance loans. Secondly, the Company focused on strategic businesses to optimise its credit structure. The Company continued to strengthen and deepen industry research, refined its credit approval standards and established the monthly monitoring and quarterly analysis system for key industries to monitor the core indicators of various key industries such as coal, steel & iron, shipbuilding, shipping, photovoltaic, petrochemical and real estate, made early judgments over their risk status and adjusted credit policies dynamically. Thirdly, the Company continued to improve the centralised risk management mechanism by focusing on the research and risk control of strategic or emerging businesses including asset management, supply chain finance, trade finance and private equity funds. Fourthly, the Company put more efforts on recovering non-performing assets in cash, sped up debt restructuring of risk customers, introduced innovative approaches for disposal of non-performing assets, enhanced accountability management, tightened credit disciplines and strengthened risk culture building. Fifthly, the Company fortified the first defense line by introducing more exacting requirements for client manager qualification, enhancing risk management team and improving the professional skills and comprehensive capabilities of the risk management team. Sixthly, the Company vigorously promoted the establishment of IT systems to enhance application of quantitative risk management tools. During the reporting period, the Company recorded an increase in non-performing loans as adversely affected by economic downturns at home and abroad. However, thanks to the comprehensive countermeasures including the accelerated collection, writing off and transfer of non-performing loans, the asset quality of the Company remained stable.

3.11.2 Country risk management

Country risks represents the risk of economic, political and social changes and developments in a country or region that may cause borrowers or debtors in that country or region to be unable or unwilling to fulfil their obligations to banks, or incur loss to commercial presences of banks in that country or region, or other loss to banks in that country or region. Country risk may arise from deteriorating economic conditions, political and social upheavals, nationalization expropriation of assets, and government repudiation of external indebtedness, exchange controls and currency devaluation in a country or region.

The Company incorporates country risk management into its overall risk management system, dynamically monitors the change in its country risk in accordance with relevant regulatory requirements, sets limit on its country risk based on the rating results from international rating agencies, and evaluates its country risk and makes provisions on a quarterly basis. As at 30 June 2015, the assets of the Company exposed to the country risk remained insignificant, which indicated low country risk ratings. Moreover, we have made adequate provision for country risk according to the regulatory requirements. As a result, country risk will not have any material effect on our operations.

3.11.3 Market risk management

Market risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate and which may result in loss to the Company, because of changes in foreign exchange rate, interest rate, commodity price, stock price and other observable market factors. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Company. The Company is exposed to market risks through the trading book and banking book. The trading book are financial instruments and positions held for trading purpose or for the purpose of hedging other risks arising from the trading book which are traded in active markets. The banking book are assets and liabilities business and relevant financial instruments which are conducted and held by the Company for stable return, or for hedging purposes on the Company's on-balance sheet and off-balance sheet, and have relatively stable market value.

1. Interest rate risk

Interest rate risk arises from adverse change in interest rates and maturity profiles which may result in loss to the income and market value of financial instruments and positions held by the Company.

(1) Trading book

The Company has set up its market risk governance framework for trading book, covering interest rate risk, foreign exchange risk and commodity price risk associated with a trading book. The Company's market risk governance framework for trading book specifies the duties and division of responsibilities of the Board of Directors, the senior management, model verification department (team), audit department, information technology department, risk management department and front-office department. The market risk management department under the Bank's Comprehensive Risk Management Office is responsible for the execution of interest rate risk management under the trading book.

The Company has established the market risk limit management framework, covering the interest rate risk, foreign exchange rate risk and commodity price risk under the trading book. Within this framework, the highest level indicators, which are also quantitative indicators of the trading book market risk preference of the Company, adopt VaR and portfolio stress testing methodologies and are directly linked to the Company's net capital. In addition, according to the product type, trading strategy and characteristics of risk of each sub-portfolio, the highest level indicators are broken down into lower level limit indicators, which are sent to each front office departments each year. These indicators are implemented, monitored and reported on a daily basis.

The Company uses quantitative indicators, including exposure indicators, market risk value indicators (VaR, covering various risk factors relating to trading book) interest rate scenario stress testing loss indicators, interest rate sensitivity indicators and accumulative loss indicators (covering various risk factors relating to trading book), to manage the interest rate risk of trading book. The measures for management of interest rate risk include setting the indicators for business authorisation and operating limits, daily monitoring and ongoing reporting. Among which, VaR includes general VaR and stress VaR, which are both calculated using the historical simulation model.

In the first half of 2015, the RMB liquidity was relatively abundant in the market. However, the low and high-grade interest margins remained high due to the negative impact of defaults on the part of Topway, Zhongfu Construction and other companies. The Company conducted a comprehensive research and timely track on macro economy, monetary policy and market situation, prudently formulated the investment strategies for trading book, strictly controlled risk exposures. As a result, there was no occurrence of defaults and all risk indicators on the trading book were kept under good control.

(2) Banking book

The Company has established the interest rate risk governance and management framework for banking book in accordance with the interest rate risk management policy, which specifies the duties, division of responsibilities and reporting lines of the Board of Directors, the senior management, special committees, and bank-related departments in the interest rate risk management of the banking book, ensuring the effectiveness of interest rate risk management. The interest rate risk of banking book of the Company is subject to centralised management by the Asset and Liability Management Department.

The Company has primarily adopted scenario simulation analysis, re-pricing gap analysis, duration analysis and stress testing for the measurement and analysis of interest rate risk under the banking book. Through assets and liabilities analysis meetings and reporting framework, the Company analyses the causes of interest rate risk under the banking book, proposes management advices and implements management measures.

In the first half of 2015, the Company continued to adjust the on-balance sheet structural positions and hedge its risks using off-balance sheet derivatives, the Company proactively reduced the fluctuation in its net interest income, and kept its interest rate risk stable and controllable. In addition to the adoption of active risk management measures, the Group closely monitored the change of the external interest rate environment, assessed the applicability and reasonableness of the measurement model parameters in a timely manner, ensured the accuracy of risk measurement, so as to provide a reliable basis for formulating forward-looking management measures. In response to the "new normal" of economic change, the Company proactively moved forward the risk management functions in respect of the interest rate of banking book, increased the intensity and correlation of risk analysis and assets and liabilities analysis and formulated effective measures that are more relevant to business development and risk management and control.

In the first half of 2015, PBOC cut RMB benchmark deposit and lending rate for three times. The one-year benchmark deposit rate was cut by an aggregate of 75 basis points. The one-year benchmark lending rate was also cut by 75 basis points. Meanwhile, the upper limits of floating range for deposit rates were expanded to 1.5 times of the benchmark deposit rate. Based on the characteristics of the Company's banking book interest rate risk, the benchmark deposit and lending rate cuts will have certain negative impacts on the Company's net interest income. However, the negative impacts have been mitigated by the active interest rate risk management of the Company. The Company will proceed with the active management of various interest rate risks under the banking book, to achieve stable increase in both net interest income and economic value.

2. *Exchange rate risk management*

Exchange rate risk arises from the holding of assets, liabilities and equity items denominated in foreign currencies, and foreign currencies and foreign currency derivative positions which may expose banks to potential losses in their gross profit in the event of unfavourable movement in exchange rate. The Company's functional currency is RMB. The majority of assets and liabilities of the Company are denominated in RMB and the rest mainly in USD and HKD. Under the principle of keeping the formulation, implementation and monitoring functions of exchange rate risk management policies separated, the Company has established its exchange rate risk management governance framework, specifying the roles, duties and reporting lines of the Board of Directors, the Board of Supervisors, the senior management, special committees and bank-related departments in exchange rate risk management. The Company's cautious attitude towards exchange rate risk, meaning in principle the Company does not bear risks voluntarily, is more appropriate for the current development stage of the Company. The current exchange rate risk management policies and systems of the Company are basically in line with relevant regulatory requirements and its own management requirements.

(1) Trading book

The Company has established the market risk (including exchange rate risk) management structure and system of trading book to implement centralised management on exchange rate risk of trading book using quantitative indicators. The structure, procedure and method of exchange rate risk management of trading book is in line with those of interest risk management of trading book.

The Company uses the quantitative indicators such as risk exposure indicator, market risk value indicator (VaR, including interest rate, exchange rate and commodity risk factors), the loss indicator for exchange rate scenario stress test, exchange rate sensibility indicator and accumulated loss indicator to control exchange rate risk. The measures for management of exchange rate risk include setting the indicators for business authorisation and risk limits, daily monitoring and ongoing reporting.

In the first half of 2015, RMB exchange rate saw significant fluctuation. From the beginning to the first ten days of March of the year, as the US Federal Reserve was increasingly expected to announce an interest hike, the exchange rate of USD against RMB appreciated from RMB6.2040 per USD to RMB6.2743 per USD and fluctuated downward thereafter. At the end of June of the year, it depreciated to RMB6.2010 per USD. Among other transactions currencies of the Company, EUR, Japanese yen and Australian dollars have depreciated significantly. Although market volatility had certain impact on the Company's transaction volume, the foreign exchange services of its trading book maintained smooth operation and the indicators of its market risk achieved good performance since the Company adopted prudent trading strategies and implemented strict risk management policies.

(2) Banking book

The exchange rate risk management of banking book of the Company is coordinated by the Head Office. The Asset and Liability Management Department under the Head Office as a treasurer of the Company is in charge of exchange rate risk management of banking book. The treasurer is responsible for managing exchange rate risk of banking book on a prudent basis in accordance with relevant regulatory requirements, and conducting the centralised exchange rate management of banking book through limit management, budget control and other approaches.

The primary exchange rate risk of banking book of the Company comes from the maturity mismatch between foreign currency positions of its non-RMB denominated assets and liabilities. Through rigorous management of exchange rate risk, the Company has kept the exchange rate risk of its banking book within the acceptable range.

The Company mainly uses foreign exchange exposure analysis, scenario simulation analysis, stress test, and other methods to measure and analyse the exchange rate risk of banking book. The Company regularly measures and analyses changes in its foreign exchange exposure of banking book and monitors and reports exchange rate risk on a monthly basis under its limit framework. Based on the trend of exchange rate movements, the Company adjusts its foreign exchange exposure accordingly to mitigate the relevant exchange rate risk of its banking book. In the first half of 2015, the Company further optimised the measurement of its exchange rate risk under banking book which provides scientific reference standards for appropriately making management decisions. In future, the Company will further enhance the monitoring of its exchange rate risk under banking book and the approval and management of risk limits, so as to keep its risk exposure at a reasonable level.

3.11.4 Operational risk management

Operational risk refers to the risk of loss arising from inappropriate or failed internal procedures, people, IT systems, or external events.

During the reporting period, in order to prevent loss arising from systematic operational risk and material operational risk, the Company enhanced risk management and control mechanism before and during its occurrence, further implemented the risk assessment, monitoring and alert policy, improved risk management model and strengthened prevention and control of risks in respect of key operational risks, namely "operational risks associated with credit business, manual intervention, IT support, outsourcing and staff". Firstly, focusing on the strategic businesses and major businesses of the bank, we carried out special risk assessment, strengthened in-depth analysis of typical cases, and induced the bank to enhance early warning and prevention by measures such as risk alert and risk examination. Secondly, we conducted in-depth risk monitoring analysis and report, continued to pay attention to changes in operational risk, continued to monitor and capture risk information through personnel, process, systems and external factors, supervised the foremost defense line and effectively strengthened risk prevention and control. Thirdly, we participated in evaluation of various new products and new businesses, and expressed our view with respect to operational risk management and full-process management and control, thus further improved the effectiveness of operational risk management.

3.11.5 Liquidity risk management

Liquidity risk is the risk that the Company cannot satisfy its customers by repaying deposits that fall due, granting new loans or providing financing, or that the Company cannot satisfy these requirements at a normal cost.

Under the principle of keeping the formulation, implementation and monitoring functions of liquidity risk management policy separated, the Company has established a liquidity risk management governance structure, defined the roles, duties and reporting lines of the Board of Directors, the Board of Supervisors, the senior management, special committees and related departments in liquidity risk management, so as to enhance the effectiveness of liquidity risk management. The Company's cautious attitude towards liquidity risk is more appropriate for the current development stage of the Company. The current liquidity risk management policies and systems of the Company are basically in line with regulatory requirements and its own management requirements.

The Company's liquidity risk management is conducted under a model that requires overall coordination by the Head Office with each of the branches acting in concert. The Asset and Liability Management Department of the Head Office as a treasurer of the Company is in charge of routine liquidity risk management. The treasurer is responsible for managing liquidity on a prudent basis in compliance with relevant regulatory requirements, and conducting centralised liquidity management through limit management, budget control, active liability as well as internal funds transfer pricing, etc.

The Company measures, monitors and identifies liquidity risk for short-term reserves and duration structure and emergency purpose. It monitors the limit indicators closely at fixed intervals. Stress tests are regularly used to find out whether the Company is able to meet liquidity requirements under extreme circumstances. The Company has put in place liquidity contingency plans and organised regular liquidity contingency drillings to guard against any liquidity crisis.

In the first half of 2015, with monetary policy gradually easing to a moderate-to-loose level, the central bank increased its efforts in presetting and fine-tuning relevant policies mainly through operations in the open market and cut in deposit-reserve ratio and interest rate, while releasing liquidity by implementing micro-stimulation and directed loose policy. The liquidity of the Company was basically in line with that of the market, and overall liquidity was eased due to continuous growth in customer deposits and the steady increase of assets. As at the end of June 2015, the Company's liquidity coverage ratio was 107.18%[1], representing 37.18 percentage points higher than the minimum requirement of CBRC. Local-currency 3-month liquidity gap ratio and foreign-currency 3-month liquidity gap ratio were -1.94%[2] and 11.94% respectively, both within the limits on liquidity risk exposure, and the maturity mix of local currency and foreign currencies remained relatively reasonable. Stress test[3] conducted for local currency and foreign currencies at light, medium and heavy levels all reached their respective minimum sustainable requirements of no less than 7D, 14D and 30D, leading to a better contingency buffer capacity for both local currency and foreign currencies.

In response to the market environment and the liquidity profile of the Company, the Company implemented the following measures to improve capital efficiency and optimise liquidity structure. Firstly, the Company directed its business development by flexibly using FTP and achieved a balance between the source of funds and use of funds so as to continuously improve maturity mismatch of assets and liabilities. Secondly, the Company strengthened its management of active liability taking and aggressively expanded new varieties of debts including huge amount deposit certificates, with a view to improving debt maturity structure. Thirdly, the Company continued to optimise asset allocation structure while moderately accelerating the increase of assets. The increased assets were primarily weighted assets with low risks. Fourthly, the Company steadily promoted the securitisation of assets and issued asset securitised products of RMB13.7 billion, including residential mortgage loans of RMB3.15 billion and credit card automobile receivables of RMB10.55 billion, in the first half of the year.

As at the end of June 2015, 16.5% (2014: 17.5%) of the total RMB deposits and 5% (2014: 5%) of the total foreign currency deposits of the Company were required to be placed with PBOC.

3.11.6 Reputational risk management

Reputational risk refers to the risk that the Company might be negatively evaluated by relevant interested parties due to the Company's operations, management and other activities or external incidents.

Reputational risk management is an important part of the corporate governance and the overall risk management system of the Company, covering all activities, operations and businesses undertaken by the Company and its subsidiaries. The Company established and formulated the reputational risk management system and relevant requirements and took initiatives to effectively prevent the reputational risk and respond to any reputational incidents, so as to reduce loss and negative impact to the greatest extent.

In the first half of 2015, while improving the standard of our management and services, the Company innovated its management philosophy, established a more transparent and effective multi-media information disclosure mechanism in reliance on it systematic reputational risk management system, built up an active, positive and sunny corporate image. Meanwhile, the Company continued to strengthen its reputational risk assessment and front-line management, further streamlined its procedures to handle media reports, optimised the response to media reports, enhanced the prevention and early-warning mechanisms of reputational risk, and prudently prevented potential incidents of crisis, thereby effectively avoiding reputational loss.

1 Liquidity coverage ratio is an external regulatory indicator - the legal person calibre
2 The liquidity gap ratio is the Company's internal management indicator - the domestic calibre
3 The stress test is the Company's internal management indicator - the domestic calibre

3.11.7 Compliance risk management

Compliance risk refers to the risks of being subject to legal sanctions, regulatory punishments, material financial losses, and reputational loss as a result of commercial banks' failure to observe the laws, rules and standards. The Board of Directors of the Company is ultimately responsible for the compliance of the operating activities, and delegates the Risk and Capital Management Committee under the Board to supervise the compliance risk management. The Risk and Compliance Management Committee of the Head Office is the supreme governing body under the senior management of the Company to manage the compliance risk of the whole Company. The Company has established a comprehensive and effective compliance risk management system, optimised the organisational management structure which comprises the risk and compliance management committees, compliance supervisors, compliance officers and legal and compliance departments under the Head Office and its branches, and various management departments at a branch level, and compliance supervisors at sub-branch level, improved the three lines of defense for compliance risk management and the double-line reporting mechanism, and achieved effective management and control of compliance risk by improving the operation mechanism of the compliance risk management and the risk management expertise and processes.

During the reporting period, the Company proactively adapted to the adjustments in regulatory polices, addressed the significant changes in financial situation and risk control under the new normal of economic development. Focusing on strategic transformation, forging "Asset-light Banking" and the change of business process and management system, the Company changed its compliance management methods, stuck to the compliance bottom line and improved management effectiveness. The Company issued the guiding opinion regarding internal control compliance work of the Bank in 2015, assigned the compliance management targets and requirements to the whole bank, strengthened the understanding of polices and the timely circulation and delivery of new regulations, complied with regulatory policies and identified business opportunities; provided professional legal compliance service, supported value innovation and promoted the concerted development of "One Body with Two Wings". The Company deepened the reform of internal control compliance management, improved compliance systems, conducted integrated evaluation of internal control compliance, optimised internal control compliance assessment system and enhanced process management. The Company continued to promote system development and reconstruction, so as to provide technology support for improving management standard. The Company also proactively conducted compliance training activities with diversified contents using flexible methods including "learning regulations to hold bottom line", steadily coordinated the chief executives of each branch and sub-branch to attend compliance courses, so as to continue to create good compliance environment. The Company promoted the overall management of supervision, examination and problem rectification, enhanced accountability and ensured the effectiveness and seriousness of internal control compliance.

3.11.8 Anti-money laundering management

The Company takes anti-money laundering as its social responsibility and legal obligation and attaches great importance to anti-money laundering. The Company has established a professional anti-money laundering team to carry out anti-money laundering compliance management, anti-money laundering name-list verification and the monitoring of large transactions and suspicious transactions, and put in place a relatively complete anti-money laundering monitoring system.

In the first half of 2015, the Company further enhanced its anti-money laundering system based on the changes in regulatory policies and the operational and management systems of the Bank, completely revised its anti-money laundering management measures, and formulated the anti-money laundering policy of the Group and assessment guidelines in respect of money laundering risk. According to the change of the monitoring procedures of anti-money laundering measures of the Company and the risk of money laundering, the Company further improved its anti-money laundering monitor system, adjusted suspicious transaction monitoring standard in a timely manner, so as to improve the efficiency of anti-money laundering management.

3.12 Profit Appropriation

The profit appropriation plan for 2014

The profit appropriation plan of the Company for 2014 was considered and approved at its 2014 Annual General Meeting held on 19 June 2015.

As stated in the audited financial statements of the Company for 2014, 10% of the profit after tax of RMB51.877 billion, equivalent to RMB5.188 billion, was transferred to the statutory surplus reserve, while 1.5% of the total amount of the increased risk assets, equivalent to RMB7.446 billion, was appropriated to the general reserve.

Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, the Company declared a cash dividend (tax included) of RMB6.70 for every 10 Shares to all shareholders of the Company, payable in RMB for holders of A Shares and in HKD for holders of H Shares. The actual appropriation amount in HKD was calculated based on the average RMB/HKD benchmark rates to be released by the PBOC for the week before the date of the general meeting (inclusive of the day of the general meeting). The retained profit has been carried forward to the next year. In 2014, the Company did not transfer any capital reserve into share capital.

The Board of Directors of the Company has already implemented the above-mentioned profit appropriation plan. For further information, please refer to the relevant announcement(s) published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company, respectively.

Interim Dividend Appropriation for 2015

The Company would not distribute interim dividend for 2015, nor would it capitalise the capital reserve (for January-June 2014: nil).

3.13 Social Responsibility

In 2015, adhering to the social responsibility philosophy of "committing to sustainable finance, enhancing sustainable value and contributing to sustainable development", the Company will continue to strengthen social responsibility management, improve communication with stakeholders, fulfill social responsibility and make contributions to the sustainable development of our economy and society. During the reporting period, the Company continued to support the development of Wuding County and Yongren County in Yunnan by organising its employees to make donations including cash and necessities. The Company and One Foundation jointly organised an event to show caring for children with autism, participated in the "Walk for love" 2015 public welfare walk activity, promoted the idea of "monthly donation", promoted public welfare for everybody and supported the sustainable development of public welfare. For further details, please refer to the Corporate Social Responsibility Report of the Company for 2015.

By Order of the Board of Directors
Li Jianhong
Chairman of the Board of Directors
25 August 2015

IV Important Events

4.1 Purchase, sale or repurchase of listed securities of the Company

Neither the Company nor its subsidiaries had purchased, sold or repurchased any of the Company's listed securities during the reporting period.

4.2 Use of raised funds

Issuance of medium-term notes in 2015

According to the business development plan of the Company, the New York Branch of the Company issued a tranche of medium-term notes in the amount of USD500 million under the medium-term note issuance plan of the Company in May 2015, which have been listed on Hong Kong Stock Exchange and are all fixed-rate notes for a term of 3 years with a coupon rate of 2.375% and an actual interest rate of 2.485%. As at 30 June 2015, the proceeds raised from issuance of this tranche of medium-term notes had been fully used to replenish the general working capital of the Company.

4.3 Interests and short positions of directors, supervisors and senior management

As at 30 June 2015, the interests and short positions of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in the SFO), which have been notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the directors, supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of shares	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued shares (%)
Jin Qingjun	Supervisor	A Share	Long position	Beneficial Owner	65,800	0.00032	0.00026

4.4 Disciplinary actions imposed on the Company, directors, supervisors and senior management and the shareholders holding more than 5% of our Shares

So far as the Company is aware of, during the reporting period, none of the Company, its directors, supervisors or senior management or the shareholders holding more than 5% of our Shares was subject to investigation by relevant authorities or to mandatory measures imposed by judicial organs or discipline inspection authorities. None of them was referred or handed over to judicial authorities or prosecuted for criminal liability, under investigation or administrative sanction by the CSRC, nor were they be prohibited from engagement in the securities markets, given notice of criticism, nor determined as unqualified, nor been publicly censured by any stock exchange. Neither the Company nor the shareholders holding more than 5% of the Shares of the Company has been penalised by other regulatory bodies which have significant impact on the businesses of the Company.

4.5 Undertakings made by the Company and shareholders holding more than 5% of our shares

In the course of the rights issue of A shares and H shares in 2013, each of China Merchants Group Ltd. (hereinafter referred to as "CM Group"), China Merchants Steam Navigation Co. Ltd. and China Ocean Shipping (Group) Company had undertaken that they would not seek for related party transactions on terms more favourable than those given to other shareholders; they would repay the principal and interest of the loans granted by the Company on time; they would not interfere with the daily operations of the Company. Should they participate in the subscription of the rights shares, they would neither transfer nor entrust others to manage the allocated shares within five years from the delivery of such shares, nor would they seek for a repurchase by the Company of the allocated shares held by them. Upon expiration of the lock-up period of the allocated shares, they would not transfer their allocated shares until they obtain the approval from the regulatory authorities on the share transfer and the shareholder qualification of transferees; and upon obtaining the approval from the Board of Directors and shareholders' general meeting of the Company, they would continue to support the reasonable capital needs of the Company; they would not impose unreasonable performance indicators on the Company. For details, please refer to the A Share Rights Issue prospectus dated 22 August 2013 on the website of the Company (www.cmbchina.com). As far as the Company is aware of, as at the date of the report, the above shareholders did not violate the aforesaid undertakings.

4.6 Significant connected transactions

4.6.1 Overview of connected transactions

The connected transactions of the Company include connected transactions on granting financial assistance and connected transactions which are unrelated to the granting of financial assistance, all of which have been conducted on normal commercial terms which are fair and reasonable and are in the interests of the Company and its shareholders as a whole. Pursuant to Chapter 14A of the Hong Kong Listing Rules, the connected transactions on granting financial assistance constituted exempt transactions, while the connected transactions which are unrelated to the granting of financial assistance, such as the continuing connected transactions conducted by the Company with China Merchants Group Ltd. and its members or Anbang Insurance Group and its members, were either de minimis continuing connected transactions or non-exempt continuing connected transactions, and the Company complied with the reporting and announcement requirements of such non-exempt continuing connected transactions set by the Hong Kong Stock Exchange.

4.6.2 Connected transactions which are unrelated to the granting of financial assistance

Pursuant to Chapter 14A of the Hong Kong Listing Rules, the non-exempt continuing connected transactions of the Company were those conducted by the Company with CM Securities and its associates (hereinafter referred to as "CM Securities Group"), Anbang Insurance Group and its associates (hereinafter referred to as "Anbang Insurance Group") and CMFM and its associates (hereinafter referred to as "CMFM Group"), respectively.

On 28 April 2015, with the approval from the Board of Directors, the Company announced the continuing connected transactions by the Company with CM Securities Group, and approved the annual cap for each of the years of 2015, 2016 and 2017 to be RMB500 million, respectively. On 16 June 2015, with the approval of the Board of Directors, the Company announced the continuing connected transactions by the Company with Anbang Insurance Group, and approved the annual cap for each of the years of 2015, 2016 and 2017 to be RMB1.2 billion, respectively. On 26 August 2014, with the approval from the Board of Directors, the Company announced the continuing connected transactions by the Company with CMFM Group, and approved the annual cap for each of the years of 2015 and 2016 to be RMB3 billion, respectively. Further details were disclosed in the announcements on continuing connected transactions issued by the Company on 26 August 2014, 28 April 2015 and 16 June 2015, respectively.

CM Securities Group

The business on the third-party custodian account, the wealth management agency services and collective investment products between the Company and CM Securities Group constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

China Merchants Steam Navigation Company Ltd., a wholly owned subsidiary of CM Group, is a substantial shareholder of the Company. As at the end of the reporting period, CM Group indirectly held 20.20% of equity interest in the Company (including those interests deemed to be held through affiliated companies). As CM Group also held 50.86% equity interest in CM Securities, pursuant to the Hong Kong Listing Rules, CM Securities Group is therefore a connected person of the Company.

The Company entered into a service co-operation agreement with CM Securities Group on 28 April 2015 for a term commencing on 1 January 2015 and expiring on 31 December 2017. The agreement was entered into on normal commercial terms after arm's length negotiations. The service fees payable by CM Securities Group to the Company should be determined in accordance with the following pricing policies:

(1) where there are State prescribed prices, to follow these prices; or

(2) where there are no State prescribed prices but there are applicable State guided prices, to follow the State guided prices; or

(3) where there are no State prescribed prices or State guided prices, to follow the market fee rates for ordinary business transactions agreed between the parties on arm' s length negotiations.

The annual cap for continuing connected transactions between the Company and CM Securities Group for 2015 was set at RMB500 million which was less than 5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules. Therefore, these transactions would be subject only to the reporting, announcement and annual review requirements pursuant to the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement.

As at 30 June 2015, the amount of continuing connected transactions between the Company and CM Securities Group was RMB269.38 million (unaudited).

An-Bang Insurance Group

The insurance agency sales services between the Company and An-Bang Insurance Group constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

Anbang Property & Casualty Insurance Company Ltd. is one of the Company's substantial shareholders. As at the end of the reporting period, An-Bang Insurance Group held 95.26% of the equity interest in Anbang Property & Casualty Insurance Company Ltd., and indirectly held 10.72% equity interest in the Company. According to the Hong Kong Listing Rules, An-Bang Insurance Group is an associate of the connected person of the Company and therefore a connected person of the Company.

The Company entered into a service co-operation agreement with An-Bang Insurance Group on 16 June 2015 for a term commencing on 1 January 2015 and expiring on 31 December 2017. The agreement was entered into on normal commercial terms through arm's length negotiations. The service fees payable by An-Bang Insurance Group to the Company should be determined in accordance with the following pricing policies:

(1) where there are State prescribed prices, to follow these prices; or

(2) where there are no State prescribed prices but there are applicable State guided prices, to follow the State guided prices; or

(3) where there are no State prescribed prices or State guided prices, to follow the market fee rates for ordinary business transactions agreed between the parties on arm's length negotiations.

The annual cap for continuing connected transactions between the Company and An-Bang Insurance Group for 2015 was set at RMB1.2 billion which was less than 5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules. Therefore, these transactions would be subject only to the reporting, announcement and annual review requirements pursuant to the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement.

As at 30 June 2015, the amount of continuing connected transactions between the Company and An-Bang Insurance Group was RMB580.29 million (unaudited).

CMFM Group

The fund distribution agency services between the Company and CMFM Group constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As at the end of the reporting period, the Company and CM Securities held 55% and 45% of the equity interest in CMFM respectively. CMFM Group is a connected subsidiary of the Company under the Hong Kong Listing Rules.

The Company entered into a service co-operation agreement with CMFM Group on 26 August 2014 for a term commencing on 1 January 2015 and expiring on 31 December 2016. The agreement was entered into on normal commercial terms. The agency fees payable by CMFM Group to the Company should be calculated on an arm's length basis and normal commercial terms, and in terms as specified in the funds offering documents and/or the offering prospectuses.

The annual cap for continuing connected transactions between the Company and CMFM Group for 2015 was set at RMB3 billion which was less than 5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules. Therefore, these transactions would be subject only to the reporting, announcement and annual review requirements pursuant to the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement.

As at 30 June 2015, the amount of continuing connected transactions between the Company and CMFM Group was RMB824.96 million (unaudited).

The independent non-executive directors of the Company had reviewed the above-mentioned non-exempt continuing connected transactions between the Company and each of CM Securities Group, Anbang Insurance Group and CMFM Group, respectively, and confirmed that:

(1) the transactions were conducted in the ordinary and usual course of business of the Company;

(2) the terms related to the transactions were fair and reasonable and in the interest of the Company and its shareholders as a whole;

(3) the transactions were entered into on normal commercial terms which were no more favourable than those to or from independent third parties; and

(4) the transactions were conducted in accordance with the terms of relevant agreements.

4.7 Material litigations and arbitrations

So far as the Company is aware of, as at 30 June 2015, the Company was involved in the following litigation cases in the course of business: the number of pending litigation and arbitration cases in which the Company was involved totalled 10,510 with a total amount of principal and interest of approximately RMB26,232,000,000 and RMB1,856,000,000, respectively. Of which, there were a total of 108 pending litigation and arbitration cases against the Company as at 30 June 2015, with a total amount of approximately RMB242,000,000. There were 12 pending cases with a principal amount exceeding RMB100,000,000. The total amount of principal and interest of the pending cases totalled approximately RMB2,170,000,000 and RMB255,000,000, respectively. The Company believes that none of the above litigation and arbitration cases would have a significant adverse impact on the financial position or operating results of the Company.

4.8 Material contracts and their performance

Significant events in respect of holding in custody, contracting, hiring or leasing of assets

During the reporting period, none of the material contracts of the Company involving holding in custody, contracting or hiring or leasing of any assets of other companies by the Company or vice versa was entered into beyond the normal business scope of the Bank.

Significant guarantees

Guarantee business falls within the Company's ordinary course of business. During the reporting period, save for the financial guarantees entered into in our normal business scope approved by the PBOC and the CBRC, there was no other significant discloseable guarantee.

Significant entrustments in respect of cash asset management

During the reporting period, there was no significant entrustment in respect of fund and asset management.

4.9 Implementation of the Appreciation Rights Incentive Scheme during the reporting period

For details about the implementation of the Company's Appreciation Rights Incentive Scheme, please refer to the section headed "Employee Stock Ownership Scheme and H Share Appreciation Rights Incentive Scheme" in Chapter VI.

4.10 Use of funds by related persons

During the reporting period, so far as the Company is aware of, neither the substantial shareholders of the Company nor their related parties had used any funds of the Company for non-operating purposes, and none of them had used the funds of the Company through any related party transactions on anything other than on an arm's length basis.

4.11 Explanation on the changes in accounting policies

For details of changes in the accounting policies, please refer to note 2 to the financial statements.

4.12 Review of interim results

KPMG Certified Public Accountants, being the external auditor of the Company, has reviewed the interim financial report of the Company prepared in accordance with the disclosure requirements of the International Accounting Standards and the Hong Kong Listing Rules. In addition, the Audit Committee under the Board of Directors of the Company has also reviewed and approved the interim results and financial report of the Company for the period ended 30 June 2015.

4.13 Publication of interim report

The Company prepared the interim report in both English and Chinese in accordance with the International Accounting Standards and the Hong Kong Listing Rules. These reports are available on the websites of Hong Kong Stock Exchange and the Company. In the event of any discrepancies in the interpretation between the English and Chinese, the Chinese shall prevail.

The Company also prepared the interim report in Chinese in accordance with the PRC Generally Accepted Accounting Principles and the preparation rules for interim reports, which are available on the websites of Shanghai Stock Exchange and the Company.

V Share Capital Structure and Shareholder Base

5.1 Changes in Shares of the Company during the reporting period

		31 December 2014		Changes in the reporting period	30 June 2015	
		Quantity (share)	Percentage (%)	Quantity (share)	Quantity (share)	Percentage (%)
I.	**Shares subject to trading moratorium**	–	–	–	–	–
II.	**Shares not subject to trading moratorium**	25,219,845,601	100.00	–	**25,219,845,601**	**100.00**
	1. Ordinary shares in RMB (A Shares)	20,628,944,429	81.80	–	**20,628,944,429**	**81.80**
	2. Foreign shares listed domestically	–	–	–	–	–
	3. Foreign shares listed overseas (H Shares)	4,590,901,172	18.20	–	**4,590,901,172**	**18.20**
	4. Others	–	–	–	–	–
III.	**Total shares**	25,219,845,601	100.00	–	**25,219,845,601**	**100.00**

As at the end of the reporting period, the Company had a total of 426,896 shareholders, including 39,057 holders of H Shares and 387,839 holders of A Shares. No Share is subject to trading moratorium. The Company did not issue any internal employee shares.

Based on the publicly available information and so far as the Company's directors were aware of, as at 30 June 2015, the Company had met the public float requirement of the Hong Kong Listing Rules.

5.2 Top ten shareholders and top ten shareholders whose shareholdings are not subject to trading moratorium

Serial No.	Name of shareholder	Type of shareholder	Shares held at the end of the period (share)	Percentage of total share capital (%)	Type of shares	Changes in the reporting period (share)	Number of shares subject to trading moratorium (share)	Shares pledged or frozen (share)
1	HKSCC Nominees Ltd. (note 1)	/	4,537,283,027	17.99	H shares	4,174,770	0	0
2	China Merchants Steam Navigation Company Ltd.	State-owned legal person	3,162,424,323	12.54	A Shares not subject to trading moratorium	0	0	0
3	Anbang Property & Casualty Insurance Company Ltd. – conventional products	Domestic non-state-owned legal person	2,704,596,216	10.72	A Shares not subject to trading moratorium	0	0	0
4	China Ocean Shipping (Group) Company	State-owned legal person	1,574,729,111	6.24	A Shares not subject to trading moratorium	0	0	0
5	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	747,589,686	2.96	A Shares not subject to trading moratorium	0	0	0
6	Guangzhou Maritime Transport (Group) Company Ltd. (note 2)	State-owned legal person	668,649,167	2.65	A Shares not subject to trading moratorium	0	0	0
7	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	653,135,659	2.59	A Shares not subject to trading moratorium	0	0	0
8	China Communications Construction Company Ltd.	State-owned legal person	450,164,945	1.78	A Shares not subject to trading moratorium	0	0	0
9	Hong Kong Securities Clearing Company Limited (note 3)	/	444,771,931	1.76	A Shares not subject to trading moratorium	245,992,742	0	0
10	SAIC Motor Corporation Limited	Domestic non-state-owned legal person	432,125,895	1.71	A Shares not subject to trading moratorium	0	0	0

Note 1: Shares held by HKSCC Nominees Ltd. were the total shares in the accounts of holders of H Shares of the Company trading on the transaction platform of HKSCC Nominees Ltd..

Note 2: As at the end of the reporting period, the number of Shares held by Guangzhou Maritime Transport (Group) Company Ltd. in the Company was 668,649,167, among which 23,773,800 Shares were lent to China Securities Finance Corporation Limited.

Note 3: Hong Kong Securities Clearing Company Limited. is a wholly-owned subsidiary of Hong Kong Stock Exchange. It is the nominal holder of shares held by Hong Kong investors who participate in the Northbound Trading Link. The shares of such investors are mainly deposited in Hong Kong Securities Clearing Company Ltd..

Note 4: Of the aforesaid top 10 shareholders, China Merchants Steam Navigation Company Ltd., Shenzhen Yan Qing Investment and Development Company Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are subsidiaries of China Merchants Group Ltd. The Company is not aware of any affiliated relationships among other shareholders. As at 30 June 2015, China Merchants Group Ltd. indirectly held an aggregate of 20.20% of the total issued shares of the Company, consisting of 19.58% of the A shares of the Company and 0.62% of the H shares of the Company, respectively.

Note 5: The above shareholders do not hold the shares of the Company through securities accounts.

5.3 Substantial shareholders' and other persons' interests and short positions in shares and underlying shares under Hong Kong laws and regulations

As at 30 June 2015, as far as the Company is aware, the following persons (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Company) had interests and short positions in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Class of shares	Long/ short position	Capacity	No. of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all issued shares (%)
China Merchants Group Ltd.	A	Long	Interest of controlled corporation	4,939,424,506	1	23.94	19.58
	H	Long	Interest of controlled corporation	156,178,923	1	3.40	0.62
China Merchants Steam Navigation Company Ltd.	A	Long	Beneficial owner	3,162,424,323			
		Long	Interest of controlled corporation	58,147,140	1		
				3,220,571,463		15.61	12.77
	H	Long	Interest of controlled corporation	156,178,923	1	3.40	0.62
China Merchants Finance Investment Holdings Co. Ltd.	A	Long	Beneficial owner	318,127,698			
		Long	Interest of controlled corporation	1,400,725,345	1		
				1,718,853,043		8.33	6.82
Shenzhen Yan Qing Investment and Development Company Ltd.	A	Long	Beneficial owner	747,589,686			
		Long	Interest of controlled corporation	653,135,659	1		
				1,400,725,345		6.79	5.55
China Ocean Shipping (Group) Company	A	Long	Beneficial owner	1,574,729,111		7.63	6.24
Anbang Property & Casualty Insurance Company Ltd. – conventional products	A	Long	Beneficial owner	2,704,596,216		13.11	10.72
JPMorgan Chase & Co.	H	Long	Beneficial owner	101,406,057			
		Long	Investment manager	241,963,085			
		Long	Custodian	157,296,935			
				500,666,077	2	10.91	1.99
		Short	Beneficial owner	28,823,064	2	0.63	0.11
BlackRock, Inc	H	Long	Interest of controlled corporation	288,826,618	3	6.29	1.15
		Short	Interest of controlled corporation	63,000	3	0.001	0.0002

Notes:

(1) China Merchants Group Ltd. was deemed to hold interests in a total of 4,939,424,506 A shares (Long position) and 156,178,923 H shares (Long position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

(1.1) China Merchants Steam Navigation Company Ltd. held 3,162,424,323 A shares (Long position) in the Company. China Merchants Steam Navigation Company Ltd. was a wholly-owned subsidiary of China Merchants Group Ltd..

(1.2) China Merchants Finance Investment Holdings Co. Ltd. held 318,127,698 A shares (Long position) in the Company. China Merchants Finance Investment Holdings Co. Ltd. was owned as to 90% and 10% by China Merchants Group Ltd. and China Merchants Steam Navigation Company Ltd., referred to in (1.1) above, respectively.

(1.3) Shenzhen Yan Qing Investment and Development Company Ltd. held 747,589,686 A shares (Long position) in the Company. Shenzhen Yan Qing Investment and Development Company Ltd. was owned as to 51% and 49% by China Merchants Finance Investment Holdings Co. Ltd., referred to in (1.2) above, and China Merchants Group Ltd. respectively.

(1.4) Shenzhen Chu Yuan Investment and Development Company Ltd. held 653,135,659 A shares (Long position) in the Company. Shenzhen Chu Yuan Investment and Development Company Ltd. was owned as to 50% by each of China Merchants Finance Investment Holdings Co. Ltd., referred to in (1.2) above, and Shenzhen Yan Qing Investment and Development Company Ltd., referred to in (1.3) above, respectively.

(1.5) Bestwinner Investment Limited held 58,147,140 A shares (Long position) and 156,178,923 H shares (Long position) in the Company. Bestwinner Investment Limited was an indirect wholly-owned subsidiary of China Merchants Group Ltd. (10.55% interests were directly owned by China Merchants Group Ltd., whereas 89.45% interests were indirectly owned by China Merchants Steam Navigation Company Ltd., referred to in (1.1) above, through its subsidiaries).

(2) JPMorgan Chase & Co. was deemed to hold interests in a total of 500,666,077 H shares (Long position) and 28,823,064 H shares (Short position) in the Company by virtue of it control over a number of corporations. Except for the following corporations, other corporations are either directly or indirectly wholly-owned by JPMorgan Chase & Co..

(2.1) A total of 6,864,000 H shares (Long position) of the Company is held by China International Fund Management Co., Ltd., which is owned as to 49% by JPMorgan Asset Management (UK) Limited, an indirectly wholly-owned subsidiary of JPMorgan Chase & Co..

The entire interest and short position of JPMorgan Chase & Co. in the Company included a lending pool of 157,296,935 H shares. Besides, 36,057,145 H shares (Long position) and 28,823,064 H shares (Short position) were held through derivatives as follows:

7,084,115 H shares (Long position) and 6,798,000 H shares (Short position)	through physically settled derivatives (on exchange)
2,361,500 H shares (Short position)	through cash settled derivatives (on exchange)
16,890,000 H shares (Long position) and 10,998,582 H shares (Short position)	through physically settled derivatives (off exchange)
12,083,030 H shares (Long position) and 8,664,982 H shares (Short position)	through cash settled derivatives (off exchange)

(3) BlackRock, Inc. was deemed to hold interests in a total of 288,826,618 H shares (Long position) (in which 200,000 H shares were held through cash settled derivatives (off exchange)) and 63,000 H shares (Short position) in the Company by virtue of its control over a number of corporations. Except for the following corporations, other corporations are indirectly wholly-owned by BlackRock, Inc..

(3.1) BlackRock, Inc. indirectly held 86% of the equity interest in BR Jersey International Holdings. L.P., which held the equity interest in the Company through its indirectly wholly-owned subsidiaries listed below:

(3.1.1) BlackRock Japan Co., Ltd. held 4,989,500 H shares (Long position) of the Company.

(3.1.2) BlackRock Asset Management Canada Limited held 692,000 H shares (Long position) of the Company.

(3.1.3) BlackRock Investment Management (Australia) Limited held 515,000 H shares (Long position) of the Company.

(3.1.4) BlackRock Asset Management North Asia Limited held 3,813,058 H shares (Long position) of the Company.

(3.2) BR Jersey International Holding. L.P. (please refer to (3.1)) held 90% of the equity interest in BlackRock Group Limited, which held the equity interest in the Company through its directly or indirectly wholly-owned subsidiaries listed below:

(3.2.1) BlackRock (Netherlands) B.V. held 2,745,809 H shares (Long position) of the Company.

(3.2.2) BlackRock Advisors (UK) Limited held 40,863,767 H shares (Long position) of the Company.

(3.2.3) BlackRock International Limited held 2,772,498 H shares (Long position) of the Company.

(3.2.4) BlackRock Asset Management Ireland Limited held 30,018,284 H shares (Long position) of the Company.

(3.2.5) BLACKROCK (Luxembourg) S.A. held 675, 792 H shares (Long position) of the Company.

(3.2.6) BlackRock Investment Management (UK) Limited held 10,987,193 H shares (Long position) of the Company.

(3.2.7) BlackRock Asset Management Deutschland AG held 323,731 H shares (Long position) of the Company.

(3.2.8) BlackRock Fund Managers Limited held 2,199,211 H shares (Long position) of the Company.

(3.2.9) BlackRock Life Limited held 88,000 H shares (Long position) of the Company.

(3.2.10) BlackRock Asset Management (Schweiz) AG held 22,000 H shares (Long position) of the Company.

Save as disclosed above, the Company is not aware of any other person (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Company) having any interests or short positions in the shares and underlying shares of the Company as at 30 June 2015 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

VI Directors, Supervisors, Senior Management, Employees, and Organisational Structure

6.1 Directors, Supervisors and Senior Management

Name	Gender	Date of Birth(Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)
Li Jianhong	Male	1956.5	Chairman	2014.8-2016.5	–	–
			Non-Executive Director	2014.7-2016.5		
Ma Zehua	Male	1953.1	Vice Chairman	2014.8-2016.5	–	–
			Non-Executive Director	2014.3-2016.5		
Tian Huiyu	Male	1965.12	Executive Director	2013.8-2016.5	–	–
			President and Chief Executive Officer	2013.9-2016.5		
Li Xiaopeng	Male	1959.5	Vice Chairman	(note 1)	–	–
			Non-Executive Director	2014.11-2016.5	–	–
Li Yinquan	Male	1955.4	Non-Executive Director	2013.5-2016.5	–	–
Sun Yueying	Female	1958.6	Non-Executive Director	2013.5-2016.5	–	–
Su Min	Female	1968.2	Non-Executive Director	2014.9-2016.5	–	–
Fu Junyuan	Male	1961.5	Non-Executive Director	2013.5-2016.5	–	–
Li Hao	Male	1959.3	Executive Director, First Executive Vice President and Chief Financial Officer	2013.5-2016.5	–	–
Fu Gangfeng	Male	1966.12	Non-Executive Director	2013.5-2016.5	–	–
Hong Xiaoyuan	Male	1963.3	Non-Executive Director	2013.5-2016.5	–	–
Zhang Feng	Male	1979.7	A candidate for Non-Executive Director	(note 2)	–	–
Leung Kam Chung, Antony	Male	1952.1	Independent Non-Executive Director	2015.1-2016.5	–	–
Wong Kwai Lam	Male	1949.5	Independent Non-Executive Director	2013.5-2016.5	–	–
Pan Chengwei	Male	1946.2	Independent Non-Executive Director	2013.5-2016.5	–	–
Pan Yingli	Female	1955.6	Independent Non-Executive Director	2013.5-2016.5	–	–
Guo Xuemeng	Female	1966.9	Independent Non-Executive Director	2013.5-2016.5	–	–
Zhao Jun	Male	1962.9	Independent Non-Executive Director	2015.1-2016.5	–	–
Liu Yuan	Male	1962.1	Chairman of Board of Supervisors, Employee Supervisor	2014.8-2016.5	–	–
Zhu Genlin	Male	1955.9	Shareholder Supervisor	2013.5-2016.5	–	–
An Luming	Male	1960.4	Shareholder Supervisor	2013.5-2016.5	–	–
Liu Zhengxi	Male	1963.7	Shareholder Supervisor	2013.5-2016.5	–	–
Pan Ji	Male	1949.4	External Supervisor	2013.5-2016.5	–	–
Dong Xiande	Male	1947.2	External Supervisor	2014.6-2016.5	–	–
Jin Qingjun	Male	1957.8	External Supervisor	2014.10-2016.5	65,800	65,800
Xiong Kai	Male	1971.4	Employee Supervisor	2014.8-2016.5	–	–
Huang Dan	Female	1966.6	Employee Supervisor	2015.3-2016.5	–	–
Tang Zhihong	Male	1960.3	Executive Vice President	2013.5-2016.5	–	–
Ding Wei	Male	1957.5	Executive Vice President	2013.5-2016.5	–	–
Zhu Qi	Male	1960.7	Executive Vice President	2013.5-2016.5	–	–
Wang Qingbin	Male	1956.12	Executive Vice President and General Manager of Beijing Branch	2013.5-2016.5	–	–
Liu Jianjun	Male	1965.8	Executive Vice President	2013.12-2016.5	–	–
Xiong Liangjun	Male	1963.2	Secretary of the Party Discipline Committee	2014.8-now	–	–
Wang Liang	Male	1965.12	Executive Vice President	2015.1-2016.5	–	–
Zhao Ju	Male	1964.11	Executive Vice President	2015.2-2016.5	–	–
Lian Bolin	Male	1958.5	Executive Assistant President	2012.6-2016.5	–	–
Xu Shiqing	Male	1961.3	Secretary of Board of Directors	2013.5-2016.5 (note 3)	–	–
Zhang Guanghua	Male	1957.3	Former Vice Chairman	2013.8-2015.7	–	–
			Former Executive Director	2013.5-2015.7		
Xu Shanda	Male	1947.9	Former Independent Non-Executive Director	2013.11-2015.1	–	–
Xiao Yuhuai	Male	1954.6	Former Independent Non-Executive Director	2014.3-2015.1	–	–
Yu Yong	Male	1962.7	Former Employee Supervisor	2013.5-2015.3	–	–

Notes: 1. According to the resolution passed at the 35th meeting of the Ninth Session of the Board of Directors of the Company convened on 28 July 2015, the Board of Directors resolved to elect Mr. Li Xiaopeng as Vice Chairman of the Company, whose qualification still needs to be approved by the banking regulator(s) in the PRC.

2. According to the resolution passed at the 35th meeting of the Ninth Session of the Board of Directors of the Company convened in July 2015, the Board of Directors resolved to nominate Mr. Zhang Feng as a Non-executive Director of the Company, whose qualification is subject to approval at the General Meeting of the Company and approved by the banking regulator(s) in the PRC.

3. Mr. Xu Shiqing was appointed as the Secretary of Board of Directors of the Company (whose qualification was approved by the banking regulator(s) in the PRC in February 2015) at the first meeting of the Ninth Session of the Board of Directors of the Company held in May 2013.

4. None of the persons listed in the above table has held share options of the Company or been granted restricted shares of the Company.

6.2 Appointment and Resignation of Directors, Supervisors and Senior Management

According to the resolutions passed at the 2014 Second Extraordinary General Meeting of the Company, Mr. Leung Kam Chung, Antony and Mr. Zhao Jun were elected as Independent Non-executive Directors of the Company's Ninth Session of the Board of Directors, and their qualifications for serving as the Directors were approved by the banking regulator(s) in the PRC in January 2015. Mr. Zhang Feng was nominated as the Non-executive Director of the Company at the 35th meeting of the Ninth Session of the Board of Directors of the Company, but his appointment qualification is still subject to approval at the general meeting of the Company and approval by the banking regulator(s) in the PRC. Mr. Li Xiaopeng was elected as the Vice Chairman of the Company at the 35th meeting of the Ninth Session of the Board of Directors of the Company, but his appointment qualification is still subject to approval by the banking regulator(s) in the PRC.

Mr. Zhang Guanghua submitted a letter of resignation to the Company on 14 July 2015 due to the change of job assignment, and ceased to be the Vice Chairman and Executive Director of the Company. Mr. Xu Shanda and Mr. Xiao Yuhuai ceased to be the Independent Non-executive Director of the Company since January 2015.

According to the voting results at the meeting of employee representatives held on 10 March 2015, Ms. Huang Dan was newly elected as Employee Supervisor of the Ninth Session of the Board of Supervisors of the Company. Mr. Yu Yong, a Former Employee Supervisor, ceased to be the Employee Supervisor of the Company since March 2015.

According to the relevant resolutions passed at the 26th meeting of the Ninth Session of the Board of Directors of the Company, Mr. Wang Liang and Mr. Zhao Ju were appointed as Executive Vice Presidents of the Company, whose qualifications were approved by the CBRC, Shenzhen Office in December 2014 and February 2015, respectively.

For details of the above-mentioned matters, please refer to the relevant announcements published on China Securities Journal, Shanghai Securities News and Securities Times, and on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

6.3 Changes of Occupations of Directors and Supervisors

1. Mr. Tian Huiyu, Executive Director, President and Chief Executive Officer of the Company, also serves as the Chairman of Wing Lung Bank and Vice Chairman of CMB-China Unicom Consumption Finance Co., Ltd. (招聯消費金融有限公司).

2. Mr. Li Xiaopeng, Non-executive Director of the Company, concurrently serves as the Chairman of China Merchants United Development Company Limited and Vice Chairman of China Merchants Capital Investment Co., Ltd..

3. Mr. Li Yinquan, Non-executive Director of the Company, ceased to be the Deputy General Manager of China Merchants Group Ltd., the Chairman of China Merchants Finance Holdings Company Limited and Director of China Merchants Holdings (International) Co., Ltd.

4. Mr. Li Hao, Executive Director and First Executive Vice President of the Company, also serves as the Vice Chairman of Wing Lung Bank.

5. Mr. Hong Xiaoyuan, Non-executive Director of the Company, serves as the Chairman of China Merchants Finance Holdings Company Limited, and ceased to be the Chairman of Bosera Asset Management Co., Ltd.

6. Mr. Leung Kam Chung, Antony, Independent Non-executive Director of the Company, serves as the Chairman of charitable organizations, Heifer International – Hong Kong and "Food Angel", and ceased to be Senior Advisor and Member of the International Advisory Board of Blackstone.

7. Ms. Guo Xuemeng, Independent Non-executive Director of the Company, serves as an Independent Non-executive Director of Luoyang North Glass Technology Co., Ltd., and ceased to be Independent Non-executive Director of Beijing Bode Communication Equipment Co., Ltd. (北京博得交通設備股份有限公司).

8. Mr. Zhu Genlin, Shareholder Supervisor of the Company, concurrently serves as the Chairman of the Board of Supervisors of the Shanghai Water Resources Foundation, and ceased to serve as the Chairman of Shanghai Creative Industry Investment Co., Ltd. (上海創意產業投資有限公司), the Vice Chairman of the Board of Supervisors of Shenyin & Wanguo Securities Co., Ltd. and the director of Changjiang Pension Insurance Co., Ltd..

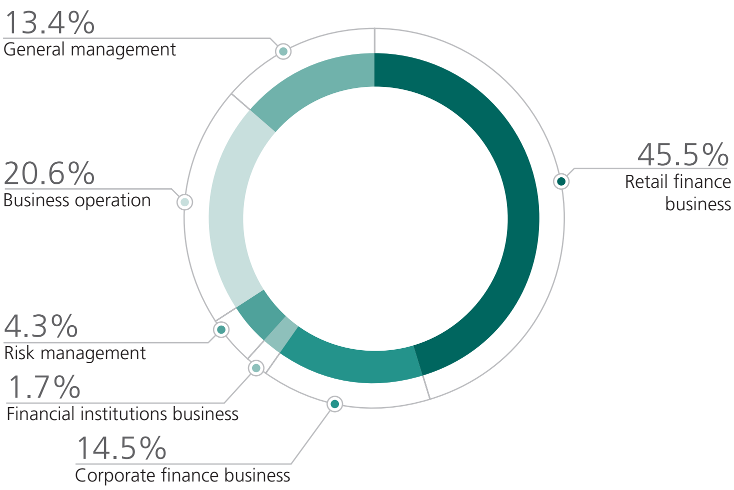
6.4 Employee Stock Ownership Scheme and H Share Appreciation Rights Incentive Scheme

To further improve the Company's legal entity governance structure, stabilize management and key personnel team, establish a sound mid and long-term incentive mechanism combining incentives and restraints, and promote the long-term, sustained and healthy development of the Company, 2015 First Phase Employee Stock Ownership Scheme of the Company (Draft) (by way of subscribing A Shares in Private Placement) and the relevant resolutions were considered and approved at the 2014 Annual General Meeting, the First Class Meeting of the Shareholders of A Shares for 2015 and the First Class Meeting of the Shareholders of H Shares for 2015 of the Company, and the "resolution regarding the termination of the H Share Appreciation Rights Scheme" was also approved at the aforesaid general meeting, pursuant to which it was resolved that, upon obtaining the approval for the Employee Stock Ownership Scheme at the General Meeting, the H-Share Appreciation Rights yet to be granted shall be suspended immediately; subject to the approvals and implementation of the Employee Stock Ownership Scheme, the H-Share Appreciation Rights Scheme shall be terminated officially and automatically and the grant of the share appreciation rights yet to be granted shall also be terminated, and the implementation of the related specific matters will be arranged for by the Board. Thereafter, the 35th meeting of the Ninth Session of the Board of Directors of the Company approved the "Resolution on Participation of Chairman Li Jianhong and other two persons in the Employee Stock Ownership Scheme of China Merchants Bank", and made adjustments to the original "2015 First Phase Employee Stock Ownership Scheme of China Merchants Bank Co., Ltd. (by way of subscribing A shares in the Private Placement)" accordingly. The "2015 First Phase Employee Stock Ownership Scheme (Revised) of China Merchants Bank Co., Ltd. (by way of subscribing A Shares in the Private Placement)" was approved at the 36th meeting of the Ninth Session of the Board of Directors. Currently, the implementation of the Employee Stock Ownership Scheme is still subject to consideration and approval at the forthcoming general meeting and the class meetings of the Company, as well as approvals from the relevant regulatory authorities. For details of the above-mentioned matters, please refer to the relevant announcements published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company for details.

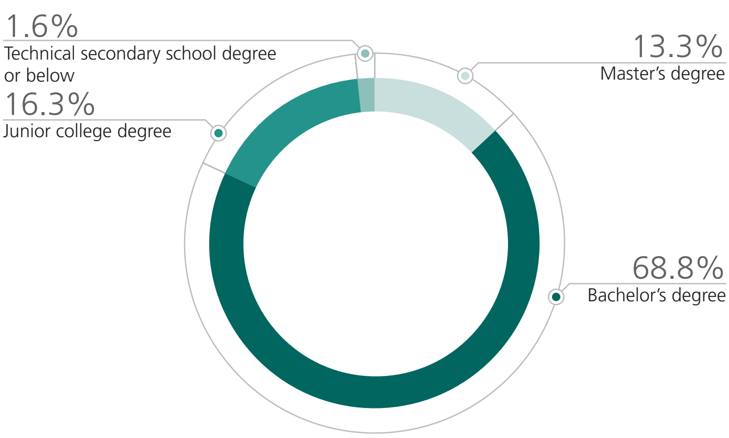
6.5 Information about Employees

As at 30 June 2015, the Company had 73,777 employees (including secondees). In addition, the Company is responsible for payment of costs for 400 retired employees. The composition of our current employees is set out as follows:

(1) Professional Structure



(2) Educational Structure



6.6 Branches and Representative Offices

During the reporting period, 1 cross-city sub-branch was approved to be upgraded to second-tier branch, namely Mianyang Branch. Our Luxembourg Branch outside Mainland China was approved to commence business. The application to set up Sydney Branch was approved by the CBRC. The following table sets forth the branches and representative offices as at 30 June 2015:

Regions	Name of branches	Business address	Postal Code	No. of branches	No. of Staff	Volume of assets (In millions of RMB)
Head Office	Head Office	7088 Shennan Boulevard, Shenzhen	518040	1	5,366	1,774,895
	Credit Card Center	686 Lai'an Road, Pudong New District, Shanghai	201201	1	11,341	243,302
Yangtze River Delta	Shanghai Branch	1088 Lujiazui Ring Road, Pudong, Shanghai	200120	100	4,217	188,268
	Shanghai Pilot Free Trade Zone Branch	Waigaoqiao Building, 6 Jilong Road, Waigaoqiao Bonded Area, Pudong New District, Shanghai	200131	1	38	3,631
	Nanjing Branch	1 Hanzhong Road, Nanjing	210005	73	2,504	121,026
	Wuxi Branch	9 Xueqian Road, Wuxi	214001	15	624	28,196
	Hangzhou Branch	23 Hangda Road, Hangzhou	310007	57	2,402	123,037
	Wenzhou Branch	1-3/F, Block 2, 4, 5, Hongshengjin Garden, 300 Wuqiao Avenue, Lucheng District, Wenzhou	325000	11	462	27,420
	Ningbo Branch	Block 2, 235 Heji Street, Jiangdong District, Ningbo	315042	31	1,230	60,044
	Suzhou Branch	36 Wansheng Street, Industrial Park, Suzhou	215028	44	1,509	111,628
Bohai Rim	Beijing Representative Office	35 Jinrong Avenue, Xicheng District, Beijing	100005	1	10	1
	Beijing Branch	156 Fuxingmen Nei Dajie, Beijing	100031	108	4,314	216,657
	Qingdao Branch	65 Hai'er Road, Laoshan District, Qingdao	266103	61	2,015	81,369
	Tianjin Branch	Yujia Building, 255 Guangdong Road and 9 Qianjin Road, Hexi District, Tianjin	300204	40	1,633	85,048
	Jinan Branch	8 Kuangshi Street, Jinan	250012	56	1,794	86,009
	Shijiazhuang Branch	172 Zhonghua Street South, Shijiazhuang	050091	14	287	15,900
	Tangshan Branch	44 Beixin Road West, Lubei District, Tangshan	063000	1	123	3,637

VI Directors, Supervisors, Senior Management, Employees, and Organisational Structure

Regions	Name of branches	Business address	Postal Code	No. of branches	No. of Staff	Volume of assets (In millions of RMB)
Pearl River Delta and West Side of Taiwan Strait	Guangzhou Branch	5 Huasui Road, Tianhe District, Guangzhou	510620	61	2,418	118,812
	Shenzhen Branch	2 Shennan Road Central, Shenzhen	518001	104	4,375	247,707
	Fuzhou Branch	60 Guping Road, Fuzhou	350003	36	1,130	65,246
	Quanzhou Branch	Huangxing Building, 301 Fengze Street, Fengze District, Quanzhou	362000	13	425	25,083
	Xiamen Branch	No. 6 Complex Building, Hongtai Industrial Park, 309 Hudong Road, Siming District, Xiamen	361001	25	929	45,592
	Dongguan Branch	200 Hongfu Road, Nancheng District, Dongguan	523129	29	964	36,055
	Foshan Branch	12 Denghu Road East, Guicheng Street, Foshan	528200	32	1,122	71,175
North-eastern China	Shenyang Branch	12 Shiyiwei Road, Heping District, Shenyang	110003	44	1,655	55,716
	Dalian Branch	17 Renmin Road, Zhongshan District, Dalian	116001	35	1,251	53,415
	Harbin Branch	3 Zhongyang Avenue, Daoli District, Harbin	150001	34	1,009	61,213
	Changchun Branch	1111 Ziyou Avenue, Zhaoyang District, Changchun	130000	21	573	40,335
Central China	Wuhan Branch	518 Jianshe Avenue, Hankou, Wuhan	430022	52	2,096	104,495
	Nanchang Branch	468 Dieshan Road, Donghu District, Nanchang	330003	40	1,239	93,020
	Changsha Branch	766 Wuyi Avenue, Changsha	410005	51	1,434	60,881
	Hefei Branch	China Merchants Bank Mansion, 169 Funan Road, Hefei	230061	33	1,151	51,004
	Zhengzhou Branch	96 Nongye Road East, Zhengzhou	450018	33	1,043	47,109
	Taiyuan Branch	8 Xinjian Road South, Taiyuan	030001	22	889	35,718
	Haikou Branch	1-3/F Complex Building C, Haian Yihao, 1 Shimao Road North, Haikou	570100	6	223	15,575

Regions	Name of branches	Business address	Postal Code	No. of branches	No. of Staff	Volume of assets (In millions of RMB)
Western China	Chengdu Branch	No. 1, the 3rd Section of Renmin Road South, Wuhou District, Chengdu	610000	48	1,613	62,287
	Lanzhou Branch	9 Qingyang Road, Chengguan District, Lanzhou	730030	27	861	31,164
	Xi'an Branch	1 Gaoxin No.2 Road, Xi'an	710001	56	1,839	63,978
	Chongqing Branch	88 Xingguang Road, New North District, Chongqing	401121	42	1,496	68,178
	Urumchi Branch	China Merchants Bank Mansion, 2 Huanghe Road, Urumchi	830000	16	578	28,234
	Kunming Branch	48 Dongfeng Road East, Kunming	650051	37	1,274	69,822
	Hohhot Branch	9 Chilechuan Avenue, Saihan District, Hohhot City, Inner Mongolia	010098	18	626	32,278
	Nanning Branch	92-1 Minzu Avenue, Nanning	530022	17	452	23,859
	Guiyang Branch	284 Zhonghua Road North, Yunyan District, Guiyang	550001	17	387	23,771
	Yinchuan Branch	217 Xinhua Street East, Xingqing District, Yinchuan	750000	11	309	19,323
	Xining Branch	4 Xinning Road, Chengxi District, Xining	810000	6	212	11,442
Outside Mainland China	Hong Kong Branch	12 Harcourt Road, Central, Hong Kong	–	1	150	76,971
	USA Representative Office	509 Madison Avenue, Suite 306, New York, New York 10022, U.S.A	–	1	1	2
	New York Branch	535 Madison Avenue	–	1	99	45,701
	Singapore Branch	One Raffles Place, Tower 2, #32-61, Singapore	–	1	38	4,635
	London Representative Office	39 Cornhill EC3V 3ND, London, UK	–	1	2	2
	Taipei Representative Office	333, Section 1, Jilong Road, Xinyi District, Taipei	–	1	1	1
	Luxembourg Branch	5 Floor, 4 rue Jean Monnet L-2180 Luxembourg	–	1	18	–
Other assignments					26	–
Total		**-**	**–**	**1,588**	**73,777**	**4,959,867**

VII Corporate Governance

7.1 Overview of Corporate Governance

During the reporting period, the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the special committees under the Board of Directors and the Board of Supervisors of the Company functioned proactively and effectively, secured prudence and compliance with the Company's operation, and ensured sustainable and healthy growth of the Company. During the reporting period, the Company held a total of 35 meetings of all sorts. Among them, there were 3 shareholders' general meetings, 7 meetings of the Board of Directors, 17 meetings of the special committees under the Board of Directors, 6 meetings of the Board of Supervisors and 2 meetings of the special committees under the Board of Supervisors.

Having conducted thorough self-inspection, the Company was not aware of any non-compliance with its corporate governance practice during the reporting period with the requirements set out in CSRC's regulatory documents governing the corporate governance of listed companies. There were no irregularities in the Company's corporate governance, nor was there any undisclosed information provided to its major shareholders or de facto controllers.

7.2 Information about General Meetings

During the reporting period, the Company convened three shareholders' general meetings.

On 19 June 2015, the 2014 Annual General Meeting of the Company, the First Class Meeting of the Shareholders of A Shares for 2015 and the First Class Meeting of the Shareholders of H Shares for 2015 were held in Shenzhen. The notifying, convening, holding and voting procedures of the meetings complied with the Company Law, the Articles of Association of the Company and the relevant requirements of the Hong Kong Listing Rules. For details of the relevant proposals considered at the meetings, please refer to the announcements in respect of the resolutions passed at the 2014 Annual General Meeting, the First Class Meeting of the Shareholders of A Shares for 2015 and the First Class Meeting of the Shareholders of H Shares for 2015 dated 19 June 2015 published on China Securities Journal, Shanghai Securities News and Securities Times, and on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

7.3 Information about Meetings of the Board of Directors and its Special Committees

During the reporting period, the Company convened 7 meetings of the Board of Directors (3 on-site meetings, 4 meetings voted by correspondence), considered and approved 51 proposals, heard 9 themed reports. Special committees under the Board of Directors convened 17 meetings (2 by the Strategy Committee, 2 by the Remuneration and Appraisal Committee, 4 by the Risk and Capital Management Committee, 5 by the Audit Committee, and 4 by the Related-Party Transactions Control Committee), studied and reviewed 69 proposals and heard 11 themed reports.

7.4 Information about Meetings of the Board of Supervisors and its Special Committees

During the reporting period, the Board of Supervisors held 6 meetings (3 on-site meetings, 3 meetings voted by correspondence), considered 34 proposals, and heard 5 themed reports. Special committees under the Board of Supervisors convened 2 meetings (1 by the Nomination Committee, with 2 proposals considered; 1 by the Supervision Committee, with 1 proposal considered).

The Board of Supervisors attended 3 on-site meetings of the Board of Directors and 1 general meeting. The chairman and members of the Supervision Committee under the Board of Supervisors attended 7 meetings of the special committees under the Board of Directors, including 1 meeting convened by the Strategy Committee, 1 meeting convened by the Remuneration Committee, 2 meetings convened by the Audit Committee and 3 meetings convened by the Risk and Capital Management Committee.

7.5 Securities Transactions of Directors, Supervisors and the Relevant Employees

The Company has adopted the Model Code set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for directors and supervisors of the Company in respect of their dealings in the Company's securities. Having made specific enquiry of all the directors and supervisors, the Company confirmed that they had complied with the aforesaid Model Code throughout the period ended 30 June 2015.

The Company has also established guidelines for the relevant employees' securities transactions, which are no less exacting than the Model Code. The Company is not aware of any non-compliance with the aforesaid guidelines by employees.

7.6 Internal Control

During the report period, the Company vigorously promoted the reforms of risk management, internal control and compliance management system. By holding onto the principle of implementing the reform in a comprehensive, professional, proactive, and balanced way, the Company is committed to building its professional competitive strength, clients serving capability and risk management ability. While enhancing the Bank's risk management and the appraisal of the performance of internal control and compliance management system, the Company also established respective appraisal systems to assess its internal control, compliance management system and risk management, which will objectively assess the management status of branches of the Bank in an overall and reasonable way, lead the development of the branches, strengthen their long-term managerial ability and solidify their foundation. The Company thoroughly promoted the vertical management reform of the branch's operations, guiding and promoting the branches to adjust management structure and responsibilities, and basically built a management model of organising operation, production and service by the branches operations management department. The Company conscientiously implemented the requirements of "Notice on Strengthening the Internal Control Management of Banking Financial Institutions And Effectively Prevent the Operational Risk of Counter Business" issued by the CBRC, further strengthen internal control of counter service, so as to effectively prevent the external fraud and insider fraud and risk events. The Company continued to improve risk management system, actively promoted the comprehensive, unified and open management of risks, continued to strengthen dynamic monitoring of asset quality, further enhanced the intensity of managing and controlling of non-performing loans, strengthened the risk management and control of key areas, and firmly implemented the exit of risk assets. The Company has actively implemented the "Internal Control Guidelines for Commercial Banks" issued by the CBRC, formulated clear and complete internal control organization structure and responsibility system, and standardised its internal control measures, internal control support, internal control evaluation and internal control supervision. The Company has also actively promoted the integration of internal control resources from middle and back office departments, and established the overall management mechanism for supervision and inspection and issue rectification. In addition, the Company further strengthened the inspection and duty performance ability of its internal control management functions, and established independent inspection teams under legal and compliance departments of branches and standardised their inspection duties. The Company formulated the "Employee's Behaviour Bans of China Merchants Bank" and the "Ten Iron Rules of China Merchants Bank for Discipline Rectification", and organised within the Bank a series of compliance and education activities on "Learning regulations to keep bottom lines", special education and rectification activities for honest duty performance, "Let's talk about ten iron rules" themed activities and other similar activities. These activities were aimed at enhancing the seriousness and deterrence of accountability, implementing serious punishment to verified violation of the bans and iron rules, and promoting our employees to establish firmly the bottom line awareness of compliance, integrity and due diligence.

During the reporting period, the Company organised evaluation campaigns regarding internal control during the year 2014 across all departments of the Head Office, its branches and sub-branches. As reviewed by the Board of Directors of the Company, no significant defects in terms of completeness, reasonableness and effectiveness were found in the Company's internal control system.

7.7 Statement of Compliance with the Hong Kong Listing Rules

During the reporting period, save as disclosed below, the Company has applied the principles of the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules, and has complied with all the code provisions and recommended practices (if applicable). In respect of code provision E.1.2 of the Corporate Governance Code, the Chairman of the Board (also the Chairman of Strategy Committee) was unable to attend the 2014 Annual General Meeting of the Company, the 2015 First A Shareholders Class Meeting and the 2015 First H Shareholders Class Meeting held on 19 June 2015 due to business engagement.

Review Report to the Board of Directors

Review Report to the Board of Directors of

China Merchants Bank Co., Ltd.

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

Introduction

We have reviewed the interim financial report of China Merchants Bank Co., Ltd. (the "Bank") and its subsidiaries (together the "Group") set out on pages 104 to 187, which comprise the consolidate statement of financial position as at 30 June 2015 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, and consolidated statement of changes in equity and consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 August 2015

Unaudited Consolidated Statement of Profit or Loss

For the six months period ended 30 June 2015

(Expressed in millions of Renminbi unless otherwise stated)

		Six months ended 30 June	
	Note	**2015**	2014 (restated)
Interest income	3	**118,359**	108,589
Interest expense	4	**(52,255)**	(52,419)
Net interest income		**66,104**	56,170
Fee and commission income	5	**33,240**	23,023
Fee and commission expense		**(2,143)**	(1,633)
Net fee and commission income		**31,097**	21,390
Other net income	6	**7,046**	6,857
Operating income		**104,247**	84,417
Operating expenses	7	**(31,680)**	(27,762)
Charge for insurance claims		**(146)**	(163)
Operating profit before impairment losses		**72,421**	56,492
Impairment losses	8	**(29,171)**	(16,320)
Share of profit of associates		**2**	2
Share of profit of joint ventures		**132**	91
Profit before taxation		**43,384**	40,265
Income tax	9	**(10,215)**	(9,746)
Net profit for the period		**33,169**	30,519
Attributable to:			
Equity shareholders of the Bank		**32,976**	30,459
Non-controlling interests		**193**	60
Earnings per share			
Basic and diluted (in RMB)	11	**1.31**	1.21

The notes on pages 112 to 187 form part of this interim financial report.

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months period ended 30 June 2015

(Expressed in millions of Renminbi unless otherwise stated)

		Six months ended 30 June	
	Note	**2015**	2014
Profit for the period		**33,169**	30,519
Other comprehensive income for the period	10		
Items that are or may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**38**	485
Available-for-sale financial assets: net movement in fair value reserve		**1,286**	4,672
Cash flow hedge: net movement in hedging reserve		**271**	475
Equity-accounted investees – share of other comprehensive income		**21**	16
		1,616	5,648
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liability		**(24)**	–
Total other comprehensive income for the period		**1,592**	5,648
Attributable to:			
Equity shareholders of the Bank		**1,592**	5,648
Non-controlling interests		**–**	–
Total comprehensive income for the period		**34,761**	36,167
Attributable to:			
Equity shareholders of the bank		**34,568**	36,107
Non-controlling interests		**193**	60

The notes on pages 112 to 187 form part of this interim financial report.

Unaudited Consolidated Statement of Financial Position

At 30 June 2015

(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2015	31 December 2014
Assets			
Cash		**15,359**	14,793
Precious metals		**22,869**	15,222
Balances with central bank	12	**605,676**	639,992
Balances with banks and other financial institutions	13	**61,508**	55,986
Placements with banks and other financial institutions	14	**120,575**	124,085
Amounts held under resale agreements	15	**411,368**	344,980
Loans and advances to customers	16	**2,565,277**	2,448,754
Interest receivable		**25,692**	23,560
Financial assets at fair value through profit or loss	17(a)	**52,101**	40,190
Derivative financial assets	34(b)	**7,428**	9,315
Available-for-sale financial assets	17(b)	**272,809**	278,526
Held-to-maturity investments	17(c)	**299,230**	259,434
Debt securities classified as receivables	17(d)	**681,144**	408,752
Interest in joint ventures	18	**2,597**	1,465
Interest in associates	19	**53**	19
Property and equipment	20	**29,504**	27,445
Investment properties	21	**1,715**	1,684
Intangible assets	22	**3,235**	3,292
Goodwill	23	**9,954**	9,953
Deferred tax assets	24	**16,282**	10,291
Other assets		**16,845**	14,091
Total assets		**5,221,221**	4,731,829
Liabilities			
Borrowing from central bank		**25,000**	20,000
Deposits from banks and other financial institutions	25	**880,796**	697,448
Placements from banks and other financial institutions	26	**93,796**	94,603
Amounts sold under repurchase agreements	27	**122,190**	66,988
Deposits from customers	28	**3,441,792**	3,304,438
Interest payable		**38,696**	45,349
Financial liabilities at fair value through profit or loss	17(e)	**14,030**	13,369
Derivative financial liabilities	34(b)	**7,743**	10,246
Debt securities issued	29	**162,156**	106,155
Salaries and welfare payable		**9,417**	6,068
Tax payable		**14,909**	11,656
Deferred tax liabilities	24	**750**	771
Other liabilities		**77,028**	39,678
Total liabilities		**4,888,303**	4,416,769

The notes on pages 112 to 187 form part of this interim financial report.

Unaudited Consolidated Statement of Financial Position

At 30 June 2015

(Expressed in millions of Renminbi unless otherwise stated)

	Note	**30 June 2015**	31 December 2014
Equity			
Share capital	30	**25,220**	25,220
Capital reserve		**67,523**	67,523
Investment revaluation reserve		**3,209**	1,902
Hedging reserve		**108**	(163)
Surplus reserve		**28,690**	28,690
Regulatory general reserve		**53,981**	53,979
Retained earnings		**154,615**	121,665
Proposed profit appropriations	31(b)	**–**	16,897
Exchange reserve		**(1,271)**	(1,309)
Total equity attributable to shareholders of the Bank		**332,075**	314,404
Non-controlling interests	38	**843**	656
Total equity		**332,918**	315,060
Total equity and liabilities		**5,221,221**	4,731,829

Approved and authorised for issue by the Board of Directors on 25 August 2015.

Li Jian Hong
Director

Tian Hui Yu
Director

Company Chop

The notes on pages 112 to 187 form part of this interim financial report.

Unaudited Consolidated Statement of Changes in Equity

For the six months period ended 30 June 2015

(Expressed in millions of Renminbi unless otherwise stated)

		For the six months ended 30 June 2015											
		Total equity attributable to shareholders of the Bank											
	Note	Share capital	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	Regulatory general reserve	Retained earnings	Proposed profit appropria-tions	Exchange reserve	Subtotal	Non-controlling interests	Total
At 1 January 2015		25,220	67,523	1,902	(163)	28,690	53,979	121,665	16,897	(1,309)	314,404	656	315,060
Changes in equity for the period		–	–	1,307	271	–	2	32,950	(16,897)	38	17,671	187	17,858
(a) Net profit for the period		–	–	–	–	–	–	32,976	–	–	32,976	193	33,169
(b) Other comprehensive income for the period	10	–	–	1,307	271	–	–	(24)	–	38	1,592	–	1,592
Total comprehensive income for the period		–	–	1,307	271	–	–	32,952	–	38	34,568	193	34,761
(c) Changes by the shareholder's equity													
(i) Contribution by non-wholly owned subsidiaries		–	–	–	–	–	–	–	–	–	–	38	38
(ii) Decrease in non-controlling interests		–	–	–	–	–	–	–	–	–	–	(15)	(15)
(d) Profit appropriations													
(i) Appropriations to regulatory general reserve		–	–	–	–	–	2	(2)	–	–	–	–	–
(ii) Dividends paid for the year 2014	31(a)	–	–	–	–	–	–	–	(16,897)	–	(16,897)	(29)	(16,926)
At 30 June 2015		25,220	67,523	3,209	108	28,690	53,981	154,615	–	(1,271)	332,075	843	332,918

The notes on pages 112 to 187 form part of this interim financial report.

Unaudited Consolidated Statement of Changes in Equity

For the six months period ended 30 June 2015

(Expressed in millions of Renminbi unless otherwise stated)

		For the six months ended 30 June 2014											
		Total equity attributable to shareholders of the Bank											
	Note	Share capital	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	Regulatory general reserve	Retained earnings	Proposed profit appropria-tions	Exchange reserve	Subtotal	Non-controlling interests	Total
At 1 January 2014		25,220	67,523	(5,547)	(951)	23,502	46,347	95,471	15,636	(1,736)	265,465	491	265,956
Changes in equity for the period		–	–	4,688	475	–	75	30,384	(15,636)	485	20,471	(63)	20,408
(a) Net profit for the period		–	–	–	–	–	–	30,459	–	–	30,459	60	30,519
(b) Other comprehensive income for the period	10	–	–	4,688	475	–	–	–	–	485	5,648	–	5,648
Total comprehensive income for the period		–	–	4,688	475	–	–	30,459	–	485	36,107	60	36,167
(c) Changes by the shareholder's equity													
(i) Contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	31	31
(ii) Purchase of non-controlling interests		–	–	–	–	–	–	–	–	–	–	(134)	(134)
(d) Profit appropriations													
(i) Appropriations to regulatory general reserve		–	–	–	–	–	75	(75)	–	–	–	–	–
(ii) Dividends paid for the year 2013	31(a)	–	–	–	–	–	–	–	(15,636)	–	(15,636)	(20)	(15,656)
At 30 June 2014		25,220	67,523	(859)	(476)	23,502	46,422	125,855	–	(1,251)	285,936	428	286,364

The notes on pages 112 to 187 form part of this interim financial report.

Unaudited Consolidated Cash Flow Statement

For the six months period ended 30 June 2015

(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2015	2014
Cash flows from operating activities		
Profit before taxation	**43,384**	40,265
Adjustments for:		
– Impairment losses on loans and advances	**29,026**	16,345
– Impairment loss charges/(reversal) on investments and other assets	**145**	(25)
– Unwinding of discount	**(439)**	(292)
– Depreciation of properties and equipments and investment properties	**1,943**	1,759
– Amortisation of other assets	**208**	178
– Net gains on debt securities and equity investments	**(4,941)**	(3,076)
– Interest income on investments	**(23,249)**	(17,438)
– Interest expense on debts issued	**3,259**	1,621
– Share of profit of associates	**(2)**	(2)
– Share of profit of joint ventures	**(132)**	(91)
– Net (gains)/losses on disposal of properties and equipments	**(1)**	1
Changes in:		
Balances with central bank	**4,418**	(75,316)
Loans and advances to customers	**(145,103)**	(230,371)
Other assets	**(26,217)**	(57,794)
Deposits from customers	**137,354**	645,472
Deposits and placements from banks and other financial institutions	**237,743**	289,836
Balances and placements with banks and other financial institutions with original maturity over 3 months	**57,508**	(202,983)
Borrowing from central bank	**5,000**	–
Other liabilities	**15,176**	11,084
Cash generated from operating activities	**335,080**	419,173
Income tax paid	**(13,805)**	(10,393)
Net cash flows from operating activities	**321,275**	408,780
Cash flows used in investing activities		
Payment for the purchase of investments	**(664,638)**	(348,906)
Proceeds from the disposal of investments	**352,374**	226,025
Gains received from investments	**28,548**	18,322
Payment for the purchase of properties and equipments and other assets	**(4,222)**	(2,688)
Proceeds from the disposal of properties and equipments and other assets	**62**	13
Net cash flows used in investing activities	**(287,876)**	(107,234)

The notes on pages 112 to 187 form part of this interim financial report.

Unaudited Consolidated Cash Flow Statement

For the six months period ended 30 June 2015
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June 2015	2014 (restated)
Cash flows from financing activities			
Proceeds from the issue of debt securities		**3,055**	15,397
Proceeds from the issue of negotiable interbank certificates of deposits		**72,680**	20,027
Proceeds from the issue of certificates of deposits		**21,381**	23,654
Cash received from non-controlling shareholders		**38**	31
Repayment of negotiable interbank certificate of deposits		**(19,800)**	(3,000)
Repayment of certificates of deposits		**(21,968)**	(23,334)
Repayment of redemption of non-controlling equity		**(15)**	(134)
Interest paid on issued debt securities		**(1,870)**	(908)
Net cash flows from financing activities		**53,501**	31,733
Net increase in cash and cash equivalents		**86,900**	333,279
Cash and cash equivalents as at 1 January		**471,471**	349,949
Effect of foreign exchange rate changes		**(2,674)**	14,428
Cash and cash equivalents as at 30 June	32(a)	**555,697**	697,656
Cash flows from operating activities include:			
Interest received		**93,762**	90,209
Interest paid		**55,815**	42,168

The notes on pages 112 to 187 form part of this interim financial report.

Notes to the Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

1 Reporting entity

China Merchants Bank Co., Ltd. ("the Bank") is a bank domiciled in the People's Republic of China (the "PRC"). The interim financial report for the six months ended 30 June 2015 comprises the financial position and performance of the Bank and its subsidiaries (together referred to as the "the Group") and the Group's interests in associates and joint ventures.

The consolidated financial statements of the Group as at and for the year ended 31 December 2014 are available from the Bank's registered office at China Merchants Bank Tower, Shenzhen, the PRC.

The particulars of the Bank's subsidiaries as at 30 June 2015 are set out below.

Name of company	Place of incorporation and operation	Particulars of the issued and paid up capital (in million)	% of ownership held by the Bank	Principal activities
CMB International Capital Holdings Corporation Limited ("CMBIC")	Hong Kong	HKD 1,000	100%	Financial advisory services
CMB Financial Leasing Co., Ltd. ("CMBFL")	Shanghai	RMB 6,000	100%	Finance lease
Wing Lung Bank Limited ("WLB")	Hong Kong	HKD 1,161	100%	Banking
China Merchants Fund Management Co., Ltd. ("CMFM")	Shenzhen	RMB 210	55%	Asset management

The principal activities of the Group are the provision of corporate and retail banking services, conducting treasury business, the provision of asset management and other financial services.

2 Basis of preparation

The interim financial report has been prepared in accordance with International Financial Reporting Standards ("IFRSs") IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

2 Basis of preparation *(continued)*

This interim financial report contains consolidated financial statements and explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 2014 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as being previously reported information does not constitute the Group's statutory financial statements for that financial year. Statutory financial statements for the year ended 31 December 2014 are available from the Group's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2015.

This interim financial report is unaudited, but has been reviewed by the Audit Committee of the Bank. The interim financial report has also been reviewed by the Bank's auditor, KPMG, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Significant accounting policies

The Group has adopted the following Annual Improvements to IFRSs with an initial effective date of 1 January 2015.

- Annual Improvements to IFRSs 2010-2012
- Annual Improvements to IFRSs 2011-2013

The Group has early adopted the Amendments to IAS 27 "Separate Financial Statements – Equity Method in Separate Financial Statements" with an effective date of 1 January 2015. The amendments allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments shall be adopted retrospectively. The adoption of the amendments can eliminate the differences in the subsequent measurement in joint ventures and associates of the Group in its separate financial statements prepared in accordance with the IFRSs and the China Accounting Standards issued by the Ministry of Finance of the PRC, and the adoption does not have material impact on the Group's consolidated financial statements.

Notes to the Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

3 Interest income

	Six months ended 30 June	
	2015	2014 (restated)
Loans and advances to customers (note)		
– Corporate loans	**40,777**	40,195
– Retail loans	**37,579**	29,853
– Discounted bills	**2,356**	2,573
Balances with central bank	**4,333**	4,011
Balances and placements with banks and other financial institutions	**2,720**	4,639
Amounts held under resale agreements	**7,345**	9,880
Investments (Note)	**23,249**	17,438
Interest income on financial assets that are not at fair value through profit or loss	**118,359**	108,589

Note: For the six months period ended 30 June 2015, included in the above is interest income of RMB439 million accrued on impaired loans (for the six months period ended 30 June 2014: RMB292 million) and nil on impaired debt securities investments (for the six months ended 30 June 2014: nil).

4 Interest expense

	Six months ended 30 June	
	2015	2014
Deposits from customers	**32,176**	29,411
Borrowing from central bank	**438**	–
Deposits and placements from banks and other financial institutions	**14,824**	20,473
Amounts sold under repurchase agreements	**1,558**	914
Debt securities issued	**3,259**	1,621
Interest expense on financial liabilities that are not at fair value through profit or loss	**52,255**	52,419

(Expressed in millions of Renminbi unless otherwise stated)

5 Fee and commission income

	Six months ended 30 June	
	2015	2014 (restated)
Bank cards fees	**4,492**	3,352
Remittance and settlement fees	**1,980**	2,232
Agency services fees	**8,791**	3,302
Commissions from credit commitment and lending business	**2,565**	2,524
Commissions on trust and fiduciary activities	**10,552**	6,697
Others	**4,860**	4,916
	33,240	23,023

6 Other net income

	Six months ended 30 June	
	2015	2014
Trading profits from		
– Foreign exchange	**323**	2,130
– Bonds, derivatives and other trading activities	**1,357**	325
Net losses from financial instruments designated at fair value through profit or loss	**(65)**	(417)
Net gains from available-for-sale financial assets	**451**	45
Distributions from investment in funds	**46**	10
Rental income	**329**	208
Gains on disposal of bills	**4,331**	3,323
Insurance income	**234**	229
Net trading (losses)/gains from precious metals	**(86)**	885
Others	**126**	119
	7,046	6,857

Notes to the Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

7 Operating expenses

	Six months ended 30 June	
	2015	2014
Staff costs		
– Salaries and bonuses	**11,553**	10,235
– Social insurance and corporate supplemental insurance	**2,427**	2,218
– Others	**1,932**	1,922
	15,912	14,375
Business tax and surcharges	**6,266**	5,201
Property, equipment and investment properties depreciation	**1,943**	1,759
Rental expenses	**1,861**	1,568
Other general and administrative expenses	**5,698**	4,859
	31,680	27,762

8 Impairment losses

	Six months ended 30 June	
	2015	2014
Loans and advances to customers (Note 16(c))	**29,026**	16,345
Others	**145**	(25)
	29,171	16,320

9 Income tax

	Six months ended 30 June	
	2015	2014
Current income tax expense		
– Mainland China	**16,239**	11,226
– Hong Kong	**363**	346
– Overseas	**106**	47
Subtotal	**16,708**	11,619
Deferred taxation	**(6,493)**	(1,873)
Total	**10,215**	9,746

Notes to the Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

10 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	Six months ended 30 June					
	2015			2014		
	Before-tax amount	**Tax benefit/ (expense)**	**Net-of-tax amount**	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Available-for-sale financial assets:						
– net movement in fair value reserve	**1,680**	**(394)**	**1,286**	6,221	(1,549)	4,672
Cash flow hedging:						
– net movement in hedging reserve	**361**	**(90)**	**271**	633	(158)	475
Exchange differences	**38**	**–**	**38**	485	–	485
Equity-accounted investees						
– share of other comprehensive income	**21**	**–**	**21**	16	–	16
Remeasurement of defined benefit scheme redesigned through reserve	**(29)**	**5**	**(24)**	–	–	–
Other comprehensive income	**2,071**	**(479)**	**1,592**	7,355	(1,707)	5,648

(b) Movement in the fair value reserve relating to components of other comprehensive income

	Six months ended 30 June	
	2015	2014
Available-for-sale financial assets:		
Changes in fair value recognised during the period	**1,650**	4,717
Reclassification adjustments for amounts transferred to profit or loss		
– On disposal	**(364)**	(45)
Net movement in the fair value reserve during the period recognised in other comprehensive income	**1,286**	4,672
Cash flow hedge:		
Effective portion of changes in fair value of hedging instruments	**207**	362
Reclassification adjustments for amounts transferred to profit or loss		
– Realised losses	**64**	113
Net movement in the hedging reserve during the period recognised in other comprehensive income	**271**	475

Notes to the Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

11 Earnings per share

The calculation of basic earnings per share for the six months period ended 30 June 2015 and 30 June 2014 is based on the net profit attributable to equity shareholders of the Bank and the weighted average number of shares in issue. There is no difference between basic and diluted earnings per share as there are no potentially dilutive shares outstanding during the six months period ended 30 June 2015 and 30 June 2014.

	Six months ended 30 June	
	2015	2014
Net profit attributable to equity shareholders of the Bank	**32,976**	30,459
Weighted average number of shares in issue (in million) (Note)	**25,220**	25,220
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	**1.31**	1.21

Note: Movements of share capital are included in Note 30 of the interim financial report.

12 Balances with central bank

	30 June 2015	31 December 2014
Statutory deposit reserve (note (i))	**499,085**	503,089
Surplus deposit reserve (note (ii))	**105,247**	135,145
Fiscal deposits	**1,344**	1,758
	605,676	639,992

Notes:

(i) Statutory deposit reserve funds are deposited with the People's Bank of China (the "PBOC") and other central banks outside the Mainland China as required and are not available for the Group's daily operations. The statutory deposit reserve funds are calculated at 16.5% and 5.0% for eligible RMB deposits and foreign currency deposits respectively as at 30 June 2015 (31 December 2014: 17.5% and 5.0% for eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organizations, fiscal deposits (other than budgets), retail deposits, corporate deposits, and net credit balances of entrusted business.

(ii) Surplus deposit reserve maintained with the PBOC and central banks outside the Mainland China are mainly for clearing purpose.

(Expressed in millions of Renminbi unless otherwise stated)

13 Balances with banks and other financial institutions

	30 June 2015	31 December 2014
Balances in the Mainland		
– Banks	**34,015**	36,659
– Other financial institutions	**714**	422
	34,729	37,081
Balances outside the Mainland		
– Banks	**26,838**	18,971
– Other financial institutions	**9**	8
	26,847	18,979
Less: Impairment allowances		
– Banks	**(65)**	(71)
– Other financial institutions	**(3)**	(3)
	(68)	(74)
	61,508	55,986

(a) Movement of allowances for impairment losses

	30 June 2015	31 December 2014
As at 1 January	**74**	53
(Release)/charge for the period/year	**(6)**	21
As at 30 June/31 December	**68**	74

Notes to the Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

14 Placements with banks and other financial institutions

(a) Analysed by nature of counterparties

	30 June 2015	31 December 2014
Placements in the Mainland		
– Banks	**22,694**	57,358
– Other financial institutions	**31,019**	32,965
	53,713	90,323
Placements outside the Mainland		
– Banks	**66,904**	33,808
Less: Impairment allowances		
– Banks	**(42)**	(46)
	120,575	124,085

(b) Analysed by residual maturity

	30 June 2015	31 December 2014
Maturing		
– within one month (inclusive)	**70,864**	87,020
– between one month and one year (inclusive)	**44,247**	30,226
– over one year	**5,464**	6,839
	120,575	124,085

(Expressed in millions of Renminbi unless otherwise stated)

14 Placements with banks and other financial institutions *(continued)*

(c) Movement of allowance for impairment loss

	30 June 2015	31 December 2014
As at 1 January	**46**	10
(Release)/charge for the period/year	**(4)**	36
As at 30 June/31 December	**42**	46

15 Amounts held under resale agreements

(a) Analysed by nature of counterparties

	30 June 2015	31 December 2014
Amounts held under resale agreements		
– Banks in the Mainland	**204,208**	205,082
– Other financial institutions in the Mainland	**207,160**	139,873
– Banks outside the Mainland	**–**	25
	411,368	344,980

(b) Analysed by residual maturity

	30 June 2015	31 December 2014
Maturing		
– within one month (inclusive)	**309,144**	191,746
– between one month and one year (inclusive)	**91,702**	117,135
– over one year	**10,522**	36,099
	411,368	344,980

Notes to the Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

15 Amounts held under resale agreements *(continued)*

(c) Analysed by asset types

	30 June 2015	31 December 2014
Bonds	**211,963**	137,189
Loans	**26**	416
Bills	**134,089**	97,219
Trust beneficiary rights	**26,468**	63,484
Assets management schemes	**27,973**	45,492
Debtor beneficiary rights	**10,849**	1,180
	411,368	344,980

16 Loans and advances to customers

(a) Loans and advances to customers

	30 June 2015	31 December 2014
Corporate loans and advances	**1,465,069**	1,467,585
Discounted bills	**107,892**	75,007
Retail loans and advances	**1,073,196**	971,327
Gross loans and advances to customers	**2,646,157**	2,513,919
Less: Impairment allowances		
– Individually assessed	**(11,958)**	(9,577)
– Collectively assessed	**(68,922)**	(55,588)
	(80,880)	(65,165)
Net loans and advances to customers	**2,565,277**	2,448,754

(Expressed in millions of Renminbi unless otherwise stated)

16 Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers

(i) Analysed by industry sector

Operation in Mainland China

	30 June 2015		31 December 2014	
	Total	**% of gross loans and advances covered by collateral or other security**	Total	% of gross loans and advances covered by collateral or other security
Manufacturing	**333,288**	**41**	342,005	41
Wholesale and retail	**239,529**	**53**	259,298	51
Transportation, storage and postal services	**148,636**	**38**	140,548	37
Property development	**147,860**	**80**	143,952	80
Production and supply of electric power, heating power, gas and water	**104,817**	**48**	98,514	49
Construction	**98,043**	**37**	98,350	40
Leasing and commercial services	**60,322**	**35**	49,343	43
Mining	**57,078**	**43**	61,179	44
Water, environment and public utilities management	**33,311**	**35**	30,328	32
Telecommunications, software and IT services	**20,720**	**30**	20,092	25
Others	**72,728**	**45**	65,045	41
Corporate loans and advances	**1,316,332**	**47**	1,308,654	47
Discounted bills	**107,892**	**100**	75,007	100
Credit cards	**245,294**	**–**	219,621	–
Residential mortgages	**400,837**	**99**	321,424	100
Micro-finance loans	**329,728**	**90**	336,924	89
Others	**81,406**	**95**	78,731	94
Retail loans and advances	**1,057,265**	**73**	956,700	73
Gross loans and advances to customers	**2,481,489**	**60**	2,340,361	59

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(Expressed in millions of Renminbi unless otherwise stated)

16 Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(i) Analysed by industry sector *(continued)*

Operation outside Mainland China

	30 June 2015		31 December 2014	
	Total	**% of gross loans and advances covered by collateral or other security**	Total	% of gross loans and advances covered by collateral or other security
Financial concerns	**36,534**	**67**	29,410	68
Property development	**35,500**	**69**	36,031	67
Wholesale and retail	**29,156**	**88**	42,097	86
Manufacturing	**15,123**	**54**	18,265	44
Transport and transport equipment	**11,082**	**46**	7,925	61
Information technology	**2,063**	**81**	2,221	83
Recreational activities	**1,534**	**99**	431	96
Others	**17,745**	**62**	22,551	68
Corporate loans and advances	**148,737**	**69**	158,931	70
Credit cards	**240**	**–**	267	–
Residential mortgages	**7,851**	**100**	7,754	100
Micro-finance loans	**1,765**	**97**	1,889	99
Others	**6,075**	**56**	4,717	53
Retail loans and advances	**15,931**	**81**	14,627	83
Gross loans and advances to customers	**164,668**	**70**	173,558	71

Note: As at 30 June 2015, over 90% of the Group's loans and advances to customers were conducted in People's Republic of China (unchanged from the positions as at 31 December 2014).

(Expressed in millions of Renminbi unless otherwise stated)

16 Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(i) ***Analysed by industry sector*** *(continued)*

Overdue loans, impaired loans and advances and the individually and collectively assessed impairment allowances made against the following industry sectors which constitute 10% or more of the total loans and advances to customers are:

	30 June 2015			
	Overdue loans and advances	**Impaired loans and advances**	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Manufacturing	**24,201**	**11,880**	**4,926**	**13,954**
Wholesale and retail	**16,376**	**10,014**	**4,000**	**9,264**
Residential mortgages	**4,090**	**1,374**	**–**	**3,963**
Micro-finance loans	**11,282**	**4,424**	**–**	**9,361**

	31 December 2014			
	Overdue loans and advances	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Manufacturing	14,639	9,627	4,753	11,055
Wholesale and retail	10,686	6,547	2,761	8,231
Residential mortgages	3,015	870	–	3,273
Micro-finance loans	9,610	3,612	–	8,458

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(Expressed in millions of Renminbi unless otherwise stated)

16 Loans and advances to customers *(continued)*

(c) Movements of allowances for impairment losses

	Six months ended 30 June 2015			
	Impairment allowances for loans and advances which are collectively assessed	Impairment allowances for impaired loans and advances		
		Which are collectively assessed	Which are individually assessed	Total
At 1 January	**50,855**	**4,733**	**9,577**	**65,165**
Charge for the period (Note 8)	**11,300**	**5,839**	**13,836**	**30,975**
Releases for the period (Note 8)	**(12)**	**(1)**	**(1,936)**	**(1,949)**
Write-offs	**–**	**(4,018)**	**(9,514)**	**(13,532)**
Unwinding of discount	**–**	**–**	**(439)**	**(439)**
Recoveries of loans and advances previously written off	**–**	**233**	**434**	**667**
Exchange difference	**(7)**	**–**	**–**	**(7)**
At 30 June	**62,136**	**6,786**	**11,958**	**80,880**

	For the year ended 31 December 2014			
	Impairment allowances for loans and advances which are collectively assessed	Impairment allowances for impaired loans and advances		
		Which are collectively assessed	Which are individually assessed	Total
At 1 January	38,534	3,228	7,002	48,764
Charge for the period	12,287	5,732	14,876	32,895
Releases for the period	(22)	(1)	(1,618)	(1,641)
Write-offs	–	(4,456)	(10,461)	(14,917)
Unwinding of discount	–	(1)	(654)	(655)
Recoveries of loans and advances previously written off	–	231	420	651
Exchange difference	56	–	12	68
At 31 December	50,855	4,733	9,577	65,165

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(Expressed in millions of Renminbi unless otherwise stated)

16 Loans and advances to customers *(continued)*

(d) Loans and advances to customers and allowances for impairment losses

	30 June 2015					
	Loans and advances for which impairment allowances are collectively assessed (note (i))	Impaired loans and advances for which impairment allowances are collectively assessed (note (ii))	Impaired loans and advances for which impairment allowances are individually assessed (note (ii))	Total	Gross Impaired loans and advances as a % of gross loans and advances	Fair value of collaterals held against individually assessed impaired loans and advances (note (iii))
Gross loans and advances to						
– Financial institutions	107,145	–	4	107,149	0.00	–
– Non-financial institution customers	2,499,413	10,094	29,501	2,539,008	1.56	7,272
	2,606,558	10,094	29,505	2,646,157	1.50	7,272
Less:						
Impairment allowances for loans and advances to						
– Financial institutions	(153)	–	(1)	(154)		
– Non-financial institution customers	(61,983)	(6,786)	(11,957)	(80,726)		
	(62,136)	(6,786)	(11,958)	(80,880)		
Net loans and advances to						
– Financial institutions	106,992	–	3	106,995		
– Non-financial institution customers	2,437,430	3,308	17,544	2,458,282		
	2,544,422	3,308	17,547	2,565,277		

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(Expressed in millions of Renminbi unless otherwise stated)

16 Loans and advances to customers *(continued)*

(d) Loans and advances to customers and allowances for impairment losses *(continued)*

	31 December 2014					
		Impaired loans and advances				
	Loans and advances for which impairment allowances are collectively assessed (note (i))	for which impairment allowances are collectively assessed (note (ii))	for which impairment allowances are individually assessed (note (ii))	Total	Gross Impaired loans advances as a % of gross loans and advances	Fair value of collaterals held against individually assessed impaired loans and advances (note (iii))
Gross loans and advances to						
– Financial institutions	72,183	–	1	72,184	0.00	–
– Non-financial institution customers	2,413,844	7,408	20,483	2,441,735	1.14	5,743
	2,486,027	7,408	20,484	2,513,919	1.11	5,743
Less:						
Impairment allowances for loans and advances to						
– Financial institutions	(87)	–	(1)	(88)		
– Non-financial institution customers	(50,768)	(4,733)	(9,576)	(65,077)		
	(50,855)	(4,733)	(9,577)	(65,165)		
Net loans and advances to						
– Financial institutions	72,096	–	–	72,096		
– Non-financial institution customers	2,363,076	2,675	10,907	2,376,658		
	2,435,172	2,675	10,907	2,448,754		

Notes:

(i) These loans and advances include those for which no objective evidence of impairment has been identified on individual basis.

(ii) Impaired loans and advances include loans for which objective evidence of impairment has been identified and include impairment losses are assessed in following ways:

- Collectively: that is portfolios of homogeneous loans and advances; or
- Individually.

(iii) The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

(Expressed in millions of Renminbi unless otherwise stated)

16 Loans and advances to customers *(continued)*

(e) Finance lease receivables

The table below provides an analysis of finance lease receivables for leases of certain property and equipment in which the Group is the lessor:

	30 June 2015			31 December 2014		
	Total minimum lease receivables	**Unearned finance income**	**Present value of minimum lease receivables**	Total minimum lease receivables	Unearned finance income	Present value of minimum lease receivables
Within 1 year	**37,115**	**(4,602)**	**32,513**	35,411	(4,678)	30,733
After 1 year but within 5 years	**67,126**	**(6,730)**	**60,396**	63,895	(6,773)	57,122
After 5 years	**11,616**	**(825)**	**10,791**	10,461	(716)	9,745
	115,857	**(12,157)**	**103,700**	109,767	(12,167)	97,600
Less: Impairment allowances:						
– Individually assessed			**(98)**			(92)
– Collectively assessed			**(1,722)**			(1,626)
Net investment in finance lease receivables			**101,880**			95,882

17 Investments

	Note	**30 June 2015**	31 December 2014
Financial assets at fair value through profit or loss	17(a)	**52,101**	40,190
Derivative financial assets	34(b)	**7,428**	9,315
Available-for-sale financial assets	17(b)	**272,809**	278,526
Held-to-maturity investments	17(c)	**299,230**	259,434
Debt securities classified as receivables	17(d)	**681,144**	408,752
		1,312,712	996,217

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(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(a) Financial assets at fair value through profit or loss

	Note	30 June 2015	31 December 2014
Financial assets held for trading	(i)	**44,530**	33,022
Financial assets designated at fair value through profit or loss	(ii)	**7,571**	7,168
		52,101	40,190

	30 June 2015	31 December 2014
(i) Financial assets held for trading		
Listed		
In the Mainland		
– PRC government bonds	**3,782**	5,351
– Bonds issued by policy banks	**11,475**	6,165
– Bonds issued by commercial banks and other financial institutions	**6,759**	5,358
– Other debt securities	**18,722**	12,744
Outside the Mainland		
– Bonds issued by commercial banks and other financial institutions	**1,152**	1,100
– Other debt securities	**1,841**	1,580
– Equity investments	**799**	712
	44,530	33,010
Unlisted		
Long position in precious metal contracts	**–**	12
	44,530	33,022

(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

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

	30 June 2015	31 December 2014
(ii) Financial assets designated at fair value through profit or loss		
Listed		
In the Mainland		
– PRC government bonds	**305**	299
– Bonds issued by policy banks	**3,843**	3,970
– Other debt securities	**64**	–
Outside the Mainland		
– Bonds issued by commercial banks and other financial institutions	**733**	735
– Other debt securities	**1,682**	1,320
	6,627	6,324
Unlisted		
In the Mainland		
– Bonds issued by commercial banks and other financial institutions	**31**	31
Outside the Mainland		
– Bonds issued by commercial bank and other financial institutions	**198**	–
– Other debt securities	**715**	813
	944	844
	7,571	7,168
Issued by:		
– Sovereigns	**4,179**	5,651
– Banks and other financial institutions	**24,855**	18,018
– Corporates	**23,067**	16,521
	52,101	40,190

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(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(b) Available-for-sale financial assets

	30 June 2015	31 December 2014
Listed		
In the Mainland		
– PRC government bonds	**88,584**	77,265
– Bonds issued by PBOC	**–**	99
– Bonds issued by policy banks	**70,291**	90,921
– Bonds issued by commercial banks and other financial institutions	**23,147**	20,454
– Other debt securities	**55,332**	61,294
– Investments in funds	**20**	243
Outside the Mainland		
– Bonds issued by commercial banks and other financial institutions	**4,055**	3,468
– Other debt securities	**4,932**	3,945
– Equity investments	**1,366**	1,258
– Investments in funds	**39**	20
	247,766	258,967
Less: Impairment allowances	**(184)**	(169)
	247,582	258,798

(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(b) Available-for-sale financial assets *(continued)*

	30 June 2015	31 December 2014
Unlisted		
In the Mainland		
– Bonds issued by policy banks	–	302
– Bonds issued by commercial banks and other financial institutions	5,558	3,393
– Other debt securities	968	2,376
– Equity investments	948	835
– Investments in funds	686	29
Outside the Mainland		
– Bonds issued by commercial banks and other financial institutions	7,003	6,875
– Other debt securities	10,189	6,213
– Equity investments	178	122
– Investments in funds	139	25
	25,669	20,170
Less: Impairment allowances	(442)	(442)
	25,227	19,728
	272,809	278,526

	30 June 2015	31 December 2014
Issued by:		
– Sovereigns	97,124	83,346
– Banks and other financial institutions	111,006	125,911
– Corporates	64,679	69,269
	272,809	278,526

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(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(b) Available-for-sale financial assets *(continued)*

	30 June 2015	31 December 2014
Movements of allowances for impairment losses		
At 1 January	**611**	574
Charge for the period/year	**15**	43
Releases for the period/year	**(2)**	(3)
Write-offs for the period/year	**–**	(14)
Exchange difference	**2**	11
At 30 June/31 December	**626**	611

(c) Held-to-maturity investments

	30 June 2015	31 December 2014
Listed		
In the Mainland		
– PRC government bonds	**133,549**	109,428
– Bonds issued by policy banks	**146,298**	133,197
– Bonds issued by commercial banks and other financial institutions	**10,611**	8,822
– Other debt securities	**5,479**	2,816
Outside the Mainland		
– PRC government bonds	**493**	491
– Bonds issued by commercial banks and other financial institutions	**538**	588
– Other debt securities	**824**	803
	297,792	256,145
Less: Impairment allowances	**(71)**	(71)
	297,721	256,074

(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(c) Held-to-maturity investments *(continued)*

	30 June 2015	31 December 2014
Unlisted		
Outside the Mainland		
– Bonds issued by commercial banks and other financial institutions	**16**	–
– Other debt securities	**1,493**	3,360
	1,509	3,360
Less: Impairment allowances	**–**	–
	1,509	3,360
	299,230	259,434

	30 June 2015	31 December 2014
Issued by:		
– Sovereigns	**134,286**	113,350
– Banks and other financial institutions	**162,573**	142,583
– Corporates	**2,371**	3,501
	299,230	259,434

For the period ended 30 June 2015, the Group did not dispose debt securities classified as held-to-maturity prior to maturity (2014: nil).

Fair value of listed debt securities:

	30 June 2015		31 December 2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Listed debt securities	**297,721**	**303,329**	256,074	261,326

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(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(c) Held-to-maturity investments *(continued)*

	30 June 2015	31 December 2014
Movements of allowances for impairment losses		
At 1 January	**71**	78
Releases for the period/year	**–**	(9)
Exchange difference	**–**	2
At 30 June/31 December	**71**	71

(d) Debt securities classified as receivables

	30 June 2015	31 December 2014
Unlisted		
In the Mainland		
– PRC government bonds	**839**	594
– Bonds issued by commercial banks and other financial institutions	**12,729**	21,167
– Other debt securities	**19,974**	21,335
– Insurance asset management schemes	**86,455**	56,330
– Trust beneficiary rights	**94,495**	112,038
– Broker asset management schemes	**211,281**	111,393
– Fund asset management schemes and others	**255,439**	85,901
Outside the Mainland		
– Bonds issued by commercial banks and other financial institutions	**62**	62
	681,274	408,820
Less: Impairment allowances	**(130)**	(68)
	681,144	408,752

(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(d) Debt securities classified as receivables *(continued)*

	30 June 2015	31 December 2014
Issued by:		
– Sovereigns	**839**	594
– Banks and other financial institutions	**660,062**	386,823
– Corporates	**20,243**	21,335
	681,144	408,752

All of the above debt securities classified as receivables are unlisted.

	30 June 2015	31 December 2014
Movements of allowances for impairment losses		
At 1 January	**68**	63
Charge for the period/year	**62**	4
Exchange difference	**–**	1
At 30 June/31 December	**130**	68

(e) Financial liabilities at fair value through profit or loss

	Note	**30 June 2015**	31 December 2014
Trading liabilities	(i)	**1,299**	1,007
Financial liabilities designated at fair value through profit or loss	(ii)	**12,731**	12,362
		14,030	13,369

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(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(e) Financial liabilities at fair value through profit or loss *(continued)*

(i) Trading liabilities

	30 June 2015	31 December 2014
Listed		
– Equity securities at fair value	**54**	30
Precious metal relevant financial liabilities	**1,245**	977
	1,299	1,007

(ii) Financial liabilities designated at fair value through profit or loss

	30 June 2015	31 December 2014
In the Mainland		
– Precious metal contracts with other banks	**1,599**	2,029
– Others	**1,917**	2,214
Outside the Mainland		
– Certificates of deposit issued	**4,068**	3,020
– Debt securities issued	**5,147**	5,099
	12,731	12,362

As at the end of reporting period, the difference between the fair value of the Group's financial liabilities designated at fair value through profit or loss and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the period presented and cumulatively as at 30 June 2015 and 31 December 2014.

17 Investments *(continued)*

(f) Financial instruments at fair value

A number of the Group's accounting policies and disclosures requirements require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements including three levels of fair values, and reports directly to the person in charge of accounting affairs.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the affair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the audit committee of the Board.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

- Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;
- Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;
- Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

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(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(f) Financial instruments at fair value *(continued)*

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy:

	30 June 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading				
– Debt securities	2,952	40,779	–	43,731
– Equity investments	799	–	–	799
	3,751	40,779	–	44,530
Financial assets designated at fair value through profit or loss				
– Debt securities	2,847	4,724	–	7,571
Derivatives financial assets	–	7,413	15	7,428
Available-for-sale financial assets				
– Debt securities	26,768	242,765	–	269,533
– Equity investments	1,424	73	895	2,392
– Investments in funds	219	526	139	884
	28,411	243,364	1,034	272,809
	35,009	296,280	1,049	332,338
Liabilities				
Trading liabilities				
– Precious metal relevant financial liabilities	–	1,245	–	1,245
– Equity securities at fair value	54	–	–	54
	54	1,245	–	1,299
Financial liabilities designated at fair value through profit or loss				
– Precious metal contracts with other banks	–	1,599	–	1,599
– Certificates of deposit issued	–	408	3,660	4,068
– Debt securities issued	–	5,147	–	5,147
– Others	–	1,917	–	1,917
	–	9,071	3,660	12,731
Derivative financial liabilities	–	7,743	–	7,743
	54	18,059	3,660	21,773

(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(f) Financial instruments at fair value *(continued)*

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy (continued):

	31 December 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading				
– Debt securities	3,988	28,310	–	32,298
– Equity investments	712	–	–	712
– Long position in precious metal contracts	–	12	–	12
	4,700	28,322	–	33,022
Financial assets designated at fair value through profit or loss				
– Debt securities	1,454	5,589	125	7,168
Derivatives financial assets	–	9,300	15	9,315
Available-for-sale financial assets				
– Debt securities	26,737	249,357	–	276,094
– Equity investments	1,316	71	728	2,115
– Investments in funds	263	29	25	317
	28,316	249,457	753	278,526
	34,470	292,668	893	328,031
Liabilities				
Trading liabilities				
– Precious metal relevant financial liabilities	–	977	–	977
– Equity securities	30	–	–	30
	30	977	–	1,007
Financial liabilities designated at fair value through profit or loss				
– Precious metal contracts with other banks	–	2,029	–	2,029
– Certificates of deposit issued	–	410	2,610	3,020
– Debt securities issued	–	5,099	–	5,099
– Others	–	2,214	–	2,214
	–	9,752	2,610	12,362
Derivative financial liabilities	–	10,246	–	10,246
	30	20,975	2,610	23,615

During the period, there were no significant transfers of financial instruments between level 1 and level 2.

17 Investments *(continued)*

(f) Financial instruments at fair value *(continued)*

(i) Basis of determining the market price for recurring fair value measurements categorised within Level 1

Bloomberg's quoted prices are used for financial instruments with quoted prices in an active market.

(ii) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 2

Fair value of RMB denominated bonds whose value is available on the China bond pricing system on the valuation date is measured using the latest valuation results published by the China bond pricing system.

Fair value of foreign currency bonds without quoted prices in an active market is measured using the comprehensive valuations issued by Bloomberg.

Fair value of foreign exchange forward contracts in derivative financial assets is measured by discounting the differences between the contract prices and market prices of the foreign exchange forward contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of foreign exchange options is measured using the Black-Scholes model, applying applicable foreign exchange spot rates, foreign exchange yield curves and exchange rate volatilities. The above market data used are quoted prices in an active market, provided by Bloomberg, Reuters and other market information providers.

Fair value of interest rate swaps in derivative financial assets is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of the reporting date. The discount rates used are the related RMB denominated swap yield curve as at the end of the reporting period.

(iii) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

Quantitative information of level 3 fair value measurement is as below:

	Fair value at 30 June 2015	Valuation techniques	Unobservable inputs
Unlisted available-for-sale equity instruments	346	Market comparison approach	Liquidity discount
Unlisted available-for-sale equity instruments	549	Discounted cash flow	Risk-adjusted discount rate
Unlisted available-for-sale fund investments	139	Discounted cash flow	Risk-adjusted discount rate
Unlisted derivative financial instruments	15	Binomial lattice model	Volatility
Financial liabilities designated at fair value through profit or loss			
– Certificates of deposit issued	3,660	Discounted cash flow	Risk-adjusted discount rate

(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(f) Financial instruments at fair value *(continued)*

(iii) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 (continued)

(1) Valuation of financial instruments with significant unobservable inputs

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	Derivative financial assets	Financial assets designated at fair value through profit or loss - debt securities	Available-for-sale financial assets	Total
Assets				
At 1 January 2015	15	125	753	893
Profit or loss				
– In profit or loss	–	–	–	–
– In other comprehensive income	–	–	(11)	(11)
Purchases	–	–	292	292
Disposals and settlement on maturity	–	(125)	–	(125)
At 30 June 2015	15	–	1,034	1,049
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	–	–	–	–

	Financial liabilities designated at fair value through profit or loss – certificates of deposit issued	Total
Liabilities		
At 1 January 2015	2,610	2,610
In profit or loss	35	35
Issues	1,015	1,015
Disposals and settlement on maturity	–	–
At 30 June 2015	3,660	3,660
Total unrealised gains and losses included in the consolidated statement of profit or loss for liabilities held at the end of the reporting period	35	35

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(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(f) Financial instruments at fair value *(continued)*

(iii) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 *(continued)*

(1) Valuation of financial instruments with significant unobservable inputs *(continued)*

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy *(continued)*:

	Derivative financial assets	Financial assets designated at fair value through profit or loss - debt securities	Available-for-sale financial assets	Total
Assets				
At 1 January 2014	31	125	702	858
Profit or loss				
– In profit or loss	–	–	(36)	(36)
– In other comprehensive income	–	–	(4)	(4)
Purchases	–	–	91	91
Disposals and settlement on maturity	(16)	–	–	(16)
At 31 December 2014	15	125	753	893
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	–	–	–	–

	Financial liabilities designated at fair value through profit or loss – certificates of deposit issued	Total
Liabilities		
At 1 January 2014	5,296	5,296
In profit or loss	45	45
Issues	1,056	1,056
Disposals and settlement on maturity	(3,787)	(3,787)
At 31 December 2014	2,610	2,610
Total unrealised gains and losses included in the consolidated statement of profit or loss for liabilities held at the end of reporting period	39	39

(Expressed in millions of Renminbi unless otherwise stated)

17 Investments *(continued)*

(f) Financial instruments at fair value *(continued)*

(iii) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 (continued)

(2) The sensitivity of the fair value measurement on changes in unobservable inputs for level 3 financial instruments measured at fair value on an on-going basis

The fair value of financial instruments are, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 10 percent of change in fair value to reasonably possible alternative assumptions.

	30 June 2015		31 December 2014	
	Effect on profit or loss or other comprehensive income		Effect on profit or loss or other comprehensive income	
	Favourable	**(Unfavourable)**	Favourable	(Unfavourable)
Financial assets designated at fair value through profit or loss				
– Debt securities	**–**	**–**	13	(13)
Derivative financial assets	**1**	**(1)**	1	(1)
Available-for-sale financial assets				
– Equity investments	**89**	**(89)**	73	(73)
– Investments in funds	**14**	**(14)**	2	(2)
Financial liabilities designated at fair value through profit or loss				
– Certificates of deposit issued	**366**	**(366)**	261	(261)

(3) Transfers between levels for financial instruments which are measured at fair value on an on-going basis, the reasons for these transfers and the policy for determining when transfers between levels are deemed

During the period ended 30 June 2015, there were no transfers between levels for financial instruments which are measured at fair value on an on-going basis.

(4) Changes in valuation technique and the reasons for making the changes during the period

During the period ended 30 June 2015, the Group has not changed the valuation technique of the above financial assets which are measured at fair value on an on-going basis.

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17 Investments *(continued)*

(g) Fair value

(i) Financial assets

The Group's financial assets mainly include cash, balances with central banks, balances and placements with banks and other financial institutions, loans and advances to customers and investments.

Except for loans and advances and held-to-maturity investments, most of the financial assets will mature within 1 year or have been already stated at fair value, and their carrying value approximate the fair value.

Loans and advances are stated at amortised costs less allowances for impairment loss (Note 16). Loans and advances are mostly priced at floating rates close to the PBOC rates and repriced at market rates at least annually, and impairment allowance is made to reduce the carrying amount of impaired loans to reflect the recoverable amount. Accordingly, the carrying value of loans and advances approximates the fair value.

Held-to-maturity investments are stated at amortised costs less impairment, and the fair value of listed debt securities classified as held-to-maturity investments are disclosed in Note 17(c).

The carrying amount and fair value of held-to-maturity investments not measured at fair value are listed as below:

	30 June 2015		31 December 2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Held-to-maturity investments	**299,230**	**304,806**	259,434	264,612

(ii) Financial liabilities

Financial liabilities mainly include deposits from customers, deposits and placements from banks and other financial institutions, and debt securities issued by the Group. The carrying amount of financial liabilities approximate their fair value at the end of the reporting period/year presented, except the financial liabilities set out below.

	30 June 2015		31 December 2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Subordinated notes issued	**32,398**	**33,523**	32,396	32,898
Long-term debt securities issued	**30,718**	**31,106**	27,636	27,248
	63,116	**64,629**	60,032	60,146

18 Interest in joint ventures

	30 June 2015	31 December 2014
Share of net assets	**2,590**	1,458
Loan to joint ventures	**7**	7
	2,597	1,465
Share of profits for the period/year	**132**	156
Share of other comprehensive income for the period/year	**21**	35

Details of the Group's interest in major joint ventures are as follows:

Name of joint ventures	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital (in thousands)	Proportion of ownership interest: Group's effective interest	Held by the bank	Held by the subsidiary	Principal activity
CIGNA &CMB Life Insurance Company Limited (Note (i))	Incorporated with limited liabilities	Shenzhen	RMB 1,450,000	50.00%	50.00%	–	Life insurance business
Bank Consortium Holding Limited (Note (ii))	Incorporated with limited liabilities	Hong Kong	HKD 150,000	13.33%	–	14.29%	Provision of trustee, administration and custodian services for retirement schemes
Joint Electronic Teller Services Limited (Note (iii))	Incorporated with limited liabilities	Hong Kong	HKD 10,024	2.88%	–	20.00%	Provision of ATM network services
Hong Kong Life Insurance Limited	Incorporated with limited liabilities	Hong Kong	HKD 420,000	16.67%	–	16.67%	Life insurance business
Merchants Union Consumer Finance Company Limited (Note (iv))	Incorporated with limited liabilities	Shenzhen	RMB 2,000,000	50.00%	–	50.00%	Consumer finance
BC Reinsurance Limited	Incorporated with limited liabilities	Hong Kong	HKD 200,000	21.00%	–	21.00%	Reinsurance business

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18 Interest in joint ventures *(continued)*

Details of the Group's interest in major joint ventures are as follows: *(continued)*

Name of joint ventures	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital (in thousands)	Proportion of ownership interest: Group's effective interest	Held by the bank	Held by the subsidiary	Principal activity
i-Tech Solutions Limited	Incorporated with limited liabilities	Hong Kong	HKD 6,000	50.00%	–	50.00%	Electronic document processing
Shenzhen Zhaoyin Synergetic Fund Management Co., Ltd.	Incorporated with limited liabilities	Shenzhen	RMB 10,000	51.00%	–	51.00%	Fund management
Shenzhen Synergetic Hesheng Merge & Acquisition Fund	Partnership enterprise	Shenzhen	RMB 484,160	5.16%	–	5.16%	Investment
Shenzhen Lianzhao Information Technology Co., Ltd.	Incorporated with limited liabilities	Shenzhen	RMB 40,000	50.00%	–	50.00%	Computer network service

Notes:

(i) The Bank and Life Insurance Company of North America ("INA") hold 50% equity interest of CIGNA & CMB Life Insurance Company Limited ("CIGNA & CMB Life") respectively. The Bank and INA share the company's profits, risks and losses based on the above proportion of their shareholdings. CIGNA & CMB Life is the only joint venture arrangement on the Bank's level. The Bank's investment in CIGNA & CMB Life shall be accounted for as an investment in a joint venture.

(ii) The Bank's subsidiary, WLB holds 14.29% of the entity's common share and is entitled to 13.33% of the paid dividends.

(iii) The Bank's subsidiary, WLB is one of the five founders of the entity and jointly controls the entity. WLB holds 20% of the entity's common share and is entitled to 2.88% of the paid dividends.

(iv) The Bank's subsidiary, WLB, and China United Network Communications Limited ("CUNC"), which is a subsidiary of China Unicom Limited, jointly set up "Merchants Union Consumer Finance Company Limited ("MUCFC"). The China Banking Regulatory Commission ("CBRC") has approved the operation of MUCFC on 3 March 2015. WLB and CUNC hold 50% equity interest of MUCFC respectively and share the profits, risks and losses of MUCFC based on the above proportion of their shareholdings.

19 Interest in associates

	30 June 2015	31 December 2014
Share of net assets	**50**	17
Goodwill	**3**	2
	53	19
Share of profits for the period/year	**2**	2
Share of other comprehensive income for the period/year	**–**	–

The following list contains only the information of interests in associates as at 30 June 2015, which are unlisted corporate entities and principally affected the results and assets of the Group:

Name of associates	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital (in thousands)	Proportion of ownership interest: Group's effective interest	Held by the bank	Held by the subsidiary	Principal activity
Professional Liability Underwriting Services Limited	Incorporated with limited liability	Hong Kong	HKD 3,000	27.00%	–	27.00%	Insurance underwriting
Beijing Zhongguancun Gazelle Investment Fund Management Limited	Incorporated with limited liability	Beijing	RMB 30,000	25.00%	–	25.00%	Fund management
Shanghai Rosefinch Jiawu Investment Center	Limited partnership	Shanghai	HKD 86,500	46.00%	–	46.00%	Investment

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(Expressed in millions of Renminbi unless otherwise stated)

20 Property and equipment

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircrafts and vessels	Motor vehicles and others	Total
Cost:							
At 1 January 2015	17,166	6,806	7,238	4,914	1,872	5,985	43,981
Additions	–	901	195	196	2,629	137	4,058
Reclassification and transfers	(91)	(14)	(2)	2	–	2	(103)
Disposals/write-offs	(9)	–	(167)	(40)	–	(208)	(424)
At 30 June 2015	17,066	7,693	7,264	5,072	4,501	5,916	47,512
Accumulated depreciation:							
At 1 January 2015	4,947	–	4,947	2,316	227	4,099	16,536
Depreciation	425	–	579	346	122	409	1,881
Reclassification and transfers	(30)	–	–	1	–	–	(29)
Disposals/write-offs	(4)	–	(149)	(40)	–	(187)	(380)
At 30 June 2015	5,338	–	5,377	2,623	349	4,321	18,008
Net book value:							
At 30 June 2015	11,728	7,693	1,887	2,449	4,152	1,595	29,504
At 1 January 2015	12,219	6,806	2,291	2,598	1,645	1,886	27,445

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(Expressed in millions of Renminbi unless otherwise stated)

20 Property and equipment *(continued)*

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircrafts and vessels	Motor vehicles and others	Total
Cost:							
At 1 January 2014	16,879	4,241	5,989	6,185	1,408	5,533	40,235
Additions	343	2,598	2,692	819	–	1,021	7,473
Reclassification and transfers	(18)	(1)	18	29	464	(54)	438
Disposals/write-offs	(112)	(33)	(1,490)	(2,125)	–	(548)	(4,308)
Exchange difference	74	1	29	6	–	33	143
At 31 December 2014	17,166	6,806	7,238	4,914	1,872	5,985	43,981
Accumulated depreciation:							
At 1 January 2014	4,106	–	4,317	3,670	153	3,790	16,036
Depreciation	836	–	1,016	716	74	774	3,416
Reclassification and transfers	5	–	(12)	29	–	(23)	(1)
Disposals/write-offs	(33)	–	(402)	(2,108)	–	(468)	(3,011)
Exchange difference	33	–	28	9	–	26	96
At 31 December 2014	4,947	–	4,947	2,316	227	4,099	16,536
Net book value:							
At 31 December 2014	12,219	6,806	2,291	2,598	1,645	1,886	27,445
At 1 January 2014	12,773	4,241	1,672	2,515	1,255	1,743	24,199

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21 Investment properties

	30 June 2015	31 December 2014
Cost:		
At 1 January	**2,477**	2,379
Transfers	**123**	68
Exchange difference	**(1)**	30
At 30 June/31 December	**2,599**	2,477
Accumulated depreciation:		
At 1 January	**793**	678
Depreciation	**62**	119
Transfers	**30**	(14)
Exchange difference	**(1)**	10
At 30 June/31 December	**884**	793
Net book value:		
At 30 June/31 December	**1,715**	1,684
At 1 January	**1,684**	1,701

(Expressed in millions of Renminbi unless otherwise stated)

22 Intangible assets

	Land use right	Software	Core deposit	Total
Cost/valuation:				
At 1 January 2015	1,532	2,424	1,059	5,015
Additions	2	162	–	164
Transfers	(17)	–	–	(17)
Exchange difference	(5)	(1)	(5)	(11)
At 30 June 2015	1,512	2,585	1,054	5,151
Amortisation:				
At 1 January 2015	207	1,271	245	1,723
Additions	18	168	19	205
Transfers	–	–	–	–
Exchange difference	1	–	(13)	(12)
At 30 June 2015	226	1,439	251	1,916
Net book value:				
At 30 June 2015	1,286	1,146	803	3,235
At 1 January 2015	1,325	1,153	814	3,292

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(Expressed in millions of Renminbi unless otherwise stated)

22 Intangible assets *(continued)*

	Land use right	Software	Core deposit	Total
Cost/valuation:				
At 1 January 2014	1,297	1,991	1,034	4,322
Additions	220	432	–	652
Transfers	6	–	–	6
Exchange difference	9	1	25	35
At 31 December 2014	1,532	2,424	1,059	5,015
Amortisation:				
At 1 January 2014	171	956	199	1,326
Additions	35	314	41	390
Transfers	1	–	–	1
Exchange difference	–	1	5	6
At 31 December 2014	207	1,271	245	1,723
Net book value:				
At 31 December 2014	1,325	1,153	814	3,292
At 1 January 2014	1,126	1,035	835	2,996

23 Goodwill

	At 1 January	Addition in the year	Release in the year	Gross amount At 30 June	Impairment loss	Net value At 30 June
WLB (Note (i))	10,177	–	–	10,177	(579)	9,598
CMFM (Note (ii))	355	–	–	355	–	355
CMBIC (Note (iii))	–	1	–	1	–	1
Total	10,532	1	–	10,533	(579)	9,954

Notes:

(i) On 30 September 2008, the Bank acquired a 53.12% equity interest in WLB. On the acquisition date, the fair value of WLB's identifiable net asset was RMB 12,898 million of which the Bank accounted for RMB 6,851 million. A sum of RMB 10,177 million being the excess of merger cost over the fair value of the identifiable net assets was recognised as goodwill. WLB is a licensed bank incorporated in Hong Kong which provides various commercial banking products and services.

(ii) On 28 November 2013, the Bank acquired a 55% equity interest in CMFM. On the acquisition date, the fair value of CMFM's identifiable net asset was RMB 752 million of which the Bank accounted for RMB 414 million. A sum of RMB 355 million being the excess of merger cost over the fair value of the identifiable net assets was recognised as goodwill. CMFM is the first Sino-foreign fund management company approved by China Securities Regulatory Commission ("CSRC"). Its principal activities include fund establishment, fund management and other activities as approved by CSRC.

(iii) On 1 April 2015, CMBIC acquired a 100% equity interest in Shenzhen Rongbo Information and Technology Corporation Limited ("Rongbo"). On the acquisition date, the fair value of Rongbo's identifiable net asset was RMB 2.60 million. A sum of RMB 1.26 million being the excess of merger cost over the fair value of the identifiable net assets was recognised as goodwill. Rongbo's principal activities include development and sale of computer software and hardware, sale of communication equipment and office automation equipments, advisory service of computer technology and information.

(Expressed in millions of Renminbi unless otherwise stated)

24 Deferred tax assets/liabilities

	30 June 2015	31 December 2014
Deferred tax assets	**16,282**	10,291
Deferred tax liabilities	**(750)**	(771)
Net amount	**15,532**	9,520

(a) Analysed by nature of deferred tax assets/liabilities

The components of deferred tax assets/liabilities are as follows:

	30 June 2015		31 December 2014	
	Deductible/ (taxable) temporary difference	**Deferred tax**	Deductible/ (taxable) temporary difference	Deferred tax
Deferred tax assets				
Impairment allowances for loans and advances to customers and other assets	**59,302**	**14,816**	36,647	9,150
Investment revaluation reserve	**(3,779)**	**(945)**	(2,203)	(550)
Salaries and welfare payable	**7,993**	**1,999**	5,290	1,322
Others	**1,681**	**412**	1,512	369
Total	**65,197**	**16,282**	41,246	10,291
Deferred tax liabilities				
Impairment allowances for loans and advances to customers and other assets	**215**	**36**	212	34
Investment revaluation reserve	**(10)**	**(2)**	(13)	(3)
Others	**(4,864)**	**(784)**	(5,022)	(802)
Total	**(4,659)**	**(750)**	(4,823)	(771)

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(Expressed in millions of Renminbi unless otherwise stated)

24 Deferred tax assets/liabilities *(continued)*

(b) Movements of deferred tax

	Impairment allowances for loans and advances to customers and other assets	**Investment revaluation reserve**	**Salaries and welfare payable**	**Others**	**Total**
At 1 January 2015	**9,184**	**(553)**	**1,322**	**(433)**	**9,520**
Recognised in profit or loss	**5,666**	**–**	**676**	**151**	**6,493**
Recognised in reserves	**–**	**(394)**	**–**	**(90)**	**(484)**
Exchange difference	**2**	**–**	**1**	**–**	**3**
At 30 June 2015	**14,852**	**(947)**	**1,999**	**(372)**	**15,532**

	Impairment allowances for loans and advances to customers and other assets	Investment revaluation reserve	Salaries and welfare payable	Others	Total
At 1 January 2014	4,009	1,887	1,621	(223)	7,294
Recognised in profit or loss	5,174	–	(299)	71	4,946
Recognised in reserves	–	(2,440)	–	(263)	(2,703)
Exchange difference	1	–	–	(18)	(17)
At 31 December 2014	9,184	(553)	1,322	(433)	9,520

The income tax rate applicable to the Bank is 25% (2014: 25%).

25 Deposits from banks and other financial institutions

	30 June 2015	31 December 2014
Deposits from banks		
– In the Mainland	**160,489**	203,283
– Outside the Mainland	**42,486**	108,135
Deposits from other financial institutions		
– In the Mainland	**677,821**	386,030
	880,796	697,448

(Expressed in millions of Renminbi unless otherwise stated)

26 Placements from banks and other financial institutions

	30 June 2015	31 December 2014
Banks in the Mainland	**77,316**	77,917
Banks outside the Mainland	**16,480**	16,686
	93,796	94,603

27 Amounts sold under repurchase agreements

(a) Analysed by nature of counterparties

	30 June 2015	31 December 2014
Banks in the Mainland	**117,033**	56,279
Other financial institutions in the Mainland	**33**	5,426
Banks outside the Mainland	**5,124**	5,283
	122,190	66,988

(b) Analysed by assets type

	30 June 2015	31 December 2014
Securities		
– PRC government bonds	**–**	13,328
– Bonds issued by policy banks	**9,356**	16,428
– Bonds issued by commercial banks and other financial institutions	**3,030**	3,823
– Other debt securities	**1,874**	1,588
	14,260	35,167
Discounted bills	**107,930**	30,908
Loans	**–**	913
	122,190	66,988

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(Expressed in millions of Renminbi unless otherwise stated)

28 Deposits from customers

	30 June 2015	31 December 2014
Corporate customers		
– Demand deposits	**1,088,956**	973,646
– Time deposits	**1,217,390**	1,237,765
	2,306,346	2,211,411
Retail customers		
– Demand deposits	**734,168**	644,836
– Time deposits	**401,278**	448,191
	1,135,446	1,093,027
	3,441,792	3,304,438

29 Debt securities issued

	Note	30 June 2015	31 December 2014
Subordinated notes issued	29(a)	**32,398**	32,396
Long-term debt securities issued	29(b)	**30,718**	27,636
Negotiable interbank certificates of deposit		**79,350**	24,832
Certificates of deposit issued		**19,690**	21,291
		162,156	106,155

(Expressed in millions of Renminbi unless otherwise stated)

29 Debt securities issued *(continued)*

(a) Subordinated notes issued

As at the end of the reporting period, subordinated notes issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issued for the period (RMB in million)	Discount or premium amortisation (RMB in million)	Repayment for the period (RMB in million)	Ending balance (RMB in million)
Fixed rate notes (Note (i))	180 months	4 September 2008	5.90 (for the first 10 years); 8.90 (from the 11 year onwards, if the notes are not called by the Bank)	RMB 7,000	6,994	–	–	–	6,994
Fixed rate notes (Note (ii))	180 months	28 December 2012	5.20	RMB 11,700	11,686	–	1	–	11,687
Fixed rate notes (Note (iii))	120 months	18 April 2014	6.40	RMB 11,300	11,286	–	–	–	11,286
					29,966	–	1	–	29,967

(Expressed in millions of Renminbi unless otherwise stated)

29 Debt securities issued *(continued)*

(a) Subordinated notes issued *(continued)*

As at the end of the reporting period, subordinated notes issued by WLB was as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issued for the period (RMB in million)	Discount or premium amortisation (RMB in million)	Repayment for the period (RMB in million)	Ending balance (RMB in million)
Fixed rate notes	144 months	28 December 2009	5.70	HKD 1,500	1,199	–	1	–	1,200
Fixed to floating rate notes	120 months	6 November 2012	3.50 (for the first 5 years); T*+2.80 (from 6 years onwards, if the notes are not called by the Bank)	USD 200	1,231	–	–	–	1,231
					2,430	–	1	–	2,431

* T represents the 5 years US Treasury rate.

Notes:

(i) The CBRC and PBOC approved the Bank's issuance of RMB 30,000 million subordinated notes on 12 August 2008 (Yin Jian Fu [2008] No.304 entitled "The Approval of the Issuance of Subordinated Notes by China Merchants Bank" and Yin Shi Chang Xu Zhun Yu Zi [2008] No.25 entitled "Decision on Administrative Approval from the People's Bank of China"). The Bank issued RMB 26,000 million fixed rate subordinated notes and RMB 4,000 million floating rate subordinated notes on 4 September 2008 to institutional investors on the China Interbank Bond Market.

The Bank exercised its redemption right on 4 September 2013 and redeemed a total of RMB 23,000 million subordinated notes, including two types of notes valued at RMB 19,000 million and RMB 4,000 million respectively.

(ii) The CBRC and PBOC approved the Bank's issuance of RMB 11,700 million subordinated notes on 29 November 2012 (Yin Jian Fu [2012] No.703 entitled "The Approval of the Issuance of Subordinated Notes by China Merchants Bank") and on 20 December 2012 (Yin Shi Chang Xu Zhun Yu Zi [2012] No.91 entitled "Decision on Administrative Approval from the People's Bank of China"). The Bank issued RMB 11,700 million fixed rate subordinated notes on 28 December 2012 to institutional investors on the China Interbank Bond Market.

(iii) The CBRC and PBOC approved the Bank's issuance of RMB 11,300 million tier-2 capital notes on 29 October 2013 (Yin Jian Fu [2013] No.557 entitled "The Approval of the Issuance of Subordinated Notes by China Merchants Bank") and on 15 April 2014 (Yin Shi Chang Xu Zhun Yu Zi [2014] No.22 entitled "Decision on Administrative Approval from the People's Bank of China"). The Bank issued RMB 11,300 million tier-2 capital notes on 18 April 2014 on the China Interbank Bond Market.

(Expressed in millions of Renminbi unless otherwise stated)

29 Debt securities issued *(continued)*

(b) Long-term debt securities issued

As at the end of the reporting period, long-term debt securities issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issued for the period (RMB in million)	Discount or premium amortisation (RMB in million)	Repayment for the period (RMB in million)	Ending balance (RMB in million)
12 CMB 01 (Note (i))	60 months	14 March 2012	4.15	RMB 6,500	6,495	–	1	–	6,496
12 CMB 02 (Note (i))	60 months	14 March 2012	R*+0.95	RMB 13,500	13,491	–	2	–	13,493
14 CMB 03 (Note (ii))	36 months	10 April 2014	4.10	RMB 1,000	996	–	1	–	997
Fixed rate notes (Note (iii))	36 months	7 May 2015	2.375	USD 500	–	3,100	(24)	–	3,076
					20,982	3,100	(20)	–	24,062

* R represents the 1-year fixed deposit rate ("Rate") promulgated by the PBOC. The Rate on 14 March 2012 was 3.50%.

Notes:

(i) The CBRC and PBOC approved the Bank's issuance of RMB 20,000 million financial debt securities on 12 December 2011 (Yin Jian Fu [2011] No.557 entitled "The Approval of the Issuance of Financial Debt Securities by China Merchants Bank") and on 16 January 2012 (Yin Shi Chang Xu Zhun Yu Zi [2012] No.2 entitled "Decision on Administrative Approval from the People's Bank of China"). The Bank issued RMB 6,500 million fixed rate financial debt securities and RMB 13,500 million floating rate financial debt securities on 14 March 2012 on the China Interbank Bond Market.

(ii) The PBOC and National Development and Reform Commission approved the Bank's issuance of RMB 1,000 million financial debt securities on 13 February 2014 (Yin Han [2014] No.35 entitled "The Approval of the Issuance of Renminbi Debt Securities in Hong Kong by China Merchants Bank") and on 11 March 2014 (Fa Gai Wai Zi [2014] No.412 entitled "The Approval of Issuance of Renminbi Debt Securities in Hong Kong by China Merchants Bank"). The Bank issued RMB 1,000 million financial debt securities on 10 April 2014 in Hong Kong.

(iii) On 7 May 2015, the New York branch of the bank issued USD 500 million fixed rate medium term notes due 2018. The notes were listed on Hong Kong Exchanges Clearing Limited ("HKEx").

(Expressed in millions of Renminbi unless otherwise stated)

29 Debt securities issued *(continued)*

(b) Long-term debt securities issued *(continued)*

As at the end of the reporting period, long-term debt securities issued by CMBFL were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue in the year (RMB in million)	Discount or premium amortisation (RMB in million)	Repayment for the year (RMB in million)	Ending balance (RMB in million)
Fixed rate notes (Note (iv))	36 months	26 June 2013	4.99	RMB 1,000	1,000	–	–	–	1,000
Fixed rate notes (Note (iv))	60 months	26 June 2013	5.08	RMB 1,000	1,000	–	–	–	1,000
Fixed rate notes (Note (iv))	36 months	24 July 2013	4.87	RMB 1,000	1,000	–	–	–	1,000
Fixed rate notes (Note (iv))	60 months	24 July 2013	4.98	RMB 1,000	1,000	–	–	–	1,000
					4,000	–	–	–	4,000

Note:

(iv) As approved by CBRC under the Approval of the Issuance of Financial Notes by CMBFL (Yin Jian Fu [2012] No.758) and the PBOC under the Decision on Administrative Approval from People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2013] No.33), CMBFL issued the first tranche of RMB 2,000 million financial notes on 26 June 2013 and the second tranche of RMB 2,000 million financial notes on 24 July 2013. As at 30 June 2015, the Bank held RMB 440 million financial notes issued by CMBFL.

(Expressed in millions of Renminbi unless otherwise stated)

29 Debt securities issued *(continued)*

(b) Long-term debt securities issued *(continued)*

As at the end of the reporting period, long-term debt securities issued by CMB International Leasing Management Limited ("CMBIL"), CMBIC's subsidiary, were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issued for the period (RMB in million)	Discount or premium amortisation (RMB in million)	Repayment for the period (RMB in million)	Ending balance (RMB in million)
Fixed rate notes (Note (v))	60 months	11 August 2014	3.25	USD 500	3,094	–	2	–	3,096

Note:

(v) On 11 Aug 2014, CMBIL issued USD 500 million with annual interest rate of 3.25% guaranteed notes due 2019. The notes were listed on HKEx.

(Expressed in millions of Renminbi unless otherwise stated)

30 Share capital

By type of share:

	Registered capital	
	30 June 2015	31 December 2014
Listed shares		
– A-Shares	**20,629**	20,629
– H-Shares	**4,591**	4,591
	25,220	25,220

All H-Shares are ordinary shares and rank pari passu with the A-Shares.

	Share capital	
	No. of shares (in million)	**Amount**
At 1 January 2015 and at 30 June 2015	**25,220**	**25,220**

31 Profit appropriations

(a) Dividends approved/declared by shareholders

	Six months ended 30 June 2015	Year ended 31 December 2014
Dividends in 2014, approved and to be declared RMB 6.70 per every 10 shares	**16,897**	–
Dividends in 2013, approved and to be declared RMB 6.20 per every 10 shares	**–**	15,636

(Expressed in millions of Renminbi unless otherwise stated)

31 Profit appropriations *(continued)*

(b) Proposed profit appropriations

	Six months ended 30 June 2015	Year ended 31 December 2014
Statutory surplus reserve	–	5,188
Regulatory general reserve	–	7,446
Dividends:		
– cash dividends: Nil (2014: RMB6.70 per every 10 shares)	–	16,897
	–	29,531

The 2014 profit appropriation was approved in the 2014 annual general meeting of the Bank's shareholders held on 19 June 2015.

32 Notes to consolidated cash flow statement

(a) Analysis of the balances of cash and cash equivalents (with original maturity within 3 months):

	30 June 2015	30 June 2014
Cash and balances with central bank	**120,606**	73,075
Balance with banks and other financial institutions	**46,683**	80,615
Placements with banks and other financial institutions	**78,199**	58,536
Amounts held under resale agreements	**307,307**	357,270
Debt security investments	**2,902**	128,160
	555,697	697,656

(b) Significant non-cash transactions

There are no other significant non-cash transactions during the period.

33 Operating segments

The Group's principal activities are commercial lending and deposit taking. The funding of existing retail and corporate loans is mainly from customer deposits.

The Group manages its businesses by divisions which are organised by a mixture of both business lines and geography.

The Group assesses business decisions, reporting and performance by segment: corporate finance, retail finance, interbank finance and other business. In the first half of 2015, the profits and/or losses from treasury functions were proportionally allocated to corporate finance, retail finance and interbank finance segments from other business. The Group's business reporting segments are as follows:

– Corporate finance business

The provision of financial services to corporations and governmental institutions includes lending and deposit taking activities, clearing and cash management service, trade finance and offshore business, investment banking and other services.

– Retail finance business

The provision of financial services to retail customers includes lending and deposit taking activities, bank card business, wealth management services, private banking and other services.

– Interbank finance business

This segment covers interbank transactions such as interbank lending and repurchasing activities, asset custody activities and financial market businesses.

– Other business

Other business covers investment properties, investments in subsidiaries, associates and joint ventures, and other related businesses. None of them meets any of the quantitative thresholds so far for determining reportable segments.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents profit or loss assumed through the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. The allocation of cost is based on direct costs attributable to each reporting segment and apportion to the relevant factors.

Notes to the Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

33 Operating segments *(continued)*

(a) Segment results, assets and liabilities

	Corporate finance business		Retail finance business		Interbank finance business		Other business		Total	
	Six months ended 30 June 2015	Six months ended 30 June 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014 (restated)	**Six months ended 30 June 2015**	Six months ended 30 June 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014 (restated)
External net interest income	**21,214**	22,379	**32,141**	23,886	**3,886**	2,939	**8,863**	6,966	**66,104**	56,170
Internal net interest income/(expense)	**7,320**	8,158	**(3,222)**	(43)	**2,240**	1,981	**(6,338)**	(10,096)	**–**	–
Net interest income/(expense)	**28,534**	30,537	**28,919**	23,843	**6,126**	4,920	**2,525**	(3,130)	**66,104**	56,170
Net fee and commission income	**8,143**	7,891	**15,734**	7,868	**4,734**	3,522	**2,486**	2,109	**31,097**	21,390
Other net income	**1,917**	2,579	**368**	357	**4,062**	2,990	**465**	702	**6,812**	6,628
Insurance income	**–**	–	**–**	–	**–**	–	**234**	229	**234**	229
Operating income/(expense)	**38,594**	41,007	**45,021**	32,068	**14,922**	11,432	**5,710**	(90)	**104,247**	84,417
Operating expenses										
– Depreciation	**(594)**	(625)	**(978)**	(856)	**(85)**	(54)	**(286)**	(224)	**(1,943)**	(1,759)
– Others	**(10,089)**	(10,711)	**(16,606)**	(13,207)	**(1,443)**	(901)	**(1,599)**	(1,184)	**(29,737)**	(26,003)
Charge for insurance claims	**–**	–	**–**	–	**–**	–	**(146)**	(163)	**(146)**	(163)
	(10,683)	(11,336)	**(17,584)**	(14,063)	**(1,528)**	(955)	**(2,031)**	(1,571)	**(31,826)**	(27,925)

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(Expressed in millions of Renminbi unless otherwise stated)

33 Operating segments *(continued)*

(a) Segment results, assets and liabilities *(continued)*

	Corporate finance business		Retail finance business		Interbank finance business		Other business		Total	
	Six months ended 30 June 2015	Six months ended 30 June 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014
Reportable segment profit/(loss) before impairment losses	**27,911**	29,671	**27,437**	18,005	**13,394**	10,477	**3,679**	(1,661)	**72,421**	56,492
Impairment (losses)/reversal	**(15,870)**	(13,020)	**(7,715)**	(2,872)	**99**	(31)	**(5,685)**	(397)	**(29,171)**	(16,320)
Share of profit of associates and joint ventures	**–**	–	**–**	–	**–**	–	**134**	93	**134**	93
Reportable segment profit/(loss) before tax	**12,041**	16,651	**19,722**	15,133	**13,493**	10,446	**(1,872)**	(1,965)	**43,384**	40,265
Capital expenditure (Note)	**1,307**	1,078	**2,153**	1,473	**187**	94	**630**	45	**4,277**	2,690

	Corporate finance business		Retail finance business		Interbank finance business		Other business		Total	
	30 June 2015	31 December 2014	**30 June 2015**	31 December 2014	**30 June 2015**	31 December 2014	**30 June 2015**	31 December 2014	**30 June 2015**	31 December 2014
Reportable segment assets	**1,445,095**	1,380,976	**1,111,661**	1,022,060	**1,185,402**	886,272	**1,444,708**	1,411,906	**5,186,866**	4,701,214
Reportable segment liabilities	**2,195,342**	2,169,013	**1,068,588**	1,028,265	**1,053,217**	702,617	**514,052**	483,362	**4,831,199**	4,383,257
Investment in associates and joint ventures	**–**	–	**–**	–	**–**	–	**2,650**	1,484	**2,650**	1,484

Note: Capital expenditure represents total amount incurred for acquiring long-term segment assets.

(Expressed in millions of Renminbi unless otherwise stated)

33 Operating segments *(continued)*

(b) Reconciliations of segment assets, segment liabilities and total assets, total liabilities

	30 June 2015	31 December 2014
Assets		
Total assets for reportable segments	**5,186,866**	4,701,214
Goodwill	**9,954**	9,953
Intangible assets	**798**	1,059
Deferred tax assets	**15,822**	9,880
Other unallocated assets	**7,781**	9,723
Consolidated total assets	**5,221,221**	4,731,829
Liabilities		
Total liabilities for reportable segments	**4,831,199**	4,383,257
Current taxation	**13,824**	10,854
Other unallocated liabilities	**43,280**	22,658
Consolidated total liabilities	**4,888,303**	4,416,769

33 Operating segments *(continued)*

(c) Geographical segments

The Group operates principally in the PRC with branches located in major provinces, autonomous regions and municipalities directly under the central government. The Group also has branches operation in Hong Kong, New York, Singapore and Luxembourg; subsidiaries operating in Hong Kong and Shanghai and representative offices in London, New York and Taipei.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and non-current assets are allocated based on the geographical location of the underlying assets.

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

– "Headquarter" refers to the Group headquarter, special purpose vehicles at the branch level which are directly under the headquarter, associates and joint ventures, including the headquarter and credit card centres, etc;

– "Yangtze River Delta region" refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;

– "Bohai Rim region" refers to branches in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;

– "Pearl River Delta and West Coast region" refers to branches in Guangdong province and Fujian province;

– "Northeast region" refers to branches in Liaoning province, Heilongjiang province and Jilin province;

– "Central region" refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;

– "Western region" refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur Autonomous region, Guangxi Zhuang Autonomous region, Inner Mongolia Autonomous region, Qinghai province and Tibet Autonomous region;

– "Overseas" refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg and representative offices in London, United States of America and Taipei; and

– "Subsidiaries" refers to subsidiaries wholly owned or held by the Group, including WLB, CMBIC, CMBFL and CMFM.

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(Expressed in millions of Renminbi unless otherwise stated)

33 Operating segments *(continued)*

(c) Geographical segments *(continued)*

	Total asset		Total liabilities		Non-current assets		Profit before taxation		Revenues	
Geographical information	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014	Six months ended 30 June 2015	Six months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014
Headquarter	1,949,509	1,863,145	1,671,756	1,629,954	23,669	23,340	11,166	(3,388)	28,826	11,391
Yangtze River Delta region	663,251	590,741	659,271	586,447	2,587	2,657	5,827	8,610	17,033	16,398
Bohai Rim region	488,619	425,612	483,459	414,438	2,373	2,522	6,986	8,994	13,373	13,288
Pearl River Delta and West Coast region	609,670	527,907	603,974	515,926	1,783	1,862	7,755	9,430	15,399	14,933
Northeast region	210,679	173,827	209,299	170,945	1,385	1,473	1,901	2,304	4,137	4,154
Central region	407,802	333,656	405,940	328,146	2,690	2,798	2,704	4,612	8,940	8,574
Western region	434,337	378,606	432,590	370,196	2,750	2,827	2,729	6,221	10,215	10,188
Overseas	127,299	126,892	126,528	121,176	66	68	977	825	1,047	1,264
Subsidiaries	330,055	311,443	295,486	279,541	9,755	6,311	3,339	2,657	5,277	4,227
Total	5,221,221	4,731,829	4,888,303	4,416,769	47,058	43,858	43,384	40,265	104,247	84,417

(Expressed in millions of Renminbi unless otherwise stated)

34 Off-balance sheet exposures

(a) Contingent liabilities and commitments

(i) Credit commitments

At any given time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amount reflected in the table for guarantees and letters of credit represents the maximum potential loss that would be recognised at the end of the reporting period if counterparties failed completely to perform as contracted.

	30 June 2015	31 December 2014
Contractual amount		
Irrevocable guarantees	**233,487**	249,322
Irrevocable letters of credit	**232,696**	279,857
Bills of acceptances	**412,626**	399,489
Irrevocable loan commitments		
– with an original maturity of one year or under	**3,706**	4,062
– with an original maturity of over one year	**24,943**	23,694
Credit card commitments	**292,809**	266,094
Others	**2,501**	2,610
	1,202,768	1,225,128

Irrevocable loan commitments only include credit limits granted to offshore customers, and onshore and offshore syndicated loans.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB 1,377,936 million as at 30 June 2015 (2014: RMB 1,725,348 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective loan agreements. The Group will not assume any risks on the unused credit limits for these loan customers. As a result, such balances are not included in the above contingent liabilities and commitments.

(Expressed in millions of Renminbi unless otherwise stated)

34 Off-balance sheet exposures *(continued)*

(a) Contingent liabilities and commitments *(continued)*

(i) ***Credit commitments*** *(continued)*

These commitments and contingent liabilities have off-balance sheet credit risk. Before the commitments are fulfilled or expired, management assesses and makes provisions for any probable losses accordingly. As the facilities may expire without being drawn upon, the total of the contractual amounts is not representative of expected future cash outflows.

	30 June 2015	31 December 2014
Credit risk weighted amounts of contingent liabilities and commitments	**395,879**	398,937

The Group calculated the credit risk weighted amount of its contingent liabilities and commitment in accordance with the requirements of the Administrative Measures on Capital of Commercial Banks (Trial) issued by the CBRC. The amount within the scope approved by the CBRC in April 2014 was calculated using the internal rating-based approach, and the risk-weighted approach is used to calculate those not eligible to use the internal rating-based approach.

(ii) ***Capital commitments***

Authorised capital commitments were as follows:

	30 June 2015	31 December 2014
For purchase of property and equipment:		
– Contracted for	**4,494**	1,965
– Authorised but not contracted for	**921**	572
	5,415	2,537

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(Expressed in millions of Renminbi unless otherwise stated)

34 Off-balance sheet exposures *(continued)*

(a) Contingent liabilities and commitments *(continued)*

(iii) Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	30 June 2015	31 December 2014
Within 1 year (inclusive)	**2,409**	2,293
1 year to 5 years (inclusive)	**8,572**	7,991
Over 5 years	**2,404**	2,674
	13,385	12,958

The Group leases certain properties under operating leases. The leases typically run for an initial period of 1 to 5 years, and may include an option to renew the lease when all terms are renegotiated. None of the lease include contingent rental.

(iv) Outstanding litigations

As at 30 June 2015, the Group was a defendant in certain pending litigations with gross claims of RMB 243 million (2014: RMB 595 million) arising from its banking activities. Many of these proceedings are in relation to steps taken by the Group to collect delinquent loans and enforce rights in collateral securing such loans. The Board of Directors consider that no material losses would be incurred by the Group as a result of these pending litigations and therefore no provision has been made in the financial statements.

(v) Redemption obligations

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

34 Off-balance sheet exposures *(continued)*

(a) Contingent liabilities and commitments *(continued)*

(v) ***Redemption obligations*** *(continued)*

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

	30 June 2015	31 December 2014
Redemption obligations	**24,922**	23,497

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

(b) Use of derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in the foreign exchange and interest rate markets. All of the Group's derivative financial instruments are traded over the counter.

The Group enters into interest rate, currency and other financial derivative transactions for treasury business and its assets and liabilities management purpose. The Group's derivative financial instruments can be divided into trading derivative financial instruments, cash flow hedge financial instruments and derivative financial instruments managed in conjunction with financial instruments designated at fair value through profit or loss.

The Group will choose appropriate hedging strategies and tools in light of the risk profile of interest rates of its assets and liabilities, as well as its analysis and judgement regarding future interest rate movements.

The Group is exposed to risk on assets or liabilities denominated in foreign currencies. Such risk can be offset through the use of forward foreign exchange contracts or foreign exchange option contracts.

In cash flow hedge, the Group uses interest rate swaps as hedging instruments to hedge the cash flows arising from the interest risk of RMB loans and interbank assets.

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34 Off-balance sheet exposures *(continued)*

(b) Use of derivatives *(continued)*

The following table provides an analysis of the notional amounts of derivatives of the Group by maturity groupings based on the residual periods to settlement and the corresponding fair values at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume outstanding at the end of the reporting period; not representing amounts at risk.

	30 June 2015						
	Notional amounts with residual life of					Fair values	
	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives held for trading							
Interest rate derivatives							
Interest rate swaps	214,922	297,425	64,230	374	576,951	582	(612)
Currency derivatives							
Spot	45,632	–	–	–	45,632	30	(28)
Forwards	248,204	311,417	34,042	–	593,663	5,714	(4,936)
Foreign exchange swaps	121,240	69,931	3,700	–	194,871	395	(611)
Options purchased	25,181	18,577	166	–	43,924	358	–
Options written	31,726	21,180	205	–	53,111	–	(1,370)
	471,983	421,105	38,113	–	931,201	6,497	(6,945)
Other derivatives							
Credit default swaps	–	471	–	–	471	–	(5)
Equity options purchased	78	25	24	–	127	16	–
Equity options written	37	–	–	–	37	–	(1)
	115	496	24	–	635	16	(6)
Cash flow hedge derivatives							
Interest rate derivatives							
Interest rate swaps	5,690	14,000	19,710	–	39,400	260	(116)
Derivatives managed in conjunction with financial instruments designated at fair value through profit or loss							
Interest rate derivatives							
Interest rate swaps	755	1,842	13,105	644	16,346	57	(17)
Currency derivatives							
Foreign exchanges swaps	101	1,726	2,736	–	4,563	16	(47)
	856	3,568	15,841	644	20,909	73	(64)
Total						7,428	(7,743)

(Expressed in millions of Renminbi unless otherwise stated)

34 Off-balance sheet exposures *(continued)*

(b) Use of derivatives *(continued)*

	31 December 2014						
	Notional amounts with residual life of					Fair values	
	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives held for trading							
Interest rate derivatives							
Interest rate swaps	161,828	107,663	29,995	752	300,238	204	(240)
Currency derivatives							
Spot	20,019	–	–	–	20,019	874	(793)
Forwards	285,302	395,102	46,906	–	727,310	5,362	(4,142)
Foreign exchange swaps	138,277	77,173	3,332	–	218,782	1,393	(1,270)
Options purchased	16,626	5,883	–	–	22,509	1,233	–
Options written	21,331	6,921	–	–	28,252	–	(3,365)
	481,555	485,079	50,238	–	1,016,872	8,862	(9,570)
Other derivatives							
Credit default swaps	–	775	93	–	868	1	(2)
Equity options purchased	53	29	24	36	142	15	–
Equity options written	29	–	–	–	29	–	–
	82	804	117	36	1,039	16	(2)
Cash flow hedge derivatives							
Interest rate derivatives							
Interest rate swaps	6,300	13,540	29,510	–	49,350	143	(360)
Derivatives managed in conjunction with financial instruments designated at fair value through profit or loss							
Interest rate derivatives							
Interest rate swaps	124	515	9,941	377	10,957	73	(29)
Currency derivatives							
Foreign exchanges swaps	–	343	3,286	–	3,629	17	(45)
	124	858	13,227	377	14,586	90	(74)
Total						9,315	(10,246)

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(Expressed in millions of Renminbi unless otherwise stated)

34 Off-balance sheet exposures *(continued)*

(b) Use of derivatives *(continued)*

The credit risk weighted amounts in respect of these derivatives are as follows. These amounts have taken the effects of bilateral netting arrangements into account.

	30 June 2015	31 December 2014
Credit risk weighted assets of counterparties		
Interest rate derivatives	**419**	214
Currency derivatives	**2,005**	3,003
Others derivatives	**1**	2
Credit valuation adjustment risk weighted assets	**6,133**	5,830
Total	**8,558**	9,049

Note: The credit risk weighted amounts in respect of derivatives are calculated in accordance with the Administrative Measures on Capital of Commercial Banks (Trial) issued by the CBRC, covering default risk weighted assets of counterparties and credit valuation adjustment risk weighted assets. The amount within the scope approved by the CBRC in April 2014 was calculated using the internal rating-based approach, and the risk-weighted approach is adopted to calculate those not eligible to the internal rating-based approach.

35 Transactions on behalf of customers

(a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital for loan advances by the Group to their specified targets on their behalf in accordance with specific terms and conditions, with the help of the Group in monitoring loan usage and seeking loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted lending are not assets of the Group and are not recognised in the statement of financial position. Surplus funding is accounted for as deposits from customer. Income received and receivable for providing these services are recognised in the statement of profit or loss as fee and commission income.

(Expressed in millions of Renminbi unless otherwise stated)

35 Transactions on behalf of customers *(continued)*

(a) Entrusted lending business *(continued)*

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	30 June 2015	31 December 2014
Entrusted loans	**271,405**	243,797
Entrusted funds	**(271,405)**	(243,797)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and retail banking customers. The funds obtained from wealth management services are invested in investment products, including government bonds, PBOC bills, notes issued by policy banks, short-dated corporate notes and trust loans. The Group initiated the launch of wealth management products, however the investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns commission which represents the charges on customers in relation to the provision of custody, sales and investment management services. The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the statement of financial position. The funds obtained from wealth management services that have not yet been invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under wealth management services were as follows:

	30 June 2015	31 December 2014
Funds received from customers under wealth management services	**1,586,137**	831,473

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(Expressed in millions of Renminbi unless otherwise stated)

36 Maturity profile

Analysis of the Group's assets and liabilities by residual maturity is as follows:

	30 June 2015							
	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Indefinite	Total
Cash and balances with central bank (Note (i))	120,606	–	–	–	–	–	500,429	621,035
Amounts due from banks and other financial institutions	39,542	422,706	45,214	74,858	10,523	–	608	593,451
Loans and advances to customers (Note (ii))	25,886	132,100	407,286	949,440	540,979	472,676	36,910	2,565,277
Investments (Note (iii))	662	251,358	131,173	252,645	400,862	265,153	10,859	1,312,712
– Financial assets at fair value through profit or loss (including derivatives)	–	1,864	1,670	23,907	20,267	3,580	8,241	59,529
– Available-for-sale financial assets	662	4,175	12,624	36,255	168,875	47,650	2,568	272,809
– Held-to-maturity investments	–	918	1,894	13,738	92,987	189,693	–	299,230
– Debt securities classified as receivables	–	244,401	114,985	178,745	118,733	24,230	50	681,144
Other assets	14,149	6,158	7,992	9,610	1,878	1,081	87,878	128,746
Total assets	200,845	812,322	591,665	1,286,553	954,242	738,910	636,684	5,221,221
Amounts due to banks and other financial institutions	619,415	198,703	122,655	159,829	19,843	1,337	–	1,121,782
Deposits from customers (Note (iv))	1,829,808	234,504	335,797	691,129	349,341	1,213	–	3,441,792
Financial liabilities at fair value through profit or loss (including derivatives)	1,245	834	1,918	3,093	6,520	366	7,797	21,773
Debt securities issued	–	8,723	19,891	68,239	32,905	32,398	–	162,156
Other liabilities	44,439	44,191	18,277	15,486	9,902	2,488	6,017	140,800
Total liabilities	2,494,907	486,955	498,538	937,776	418,511	37,802	13,814	4,888,303
(Short)/long position	(2,294,062)	325,367	93,127	348,777	535,731	701,108	622,870	332,918

(Expressed in millions of Renminbi unless otherwise stated)

36 Maturity profile *(continued)*

Analysis of the Group's assets and liabilities by residual maturity is as follows *(continued)*:

	31 December 2014							
	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Indefinite	Total
Cash and balances with central bank (Note (i))	149,938	–	–	–	–	–	504,847	654,785
Amounts due from banks and other financial institutions	8,481	327,078	75,539	69,849	43,562	–	542	525,051
Loans and advances to customers (Note (ii))	1,532	118,394	388,499	970,897	518,480	427,737	23,215	2,448,754
Investments (Note (iii))	–	45,842	66,444	214,129	430,664	227,195	11,943	996,217
– Financial assets at fair value through profit or loss (including derivatives)	–	3,815	11,041	7,540	15,872	1,476	9,761	49,505
– Available-for-sale financial assets	–	7,542	10,711	38,749	183,495	35,863	2,166	278,526
– Held-to-maturity investments	–	792	3,163	15,147	78,302	162,019	11	259,434
– Debt securities classified as receivables	–	33,693	41,529	152,693	152,995	27,837	5	408,752
Other assets	11,916	5,735	5,868	9,142	901	324	73,136	107,022
Total assets	171,867	497,049	536,350	1,264,017	993,607	655,256	613,683	4,731,829
Amounts due to banks and other financial institutions	4,569	419,093	234,423	193,695	26,765	494	–	879,039
Deposits from customers (Note (iv))	1,618,482	196,234	447,982	681,507	357,289	2,944	–	3,304,438
Financial liabilities at fair value through profit or loss (including derivatives)	977	2,380	1,622	670	7,332	359	10,275	23,615
Debt securities issued	–	5,859	31,757	9,145	28,610	30,784	–	106,155
Other liabilities	40,836	25,641	12,450	13,100	8,005	1,193	2,297	103,522
Total liabilities	1,664,864	649,207	728,234	898,117	428,001	35,774	12,572	4,416,769
(Short)/long position	(1,492,997)	(152,158)	(191,884)	365,900	565,606	619,482	601,111	315,060

Notes:

(i) For balances with central bank, the amount with an indefinite maturity represents statutory deposit reserve and fiscal balances maintained with the PBOC.

(ii) For loans and advances to customers, the amount with an indefinite maturity represents loans of which the whole or part of the principals or interests were overdue for more than one month, and is stated net of appropriate allowances for impairment losses.

(iii) The residual maturities of financial assets at fair value through profit or loss included in investments do not represent the Bank's intention to hold them to maturity.

(iv) The deposits from customers that are repayable on demand included time deposits matured and awaiting for customers' instructions.

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(Expressed in millions of Renminbi unless otherwise stated)

37 Material related-party transactions

(a) Transaction terms and conditions

During the periods, the Group entered into transactions with related parties in the ordinary course of its banking business including lending, investment, deposit, securities trading, agency services, trust services and off-balance sheet transactions. The directors are of the opinion that the Group's material related-party transactions were all entered into on normal commercial terms. The banking transactions were priced at the market rates at each time of transaction. Interest rates on loans and deposits are required to be set in accordance with the following benchmark rates set by the PBOC:

	30 June 2015	31 December 2014
Short-term loans	**4.85% to 5.60% p.a**	5.60% p.a
Medium to long-term loans	**5.25% to 6.15% p.a**	6.00% to 6.15% p.a
Demand deposits	**0.35% p.a**	0.35% p.a
Time deposits	**1.60% to 4.00% p.a**	2.35% to 4.00% p.a

There were no individually assessed allowances for impairment losses made against loans and advances granted to related parties during the periods.

(b) Shareholders and their related companies

The Bank's largest shareholder China Merchants Steam Navigation Company Limited ("CMSNCL") and its related companies hold 20.20% (2014: 20.00%) shares of the Bank as at 30 June 2015 (among them 12.54% shares are held by CMSNCL (2014: 12.54%)). The Group's transactions and balances with CMSNCL and its related companies are disclosed as follows:

	30 June 2015	31 December 2014
On-balance sheet:		
– Loans and advances to customers	**6,860**	4,395
– Investments	**3,207**	5,282
– Deposits from customers	**76,198**	40,038
Off-balance sheet:		
– Irrevocable guarantees	**1,471**	1,237
– Irrevocable letters of credit	**244**	1,186
– Bills of acceptances	**25**	47

	Six months ended 30 June	
	2015	2014
Interest income	**247**	180
Interest expense	**503**	151
Net fee and commission income	**352**	57
Other net income	**10**	3

(Expressed in millions of Renminbi unless otherwise stated)

37 Material related-party transactions *(continued)*

(c) Companies served by directors, supervisors and senior management other than those under Note 37(b) above

	30 June 2015	31 December 2014
On-balance sheet:		
– Loans and advances to customers	**6,363**	8,390
– Investments	**1,900**	2,149
– Deposits from customers	**48,697**	10,454
Off-balance sheet:		
– Irrevocable guarantee	**1,320**	1,320

	Six months ended 30 June	
	2015	2014
Interest income	**165**	119
Interest expense	**366**	42
Net fee and commission income	**155**	58
Other net income	**1**	–

(d) Investment in associates and joint ventures other than those under Note 37(b) above

	30 June 2015	31 December 2014
On-balance sheet:		
– Loans and advances to customers	**7**	7
– Deposits from customers	**1,809**	102

	Six months ended 30 June	
	2015	2014
Interest expense	**26**	1
Net fee and commission income	**261**	160

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37 Material related-party transactions *(continued)*

(e) Other shareholders holding more than 5% shares

	30 June 2015	31 December 2014
On-balance sheet:		
– Investments	**200**	200
– Deposits from customers	**9,097**	3,520
Off-balance sheet:		
– Irrevocable guarantee	**6,000**	6,000

	Six months ended 30 June	
	2015	2014
Interest income	**2**	2
Interest expense	**14**	8
Net fee and commission income	**585**	–

(f) Subsidiaries

	30 June 2015	31 December 2014
On-balance sheet:		
– Balances with banks and other financial institutions	**2,759**	2,439
– Placements with banks and other financial institutions	**30,461**	29,826
– Loans and advances to customers	**1,065**	310
– Investments	**3,052**	2,052
– Deposits from banks and other financial institutions	**9,233**	18,688
– Placements from banks and other financial institutions	**160**	164
– Deposits from customers	**1,606**	1,374
Off-balance sheet:		
– Irrevocable guarantee	**136**	117
– Bills of acceptances	**110**	112

(Expressed in millions of Renminbi unless otherwise stated)

37 Material related-party transactions *(continued)*

(f) Subsidiaries *(continued)*

	Six months ended 30 June	
	2015	2014
Interest income	**438**	47
Interest expense	**365**	23
Net fee and commission income	**843**	413
Other net income	**–**	(1)

Any significant balances and transactions between the Bank and its subsidiaries have been offset in the consolidated financial statements.

38 Non-controlling interests

Non-controlling interests represent the interests that the Group does not hold in the non-wholly owned subsidiaries. There is no subsidiary of the Group which has material non-controlling interests during the reporting period.

39 Interests in unconsolidated structured entities

(a) Interest in the structured entities sponsored by third party institutions

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include wealth management products, asset management schemes, trust beneficiary rights, assets backed securities and investments in funds, and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of notes to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2015 and 31 December 2014 in the structured entities sponsored by third party institutions and an analysis of the line items in the statement of financial position as at 30 June 2015 and 31 December 2014 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	30 June 2015					
	Carrying amount					
	Amounts held under resale agreements	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total	Maximum exposure
Wealth management products	–	–	–	37,540	37,540	37,540
Asset management schemes	27,973	–	–	515,635	543,608	543,608
Trust beneficiary rights	26,468	–	–	94,495	120,963	120,963
Asset backed securities	–	2,477	3,208	118	5,803	5,803
Investment in funds	–	884	–	–	884	884
	54,441	3,361	3,208	647,788	708,798	708,798

(Expressed in millions of Renminbi unless otherwise stated)

39 Interests in unconsolidated structured entities *(continued)*

(a) Interest in the structured entities sponsored by third party institutions *(continued)*

	31 December 2014					
	Carrying amount					
	Amounts held under resale agreements	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total	Maximum exposure
Wealth management products	–	–	–	6,140	6,140	6,140
Asset management schemes	45,492	–	–	247,484	292,976	292,976
Trust beneficiary rights	63,484	–	–	112,038	175,522	175,522
Asset backed securities	–	2,135	1,367	–	3,502	3,502
Investment in funds	–	317	–	–	317	317
	108,976	2,452	1,367	365,662	478,457	478,457

The maximum exposure in the subordinated tranches of asset backed securities and funds is the fair value of the assets held by the Group at the reporting date. The maximum exposure in the wealth management products, asset management schemes, trust beneficiary rights, senior tranches of asset backed securities are the amortised cost of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial position.

(b) Interest in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal- guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of investment products to investors. Interest held by the Group includes fees charged on management services provided.

As at 30 June 2015, the amount of the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, was RMB 1,586,137 million (2014: RMB 831,473 million).

As at 30 June 2015, the balances of reverse repurchase transactions and money market placement between the Group and its non-principal-guaranteed wealth management products, which are sponsored by the Group, were RMB 157,675 million (2014: RMB 117,333 million) and RMB 1,353 million (2014: RMB 11,470 million), respectively. The transactions were conducted under normal business terms and conditions.

During the six months ended 30 June of 2015, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB 4,040 million (for the six months ended 30 June 2014: RMB 2,930 million).

The total amount of non-principal-guaranteed wealth management products issued by the Group after 1 January 2015 with a maturity date before 30 June 2015 was RMB 889,592 million (for the six months ended 30 June 2014: RMB 1,088,764 million).

40 Subsequent events

Up to the date of approval to the financial statements, the Group has no material events that require disclosure in or adjustments of the interim financial report after the reporting date.

41 Comparable interim periods figures

In current reporting period, the company reclassified credit card instalment income from fee and commission income to interest income, and restated the year-to-date comparable figures.

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(Expressed in millions of Renminbi unless otherwise stated)

(a) Capital adequacy ratio

The Group's capital adequacy ratio was prepared solely in accordance with the CBRC's Administrative Measures on the Capital of Commercial Banks (Trial) issued in 2012 and effective on 1 January 2013. The basis used herein may differ from those adopted in Hong Kong or other countries.

In accordance with the advanced capital management approach approved by CBRC in April 2014, the Group calculated core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio as follows:

	30 June 2015	31 December 2014
Core tier-1 capital adequacy ratio	**10.50%**	10.44%
Tie-1 capital adequacy ratio	**10.50%**	10.44%
Capital adequacy ratio	**12.40%**	12.38%
Components of capital base		
Core tier-1 capital:		
Qualifying portion of share capital	**25,220**	25,220
Qualifying portion of capital reserve	**70,802**	69,227
Surplus reserves	**28,664**	28,664
Regulatory general reserve	**53,981**	53,979
Retained earnings	**153,760**	137,910
Qualifying portion of non-controlling interests	**262**	288
Others (Note (i))	**(1,270)**	(1,308)
Total core tier-1 capital	**331,419**	313,980
Regulatory deductions from core tier-1 capital	**(12,291)**	(12,003)
Net core tier-1 capital	**319,128**	301,977
Other tier-1 capital (Note (ii))	**7**	5
Net tier-1 capital	**319,135**	301,982

(Expressed in millions of Renminbi unless otherwise stated)

(a) Capital adequacy ratio *(continued)*

	30 June 2015	31 December 2014
Tier-2 capital:		
Qualifying portion of tier-2 capital instruments and their premium	**30,000**	30,000
Surplus provision for loan impairment	**26,034**	24,190
Qualifying portion of non-controlling interests	**1,889**	2,162
Total tier-2 capital	**57,923**	56,352
Regulatory deductions from tier-2 capital	**–**	–
Net tier-2 capital	**57,923**	56,352
Net capital	**377,058**	358,334
Total risk-weighted assets	**3,039,989**	2,893,732

Notes:

(i) According to the Administrative Measures on the Capital of Commercial Banks (Trial) issued by the CBRC, others represent the exchange reserve from the translation of foreign currency financial statements.

(ii) The Group's other tier-1 capital is qualifying portion of non-controlling interests.

(b) Leverage ratio

In accordance with the CBRC's Administrative Measures on Leverage Ratio of Commercial Banks (Revision) issued in 2015 and effective on 1 April 2015, the Group's leverage ratio and relevant components as at 30 June 2015 were as follows. The basis used herein may differ from those adopted in Hong Kong or other countries.

Summary comparison of accounting assets and leverage ratio exposure measure:

	30 June 2015
Total consolidated assets as per published financial statements	**5,221,221**
Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(2,367)**
Adjustments for fiduciary assets	**–**
Adjustments for derivative financial instruments	**6,436**
Adjustment for securities financing transactions	**1,814**
Adjustment for off-balance sheet items	**852,966**
Other adjustments	**(12,291)**
Balance of adjusted on-balance and off-balance sheet assets	**6,067,779**

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

(b) Leverage ratio *(continued)*

Leverage ratio, net tier-1 capital, on-balance sheet and off-balance sheet exposures and other information:

	30 June 2015
On-balance sheet items (excluding derivatives and securities financing transactions (SFT), but including collateral)	4,999,463
Less: Asset amounts deducted in determining Basel III Tier 1 capital	(12,291)
Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	**4,987,172**
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	4,256
Add-on amounts for potential future exposure associated with all derivatives transactions	9,360
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–
Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–
Less: Exempted central counterparty leg of client-cleared trade exposures	–
Effective notional amount of written credit derivatives	248
Less: Adjusted effective notional deductions for written credit derivatives	–
Total derivative exposures	**13,864**
Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	211,963
Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–
Counterparty credit risk exposure for SFT assets	1,814
Agent transaction exposures	–
Total securities financing transaction exposures	**213,777**
Off-balance sheet exposure at gross notional amount	1,342,104
Less: Adjustments for conversion to credit equivalent amounts	(489,138)
Balance of adjusted off-balance sheet assets	**852,966**
Net tier 1 capital	**319,135**
Balance of adjusted on- and off-balance sheet assets	**6,067,779**
Leverage ratio	**5.26%**

(Expressed in millions of Renminbi unless otherwise stated)

(c) Liquidity coverage ratio

	30 June 2015	Average for the six months ended 30 June 2015	31 December 2014	Average for the year ended 31 December 2014
Liquidity coverage ratio (%) (RMB and foreign currency)	**107.46%**	**99.12%**	90.78%	79.38%

The above liquidity coverage ratio is calculated in accordance with the requirements of Administrative Measures on Liquidity Risk Management of Commercial Banks (Trial).

Pursuant to the Administrative Measures on Liquidity Risk Management of Commercial Banks (Trial), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

The Hong Kong Banking (Disclosure) Rules took effect on 1 January 2007. It requires the disclosure of an average liquidity ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity coverage ratio as at 30 June and 31 December.

(d) International claims

The Group is principally engaged in banking operations within the Mainland China, and regards all claims on third parties outside the Mainland China and claims in foreign currencies on third parties within the Mainland China as international claims.

International claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills, certificates of deposit and securities investment.

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

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(Expressed in millions of Renminbi unless otherwise stated)

(d) International claims *(continued)*

	30 June 2015			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Foreign Currency transactions in Mainland China	**50,605**	**3,739**	**150,373**	**204,717**
Asia Pacific excluding the Mainland China	**76,575**	**192,178**	**115,057**	**383,810**
– of which attributed to Hong Kong	**35,471**	**15,325**	**105,508**	**156,304**
Europe	**7,064**	**–**	**2,452**	**9,516**
North and South America	**14,351**	**1,995**	**16,223**	**32,569**
	148,595	**197,912**	**284,105**	**630,612**

	31 December 2014			
	Banks and other financial institutions	Public sector entities	Others	Total
Foreign Currency transactions in Mainland China	44,309	4,201	165,281	213,791
Asia Pacific excluding the Mainland China	30,496	81,319	63,951	175,766
– of which attributed to Hong Kong	19,040	74,570	60,718	154,328
Europe	2,971	16,275	213	19,459
North and South America	8,303	1,438	3,131	12,872
	86,079	103,233	232,576	421,888

(Expressed in millions of Renminbi unless otherwise stated)

(e) Overdue loans and advances to customers

(i) By geographical segments

	30 June 2015	31 December 2014
Headquarters	**3,367**	2,237
Yangtze River Delta region	**8,431**	8,262
Bohai Rim region	**4,668**	2,459
Pearl River Delta and West Coast region	**4,659**	3,656
Northeast region	**2,705**	1,717
Central region	**7,213**	3,851
Western region	**6,858**	2,207
Subsidiaries	**1,030**	835
Total	**38,931**	25,224

(ii) By overdue period

	30 June 2015	31 December 2014
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	**16,368**	10,295
– between 6 and 12 months (inclusive)	**14,698**	9,247
– over 12 months	**7,865**	5,682
Total	**38,931**	25,224
As a percentage of total gross loans and advances:		
– between 3 and 6 months (inclusive)	**0.62%**	0.41%
– between 6 and 12 months (inclusive)	**0.55%**	0.37%
– over 12 months	**0.29%**	0.23%
Total	**1.46%**	1.01%

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(Expressed in millions of Renminbi unless otherwise stated)

(e) Overdue loans and advances to customers *(continued)*

(iii) Collateral information

	30 June 2015	31 December 2014
Secured portion of overdue loans and advances	**12,372**	8,647
Unsecured portion of overdue loans and advances	**26,559**	16,577
Value of collaterals held against overdue loans and advances	**22,115**	9,384
Provision of overdue loans and advances for which impairment losses are individually assessed	**10,985**	8,336

The amount of the Group's overdue loans and advances to financial institutions as at 30 June 2015 was RMB 4 million (2014: RMB 1 million).

Note: The above analysis represents loans and advances overdue for more than 90 days as required and defined by the Hong Kong Monetary Authority (the "HKMA").

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

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of these loans would be classified as overdue.

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

The collaterals of the Group included cash deposit, shares, land use right, property, motor vehicles and other equipments, etc. The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation. Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance had been included in the "secured portion of overdue loans and advances" as set out in the above tables.

(f) Rescheduled loans and advances to customers

	30 June 2015		31 December 2014	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances to customers	**1,846**	**0.07%**	996	0.04%
Less:				
– Rescheduled loans and advances overdue more than 90 days	**1,372**	**0.05%**	534	0.02%
Rescheduled loans and advances overdue less than 90 days	**474**	**0.02%**	462	0.02%

The amount of the Group's rescheduled loans and advances to financial institutions as at 30 June 2015 was nil (2014: RMB 1 million).

(g) Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in the Mainland China. As at 30 June 2015 and 31 December 2014, most of the Bank's risk exposures arose from businesses with Mainland non-bank entities or individuals. Analysis of various types of exposures by counterparty have been disclosed in the notes to the interim financial report.

(h) Currency concentration other than RMB

	30 June 2015			
	US Dollars	HK Dollars (in millions of RMB)	Others	Total
Non-structural position				
Spot assets	**211,106**	**201,756**	**36,281**	**449,143**
Spot liabilities	**(246,408)**	**(158,023)**	**(47,192)**	**(451,623)**
Forward purchased	**386,546**	**88,771**	**96,933**	**572,250**
Forward sold	**(441,271)**	**(20,785)**	**(93,584)**	**(555,640)**
Net option position	**(706)**	**(3)**	**1,887**	**1,178**
Net (short)/long position	**(90,733)**	**111,716**	**(5,675)**	**15,308**
Net structural position	**15**	**20,387**	**1**	**20,403**

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(Expressed in millions of Renminbi unless otherwise stated)

(h) Currency concentration other than RMB *(continued)*

	31 December 2014			
	US Dollars	HK Dollars	Others	Total
	(in millions of RMB)			
Non-structural position				
Spot assets	360,138	146,351	30,426	536,915
Spot liabilities	(299,403)	(211,982)	(28,423)	(539,808)
Forward purchased	450,254	184,254	45,259	679,767
Forward sold	(460,064)	(84,592)	(46,091)	(590,747)
Net option position	151	7	(674)	(516)
Net long position	51,076	34,038	497	85,611
Net structural position	22	32,713	2	32,737

The net option position is calculated using the delta equivalent approach required by the HKMA. The net structural position of the Group includes the structural positions of the Bank's branches substantially involved in foreign currency business. Structural assets and liabilities include:

- Investments in property and equipment, net of depreciation charges;
- Capital and statutory reserves of overseas branches; and
- Investments in subsidiaries.

(i) Risk management

(i) Credit risk

Credit risk represents the potential loss that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic development, which may eventually affect their repayment abilities.

The Group has formulated its organisation framework, credit policies and processes with an objective to identify, assess and manage its credit risk effectively. The risk and capital management committee was set up and appointed by the Board to be responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the risk management department, as directed by the risk and capital management committee, participates in, coordinates and monitors the work of other risk management functions, including each business unit and the legal and compliance department. The Group manages credit risk throughout the entire lending process including pre-lending evaluations, credit approval and post-lending monitoring.

(i) Risk management *(continued)*

(i) Credit risk *(continued)*

Regarding the management of credit risk of corporate financial business, the Group formulates credit policy guidelines, enhanced credit acceptance and exit policies for corporate and institutional clients, and implements limit control measures to improve the quality of credit exposure.

In respect of the credit risk management of retail lending business, the Group relies on the credit assessment of applicants, including the assessment of their income level, credit history and repayment ability, as the basis for credit extension. The Group emphasises post-lending monitoring by focusing on borrowers' repayment ability, status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standardised retail loan collection procedures.

To mitigate risks, the Group requests customers to provide collateral and guarantees where necessary. Certain guidelines have been set for the acceptability of specific types of collateral or credit risk mitigation. Collateral portfolios and legal covenants are reviewed regularly to ensure that they can still cover the given risks, and are consistent with market practice.

For loan classification, the Group adopts a risk-based loan classification methodology. Currently, the Group categorises its loans on a ten-tier loan classification basis in order to refine internal risk classification management (normal (grades 1-5), special mention (grades 1-2), substandard, doubtful and loss). The loans for which objective evidence of impairment exists based on a loss event or several events and which bear impairment losses are classified as impaired loans. Provisions for impairment of impaired loans are assessed collectively or individually as appropriate.

The risk involved in commitments and contingencies is essentially the same as the risk involved in extending loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-loan management and collateral requirements as for customers applying for loans.

Concentration of credit risk: when a certain number of customers are in the same business, located in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic changes. The level of concentration of credit risk reflects the sensitivity of the Group's operating results to a specific industry or geographical region. To reduce the concentration of credit risk, the Group has formulated the quota limit management policy to regularly monitor and analyse the loan portfolio.

The analysis of loans and advances by industry and loan portfolio is stated in Note 16.

The Group's credit risk management policy for financial derivatives is the same as that for other transactions. To mitigate the credit risk arising from financial derivatives, the Group has entered into netting agreements with certain counterparties.

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(Expressed in millions of Renminbi unless otherwise stated)

(i) Risk management *(continued)*

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate and which may result in loss to the Group, because of changes in foreign exchange rate, interest rate, commodity price, stock price and other observable market factors. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The financial instruments under the trading book are held for trading purposes or for the purposes of hedging the risks arising from the trading book position, and these financial instruments are traded in active markets. The financial instruments under the banking book are assets and liabilities held by the Group for stable and determinable return, or for the purposes of hedging the risks arising from the banking book position. The financial instruments under the banking book include both the Group's on-balance sheet and off-balance sheet exposure, and have relative stable market value.

1 Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions which may expose the Group to potential losses in the event of unfavourable movements in foreign exchange rates. The functional currency of the Group is RMB. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly the US dollar and HK dollar. The Group has established its foreign exchange risk management and governance framework based on segregation of duty principle, which segregates the responsibilities of formulation, execution and supervision of foreign exchange risk management policies. This framework specifies the roles, responsibilities and reporting lines of the Board of Directors, supervisors, senior management, special committees and relevant departments of the Group in the management of foreign exchange risk. The Group takes a prudent strategy in the management of foreign exchange risk, and would not voluntarily take foreign exchange risk, which suits the current development of the Group. The current foreign exchange risk management policies and procedures of the Group meet the regulatory requirements and the needs of the Group in managing foreign exchange risk.

(1) Trading book

The Group has established the framework and system to manage the market risk arising from the trading book, including the management of foreign exchange risk, which takes a systematic way to manage the foreign exchange risk under the trading book based on quantitative indicators. The framework, process and methodology of the management of foreign exchange risk are consistent with the management of interest rate risk under the trading book.

The Group uses quantitative indicators, including risk exposure, Value-at-Risk ("VaR", covering interest rate, foreign exchange rate and commodity price risk factors), foreign exchange rate stress testing loss indicators, foreign exchange rate sensitivity analysis and accumulative loss indicators to manage foreign exchange risk. The measures in the management of foreign exchange risk include authorisation, setting transaction limits, daily monitoring, on-going reports and etc.

(i) Risk management *(continued)*

(ii) Market risk *(continued)*

1 *Foreign exchange risk (continued)*

(1) *Trading book (continued)*

In the first half of 2015, fluctuation in the exchange rate of RMB against other currencies was remarkable. From the beginning of 2015 to the early March 2015, with the expectation of the Federal Reserve System to increase the reference interest rate of US dollar, the exchange rate of US dollar against RMB appreciated from 6.2040 to 6.2743. The exchange rate of the US dollar against the RMB continued to be volatile, depreciating to 6.2010 as at the end of June. In terms of other major trading currencies, the Euro, Japanese yen and Australian dollar significantly weakened. Although market fluctuation impacts the Group's transaction volume, the foreign exchange business of the trading book was stable and each risk indicator was under control due to the prudent trading strategy and strict risk management strategy taken by the Group.

(2) *Banking book*

The Group's foreign exchange risk management is coordinated by the Head Office. The asset and liability management department, as the treasurer of the Bank is in charge of routine management of foreign exchange risk under the banking book. The treasurer is responsible for managing the foreign exchange risk under the banking book on a prudent basis in accordance with the regulatory requirements, and conducting centralised foreign exchange risk management through quota management and budget control.

The banking book foreign exchange risk of the Group arises from the mismatch in the non-RMB assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to control its foreign exchange risk within an acceptable level.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure changes, monitors and reports foreign exchange risk on a monthly basis under the limit framework, adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to mitigate the foreign exchange risk under the banking book.

In the first half of 2015, the Group further improve the measurement of the foreign exchange risk under the banking book, providing systematic standards and references to accurately assess foreign exchange risk and make effective management decisions. In the future, the Group will further increase its efforts in monitoring this risk, and managing limit authorisation to ensure that the risk is controlled within a reasonable level.

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(Expressed in millions of Renminbi unless otherwise stated)

(i) Risk management *(continued)*

(ii) Market risk *(continued)*

2 Interest rate risk

Interest rate risk arises from adverse change in interest rates and maturity profiles which may result in loss to the income and market value of financial instruments and positions held by the Group.

(1) Trading book

The Group has set up its market risk governance framework for trading book, covering interest rate risk, foreign exchange risk and commodity price risk. The governance framework specifies the roles and responsibilities of the Board of Directors, senior management, model validation department (team), internal audit department, information technology department, risk management department and front office departments. The market risk management department under the Bank's entire risk management office is responsible for the execution of the management of interest rate risk under the trading book.

The Group has established a market risk limit management framework, covering the interest rate risk, foreign exchange rate risk and commodity price risk under the trading book. Within this framework, the highest level indicators, which are also the quantitative market risk preference indicators for the trading book of the Group, adopt VaR and portfolio stress testing methodologies and are directly linked to the Group's net capital. In addition, according to the product type, trading strategy and characteristics of risk of sub-portfolios, the highest level indicators are allocated to lower level indicators, and to each front office department. These indicators are monitored and reported on a daily basis.

The Group uses quantitative indicators, such as exposure indicator, VaR (covering various risk factors relevant to the trading account), interest rate stress testing loss indicator, interest rate sensitivity analysis indicator, accumulative loss indicator (covering various risk factors relevant to the trading account) and etc., to manage interest rate risk. The measures in the management of interest rate risk include authorisation, setting transaction limits, daily monitoring, on-going reports and etc. VaR includes general VaR and stress VaR, both of which are calculated using the historical simulation model.

In the first half of 2015, the funding supply in the RMB interbank market was relatively sufficient. However, affected by the default events of Tianwei and Zhongfu, the credit spread in the market remained high for the securities with poor credit rating. The Group conducted a comprehensive research and promptly track the macro economy, monetary policy and market conditions, prudently formulated corresponding trading strategy and strictly controlled risk exposure. All risk indicators under the trading book are under control and no default events were identified.

(i) Risk management *(continued)*

(ii) Market risk *(continued)*

2 *Interest rate risk* *(continued)*

(2) Banking book

The Group has established a governance and management framework based on the interest rate risk management policy for the banking book, specifying the roles, responsibilities and reporting lines of the Board of Directors, senior management, special committees, and relevant departments in this area, ensuring the effectiveness of interest rate risk management.

The Group has primarily adopted scenario simulation analysis, re-pricing gap analysis, duration analysis and stress testing for the measurement and analysis of interest rate risk under the banking book. Through assets and liabilities analysis meetings and reporting framework, the Group analyses the root causes of interest rate risk under the banking book, proposes management recommendation and implements management measures.

In the first half of 2015, the Group continued to manage interest rate risk by adjusting the on-balance sheet structural positions and hedging risks using off-balance sheet derivatives, the Group proactively reduces the fluctuation in the net interest income, and keeps the interest rate risk under the banking book at a stable and controllable level. In addition to the adoption of active risk management measures, the Group also closely monitors the interest rate changes in the external markets and evaluates the applicability and reasonableness of the parameters adopted in the risk assessment model, to improve the accuracy in the measurement of risk and to provide a basis for formulating forward-looking management measures.

In the first half of 2015, PBOC lowered the RMB benchmark deposit and lending rates three times. The one-year benchmark deposit rate and the one-year benchmark lending rate were both cut by 75 basis points in total. The upper limits of the floating range for deposit rates were lifted to 1.5 times the benchmarking deposit rate. Given the characteristics of the Group's banking book interest rate risk, the cuts in the benchmark deposit and lending rates have certain negative impacts on the Group's net interest income. However, the negative impacts have been mitigated by the Group with its proactive interest rate risk management approach. In the future, the Group will continue to enhance the active management of interest rate risk under the banking book, to achieve stable growth in both net interest income and economic value.

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(i) Risk management *(continued)*

(iii) Liquidity risk

Liquidity risk arises when the Group fails to satisfy customers' demand for the repayment of maturing liabilities as well as the drawdown of additional loans and reasonable financing needs, or when the Group fails to meet these needs at normal cost.

Based on the principle of segregation of duties in the formulation, execution and monitoring of the Group's liquidity risk management policy, the Group has formulated a clear risk management structure, clearly defining the roles, responsibility and reporting lines of the Board of Directors, supervisors, senior management, special management committees and relevant departments of the Group to improve the effectiveness of liquidity risk management. The Group adopts a prudent risk preference, which suits the current development of the Group. The liquidity risk management policy and procedures meets the regulatory requirements as well as the needs of the Group in managing liquidity risk.

The Bank's liquidity risk management is coordinated by the Head Office with branches acting in concert. The asset and liability management department of Head Office, as the treasurer of the Bank, is in charge of routine liquidity risk management. The treasurer is responsible for managing liquidity on a prudent basis in accordance with regulatory requirements, and conducting centralised liquidity management through quota management, budget control as well as internal fund transfer pricing ("FTP").

The Group measures, monitors and identifies liquidity risk on two fronts: short-term reserves and medium to long-term structures. The Group closely monitors various limit indicators at regular intervals, performs regular stress testing to judge whether it can address liquidity needs under extreme circumstances. In addition, the Group has formulated liquidity contingency plans and conducts liquidity contingency drills to prepare for liquidity crises.

In the first half of 2015, the liquidity in the interbank market was neutral and tended to be easing. PBOC conducted open market operations and decreased the benchmark deposit and lending rates to provide liquidity into the market in an oriented manner. The liquidity situation of the Group is in line with the market. Resulting from the continuous increase in customer deposits and the controlled increase in customer lending, the liquidity of the Group was eased. Based on the market environment and the liquidity of the Group, the Group adopted the following measures to improve the effectiveness in the deployment of funds and enhance the liquidity structure:

1. Effectively used FTP to guide the business development, balance the funding supply and deployment, improve the management of the structure of assets and liabilities

2. Enhanced the proactive management of assets and liabilities, promote the issuance of new liabilities products, such as certificates of deposits, to improve the maturity structure of liabilities

3. Further improved the structure of assets, focusing on the increase of assets with lower risk-weights

4. Continued to promote the securitisation project: the Group has launched securitisation products of RMB13.7 billion in the first half of 2015, including retail mortgage loan schemes of RMB3.15 billion and credit card auto loan schemes of RMB10.55 billion.

As at 30 June 2015, the Group had placed 16.5% (2014: 17.5%) of its gross RMB deposits and 5.0% (2014: 5.0%) of its gross foreign currency deposits as statutory deposit reserves with the PBOC.

(i) Risk management *(continued)*

(iv) Operational risk

Operational risk arises from the direct and indirect loss due to technique, procedure, infrastructure and staff deficiency, as well as other risks which have effect on operation.

During the reporting period, the Group continued to enhance its operational risk management by further improving operational risk management framework and methodologies, strengthening operational risk appraisal and assessment mechanisms, stepping up the identification, evaluation and monitoring of operational risk in key areas, strengthening risk management prior and during the operation, conducting comprehensive risk evaluation and monitor in respect of strategic and core business of the bank, and improving the Group's ability and effectiveness of managing operational risk. Various key risk indicators were compliant with the Group's risk preference requirements.

In face of challenges from internal and external operations and management, the Group will, based on its risk preference, continue to improve its risk management skills, strengthen operational risk monitoring and controls, as well as endeavour to prevent and reduce operational losses.

(j) Capital management

The objectives of the Group's capital management are to:

- Keep capital adequacy ratios at a reasonable level, fulfill capital-specific regulatory provisions and requirements on an on-going basis, and maintain a solid capital base in support of its business expansion and strategic plan implementation, to achieve comprehensive, coordinated and sustainable growth

- Comply with regulatory requirements on capital, implement internal capital adequacy assessment procedures, publicly disclose capital management information, cover all types of risks, and ensure safe operation of the Group

- Put in place an economic capital-centred banking value management mechanism by fully utilising various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate client pricing and decision-making, and increase capital deployment efficiency

- Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structure and capital quality, decrease the capital costs, and create favourable returns for shareholders.

The Group manages its capital structure and adjusts it based on economic conditions and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy; issue or repurchase shares, other tier-1 capital instruments, eligible tier-2 capital instruments, and convertible corporate bonds. The Group's management regularly monitors capital adequacy ratio levels under an approach regulated by the CBRC. The Group and the Bank file required information to the CBRC semi-annually and quarterly.

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers all the branches at home and abroad. As at 30 June 2015, the Group's subsidiaries that were within the scope of consolidated statements in respect of the capital adequacy ratio included WLB, CMBIC, CMBFL and CMFM.

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(j) Capital management *(continued)*

Since 1 January 2013, the Group has calculated its capital adequacy ratio in accordance with the CBRC's Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations. On 18 April 2014, the CBRC granted approval to the Bank to adopt the advanced capital management approach. Within the scope of approval by the CBRC, the Bank can calculate corporate and financial institution risk exposure using the primary internal rating-based approach, retail risk exposure using the internal rating-based approach, market risk using the internal model approach, and operational risk using the standardised approach. At the same time, the CBRC implemented a transition period for commercial banks approved to use the advanced approach to calculate capital. During the transition period, commercial banks should use both the advanced approach and other approaches to calculate capital adequacy ratios, and comply with minimum capital requirements. During the period, the Group has complied with the capital requirement set by the regulatory authority.

Capital adequacy ratio management is the focus of the Group's capital management. The capital adequacy ratio reflects the Group's capability of sound operations and risk-bearing. The Group's capital adequacy ratio management objectives are to carefully determine capital adequacy ratio targets, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of global leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plan and manage its capital adequacy ratio with considerations of factors such as strategic development plan, business expansion, and risk trends.

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