



SERVING SOCIETY
DELIVERING EXCELLENCE

2015
INTERIM REPORT

Bank of China Limited

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

Ordinary H-Share Stock Code: 3988

Offshore Preference Share Stock Code: 4601



Definitions

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

The Bank/the Group	Bank of China Limited or its predecessors and, except where the context otherwise requires, all of the subsidiaries of Bank of China Limited
A Share	Domestic investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on SSE (Stock Code: 601988)
Articles of Association	The performing Articles of Association of the Bank
Basis Point (Bp, Bps)	Measurement unit of changes in interest rate or exchange rate. 1 basis point is equivalent to 0.01 percentage point
BOC Aviation	BOC Aviation Pte. Ltd.
BOC Insurance	Bank of China Insurance Company Limited
BOCG Insurance	Bank of China Group Insurance Company Limited
BOCG Investment	Bank of China Group Investment Limited
BOCG Life	BOC Group Life Assurance Co., Ltd.
BOCHK	Bank of China (Hong Kong) Limited, an authorised financial institution incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK (Holdings)
BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong and the ordinary shares of which are listed on the Hong Kong Stock Exchange
BOCI	BOC International Holdings Limited
BOCIM	Bank of China Investment Management Co., Ltd.
BOCI China	BOC International (China) Limited
CBRC	China Banking Regulatory Commission
Central and Southern China	The area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan
Company Law	The Company Law of PRC
Convertible Bonds	Corporate bonds that are vested for conversion to the A-Share stock of the Bank
CSRC	China Securities Regulatory Commission
Domestic Preference Share	Domestic preference share(s) in the preference share capital of the Bank, with a nominal value of RMB100 each, which are traded on SSE (Stock Code: 360002, 360010)
Eastern China	The area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi and Shandong
HKEx	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
H Share	Overseas-listed foreign investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 3988)
Independent Director	Independent director under the listing rules of SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
MOF	Ministry of Finance, PRC
Northeastern China	The area including, for the purpose of this report, the branches of Heilongjiang, Jilin and Liaoning
Northern China	The area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office
Offshore Preference Share	Offshore preference share(s) in the preference share capital of the Bank, with a nominal value of RMB100 each, which are listed on the Hong Kong Stock Exchange and traded in US dollars (Stock Code: 4601)
PBOC	The People's Bank of China, PRC
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
SAFE	State Administration of Foreign Exchange, PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	The Shanghai Stock Exchange
Western China	The area including, for the purpose of this report, the branches of Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Qinghai, Tibet and Xinjiang

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank warrant that the information in this report is authentic, accurate and complete, contains no false record, misleading statement or material omission, and jointly and severally accept full responsibility for the information in this report.

The 2015 Interim Report and the 2015 Interim Results Announcement of the Bank have been reviewed and approved at the meeting of the Board of Directors of the Bank held on 28 August 2015. The number of directors who should attend the meeting is twelve, and all of the directors were present and exercised their voting rights. Seven supervisors attended the meeting as non-voting attendees.

The 2015 interim financial statements prepared by the Bank in accordance with Chinese Accounting Standards (“CAS”) and International Financial Reporting Standards (“IFRS”) have been reviewed by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and international standards on review engagements, respectively.

Chairman of the Board of Directors TIAN Guoli, President CHEN Siqing, Executive Vice President responsible for the Bank’s finance and accounting ZHANG Jinliang and General Manager of the Accounting and Information Department ZHANG Jianyou warrant the authenticity, accuracy and completeness of the financial statements in this report.

During the reporting period, there was no misappropriation of the Bank’s funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that violated the applicable regulations and procedures.

This report may contain forward-looking statements that involve risks and future plans. These forward-looking statements are based on the Bank’s own information and information from other sources the Bank believes to be reliable. They relate to future events or the Bank’s future financial, business or other performance and are subject to a number of factors and uncertainties that may cause our actual results to differ materially. Investors should not place undue reliance on these forward-looking statements and any future plans mentioned do not constitute a commitment by the Bank to its investors. Investors should be aware of the investment risks.

Corporate Information

Registered Name in Chinese

中國銀行股份有限公司 (“中國銀行”)

Registered Name in English

BANK OF CHINA LIMITED (“Bank of China”)

Legal Representative and Chairman

TIAN Guoli

Vice Chairman and President

CHEN Siqing

Secretary to the Board of Directors

GENG Wei

Office Address:

No. 1 Fuxingmen Nei Dajie, Beijing, China

Telephone: (86) 10-6659 2638

Facsimile: (86) 10-6659 4568

E-mail:ir@bankofchina.com

Company Secretary

YEUNG Cheung Ying

Listing Affairs Representative

LUO Nan

Office Address:

No. 1 Fuxingmen Nei Dajie, Beijing, China

Telephone: (86) 10-6659 2638

Facsimile: (86) 10-6659 4568

E-mail:ir@bankofchina.com

Registered Address

No. 1 Fuxingmen Nei Dajie, Beijing, China

Office Address

No. 1 Fuxingmen Nei Dajie, Beijing, China, 100818

Telephone: (86) 10-6659 6688

Facsimile: (86) 10-6601 6871

Website: <http://www.boc.cn>

E-mail:ir@bankofchina.com

Customer Service and Complaint Hotline:

(86) Area Code-95566

Place of Business in Hong Kong

Bank of China Tower, 1 Garden Road, Central, Hong Kong

Selected Newspapers for Information Disclosure (A Share)

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website Designated by CSRC for Publication of the Interim Report

<http://www.sse.com.cn>

Website of HKEx for Publication of the Interim Report

<http://www.hkexnews.hk>

Place Where the Interim Report can be Obtained

No. 1 Fuxingmen Nei Dajie, Beijing, China

Registered Capital

RMB279,147,223,195

Securities Information

A Share

Shanghai Stock Exchange

Stock Name: 中國銀行

Stock Code: 601988

H Share

The Stock Exchange of Hong Kong Limited

Stock Name: Bank of China

Stock Code: 3988

Domestic Preference Share

Shanghai Stock Exchange

First Tranche

Stock Name: 中行優1

Stock Code: 360002

Second Tranche

Stock Name: 中行優2

Stock Code: 360010

Offshore Preference Share

The Stock Exchange of Hong Kong Limited

Stock Name: BOC 2014 PREF

Stock Code: 4601

Joint Sponsors for Domestic Preference Share

CITIC Securities Company Limited

Office Address: North Tower,

Excellence Times Plaza II,

No.8 Zhongxinsan Road, Futian District,

Shenzhen, Guangdong Prov., China

Sponsor Representatives:

MA Xiaolong, ZHU Jie

BOC International (China) Limited

Office Address: 39/F, BOC Building,

200 Mid. Yincheng Road,

Pudong New District, Shanghai, China

Sponsor Representatives:

GUO Lihong, LIANG Binsheng

Continuous Supervision Period

From 8 December 2014 to 31 December 2015 (First Tranche)

From 31 March 2015 to 31 December 2016

(Second Tranche)

A-Share Registrar

Shanghai Branch of China Securities

Depository and Clearing Corporation Limited

36/F, China Insurance Building

166 Lujiazui East Road,

Pudong New District,

Shanghai, China

Telephone: (86) 21-3887 4800

H-Share Registrar

Computershare Hong Kong Investor Services Limited

17M, Hopewell Centre,

183 Queen's Road East, Wan Chai,

Hong Kong

Telephone: (852) 2862 8555

Facsimile: (852) 2865 0990

Domestic Preference Share Registrar

Shanghai Branch of China Securities

Depository and Clearing Corporation Limited

36/F, China Insurance Building

166 Lujiazui East Road,

Pudong New District,

Shanghai, China

Telephone: (86) 21-3887 4800

Financial Highlights

Note: The financial information in this report has been prepared in accordance with IFRS. The data are presented in RMB and reflect amounts related to the Group, unless otherwise noted.

Unit: RMB million

	Note	For the six month period ended 30 June 2015	For the six month period ended 30 June 2014	For the six month period ended 30 June 2013
Results of operations				
Net interest income		163,391	156,675	137,288
Non-interest income	1	75,487	78,197	68,963
Operating income		238,878	234,872	206,251
Operating expenses		(87,234)	(85,897)	(82,209)
Impairment losses on assets		(28,576)	(27,782)	(14,142)
Operating profit		123,068	121,193	109,900
Profit before income tax		124,482	121,950	110,251
Profit for the period		94,986	93,409	84,172
Profit attributable to equity holders of the Bank		90,746	89,724	80,721
Basic earnings per share for profit attributable to equity holders of the Bank (RMB)		0.31	0.32	0.29
Key financial ratios				
Return on average total assets (%)	2	1.20	1.27	1.30
Return on average equity (%)	3	16.31	18.57	18.93
Net interest margin (%)	4	2.18	2.27	2.23
Non-interest income to operating income (%)	5	31.60	33.29	33.44
Cost to income ratio (calculated under domestic regulations, %)	6	24.85	25.54	27.67
Credit cost (%)	7	0.63	0.69	0.39
		As at	As at	As at
		30 June 2015	31 December 2014	31 December 2013
Statement of financial position				
Total assets		16,298,593	15,251,382	13,874,299
Loans, gross		8,897,154	8,483,275	7,607,791
Allowance for loan impairment losses		(196,794)	(188,531)	(168,049)
Investments	8	3,288,382	2,710,375	2,403,631
Total liabilities		15,031,444	14,067,954	12,912,822
Due to customers		11,536,547	10,885,223	10,097,786
Capital and reserves attributable to equity holders of the Bank		1,220,085	1,140,859	923,916
Share capital		294,388	288,731	279,365
Net assets per share (RMB)	9	3.81	3.70	3.31
Loan to deposit ratio (%)	10	72.83	72.97	72.52
Capital ratios				
Common equity tier 1 capital	11	1,114,297	1,068,706	925,037
Additional tier 1 capital		102,759	72,923	698
Tier 2 capital		213,645	250,714	262,768
Common equity tier 1 capital adequacy ratio (%)		10.63	10.61	9.69
Tier 1 capital adequacy ratio (%)		11.62	11.35	9.70
Capital adequacy ratio (%)		13.69	13.87	12.46
Asset quality				
Identified impaired loans to total loans (%)	12	1.40	1.18	0.96
Non-performing loans to total loans (%)	13	1.41	1.18	0.96
Allowance for loan impairment losses to non-performing loans (%)	14	157.37	187.60	229.35
Allowance for loan impairment losses to total loans (%)	15	2.68	2.68	2.62

Notes:

- 1 Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on financial investments + other operating income.
- 2 Return on average total assets = profit for the period ÷ average total assets, annualised. Average total assets = (total assets at the beginning of reporting period + total assets at the end of reporting period) ÷ 2.
- 3 Return on average equity = profit attributable to equity holders of the Bank ÷ weighted average capital and reserves attributable to ordinary shareholders of the Bank, annualised. Calculation is based on *No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies — Calculation and Disclosure of Return on Average Equity and Earnings per Share (Revised in 2010)* (CSRC Announcement [2010] No. 2) issued by the CSRC.
- 4 Net interest margin = net interest income ÷ average balance of interest-earning assets, annualised. Average balance is average daily balance derived from the Bank's management accounts (unreviewed).
- 5 Non-interest income to operating income = non-interest income ÷ operating income.
- 6 Cost to income ratio is calculated in accordance with the *Measures of the Performance Evaluation of Financial Enterprises* (Cai Jin [2011] No. 50) formulated by the MOF.
- 7 Credit cost = impairment losses on loans ÷ average balance of loans, annualised. Average balance of loans = (balance of loans at the beginning of reporting period + balance of loans at the end of reporting period) ÷ 2.
- 8 Investments include financial investments available for sale, debt securities held to maturity, financial investments classified as loans and receivables, and financial assets at fair value through profit or loss.
- 9 Net assets per share = (capital and reserves attributable to equity holders of the Bank at the end of reporting period – other equity instruments) ÷ number of ordinary shares in issue at the end of reporting period.
- 10 Loan to deposit ratio = balance of loans ÷ balance of deposits. Calculation is based on relevant provisions of domestic regulatory authorities. Balance of deposits includes due to customers and due to financial institutions such as insurance companies and financial holding companies.
- 11 The capital ratios are calculated in accordance with *Capital Rules for Commercial Banks (Provisional)* (Y.J.H.L. [2012] No. 1) and related regulations. The capital ratios as at 30 June 2015 and 31 December 2014 are calculated under the advanced approaches, and the capital ratios as at 31 December 2013 are calculated under the non-advanced approaches. Therefore, the capital ratios of 2015 and 2014 should not be compared directly with those of 2013.
- 12 Identified impaired loans to total loans = identified impaired loans at the end of reporting period ÷ total loans at the end of reporting period.
- 13 Non-performing loans to total loans = non-performing loans at the end of reporting period ÷ total loans at the end of reporting period.
- 14 Allowance for loan impairment losses to non-performing loans = allowance for loan impairment losses at the end of reporting period ÷ non-performing loans at the end of reporting period.
- 15 Allowance for loan impairment losses to total loans = allowance for loan impairment losses at the end of reporting period ÷ total loans at the end of reporting period. Calculation is based on data of the Bank's domestic institutions.

Overview of Operating Performance

From the beginning of 2015, the Bank continuously adhered to the strategic goal of “Serving Society, Delivering Excellence” and persisted in international development. It ploughed deep the “blue ocean”, highlighted the characteristic, pushed forward transformation to improve profitability, strengthened risk control to ensure quality and bolstered the grassroots so as to reinforce business foundation. Overall, the Bank achieved new development breakthroughs as it adapted to China’s “New Normal”, and steadily enhanced its operating performance. In the first half of 2015, the Group achieved a profit for the period of RMB94.986 billion, and a profit attributable to equity holders of the Bank of RMB90.746 billion, an increase of 1.69% and 1.14% respectively compared with the same period of the prior year. Return on average equity (ROE) was 16.31%, and return on average total assets (ROA) was 1.20%.

Continuously pushing forward internationalisation and leveraging advantages in diversified operations

The Bank resolutely honoured its social responsibilities and entwined its own development with national strategies. It supported the implementation of national strategies while further sharpening its internationalisation and diversification advantages.

First, the Bank made a strong start in building a financial artery for the “One Belt, One Road”. It developed the *Work Plan for Supporting the “One Belt, One Road” Development* in order to improve top-level design and provide a guidance for the implementation of the related efforts. The Bank successfully issued the first bond with “One Belt, One Road” concept, setting a new record in terms of overseas bond issuance size by a Chinese bank. In addition, this was the first bond offered in four currency denominations and listed on five exchanges simultaneously. The Bank actively supported the construction of key “One Belt, One Road” projects, and followed up nearly 300 key overseas projects. It became the first bank to provide

forward and swap services for the Kazakhstani Tenge and Russian Ruble against RMB in Chinese mainland. Moreover, the Bank accelerated the extension of its service network by opening up institutions including the Vientiane Branch in Laos.

Second, the Bank further consolidated its leading position in Free Trade Zone (“FTZ”) businesses. The key business platform in the China (Shanghai) Pilot Free Trade Zone (the “Shanghai FTZ”) ran smoothly, leading its peers in terms of free trade account numbers and scale of deposit and loan business. The Bank also took the lead in introducing a set of new services, including overseas financing under separate accounting, RMB option transaction, gold import under the international board and copper premium swap settlement. In addition, the Bank established market-leading positions in new FTZs in Guangdong, Tianjin and Fujian, and successfully carried out the first transactions of various financial businesses in those FTZs.

Third, the Bank continued to expand its competitive edge in RMB internationalisation business. As at 30 June 2015, the Bank’s RMB assets in Hong Kong, Macau, Taiwan and other countries amounted to RMB978.7 billion with outstanding RMB deposits and loans of RMB419.9 billion and RMB259.6 billion respectively. In the first half of 2015, cross-border RMB settlement volume of the Group reached RMB2.63 trillion, while cross-border RMB clearing volume reached RMB148 trillion, maintaining a leading position globally. The Bank was designated as an RMB clearing bank in Hungary and successfully launched RMB clearing services in Sydney and Kuala Lumpur. In addition, the Bank served as the exclusive lead underwriter of all offshore RMB bonds issued by developed countries’ governments.

Fourth, the Bank constantly strengthened its support for Chinese enterprises’ “Going Global”. The Bank successfully helped a number of Chinese enterprises with their overseas M&A activities. It innovatively carried forward matchmaking services in global markets for

small and medium-sized enterprises' ("SMEs") cross-border investments, and held a series of SME cross-border investment and trade fairs in Hebei province of China, as well as in Germany, France, Malaysia and the Netherlands, supporting the SMEs' "Going Global" and "Bringing In" initiatives. With these efforts, it realised the interaction and communication among global SMEs, thus was warmly welcomed by them. The Bank was the first to offer AUD and CAD-denominated loans in Chinese mainland for overseas study and also the first to issue BOC Great Wall International Traveller's Card.

Fifth, the Bank realised rapid growth in its diversified businesses. BOCI and BOCI China recorded a remarkable growth in brokerage commission income. BOCIM ranked ahead of its peers in investment performance and realised a continuous growth of assets under management ("AUM"). In the insurance sector, the Bank bolstered bancassurance collaboration and realised a rapid growth in premium income. BOC Aviation pushed forward its financing business in a stable and sustainable manner, and its external credit rating was upgraded to "A-".

Sustainably developing core business and steadily improving competitiveness

The Bank steadfastly implemented the government's policies and measures requiring financial institutions to serve the nation's economic structural adjustment, transformation and upgrading, optimised and revitalised its existing assets and efficiently allocated new assets, thus achieving steady and healthy development of its core businesses while promoting transformation and serving the national overall interest.

First, the Bank achieved stable development in corporate banking business while steadfastly supporting the real economy. The Bank actively supported China's economic structural adjustment and industrial transformation and upgrading, resulted in an increasing proportion of loans to specific sectors such as high-end equipment manufacturing. The Bank vigorously

expanded its funding sources, attracted more deposits from administrative and public institutions, actively promoted its salary payment agency service, expanded the third-party custodian business, targeted the cash management of multinational companies through comprehensive marketing efforts, and successfully won several competitive bids for corporate annuity custodian services. All of these efforts contributed to more effective fund placements with the Bank. The Bank ranked first in Chinese mainland in terms of international trade settlement volume and overseas guarantee balance. The Bank continued to support the development of SMEs, and customers under the "BOC Credit Factory" model exceeded 320,000, and the Bank realised sustainable growth in the credit balance for medium-sized enterprises. Moreover, the Bank successfully issued its first credit asset-backed securities and the first batch of certificates of deposit ("CDs") for corporates and individuals in 2015.

Second, the Bank actively served the people's livelihood and their consumption needs, and continuously improved the efficiency and effectiveness of its personal banking business. Large-scale marketing campaigns targeting commerce and trade, cross-border and university customers were launched, thus resulting in growing personal customers and financial assets. The Bank actively adapted to interest rate liberalisation and reinforced innovation in its liability products. It maintained its position as a market leader in foreign exchange and international remittance businesses. In addition, the Bank pushed forward product innovation and its consumer finance businesses. Its wealth management business witnessed robust growth and bank card business rapidly increased in scale.

Third, the Bank played a more significant role in financial markets while adapting to market reforms. The Bank participated deeply in global financial markets, realising rapid development of its trading business and becoming the first Asian bank to directly participate in determining the LBMA Gold Price on the InterContinental Exchange. It recorded a

substantial increase in precious metal trading volume and conducted the first deal under the “Shanghai-Hong Kong Gold Connect”. The Bank further consolidated its position as the main channel for RMB internationalisation business and formally launched its Hong Kong Offshore RMB Trading Centre. It secured the biggest market share in the trading of foreign currencies against RMB in Chinese mainland and further developed its trading business of foreign currencies against RMB under the capital account. The Bank became qualified as a comprehensive clearing member and USD settlement bank of Shanghai Clearing House and was among the first group of banks to provide settlement services for stock options on the Shanghai Stock Exchange. With the release of the “Bank of China International Crude Oil Index”, the Bank became the first Chinese financial institution to publish an international benchmark commodity index. The Bank also optimised the management framework of its wealth management business and realised rapid growth in size of its wealth management products through integrated operation.

Comprehensively strengthening risk management and effectively controlling the cost of risk

The Bank further reinforced its comprehensive risk management concept and active risk management awareness, controlled material risks and enhanced accountability. As a result, risk prevention promoted business growth while business growth in turn facilitated risk mitigation, and the cost of risk was effectively controlled.

First, the Bank comprehensively strengthened its credit risk management. Further efforts were made to enhance risk management and control of the Bank’s overall credit business, approval procedures of cross-region group customer limits and risk management of key fields, such as overcapacity industries and local government financing vehicles (“LGFVs”). The Bank further enhanced the whole-process risk management

and control of its trade finance business. It strengthened the management of risks in collaborative businesses across domestic and overseas institutions. Collateral management was strengthened. Multiple approaches were employed to resolve non-performing assets.

Second, the Bank enhanced its liquidity risk and market risk management. In the first half of 2015, the Bank’s RMB and foreign currency liquidity level was safe and sufficient while its positions were maintained reasonable, thus endured significant fluctuations of capital markets. The Bank actively participated in money market operations and effectively reduced the Group’s liquidity risk exposure. The Bank reinforced the unified risk control of its bond investments, conducted integrated management of bond investments both on-balance sheet and off-balance sheet, and steadily improved its overall market risk management.

Third, the Bank fully strengthened its internal control. It continued to improve the “three lines of defence” mechanism for internal control to enhance synergy. The management and control over their sub-branches and outlets of the Bank’s domestic tier-2 branches were reinforced. A special inspection aimed at strengthening internal control and external supervision as well as curbing illegal operations and activities was solidly promoted across all commercial banking institutions of the Bank. Leveraging its operational risk monitoring and analysis platform, the Bank strengthened offsite monitoring and further enhanced its risk identification and mitigation capabilities. The Bank stepped up compliance management of its foreign exchange business and re-examined relevant rules and regulations. It proactively fulfilled its obligations and responsibilities in anti-money laundering (“AML”), and constantly enhanced the management and controlling of AML in all businesses. It also strengthened the admission and assessment management of accredited operation managers, and carried out a full-scale examination of their duty performance. The Bank strengthened authorisation and authority delegation

management and optimised its monitoring system for related party transactions. A zero-reporting system for material risk events was established and the emergency response mechanism for risk events was improved. Taking an issue-focused approach, the Bank strengthened audit oversight, increased resources for offsite inspection and constantly enhanced the auditors' ability to identify problems and uncover risks.

Continuously developing the grassroots and solidifying operational foundations

The Bank continued to consolidate its foundations and improve internal capacity. It undertook a variety of measures to further enhance its grassroots units and foundations so as to create a stronger basis for sound development.

First, the Bank continued to increase its capital strength. It successfully issued RMB28.0 billion of preference shares and completed the conversion and redemption of its convertible bonds. As a result, the Bank's tier 1 capital base became the fourth largest among the world's top 1,000 banks, rising three places compared with the prior year.

Second, the Bank continued to enhance the efficiency and effectiveness of its channels. It accelerated the construction of smart outlets, thus improving each outlet's performance and increasing customer deposits and loans. The customer numbers and activeness of e-channels steadily increased, and the proportion of business conducted via e-channel to overall business improved.

Third, the Bank continued to improve the competitiveness of its e-finance offerings. It recorded a substantial increase in the number of e-finance customers and related transaction volumes. On the

strength of an improved online cross-border service system, the Bank led its domestic peers in cross-border trade tariff payment volume and e-tariff payment letter of guarantee balance. It achieved early progress in the construction of a smart E-Community, with more than 10,000 communities and 1.2 million registered users getting access. Exclusive products such as Community-based Micro Loan and Pension Financial Service realised continuous growths in terms of trading volumes.

Fourth, the Bank continued to enhance its information technology capabilities. It improved its information technology governance framework and set up the Information Technology Management Committee, so as to deepen integration of business and technology. The Bank drove forward the construction of important IT application projects, continuously increased IT productivity and focused on improving the experience of customers inside and outside the Bank. It facilitated an overseas information system integration and transformation project and enhanced its globally integrated IT service capabilities to support its internationalisation strategy.

Fifth, the Bank continued to improve its operational service capacity. It developed 50 measures for the three-dimensional prevention and control of risks for counter-based services, in order to improve operational management and control at the outlet level. The Bank expanded the scope of its centralised operations and strengthened the centralised access control management of counter to peripheral systems. It promoted business guides for new overseas branches and developed standardised work processes and management modes. In addition, the Bank pushed forward process optimisation by sorting through all processes and mapping them against the relevant integration plans.

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

In the first half of 2015, the global economy experienced sluggish growth at various pace of recovery across different countries. Due to bad weather, union strikes at major ports and other factors, the US economy slowed and rebounded later. The Eurozone economy witnessed stronger recovery albeit with deflationary pressures. The Greek debt crisis remained unresolved. Japan's economy saw a stronger recovery. Asia-Pacific emerging markets performed relatively well.

The global financial situation remained stable, but with increasing market fluctuations. While most economies adopted relatively easing monetary policies, the central banks of US and UK chose to keep theirs unchanged. A few countries, such as Brazil, responded to increasing inflation by means of interest rate hikes. The stock markets of developed countries recovered steadily, while the US dollar exchange rate strengthened. Commodity prices fluctuated at a low level. Due to the expectation of US interest rate rise and the Greek debt crisis, Greece and some emerging markets saw large cross-border capital outflows.

China's economy demonstrated stable overall performance and made positive progress in terms of structural adjustment while maintaining reasonable growth. As compared with the first half of 2014, gross domestic product (GDP) grew by 7%. Prices stayed at a low level with the consumer price index (CPI) growing by 1.3%. Total fixed asset investment (TFAI) grew by 11.4%, reflecting slowed investment growth. Consumption increased steadily, with the total retail sales of consumer goods (TRSCG) growing by 10.4%. Imports and exports saw slower growth, with exports increasing by 0.9%.

The Chinese government continued to carry out a prudent and balanced monetary policy, and made timely and appropriate, pre-emptive adjustments and fine-tunings, so as to maintain a neutral and proper monetary and financial environment. In the first half of 2015, the Chinese government cut both the reserve requirement ratio and benchmark interest rate on three separate occasions, raised the upper limit of the floating range for RMB deposit interest rates to 1.5 times the benchmark rate, and allowed financial institutions to issue CDs for corporate and individual customers. This indicates that the deposit and loan rates are almost fully liberalised. Monetary credit increased at an appropriate pace. As at 30 June 2015, the broad money supply (M2) was RMB133.34 trillion, an increase of 11.8% year on year. The balance of RMB deposits was RMB131.83 trillion, an increase of 10.7% year on year. In the first half of 2015, RMB loans by financial institutions increased by RMB6.56 trillion, RMB537.1 billion more than the increase during the corresponding period of the prior year. The increment in total scale of social financing was RMB8.81 trillion, down by RMB1.46 trillion compared with the same period of the prior year. RMB exchange rates remained generally stable. As at 30 June 2015, the mid-market exchange rate of RMB against USD was 6.1136, a slight appreciation of 0.09% over the prior year-end. The SSE composite index rose by 1,043 points and the floating market value of the Shanghai and Shenzhen stock markets increased by 85.2% compared with the prior year-end.

Income Statement Analysis

In the first half of 2015, the Group achieved a profit for the period of RMB94.986 billion and a profit attributable to equity holders of the Bank of RMB90.746 billion, an increase of 1.69% and 1.14%

respectively compared with the same period of the prior year. Return on average total assets (ROA) was 1.20%, and return on average equity (ROE) was 16.31%.

The principal components and changes of the Group's consolidated income statement are set out below:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2015	For the six month period ended 30 June 2014	Change	Change (%)
Net interest income	163,391	156,675	6,716	4.29%
Non-interest income	75,487	78,197	(2,710)	(3.47%)
Including: net fee and commission income	50,044	52,131	(2,087)	(4.00%)
Operating income	238,878	234,872	4,006	1.71%
Operating expenses	(87,234)	(85,897)	(1,337)	1.56%
Impairment losses on assets	(28,576)	(27,782)	(794)	2.86%
Operating profit	123,068	121,193	1,875	1.55%
Profit before income tax	124,482	121,950	2,532	2.08%
Income tax expense	(29,496)	(28,541)	(955)	3.35%
Profit for the period	94,986	93,409	1,577	1.69%
Profit attributable to equity holders of the Bank	90,746	89,724	1,022	1.14%

Net Interest Income and Net Interest Margin

In the first half of 2015, the Group achieved a net interest income of RMB163.391 billion, an increase of RMB6.716 billion or 4.29% compared with the same period of the prior year. The average balances¹ and

average interest rates of the Group's major interest-earning assets and interest-bearing liabilities as well as the impact on interest income/expense of variances in the volume factor and the interest rate factor² are summarised in the following table:

¹ Average balances are average daily balances derived from the Group's management accounts (unreviewed).

² The impact on interest income/expense of variances in the volume factor is calculated based on the changes in average balances of interest-earning assets and interest-bearing liabilities during the reporting period. The impact on interest income/expense of variances in interest rate factor is calculated based on the changes in the average interest rates of interest-earning assets and interest-bearing liabilities during the reporting period. The impact relating to the combined changes in both the volume factor and the interest rate factor has been classified as changes in interest rate factor.

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2015			For the six month period ended 30 June 2014			Analysis of changes in interest income/expense		
	Average balance	Interest income/ expense	Average interest rate	Average balance	Interest income/ expense	Average interest rate	Volume factor	Interest rate factor	Total
Group									
Interest-earning assets									
Loans	8,709,518	220,696	5.11%	8,088,866	207,781	5.18%	15,943	(3,028)	12,915
Investments	2,831,802	50,057	3.56%	2,380,298	41,439	3.51%	7,859	759	8,618
Balances with central banks	2,334,599	15,026	1.30%	2,295,628	17,403	1.53%	296	(2,673)	(2,377)
Due from and placements with banks and other financial institutions	1,205,713	22,643	3.79%	1,162,283	27,570	4.78%	1,029	(5,956)	(4,927)
Total	15,081,632	308,422	4.12%	13,927,075	294,193	4.26%	25,127	(10,898)	14,229
Interest-bearing liabilities									
Due to customers	11,146,985	112,509	2.04%	10,454,212	104,043	2.01%	6,905	1,561	8,466
Due to and placements from banks and other financial institutions and due to central banks	2,578,152	27,286	2.13%	2,449,626	28,920	2.38%	1,517	(3,151)	(1,634)
Bonds issued	264,729	5,236	3.99%	240,234	4,555	3.82%	464	217	681
Total	13,989,866	145,031	2.09%	13,144,072	137,518	2.11%	8,886	(1,373)	7,513
Net interest income		163,391			156,675		16,241	(9,525)	6,716
Net interest margin			2.18%			2.27%			(9) Bps
Domestic RMB businesses									
Interest-earning assets									
Loans	6,319,637	189,462	6.05%	5,751,086	177,590	6.23%	17,565	(5,693)	11,872
Investments	2,071,462	41,796	4.07%	1,779,842	34,189	3.87%	5,596	2,011	7,607
Balances with central banks	1,838,714	14,175	1.55%	1,931,537	16,708	1.74%	(801)	(1,732)	(2,533)
Due from and placements with banks and other financial institutions	879,849	19,306	4.42%	932,907	23,259	5.03%	(1,323)	(2,630)	(3,953)
Total	11,109,662	264,739	4.81%	10,395,372	251,746	4.88%	21,037	(8,044)	12,993
Interest-bearing liabilities									
Due to customers	8,322,299	97,943	2.37%	7,917,145	89,278	2.27%	4,561	4,104	8,665
Due to and placements from banks and other financial institutions and due to central banks	1,588,403	28,795	3.66%	1,444,601	31,973	4.46%	3,180	(6,358)	(3,178)
Bonds issued	143,442	3,490	4.91%	171,001	3,795	4.48%	(612)	307	(305)
Total	10,054,144	130,228	2.61%	9,532,747	125,046	2.65%	7,129	(1,947)	5,182
Net interest income		134,511			126,700		13,908	(6,097)	7,811
Net interest margin			2.44%			2.46%			(2) Bps
Domestic foreign currency businesses									
							Unit: USD million, except percentages		
Interest-earning assets									
Loans	78,092	974	2.52%	92,735	1,223	2.66%	(193)	(56)	(249)
Investments	34,256	261	1.54%	27,438	200	1.47%	50	11	61
Due from and placements with banks and other financial institutions and balances with central banks	73,456	233	0.64%	50,311	281	1.13%	130	(178)	(48)
Total	185,804	1,468	1.59%	170,484	1,704	2.02%	(13)	(223)	(236)
Interest-bearing liabilities									
Due to customers	84,336	332	0.79%	79,258	458	1.17%	29	(155)	(126)
Due to and placements from banks and other financial institutions and due to central banks	88,257	230	0.53%	89,372	345	0.78%	(4)	(111)	(115)
Bonds issued	2,981	84	5.68%	41	2	8.16%	119	(37)	82
Total	175,574	646	0.74%	168,671	805	0.96%	144	(303)	(159)
Net interest income		822			899		(157)	80	(77)
Net interest margin			0.89%			1.06%			(17) Bps

Notes:

- Investments include available for sale debt securities, held to maturity debt securities, debt securities classified as loans and receivables, trading debt securities, debt securities designated at fair value through profit or loss, and investment trusts and asset management plans.
- Balances with central banks include the mandatory reserves, the surplus reserves and other deposits.
- Due to and placements from banks and other financial institutions and due to central banks include due to and placements from banks and other financial institutions, due to central banks and other funds.

The average balances and average interest rates of domestic loans and due to customers, classified by business type, are summarised in the following table:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2015		For the six month period ended 30 June 2014		Change	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
Domestic RMB businesses						
Loans						
Corporate loans	3,975,912	6.28%	3,719,697	6.49%	256,215	(21) Bps
Personal loans	2,161,393	5.65%	1,936,298	5.67%	225,095	(2) Bps
Trade bills	182,332	5.54%	95,091	7.26%	87,241	(172) Bps
Total	6,319,637	6.05%	5,751,086	6.23%	568,551	(18) Bps
Including:						
Medium and long term loans	4,228,672	6.21%	3,811,942	6.35%	416,730	(14) Bps
Short term loans within 1 year and others	2,090,965	5.70%	1,939,144	5.99%	151,821	(29) Bps
Due to customers						
Corporate demand deposits	2,077,921	0.74%	2,078,314	0.73%	(393)	1 Bp
Corporate time deposits	2,188,001	3.56%	2,105,150	3.50%	82,851	6 Bps
Personal demand deposits	1,349,984	0.53%	1,303,790	0.51%	46,194	2 Bps
Personal time deposits	2,414,719	3.47%	2,242,856	3.41%	171,863	6 Bps
Other	291,674	4.57%	187,035	4.31%	104,639	26 Bps
Total	8,322,299	2.37%	7,917,145	2.27%	405,154	10 Bps
Domestic foreign currency businesses						
Unit: USD million, except percentages						
Loans	78,092	2.52%	92,735	2.66%	(14,643)	(14) Bps
Due to customers						
Corporate demand deposits	25,364	0.18%	22,358	0.14%	3,006	4 Bps
Corporate time deposits	22,179	2.08%	24,107	2.99%	(1,928)	(91) Bps
Personal demand deposits	18,832	0.04%	14,269	0.04%	4,563	–
Personal time deposits	15,283	0.64%	15,130	0.55%	153	9 Bps
Other	2,678	2.20%	3,394	2.38%	(716)	(18) Bps
Total	84,336	0.79%	79,258	1.17%	5,078	(38) Bps

Note: "Due to customers – Other" includes structured deposits.

In the first half of 2015, the Group's net interest margin decreased by 9 basis points to 2.18% compared with the same period of the prior year. Major factors that affected the Group's net interest margin include:

First, the PBOC lowered benchmark rates for RMB deposits and loans and widened the floating range for RMB deposit interest rates. In November 2014, the PBOC lowered benchmark rates for RMB deposits and loans, and raised the upper limit of the floating range for RMB deposit interest rates to 1.2 times the benchmark rate. In the first half of 2015, the PBOC further lowered benchmark rates for RMB deposits and loans on three separate occasions and adjusted the upper limit of the floating range to 1.5 times the benchmark rate in two separate steps. Compared with the first half of 2014, the decline in the benchmark interest rate of RMB loans was larger than that of deposits. The benchmark rate of demand deposits remained unchanged, while the floating range of the Bank's RMB deposit rates in its domestic businesses was broadened. Meanwhile, the RMB market interest rate fell. In the first half of 2015, the 3M SHIBOR average stood at 4.27%, down by 1.09 percentage points compared with the same period of the prior year.

Second, the RMB reserve requirement ratio was reduced. In the first half of 2015, the applicable reserve requirement ratio for the Bank was lowered from 20% at the prior year-end to 18.5%.

Third, the Bank's asset and liability structure was continuously optimised. The Bank actively responded to changes in the external operating environment, further strengthened the guiding role of capital constraints on operational management, revitalised existing assets

and effectively allocated new assets, thus constantly improving its asset and liability structure. In the first half of 2015, the average rate of return on investment of the Group was up 5 basis points compared with the same period of the prior year, and the proportion of its average balance in total interest-earning assets increased by 1.69 percentage points compared with the same period of the prior year. The proportion of average balance of low-cost deposits in interest-bearing liabilities increased by 0.14 percentage point compared with the same period of the prior year. RMB3.929 billion of credit asset-backed securities were issued on the domestic interbank market.

Fourth, a more flexible exchange rate of RMB against USD and divergent expectations over the exchange rate enhanced USD liquidity in the domestic market, with the market interest rates falling in comparison with the same period of the prior year. Meanwhile, the average balance of foreign currency loans declined compared with the same period of the prior year.

Non-interest Income

In the first half of 2015, the Group reported a non-interest income of RMB75.487 billion, a decrease of RMB2.710 billion or 3.47% compared with the same period of the prior year. Non-interest income represented 31.60% of operating income.

Net Fee and Commission Income

The Group earned a net fee and commission income of RMB50.044 billion, a decrease of RMB2.087 billion or 4.00% compared with the same period of the prior year. Net fee and commission income represented

20.95% of operating income. This is primarily because the Bank willingly fulfilled its social responsibilities by actively providing greater financial support to the real economy and micro and small-sized enterprises, and consequently a number of service charges to customers were reduced or waived. Meanwhile, due to such factors as deceleration of import and export, fees from consulting and settlement and clearing declined as compared with the same period of the prior year. Please refer to Note III.2 to the Condensed Consolidated Interim Financial Information.

Other Non-interest Income

The Group realised other non-interest income of RMB25.443 billion, a decrease of RMB0.623 billion or 2.39% compared with the same period of the prior year. Please refer to Notes III.3, 4 to the Condensed Consolidated Interim Financial Information.

Operating Expenses

In the first half of 2015, the Group recorded operating expenses of RMB87.234 billion, an increase of RMB1.337 billion or 1.56% compared with the same period of the prior year. The Group's cost to income ratio (calculated in accordance with domestic regulations) was 24.85%, a decrease of 0.69 percentage point compared with the same period of the prior year. The Bank persisted in the principle of practice economy and thrift in its business operation,

further optimised its expense allocation mechanism and proactively promoted business transformation and electronic channel expansion. It allocated greater resources into key areas, business frontlines and overseas institutions, continuously improving its input-output efficiency. Please refer to Notes III.5, 6 to the Condensed Consolidated Interim Financial Information.

Impairment Losses on Assets

In the first half of 2015, the Group's impairment losses on assets amounted to RMB28.576 billion, an increase of RMB0.794 billion or 2.86% compared with the same period of the prior year. Among other items, the impairment losses on loans and advances amounted to RMB27.513 billion, an increase of RMB0.011 billion or 0.04% compared with the same period of the prior year. The credit cost was 0.63%. The Bank continued to strengthen its overall risk mitigation capability by further improving its comprehensive risk management system, enhancing credit risk prevention and control and continuously implementing a prudent risk provisioning policy. The Bank monitored changes in the economic and financial situation as well as regulatory requirements, adjusted and optimised its credit structure, and strengthened credit asset quality management so as to maintain relatively stable credit asset quality. Please refer to the section "Risk Management — Credit Risk Management" and Notes III.7, 16 and Note IV.1 to the Condensed Consolidated Interim Financial Information.

Financial Position Analysis

As at 30 June 2015, the Group's total assets amounted to RMB16,298.593 billion, an increase of RMB1,047.211 billion or 6.87% compared with the prior year-end. The Group's total liabilities amounted to RMB15,031.444 billion, an increase of RMB963.490 billion or 6.85% compared with the prior year-end.

The principal components of the Group's consolidated statement of financial position are set out below:

Unit: RMB million, except percentages

Items	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Assets				
Loans and advances to customers, net	8,700,360	53.38%	8,294,744	54.39%
Investments	3,288,382	20.18%	2,710,375	17.77%
Balances with central banks	2,174,894	13.34%	2,306,088	15.12%
Due from and placements with banks and other financial institutions	1,263,529	7.75%	1,130,211	7.41%
Other assets	871,428	5.35%	809,964	5.31%
Total assets	16,298,593	100.00%	15,251,382	100.00%
Liabilities				
Due to customers	11,536,547	76.75%	10,885,223	77.38%
Due to and placements from banks and other financial institutions and due to central banks	2,570,155	17.10%	2,353,848	16.73%
Other borrowed funds	297,186	1.98%	308,492	2.19%
Other liabilities	627,556	4.17%	520,391	3.70%
Total liabilities	15,031,444	100.00%	14,067,954	100.00%

Notes:

- Investments include financial investments available for sale, debt securities held to maturity, financial investments classified as loans and receivables, and financial assets at fair value through profit or loss.
- Other borrowed funds include bonds issued and other borrowings.

Loans and Advances to Customers

The Bank continuously optimised its credit structure to satisfy the needs of the real economy and maintained

stable growth of its loan scale. It granted more loans to support the real economy. By revitalising existing assets and making better use of new assets, the Bank steadily carried forward credit structural adjustment,

provided strong support to China's key investment areas, actively offered credit support for the cross-border transfer of production capacity and "Going Global" initiatives of Chinese enterprises, controlled total loans to LGFVs and strictly limited lending to industries characterised by high pollution, high energy consumption and overcapacity. As at 30 June 2015, the Group's loans and advances to customers amounted to RMB8,897.154 billion, an increase of RMB413.879 billion or 4.88% compared with the prior year-end. This included RMB loans of RMB6,703.954 billion, an increase of RMB364.902 billion or 5.76% from the prior year-end, and foreign currency loans of USD358.741 billion, an increase of USD8.321 billion or 2.37% from the prior year-end.

The Bank continuously improved its risk management system. It adopted a proactive and forward-looking approach to risk management, closely monitoring the macroeconomic environment and strengthening risk identification and control over key areas. As a result, the asset quality of the Bank remained relatively stable. As at 30 June 2015, the balance of the Group's allowance for loan impairment losses amounted to RMB196.794 billion, an increase of RMB8.263 billion compared with the prior year-end. The ratio of

allowance for loan impairment losses to non-performing loans was 157.37%. The balance of the Group's restructured loans amounted to RMB4.752 billion, a decrease of RMB0.590 billion compared with the prior year-end.

Investments

The Bank closely tracked financial market dynamics and proactively adjusted the structure of its investment securities portfolio accordingly. It increased the size of its investment in domestic RMB bonds and used innovative tools to enrich and diversify its portfolio management strategy. The overall level of return from the Group's investment securities portfolio gradually increased.

As at 30 June 2015, the Group held investments of RMB3,288.382 billion, an increase of RMB578.007 billion or 21.33% compared with the prior year-end. This included RMB investments of RMB2,557.414 billion, an increase of RMB428.446 billion or 20.12% from the prior year-end, and foreign currency investments of USD119.564 billion, an increase of USD24.547 billion or 25.83% from the prior year-end.

The classification of the Group's investment portfolio is shown below:

Unit: RMB million, except percentages

Items	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	119,531	3.64%	104,528	3.86%
Financial investments available for sale	923,071	28.07%	750,685	27.70%
Debt securities held to maturity	1,614,981	49.11%	1,424,463	52.55%
Financial investments classified as loans and receivables	630,799	19.18%	430,699	15.89%
Total	3,288,382	100.00%	2,710,375	100.00%

Investments by Currency

Unit: RMB million, except percentages

Items	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
RMB	2,557,414	77.77%	2,128,968	78.55%
USD	469,345	14.27%	385,736	14.23%
HKD	139,808	4.25%	130,576	4.82%
Other	121,815	3.71%	65,095	2.40%
Total	3,288,382	100.00%	2,710,375	100.00%

Top Ten Financial Bonds by Value Held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual Rate	Maturity	
			Date	Impairment
Bond issued by policy banks in 2014	9,010	5.44%	2019/04/08	–
Bond issued by policy banks in 2005	6,810	3.42%	2015/08/02	–
Bond issued by policy banks in 2010	6,070	Term deposit rate for 1 year + 0.52%	2017/01/26	–
Bond issued by policy banks in 2015	5,600	3.94%	2020/04/23	–
Bond issued by commercial banks in 2015	5,500	4.95%	2018/01/19	–
Bond issued by policy banks in 2006	5,000	Term deposit rate for 1 year + 0.60%	2016/12/12	–
Bond issued by policy banks in 2011	4,910	3.55%	2016/12/06	–
Bond issued by policy banks in 2010	4,750	Term deposit rate for 1 year + 0.59%	2020/02/25	–
Bond issued by policy banks in 2015	4,670	4.10%	2020/03/24	–
Bond issued by policy banks in 2009	4,660	Term deposit rate for 1 year + 0.54%	2016/09/01	–

Note: Financial bonds refer to the debt securities issued by financial institutions in the bond market, including the bonds issued by policy banks, other banks and non-bank financial institutions, but excluding restructured bonds and PBOC bills.

Due to Customers

The Bank actively sought new customers along the upstream and downstream of supply chains and industrial chains, and targeted more administrative institution customers. It strived to expand traditional businesses such as salary payment agency and agency

of collection and payment. As a result, its customer base expanded and customer deposits grew steadily. As at 30 June 2015, the Group's due to customers amounted to RMB11,536.547 billion, an increase of RMB651.324 billion or 5.98% compared with the prior year-end. This included RMB deposits of RMB9,019.487 billion, an increase of RMB435.152 billion or 5.07%

compared with the prior year-end, and foreign currency deposits of USD411.715 billion, an increase of USD35.691 billion or 9.49% compared with the prior year-end.

Equity

As at 30 June 2015, the Group's total equity was RMB1,267.149 billion, an increase of RMB83.721 billion or 7.07% compared with the prior year-end. This change was primarily attributable to the following factors: (1) In the first half of 2015, the Group reported a profit for the period of RMB94.986 billion, of which profit attributable to equity holders of the Bank amounted to RMB90.746 billion. (2) The Bank successfully issued RMB28.0 billion of preference shares in the domestic market. (3) Part of the Convertible Bonds of the Bank were converted into ordinary A shares. (4) As per the 2014 profit distribution plan approved at the 2014 Annual General Meeting on 17 June 2015, the proposed 2014 distributable dividend of ordinary shares totalling RMB55.934 billion, was transferred out of the Group's equity. Please refer to the "Condensed Consolidated Statement of Changes in Equity" in the Condensed Consolidated Interim Financial Statements.

Cash Flow Analysis

As at 30 June 2015, the balance of the Group's cash and cash equivalents was RMB1,355.166 billion, an increase of RMB207.015 billion compared with the prior year-end.

In the first half of 2015, the net cash flow from the Group's operating activities was an inflow of RMB667.395 billion, an increase of RMB224.428 billion compared with the same period of the prior year. This was mainly attributable to the decreases of net increase in due to customers and net increase in loans and advances to customers, and the decrease of balances with central banks in the first half of 2015, while balances with central banks increasing during the same period of the prior year.

Net cash flow from investing activities was an outflow of RMB484.661 billion, an increase of RMB464.484 billion compared with the same period of the prior year. This was mainly attributable to an increase in net cash outflow of securities investments.

Net cash flow from financing activities was an inflow of RMB31.574 billion, as compared with an outflow of RMB15.970 billion in the same period of the prior year. This was mainly because the Bank paid its 2013 annual dividend in the first half of 2014, whereas the 2014 annual dividend was paid on 3 July 2015 rather than in the first half of 2015.

The operating performance and financial position of the Group's geographical and business segments are set forth in Note III.31 to the Condensed Consolidated Interim Financial Information.

Business Review

Operating income for each line of business of the Group is set forth in the following table:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2015		For the six month period ended 30 June 2014	
	Amount	% of total	Amount	% of total
Commercial banking business	220,938	92.49%	219,943	93.64%
Including: Corporate banking business	103,450	43.31%	105,801	45.05%
Personal banking business	68,353	28.61%	63,116	26.87%
Treasury operations	49,135	20.57%	51,026	21.72%
Investment banking and insurance	13,133	5.50%	10,722	4.57%
Others and elimination	4,807	2.01%	4,207	1.79%
Total	238,878	100.00%	234,872	100.00%

A detailed review of the Group's principal deposits and loans is summarised in the following table:

Unit: RMB million

Items	As at 30 June 2015	As at 31 December 2014	As at 31 December 2013
Corporate deposits			
Domestic: RMB	4,645,253	4,431,867	4,179,257
Foreign currency	259,566	265,826	284,253
Hong Kong, Macau, Taiwan and overseas operations: RMB equivalent of other currencies	1,357,981	1,213,479	957,368
Subtotal	6,262,800	5,911,172	5,420,878
Personal deposits			
Domestic: RMB	3,937,248	3,688,329	3,508,797
Foreign currency	214,833	198,621	188,356
Hong Kong, Macau, Taiwan and overseas operations: RMB equivalent of other currencies	788,383	754,215	683,406
Subtotal	4,940,464	4,641,165	4,380,559
Corporate loans			
Domestic: RMB	4,214,595	4,021,257	3,688,976
Foreign currency	464,565	500,208	503,179
Hong Kong, Macau, Taiwan and overseas operations: RMB equivalent of other currencies	1,615,054	1,524,131	1,247,184
Subtotal	6,294,214	6,045,596	5,439,339
Personal loans			
Domestic: RMB	2,229,796	2,082,757	1,864,654
Foreign currency	1,420	1,551	1,371
Hong Kong, Macau, Taiwan and overseas operations: RMB equivalent of other currencies	371,724	353,371	302,427
Subtotal	2,602,940	2,437,679	2,168,452

Commercial Banking

Domestic Commercial Banking

In the first half of 2015, the Bank's domestic commercial banking business recorded an operating income of RMB190.130 billion, an increase of RMB2.015 billion or 1.07% compared with the same period of the prior year. Details are set forth below:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2015		For the six month period ended 30 June 2014	
	Amount	% of total	Amount	% of total
Corporate banking business	93,758	49.31%	97,021	51.58%
Personal banking business	60,317	31.72%	56,920	30.26%
Treasury operations	35,610	18.73%	33,757	17.94%
Other	445	0.24%	417	0.22%
Total	190,130	100.00%	188,115	100.00%

Corporate Banking

Corporate Deposits

The Bank accelerated the development of its corporate liability business and achieved sustainable growth in corporate deposits. It further expanded its corporate deposits customer base and strived to attract more administrative institution customers as well as targeting customers along the upstream and downstream of supply chains and industrial chains, so as to explore more potential customer deposits. Increasing its product innovation efforts, the Bank issued corporate CDs, actively promoted the "BOC-Multi-Subaccount" product and seized business opportunities in the direct financing of enterprises, thus further enhancing its market competitiveness. As at 30 June 2015, RMB corporate deposits in the Bank's domestic operations totalled RMB4,645.253 billion, an increase of RMB213.386 billion or 4.81% compared with the

prior year-end. Foreign currency corporate deposits amounted to USD42.457 billion.

Corporate Loans

The Bank continued to strengthen its support for the real economy and promote the coordinated development of China's regional economies. Guided by the "Made in China 2025" plan, the Bank fully implemented state industrial policy, actively supported the State's key investment areas and contributed to the transformation and upgrading of the domestic economy. The Bank pushed forward the profound transformation of its corporate financial services, guiding corporate customers to diversify their financing channels so as to meet their diversified financing requirements. By promoting the concept of "revitalising existing assets and making better use of new assets", the Bank steadily carried forward credit structural adjustment, actively offered credit support for the

cross-border transfer of production capacity and “Going Global” initiatives of Chinese enterprises, controlled total loans to LGFVs and strictly limited lending to industries characterised by high pollution, high energy consumption and overcapacity. As at 30 June 2015, RMB corporate loans of the Bank’s domestic operations totalled RMB4,214.595 billion, an increase of RMB193.338 billion or 4.81% compared with the prior year-end. Foreign currency corporate loans totalled USD75.989 billion.

Trade Finance and Settlement

Fully leveraging its traditional advantages in trade finance business and capturing the strategic opportunities arising from the establishment of four FTZs in Shanghai, Guangdong, Tianjin and Fujian, the launch of the “One Belt, One Road” programme and RMB internationalisation, the Bank made innovative breakthroughs in trade finance service modes, increased resource inputs and spared no efforts in facilitating the implementation of national strategies. It further accelerated innovation in products and services related to global supply chain finance and bulk commodity business, made great efforts to promote basic settlement products including BOC Corporate Settlement Card and achieved strong growth in its commercial draft business. The Bank steadily improved the risk management of trade finance business. It accelerated the transformation of its related risk management model from manual to automatic, thus enhancing the ability and efficiency of its trade finance risk management. In the first half of 2015, the Group maintained its leading global position in international settlement volumes and cross-border RMB settlement volumes. Its domestic operations also led its peers in terms of market shares of international trade settlement and cross-border RMB settlement. Due to its remarkable market performance, the Bank was awarded “Best

Trade Finance Bank in China” by prestigious local and international media including *The Asset*, *The Asian Banker* and *Trade Finance*.

Cash Management

Leveraging on the advantages arising from its globalised operations, the Bank continued to optimise the product functions of its global cash management platform in order to improve its services. The Bank realised a continuous increase in cash management customers, with its cash management business coverage now extended to 42 countries and regions across Asia-Pacific, Europe, Africa and the Americas. In line with national policy guidance and in response to market opportunities, the Bank made great efforts to expand services such as the centralised operation of foreign currency funds for the headquarters of multinational corporations, the centralised operation of cross-border RMB funds and cash management services in the China (Shanghai) Pilot Free Trade Zone, maintaining leading market shares in all of these fields. Moreover, the Bank successfully secured the cash management business and “Global SWIFT Host to Host Connection” business of many large multinational corporations through competitive bids. As a result, the group customer base of the Bank’s global cash management business increased by 29% compared with the prior year-end.

Financial Institutions Business

The Bank continued to deepen overall cooperation with its global financial institution clients including domestic and foreign correspondent banks, non-bank financial institutions and multilateral financial institutions, thus maintaining a leading position in terms of financial institution customer coverage. Having established correspondent relationships with more than 1,600 financial institutions in 179 countries and regions, the

Bank opened 1,357 cross-border RMB clearing accounts for correspondent banks from over 108 countries and regions, and established a top-notch diversified financial services platform to provide comprehensive financial services for multinational institutions and corporations. The Bank's custodian service for Qualified Foreign Institutional Investors ("QFIIs") and RMB Qualified Foreign Institutional Investors ("RQFIIs") ranked among the top in terms of client base and business scale. The Bank stepped up cooperation with global non-bank financial institutions and signed memoranda regarding cooperation with BM&FBOVESPA, Dubai Gold and Commodities Exchange, Taiwan Stock Exchange Corporation and Taipei Exchange. In addition, the Bank supported foreign financial institutions in their offering of offshore RMB bonds and entered into a cash management agreement with Deutsche Bank on the basis of direct system connection. The Bank also signed "One Belt, One Road" Business Cooperation Memoranda with Bangkok Bank, Bank Austria and Commercial International Bank of Egypt.

SME Finance

The Bank fully implemented national policy measures for SME development, created innovative financial service models for micro, small and medium-sized enterprises, and thus promoted the healthy and sustainable development of SME businesses. Utilising "big data" and cloud computing technologies, the Bank introduced a brand-new "internet plus" financial service model for micro and small-sized enterprises and developed online financing products that reflect the "short-term, frequent and quick" characteristics of micro and small-sized enterprise financing. The Bank optimised the loan renewal process, reduced and waived service fees and improved financing facilities, so as to resolve the financing difficulties of micro and small-sized enterprises and reduce their financing

costs. In tandem with the "One Belt, One Road" strategy, the Bank successfully launched China-US, China-Central and Eastern Europe, China-Germany, China-ASEAN, China-France, and China-Netherlands SME cross-border investment and trade matchmaking events. These helped Chinese SMEs to expand their development horizons, drove its own domestic and overseas institutions to extend business reach and also promoted the harmonious growth of the Group's diversified businesses, e.g. commercial banking, investment banking and insurance. The Bank enhanced risk control and compliance management, optimised risk prevention and control mechanisms, improved its early-warning systems for asset quality and continuously strengthened its capability to identify and mitigate credit risk, thus maintaining SME loan quality at a stable and controllable level.

Pension Business

In an effort to support the development of China's social security system, the Bank continuously broadened the scope of its pension business and optimised service system functions to enhance customer satisfaction. It provided a series of pension-related services including enterprise annuities, occupational annuities, employee benefits plans, employee stock ownership plans and pension security products. As at 30 June 2015, the Bank's total number of individual pension accounts reached 3.4887 million, and assets under custody amounted to RMB120.567 billion, serving more than 10,000 clients. In the first half of 2015, newly opened individual pension accounts reached 0.4203 million and new assets under custody amounted to RMB21.015 billion, up by 13.70% and 21.11% respectively compared with the prior year-end.

Personal Banking

Personal Deposits

In response to external changes such as further interest rate liberalisation and the rapid development of internet finance, the Bank vigorously expanded fundamental strategic businesses such as salary payment agency and agency of collection and payment, improved its differentiated pricing mechanism for deposit rates, enhanced the refined management of its deposit business and pushed forward the stable growth of deposits based on the strength of the Group's diversified financial services. The Bank strengthened innovation in its deposit products and services, took the lead in issuing personal CDs and strived to meet individuals' demands for premier financial products and services via multi-tiered liability product portfolios. As at 30 June 2015, the Bank's domestic RMB personal deposits totalled RMB3,937.248 billion, an increase of RMB248.919 billion or 6.75% compared with the prior year-end. Foreign currency personal deposits amounted to USD35.140 billion, an increase of USD2.680 billion or 8.26% compared with the prior year-end, and its market share remained the largest among peers.

Personal Loans

Fulfilling the State's requirements regarding improvements to housing finance, the Bank consolidated the development of its residential mortgage loan business with a focus on supporting first-house mortgages. While controlling risks, the Bank steadily promoted the development of its personal business loan and consumption loan businesses and fostered increased growth in non-housing loans. In addition, the Bank reinforced the optimisation of its IT system for personal loans and accelerated e-channel distribution, further expanding the functionality of its online loan services and continuously enhancing customer

convenience and satisfaction. As at 30 June 2015, the total amount of RMB personal loans of the Bank's domestic operations stood at RMB2,229.796 billion, an increase of RMB147.039 billion or 7.06% compared with the prior year-end. The Bank also maintained a leading position in sponsored student loans.

Wealth Management and Private Banking

The Bank accelerated the development of its wealth management business and enhanced its private banking service capabilities. Specifically, the Bank strengthened the cultivation of its customer relationship manager teams and made unremitting efforts to improve customer relationships, thereby recording a notable increase in the number of middle and high-end customers. The Bank enhanced its product innovation capabilities, stepped up service channel construction, enhanced the quality of its financial services offering and further expanded its wealth management service coverage. The Bank enhanced the brand reputation of its private banking services, enriched its system of franchised private banking products and specially improved its asset allocation capabilities. It introduced additional value-added services relating to future elites' education under the "BOC Exclusive Loans" brand and organised donations such as the "Spring Buds Programme" so as to share social responsibilities with its customers. Taking advantage of its diversified and internationalised operations, the Bank blazed new trails in cross-border financial products and services and engaged in a variety of businesses related to the FTZs and Shanghai-Hong Kong Stock Connect, such as account opening, customer marketing and business handling. As a result, the Bank became more capable of providing comprehensive cross-border services for business travellers, overseas tourists, international students and cross-border investors and further enhanced the service level for middle and high-end

customers abroad. As at 30 June 2015, the Bank had set up 7,067 wealth management centres, 282 prestigious wealth management centres and 34 private banking centres in Chinese mainland.

Bank Card

The Bank pushed forward credit card innovation, made increased promotional efforts for its BOC Platinum Cards, BOC Multi-Currency Cards, BOC Great Wall Globe-in-One Credit Cards, BOC Great Wall Traveller's Cards, BOC Overseas Student Cards and BOC Ali Cards, and issued the innovative 30th Anniversary Souvenir Edition of BOC Great Wall Globe-in-One Credit Cards, including metallic and standard credit cards. With these efforts, it met the requirements of key customer groups including middle and high-end customers, cross-border personnel, business travellers, internet finance customers and consumer loan borrowers. The Bank promoted various consumer finance products to meet customers' diversified financial service needs, including housing, travelling, education, tourism and weddings, such as Agricultural Card Instalments, Auto Cards, Direct-to-Customer Instalments and Cash Instalments. In addition, the Bank developed an innovative BOC acquiring product system based on the "internet plus" concept and actively promoted a series of innovative acquiring products, including bank card quick pay, intelligent mobile payment terminal and overseas card payment gateway, in a bid to enhance the convenience of merchant payment service. Online-to-offline (O2O) innovation was utilised to strengthen all-

around cooperation with key merchants in the acquiring field and fostered a favorable electronic processing environment. The Bank diversified its e-channels for credit card application, optimised online customer service channels through WeChat and mobile phone APPs, thus enhancing the exclusive service experience of bank card holders.

The Bank continued to promote the application of debit IC cards across multiple industries and stimulated the rapid development of its debit card business through product innovation. Debit cards have been used in 20 people's livelihood sectors, including corporate campuses, schools, communities, public transportation, commerce, personal identification, social security and hospitals. In carrying forward its Livelihood Financial Services system, the Bank participated in over 250 social security card initiatives spanning almost 30 provinces (including municipalities directly under the Central Government), boosted financial applications for collection and payment agency in social insurance, including pension insurance fund, medical insurance fund, unemployment insurance fund, work-related injury insurance fund and maternity insurance fund, issued the "Evergreen Card" and "Resident Health Card", among others, implemented "All-in-One Card" functions at numerous cooperating hospitals nationwide for hospital registration and medical treatment, provided a value-added service that enables card holders to complete hospital registration via mobile phone terminals, and offered wealth management services for social security debit card holders.

The Bank's bank card issuance and transaction volumes are set out below:

Unit: million cards/RMB billion, except percentages

Items	As at	As at	Change (%)
	30 June 2015	31 December 2014	
Cumulative number of debit cards	388.9810	361.9304	7.47%
Cumulative number of effective credit cards	51.7565	47.8694	8.12%
Cumulative number of social security cards with financial functions	66.3197	60.6907	9.27%
	For the six month period ended	For the six month period ended	Change (%)
	30 June 2015	30 June 2014	
Transaction amount of debit cards	1,134.051	1,073.652	5.63%
Transaction amount of credit cards	718.940	624.546	15.11%

Financial Markets Business

Securities Investment

The Bank actively adjusted the structure of its RMB and foreign currency investment portfolios, balanced risks with returns, properly managed the durations of its investments, adjusted portfolio interest rate risk and optimised allocation across various industries, thus reducing the credit risk of its portfolios. Tracking bond market trends, the Bank enhanced secondary-market operations so as to increase investment returns. In addition, it made local government bond investments in an orderly manner, intensified the quantitative management of asset securitisation and promoted centralised operations and decision-making in relation to the bond investments of its overseas institutions, so as to strengthen the unified management of group-wide bond investment.

Trading

The Bank continued to enhance its capacities in market-making and quotation, as well as in product

portfolio management. It advanced the construction of an integrated global trading platform in an effort to consolidate and improve its market position. It also became the first Asian bank to directly participate in determining the LBMA Gold Price on the InterContinental Exchange (ICE). Closely following the "One Belt, One Road" strategy, the Bank provided customers with exchange rate hedging services for emerging market currencies including the Nepalese Rupee (NPR), South African Rand (ZAR) and Brazilian Real (BRL), as well as forward exchange services for the Russian Ruble (RUB) and Kazakhstani Tenge (KZT) against RMB. As at 30 June 2015, the Bank offered quotation and exchange services for 26 currencies against RMB, including emerging market currencies. It vigorously promoted business innovation in China's FTZs, resulting in the successful completion of the first RMB option transaction in the Shanghai FTZ and the first commodity forward hedge in the China (Guangdong) Pilot Free Trade Zone (the "Guangdong FTZ"). In response to the diversification of interbank market players, the Bank became the first commercial bank to conduct interbank transactions with securities brokers. Having fully implemented the

global integration of its trading business, it officially opened the Hong Kong Offshore RMB Trading Centre, realising “unified quotation, position management, trading strategy, trading system and risk control” for its offshore RMB business. In the first half of 2015, the Bank secured the leading position in market share of spot/forward exchange of foreign currencies against RMB, as well as in proprietary and agency gold trading volume on the Shanghai Gold Exchange.

Investment Banking and Asset Management

The Bank provided customers with comprehensive, professional and customised investment banking and asset management services, including domestic direct financing, cross-border financing, restructuring and M&A consulting, cross-border financial consulting and financing solutions. The Bank continuously enhanced its core competitive advantages, participated in underwriting of offshore RMB bonds and foreign currency bonds for a number of medium and large-sized enterprises, and arranged the issuance of all nine Euro-denominated bonds of Chinese enterprises that occurred in the first half of the year. Its market share in underwriting the offshore RMB-denominated bonds and G3 currency (i.e. USD, EUR and JPY) investment grade bonds of Chinese enterprises ranked top among its domestic peers. In addition, the Bank continuously pushed forward credit asset securitisation and steadily promoted the structural adjustment of its existing assets. It intensified product innovation and further expanded its client industry coverage through the structured design of its diversified financing products. The Bank took the lead globally in releasing the BOC Credits Investing & Financing Environment Difference Index (CIFED), which provides comprehensive, objective and professional analysis of the difference and trend of offshore and onshore RMB bond yields so as to support the cross-border investment and

financing activities of Chinese enterprises and financial institutions. It continued to transform its wealth management products, intensified its innovation efforts and expanded its investment channels. To meet the diversified investment needs of different customers, it introduced various innovative investment models, including private equity fund, private placement, M&A and restructuring. The Bank improved its asset management, R&D and operation capabilities, took the lead in introducing wealth management products in China’s FTZs and successfully issued CDs. It promoted sales in compliance with related regulations, further expanded its customer base and broadened retail distribution channels which included mobile banking, WeChat banking and “Fast Communication”, thus improving customer experience. Moreover, the Bank further increased its risk compliance awareness and improved its risk control process. In the first half of 2015, it underwrote 169 debt financing instruments for non-financial enterprises in the domestic open market, a total financing amount of RMB191.4 billion. It also issued credit asset-backed securities totalling RMB3.929 billion in the interbank market and 2,890 wealth management products with a total sales amount of RMB3,612.283 billion.

Custodian Services

In response to interest rate liberalisation, the Bank made great efforts to develop capital-lite custodian business and continuously promoted product innovation, service enhancement and system upgrading. It further deepened its cooperation with fund management companies, optimised fund product structure and energetically explored such custodian products as index funds, equity funds and mixed funds. Seizing the opportunities arising from the development of the asset management industry, the Bank intensified the promotion of custodian products

relating to insurance, asset securitisation, publicly-placed funds by securities companies and futures asset management schemes. It leveraged the advantages arising from its globally integrated operations, actively promoted its cross-border custodian business, including custodian services for QDII, QFII and RQFII, as well as the mutual subscription of funds issued in Chinese mainland and Hong Kong, and advanced the development of its global custodian network. Moreover, the Bank accelerated the upgrading and transformation of its global custodian system, expanded the application scope of electronic instructions, and improved direct connection compatibility with external systems such as China Securities Depository and Clearing Corporation Limited (CSDC) and Shanghai Clearing House, so as to enhance customer experience. Consequently, the Bank continuously enhanced its brand reputation and the scale of assets under custody. As at 30 June 2015, the Group's total assets under custody amounted to approximately RMB6.7 trillion, maintaining its leading position in the industry. The Bank was awarded "Best Domestic Custody — China" by *The Asset* in Hong Kong and "Outstanding Chinese Bond Market Player — Outstanding Custodian Institution" by China Central Depository & Clearing Co. Ltd.

Village Bank

BOC Fullerton Community Banks actively implemented state policies on agriculture, farmers and rural areas, following the strategic goal of "Serving Society, Delivering Excellence" and the aim of "focusing on

county area development, supporting farmers and small-sized enterprises, and growing together with communities". The village banks are committed to providing modern financial services to farmers, micro and small-sized enterprises, individual merchants and the wage-earning class, and promoting the construction of China's "New Countryside". The distribution of village banks is mainly focused on counties in the central and western regions, where financial services were previously lacking. As at 30 June 2015, 62 BOC Fullerton Community Banks and 49 sub-branches had been established in 10 provinces (including municipalities directly under the Central Government), with the total number increasing by 5 and 16 respectively compared with the prior year-end. In particular, institutions established in central and western regions accounted for 78% of all village banks, and institutions in state level poverty counties accounted for 33%. BOC Fullerton Community Banks became the largest domestic village bank in term of total institutions and business scope. As at 30 June 2015, BOC Fullerton Community Banks served about 575,000 customers, an increase of 34.97% compared with the prior year-end. The balances of total deposits and loans of these banks increased by 16.90% and 18.85% respectively compared with the prior year-end, among which loans to farmers and micro and small-sized enterprises accounted for 90.65%. The NPL ratio and the ratio of allowance for loan impairment losses to non-performing loans were 1.40% and 238.40% respectively.

Overseas Commercial Banking

In the first half of 2015, the Bank closely followed national strategies, and accelerated the construction of a financial artery supporting China's "One Belt, One Road" strategy. Seizing the market opportunities arising from RMB internationalisation and the "Going Global" initiatives of Chinese enterprises, it stepped up the integrated development of its domestic and overseas operations, thus continuously improving its global service and support capabilities and sharpening its competitive advantages.

Regarding branch distribution, in order to meet financial service requirements of China's "Going Global" enterprises, the Bank accelerated improvements in the distribution of institutions in countries along the "One Belt, One Road" and in emerging markets, and further expanded the network of outlets in countries with an existing BOC presence with the aim of achieving mainstream status in local markets and providing comprehensive financial services to customers. As at 30 June 2015, the Bank had established institutions in 42 countries and regions across six continents and owned 635 branches, covering 16 countries along the "One Belt, One Road".

For corporate banking, by utilising its specialised corporate banking products and services, the Bank provided strong support to Chinese enterprises in their cross-border investment and international production cooperation in such fields as infrastructure interconnection, energy and minerals, financial investment and agricultural development in Asia Pacific,

Central and Eastern Europe and Africa. It assisted China's enterprises "Going Global" and helped them break into mainstream international markets, while supporting overseas enterprises to enter the Chinese market for win-win cooperation. The Bank also promoted RMB applications in cross-border investment and financing, resulting in stronger product R&D and global service capabilities and constantly enhanced competitiveness.

For trade finance, the Bank fully leveraged its domestic and overseas resources to expand the customer base involved in the "One Belt, One Road" strategy, boosted product innovation, consolidated the advantages arising from collaboration between its domestic and overseas businesses as well as its cross-border RMB business, and improved its integrated service capacity, so as to provide its corporate customers with higher quality financial services. As a result, the major trade finance businesses of the Bank's overseas commercial banking operations, including international settlement and cross-border RMB business achieved stable and healthy development.

For clearing business, the Bank further expanded its global RMB clearing network and improved its cross-border RMB clearing service capability. In the first half of 2015, the value of its cross-border RMB clearing transactions totalled RMB148 trillion, up by 31.6% compared with the same period of the prior year, maintaining the first place in the global market. The PBOC recently designated the Bank as the local RMB clearing bank in Kuala Lumpur and Hungary, adding to existing designations in Hong Kong, Macau, Taiwan,

Frankfurt, Paris and Sydney. As at 30 June 2015, the Bank accounted for 8 out of 16 authorised RMB clearing banks worldwide, thus strongly supporting global offshore RMB market development and RMB internationalisation. In addition to serving as the settlement bank for major exchanges including the Chicago Mercantile Exchange, Singapore Exchange and the Stock Exchange of Hong Kong Limited, the Bank became the settlement bank for Deutsche Börse AG, London Clearing House and London Metal Exchange, thus forming a truly global network of settlement bank services for major exchanges.

For treasury business, the Bank selected five overseas institutions, which were located in Abu Dhabi, Hungary, Singapore, Taipei and Hong Kong along the “One Belt, One Road”, as issuers of “One Belt, One Road” bond denominated in RMB, USD, EUR and SGD. These bonds totalled USD4.0 billion equivalent, and were listed on NASDAQ Dubai, Singapore Exchange, Taipei Exchange, Hong Kong Exchanges and Clearing Limited and London Stock Exchange, covering 7 tenors and 10 tranches. These were the first bonds in the international financial market with the “One Belt, One Road” concept, which were warmly welcomed. Together, this represented by far the largest overseas bond issuance by a Chinese bank.

For custodian business, in line with the RMB internationalisation trend, the Bank stepped up the expansion of its global custodian network, enhanced its overseas custodian service capability, optimised its service scheme for overseas investors and intensified its marketing to overseas customers, so as to drive the growth of overseas institutions’ custodian business. As at 30 June 2015, the Bank’s overseas assets under custody exceeded RMB1.1 trillion, maintaining the leading position among Chinese peers.

For bank card business, the Bank consolidated its advantages in credit card-based cross-border payment business and established a full suite of products tailored for cross-border customers that covers official travellers, business travellers, overseas students and cross-border tourists. It introduced various featured products for travellers, including “Splendid Hong Kong, Macau and Taiwan”, “Splendid South Korea” and “Splendid Japan”. The Bank intensified the overseas marketing of its “Global Splendours in One Card”, so as to continuously improve its brand reputation and increase awareness of related products and activities. To promote development of its overseas credit card business scale, it optimised credit card product functionality in countries and regions including Singapore, UK, Malaysia and Macau, and successfully launched the Canada Cham Shan Peace Card and other new products. Meanwhile, the Bank promoted the construction of a debit card system for overseas institutions and sped up the issuance of UnionPay dual-currency (RMB and local currency) debit cards, as well as single currency Visa and MasterCard debit cards. So far, up to 15 overseas commercial banking institutions have issued debit cards.

As at 30 June 2015, the balance of due to customers and loans of the Bank’s overseas commercial banking operations amounted to USD391.982 billion and USD321.241 billion respectively, up by 8.24% and 5.79% compared with the prior year-end. In the first half of 2015, the Bank’s overseas commercial banking achieved a profit before income tax of USD3.792 billion, accounting for 18.67% of the Group’s total profit. The Bank continued to lead its domestic peers in international business in terms of business scale, profitability and overall proportion of overseas operations.

BOCHK

In the first half of 2015, BOCHK captured market opportunities and implemented a variety of growth strategies, which resulted in the satisfactory performance of its core businesses with key financial indicators staying at solid levels. Encouraging developments were also recorded in the offshore RMB businesses, cross-border businesses and those business opportunities arising from collaboration within the Group.

BOCHK enhanced its competitive edge and drove sustained growth in its core businesses. It adopted flexible business strategies and achieved satisfactory growth in deposits and loans. It remained the market leader in Hong Kong in new residential mortgage loan business. In the UnionPay card business, BOCHK also maintained its leadership in Hong Kong both for merchant acquiring business and card issuance. By capturing market opportunities and capitalising on its diversified business platforms, BOCHK enhanced product promotion and cross-selling, thus driving significant growth in the stock brokerage, fund distribution and life insurance agency businesses. It also acted as the receiving bank for several major initial public offerings (“IPOs”) in Hong Kong. Moreover, by proactively expanding its high-end wealth management customer base, collaborating within the Group and offering designated product solutions, BOCHK achieved stable growth in both the number of private banking customers and their AUM.

BOCHK strengthened product innovation so as to consolidate its market leadership in RMB business. It continued to enhance its service capabilities as an RMB clearing bank. It expanded the client base and the geographical coverage of its RMB business by reinforcing its relationships with overseas financial institutions and central banks. It continued to enrich its offering of RMB investment products for personal

customers. The new “BOCHK All Weather CNY Equity Fund” was launched to meet customer demand for investment in the capital markets of Chinese mainland. BOCHK was committed to undertaking its social responsibilities and fully leveraged its role as the Primary Liquidity Provider for Hong Kong’s offshore RMB market to stabilise market liquidity.

BOCHK strengthened its cross-border business to grasp the business opportunities from China’s FTZs. Following the establishment of FTZs in Guangdong, Tianjin and Fujian, BOCHK fully leveraged its competitive advantages as a member of the Group and continued to deepen its business relationships with enterprises. It took the lead in signing strategic cooperation agreements or loan contracts with enterprises in the new FTZs and arranged RMB cross-border direct loans for them. Meanwhile, it successfully set up cross-border cash pooling solutions for large corporate clients.

BOCHK aligned with national strategies and deepened collaboration within the Group. It fully leveraged its competitive advantages in customer expansion, product innovation and the provision of professional services. It also optimised its product offerings and worked together with the Group to explore opportunities among target customers and projects relating to the “One Belt, One Road” strategy. Business promotions in related regions were also enhanced.

BOCHK was honoured for the eighth consecutive year with the “Best SME’s Partner Award” by the Hong Kong General Chamber of Small and Medium Business. It was named “Best Retail Bank 2015 in Hong Kong” by *The Asian Banker* and received the “Achievement Award for the Best Cash Management Bank in Hong Kong” from *The Asian Banker* for the third consecutive year.

(Please refer to the BOCHK Interim Report for a full review of BOCHK’s business performance.)

Diversified Business Platforms

The Bank leveraged its competitive advantages arising from its diversified business platforms and fully implemented the “One Belt, One Road” strategy by focusing on its specialised business areas, deepening business collaboration and promoting cross-selling and product innovation, thus enhancing synergies across the Group while providing comprehensive and high quality financial services to customers.

Investment Banking Business

BOCI

The Bank is engaged in investment banking through BOCI. BOCI proactively followed the national “One Belt, One Road” strategy, accelerated its global business expansion and built extensive sales and marketing networks in selected regions across the world. It provided professional financial services to domestic government agencies at all levels. It built a team of financial experts, continuously enhanced its capabilities, provided customers with all-round financial solutions and continuously improved the quality of its services. Its equity underwriting and financial advisory business maintained stable growth, while its securities sales business witnessed rapid growth. Structured product and equity derivative businesses saw strong growth, while its private banking business continued its global expansion. Its bond underwriting business realised steady growth, with BOCI proactively participating in the Bank’s multi-currency “One Belt, One Road” bond issuance. Its private equity business also made satisfactory progress. By strongly emphasising business innovation, it realised continuous expansion of its leveraged and structured financing business and achieved a steady increase of note issuance business both in terms of volume and variety. Meanwhile, its global commodity business provided clients with one-stop commodity trading services in major global exchanges, driving tremendous growth in the trading volume of base metals. BOCI steadily enhanced its

professional research capabilities, debuted the “Bank of China International Crude Oil Index” together with Bloomberg, and become the first Chinese financial institution to independently create and launch a benchmark commodity index. BOCI-Prudential Asset Management Ltd., the asset management arm of BOCI, led its peers in the Hong Kong Mandatory Provident Fund market both in terms of number of members and asset volumes. In addition, its Macau Pension Scheme was the only retirement scheme in Macau that provided index tracking funds, and offered the most diversified fund choices.

BOCI China

The Bank is engaged in domestic securities-related businesses through BOCI China. BOCI China further enhanced its development foundations by proactively extending its financing channels. It collaborated within the Group in a built-in and integrated manner, and further developed the Group’s internal interaction mechanism. It promoted an innovative online account opening project and provided comprehensive financial solutions for its customers. With the support of the Group’s platforms, BOCI China achieved effective coverage of key industries and refined its operations in key regions. It promoted restructuring and construction of a comprehensive business platform at the branch level. It continuously adjusted its business and personnel structures in order to promote the transition of its brokerage business into a high-end wealth management business. It also adjusted the structure of its asset management business and achieved rapid growth in assets under active management. Its securities investment returns continued to outperform the market. Meanwhile, BOCI China has committed to set up funds targeting private placement, funds investing in National Equities Exchange and Quotations (NEEQ), and industry investment funds in cooperation with local governments. Its subsidiary futures business has also successfully launched asset management products. In addition, the company achieved breakthroughs in comprehensive custodian and outsourcing services with private equity funds.

BOCIM

The Bank is engaged in fund management business in Chinese mainland through BOCIM. BOCIM realised healthy growth in its assets under management and recorded a remarkable investment performance. Its internal control and risk management remained stable, its profit continued to increase, and its brand image and market reputation further enhanced. As at 30 June 2015, BOCIM's AUM on publicly-offered funds reached RMB195.8 billion, an increase of 22% compared with the prior year-end.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. In the first half of 2015, BOCG Insurance achieved gross written premiums of HKD1.021 billion. BOCG Insurance continuously optimised its business structure and intensified the expansion of high-quality business. Giving full play to the advantages arising from the integrated operations and services of the Group, BOCG Insurance expanded business coverage in overseas markets, enhanced its bancassurance business and provided comprehensive financial products and services to customers. It also vigorously promoted product and business innovation and launched "BOC Worldwide Medical Insurance Plan", which provides high-end customers in Chinese mainland, Hong Kong, Macau and Taiwan with more convenient medical services. In addition, BOCG Insurance continued to strengthen its internal control, increase business quality and improve profitability. It also further increased its market influence and improved customer experience by enhancing its brand image and vigorously promoting key products.

BOCG Life

The Bank is engaged in life insurance business in Hong Kong through BOCG Life. In the first half of 2015, BOCG Life recorded a gross premium income of HKD15.516 billion. By stepping up marketing promotions, optimising product innovation and extending multiple distribution channels, BOCG Life maintained its leading position in Hong Kong RMB life insurance market. New products launched during the period included the "IncomeRich Annuity Insurance Plan" and "IncomeShine Whole Life Coupon Plan", catering for the insurance needs of senior customers, as well as customers interested in savings and wealth management. BOCG Life continued to optimise its existing products in order to enhance competitiveness. At the same time, it accelerated the expansion of its distribution channels by building business relationships with more partners in the brokerage channels and expanding its tied agency force. BOCG Life also enriched customer experience by improving the user interface of its e-channel.

BOC Insurance

The Bank is engaged in property insurance business in Chinese mainland through BOC Insurance. BOC Insurance carried out the national "One Belt, One Road" strategy on all fronts and continued to improve its comprehensive financial service systems. It successfully provided insurance services for Port Qasim Thermal Power Project of Pakistan and Shymkent Refinery EPC project of Kazakhstan, as well as 14 large-sized projects along the "One Belt, One Road", involving a total amount of over RMB11.0 billion. BOC Insurance pushed forward the reform of commercial auto insurance premiums, with four of its branches receiving approval from the China Insurance Regulatory Commission for a pilot reform programme. In addition,

BOC Insurance became increasingly effective at leveraging its assets. It accelerated the development of business through emerging channels, e.g. e-commerce and online banking, and rolled out auto insurance services through its online banking and mobile banking. BOC Insurance actively fulfilled its social responsibilities. It successfully joined the China Urban and Rural Residential Catastrophe Insurance Pool and was selected as its director member. Standard & Poor's granted BOC Insurance an "A-" rating in recognition of its clearly enhanced overall capabilities.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment supported the Group's internationalisation and diversification strategy, adhered to the two-wheel-drive model of business development and risk control, deepened collaboration within the Group, enhanced its capacity for business collaboration and actively carried forward major investment projects. It seized opportunities arising from the "One Belt, One Road" strategy by participating in the establishment of the China-Eurasian Economic Cooperation Fund and the Bangladesh-China-India-Myanmar Fund. It extended its real estate investment overseas and completed the real estate acquisition of the 7 Bryant Park Project in New York City. It also took advantage of market opportunities to exit mature projects.

BOC Aviation

The Bank is engaged in aircraft leasing business through BOC Aviation. As at 30 June 2015, BOC Aviation's fleet comprised of 236 owned aircraft and 20 managed aircraft, leased to 61 airlines globally. As a globally leading aircraft leasing company, BOC Aviation has one of the world's youngest fleets with an average age of less than 4 years. In the first half of 2015, BOC Aviation sold 11 owned and 1 managed aircraft, and delivered 18 aircraft. BOC Aviation constantly maintained robust financial condition so as to support its growth. It converted USD5.0 billion Euro Medium Term Note (EMTN) programme to a Global Medium Term Note (GMTN) program and issued its inaugural USD750 million senior notes under Rule 144A and Regulation S. At the same time, it completed two private placements, including RMB250 million of 5-year senior unsecured offshore RMB fixed rate notes and SGD145 million of 10-year senior unsecured fixed rate notes. BOC Aviation was upgraded to "A-" by Standard & Poor's and maintained corporate credit ratings of "A-" from Fitch, maintaining the leading credit ratings within the aircraft leasing industry.

Service Channels

As China's most internationalised and most diversified bank, the Bank provided comprehensive financial services to customers in Chinese mainland and 42 countries and regions. It has also established specialised and diversified service channels and pushed forward the coordinated development of its physical outlets and e-channels. It endeavoured to create a unified customer experience based on cross-channel synergy. By integrating information technology and financial services, the Bank streamlined its banking services and ensured that "one-point access" would trigger "whole-process response", and thus satisfy customers' needs anytime and anywhere.

Outlet Development

The Bank comprehensively pushed forward its programme to upgrade outlets towards smarter functionality. Along with this programme, it optimised the functional divisions inside the outlets, upgraded

the service systems within the outlets and increased the number of self-service facilities. It also streamlined business procedures and standardised the service and marketing processes. As a result, it created brand new customer experience and further enhanced its brand image.

The Bank consistently improved the management and operations of its banking outlets. It optimised the outlet performance evaluation system, improved the outlet classification mechanism and reduced the number of low-output and low-efficiency outlets. Meanwhile, in order to enhance the service efficiency of its outlets, it diversified business offerings, strengthened marketing teams, enhanced financial service capability and improved risk management at the outlet level. As at 30 June 2015, the domestic commercial banking network (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised of 10,691 branches and outlets, domestic non-commercial banking institutions totalled 213, and institutions in Hong Kong, Macau, Taiwan and other countries and regions totalled 635.

Unit: single item, except percentages

Items	As at 30 June 2015	As at 31 December 2014	Change (%)
ATM	45,159	44,594	1.27%
Self-service terminal	30,133	26,689	12.90%
Self-service bank	13,855	13,527	2.42%

E-Banking

With an emphasis on mobile internet, the Bank worked to cultivate the e-channel consumption habits of its customers. The activeness and loyalty among the Bank's e-channel customers consistently increased, leading to a rapid growth in transaction volume of mobile banking, which significantly strengthened the support of e-channels to its overall customer services and business

development across the Bank. In the first half of 2015, the Bank's e-channel transaction volume reached RMB75.78 trillion, an increase of 14.82% compared with the same period of the prior year. The proportion of transactions conducted through e-channels reached 86.39%. In particular, the mobile banking transaction volume reached RMB2.44 trillion, up by 215.95% from the same period of the prior year, making mobile banking became one of the major service channels.

Unit: million customers, except percentages

Items	As at	As at	Change (%)
	30 June 2015	31 December 2014	
Number of corporate online banking customers	2.8522	2.5990	9.74%
Number of personal online banking customers	118.9915	112.4949	5.77%
Number of mobile banking customers	76.1567	64.6005	17.89%
Number of telephone banking customers	101.1344	95.8276	5.54%

The Bank diversified and improved its e-channel services. To enrich its e-channel products offering, it launched a new desktop PC client for personal online banking, upgraded mobile banking and tablet PC client for personal online banking and introduced new functions such as online car insurance. It also provided differentiated corporate online banking services for different customer groups, including key customers, micro and small-sized enterprises, and administrative and public institutions. To enhance e-channel customer experience, the Bank upgraded the most-frequently-used functions of online banking, mobile banking, ATM, self-service terminals and telephone banking. To consolidate its advantages in cross-border and overseas services, the Bank integrated domestic services with cross-border group services of corporate online banking. It also prolonged the service time for personal online cross-border remittance and supported transactions in four new currencies. Furthermore, it improved its overseas telephone banking service.

The Bank's e-finance channels achieved significant growth. The BOC easy-trade platform had established its primary capability of providing open and multi-function services. The cross-border service system, smart E-Community and other featured businesses of the Bank recorded rapid growth. The Bank maintained the leading market position in terms of cross-border trade tax and fee payments related to cross-border trading. In addition, the Bank took the lead in providing integrated e-guarantee services in 25 provinces (including municipalities directly under the Central Government), and its balance of e-guarantees for tax and fee payments ranked first among peers. It vigorously expanded cross-border e-commerce payment and settlement in local and foreign currencies. As a result, its customer base covered more than 50 institutions, its total transaction volume approached RMB10.0 billion and the Bank led its peers in terms of the scope and depth of cooperation. More than 10,000 communities had access to the Bank's smart E-Community,

cooperating merchants exceeded 15,000, registered users reached 1.2 million and the transaction amount of exclusive products including Pension Financial Service surpassed RMB20.0 billion, carving out a new path of customer expansion based on integrated online and offline channels.

The Bank integrated the management of the Group's customer service centres. It consolidated the functions and the structure of the Group's customer service centres, and consistently improved its capabilities for centralised operation, refined management and standardised service, with the aim of enabling the customer service centres to better support the Group's business development.

Information Technology Development

The Bank continued to improve its information technology governance framework, set up the IT Management Committee and optimised IT-related professional decision-making mechanisms, so as to promote integration and cooperation between business and technology and to fully leverage the strategic value of information technology. The Bank conducted a comprehensive inspection of the existing information system framework and functions. It then adapted its IT function to better meet the requirements arising from new technological developments, while continuously enhancing the experience of customers

inside and outside the Bank. In addition, the Bank actively promoted the implementation of projects such as the global cash management platform, global unified payment platform, cross-border e-commerce settlement system and cross-border RMB payment system, thus further consolidating its advantages in cross-border RMB business and improving group customers' abilities regarding global fund utilisation. Relying on the BOC easy-trade platform, the Bank accelerated the development of internet banking and built a diversified online financial service system by virtue of new technologies and concepts, including mobile internet, cloud computing and "big data". The Bank expanded the establishment of IT risk prevention and control mechanisms, with the aim to provide safer and more reliable customer services.

The Bank steadily pushed forward overseas information system integration and transformation in the Americas, continuously optimised the functions of its overseas information systems, enhanced its globally centralised operational management mode and established an operation service system working across multiple time zones, multiple languages and providing services 24/7. In addition, it accelerated the building of domestic and overseas infrastructure, as well as disaster backup and recovery systems, and enhanced its sustainable business operation capacities around the globe.

risk investigation, and enhanced double management and control of the coordinated businesses of its overseas and domestic institutions. It strengthened the risk management accountability system for major customers and carried out centralised approval for large-amount and high-risk group customers. It enhanced the supervision of asset quality management in key regions, and strengthened joint defence and control among business lines. Overall, the Bank maintained relatively stable asset quality by managing and controlling risks in a more proactive and forward-looking way and holding firm to its bottom line of zero systemic and regional risk.

In terms of corporate banking, the Bank further strengthened risk identification and control, proactively reduced and exited credit relationships in key fields, strictly controlled the gross outstanding amount and weighting of loans through limit management, and prevented and mitigated risk from overcapacity industries. It intensified the management of loans to LGFVs, strictly controlled the aggregate loans and mitigated risk of the existing balances. In addition, the Bank implemented the government's macro-control policies and regulatory measures in the real estate sector to strengthen the risk management of real estate loans.

In terms of personal banking, the Bank enforced regulatory requirements and continued to strictly implement differentiated policies with regard to personal housing loans. It improved management policies for personal housing loans, personal business

loans, personal loans for overseas study, and credit card loans. The Bank also gradually increased the automatic approval rate on personal housing loans, improved the approval rules regarding credit card lending and strengthened risk control of key products and regions.

The Bank intensified country risk management. It refined related country risk management policies and monitoring systems, and further strengthened the management of potential high-risk countries and regions.

The Bank also stepped up the collection and resolution of non-performing assets. It participated in the risk mitigation of potential high-risk customers in advance and enhanced the cash collection level of non-performing assets with an emphasis on efficiency. It earnestly implemented policies relating to non-performing asset write-offs, effectively wrote off such assets and remained accountable for the losses in compliance with laws and regulations. It proactively explored innovative disposal approaches and maximised the benefit from effectively managing non-performing assets.

The Bank measured and managed the quality of its credit assets in accordance with the *Guidelines for Loan Credit Risk Classification* issued by the CBRC. As at 30 June 2015, the Group's NPLs totalled RMB125.053 billion, an increase of RMB24.559 billion compared with the prior year-end. The NPL ratio increased by 0.23 percentage point to 1.41% compared with the prior year-end.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Group				
Pass	8,567,240	96.29%	8,182,127	96.45%
Special-mention	204,861	2.30%	200,654	2.37%
Substandard	64,812	0.73%	54,369	0.64%
Doubtful	32,585	0.37%	24,705	0.29%
Loss	27,656	0.31%	21,420	0.25%
Total	8,897,154	100.00%	8,483,275	100.00%
NPLs	125,053	1.41%	100,494	1.18%
Domestic				
Pass	6,594,033	95.42%	6,319,759	95.67%
Special-mention	194,689	2.82%	188,957	2.86%
Substandard	63,430	0.92%	52,925	0.80%
Doubtful	31,344	0.45%	22,991	0.35%
Loss	26,880	0.39%	21,141	0.32%
Total	6,910,376	100.00%	6,605,773	100.00%
NPLs	121,654	1.76%	97,057	1.47%

Migration Ratio

Unit: %

Items	For the six month period ended	2014	2013
	30 June 2015		
Pass	1.14	1.92	1.68
Special-mention	17.80	9.89	10.52
Substandard	30.60	42.38	31.09
Doubtful	25.32	46.94	8.86

In accordance with International Accounting Standard No. 39, loans and advances to customers are considered impaired, and allowances are made accordingly, if there is objective evidence of impairment resulting in a measurable decrease in estimated future cash flows from loans and advances. As at 30 June 2015, the Group identified impaired loans of RMB124.276 billion, an increase of RMB24.487 billion compared with the prior year-end. The impaired loans to total loans ratio was 1.40%, an increase of 0.22 percentage point compared with the prior year-end.

Please refer to Notes III.16 and IV.1 to the Condensed Consolidated Interim Financial Information for detailed information on the loan classification, the classification of identified impaired loans and allowance for loan impairment losses.

The Bank continued to focus on controlling borrower concentration risk and was in full compliance with the regulatory requirements on borrower concentration.

Unit: %

Indicator	Regulatory standard	As at 30 June 2015	As at 31 December 2014	As at 31 December 2013
Loan concentration ratio of the largest single borrower	≤10	2.3	2.4	2.1
Loan concentration ratio of the ten largest borrowers	≤50	14.2	14.7	14.2

Notes:

- 1 Loan concentration ratio of the largest single borrower = total outstanding loans to the largest single borrower ÷ net regulatory capital.
- 2 Loan concentration ratio of the ten largest borrowers = total outstanding loans to the top ten borrowers ÷ net regulatory capital.

The following table shows the top ten single borrowers as at 30 June 2015.

Unit: RMB million, except percentages

Industry	Outstanding loans	% of total loans
Customer A Manufacturing	32,807	0.37%
Customer B Transportation, storage and postal services	29,504	0.33%
Customer C Water, environment and public utility management	23,328	0.26%
Customer D Transportation, storage and postal services	22,012	0.25%
Customer E Commerce and services	18,280	0.21%
Customer F Commerce and services	17,639	0.20%
Customer G Mining	15,536	0.17%
Customer H Transportation, storage and postal services	14,646	0.16%
Customer I Production and supply of electricity, heating, gas, and water	14,141	0.16%
Customer J Transportation, storage and postal services	13,920	0.16%

Market Risk Management

The Bank continued to improve its market risk management in order to ensure proper alignment with an increasingly liberalised interest and exchange rate regime. Based on market conditions and business development requirements, the Bank improved the Group's market risk management policy and market risk limit coverage, and standardised the stress test scenarios of the Group so as to enhance market risk management capabilities within complicated circumstances. It increased risk investigations of innovative businesses including margin trading and short selling. It continued to promote the programme of integrating the front, middle and back offices of its financial markets businesses and supported the development of treasury operations in overseas institutions. For more details on market risk, please refer to Note IV.2 to the Condensed Consolidated Interim Financial Information.

The Bank remained committed to managing the market risk of the Group's trading book in a forward-looking and proactive manner. It improved the mechanism for the dynamic adjustment of limits, so as to deal with sudden regulatory policy changes and provide reasonable risk resources for business growth. During the period of economic downturn and broader market fluctuation, the Bank strengthened investigations of customer default risks such as those arising from the forward exchange of foreign currencies against RMB, and therefore prevented cross default risk. It energetically expanded innovative businesses such as London Gold pricing, offshore RMB integrated transactions, transactions in various FTZs and supported healthy and rapid business growth through the timely preparation of plans regarding business authorisation, management and control processes, risk measurement and system implementation.

The Bank reinforced centralised management of on-balance sheet and off-balance sheet bond investment so as to establish an integrated credit risk warning platform across the Group. It monitored the credit standing change of issuers in a timely manner, and made quantitative assessments on the risk status of the bond investment business via risk value, stress testing and sensitivity indicators, so as to ensure stable bond asset quality.

The Bank assessed the interest rate risk in its banking book mainly through analysis of interest rate repricing gaps, made timely adjustments to the structure of assets and liabilities based on changes in the market situation, and controlled the fluctuation of net interest income within an acceptable level. In terms of exchange rate risk management, the Bank sought to achieve currency matching between fund sources and applications and managed exchange rate risk through timely settlement, hence effectively controlling foreign exchange exposure.

Liquidity Risk Management

The Bank continued to develop and improve its liquidity risk management system with the aim of effectively identifying, measuring, monitoring and controlling liquidity risk at the firm and the group level, as well as that of branches, subsidiaries and business lines, thus ensuring that liquidity needs are addressed in a timely manner and at a reasonable cost.

The governance structure for liquidity risk management consists of the Board of Directors, the Board of Supervisors, senior management and its subordinate Asset and Liability Management Committee, functional departments of the Head Office, and the Bank's domestic and overseas branches and subsidiaries. The Board of Directors assumes ultimate responsibility for

liquidity risk management, while other entities perform their own liquidity management and supervision functions.

Seeking at all times to balance safety, liquidity, and profitability, and following regulatory requirements, the Bank developed an improved liquidity risk management system and continuously upgraded its liquidity risk management function in a forward-looking and scientific manner. The Bank enhanced liquidity management at the group level and branch level. The Bank formulated sound liquidity risk management policies and contingency plans, periodically re-examined the liquidity risk limit and upgraded the early warning system for liquidity risk. It also strengthened

management of high-quality liquidity assets, such as high-grade bond investments, to balance risk and return. The Bank continued to improve its liquidity stress-testing scheme and conducted stress tests on a quarterly basis. The results showed that the Bank had adequate payment ability to address distressed scenarios.

As at 30 June 2015, the Bank's liquidity indicators, as shown in the table below, met regulatory requirements. (Liquidity ratios are based on the Group's operations, while excess reserve ratios and inter-bank ratios are based on the Bank's domestic operations. Major regulatory ratios here are calculated in accordance with relevant provisions of domestic regulatory authorities.)

Unit: %

Major regulatory ratios		Regulatory standard	As at 30 June 2015	As at 31 December 2014	As at 31 December 2013
Liquidity ratio	RMB	≥25	41.4	49.9	48.0
	Foreign currency	≥25	62.4	59.9	62.2
Excess reserve ratio	RMB	–	1.7	2.3	1.7
	Foreign currency	–	17.1	14.6	23.8
Inter-bank ratio	Inter-bank borrowings ratio	≤8	0.2	0.3	0.2
	Inter-bank loans ratio	≤8	0.4	0.4	2.3

Reputational Risk Management

The Bank fully implemented the *Guidelines for Reputational Risk Management of Commercial Banks* issued by the CBRC, actively followed the Group's policy on reputational risk management, and continued to improve the establishment of its reputational risk management system and mechanism. It strengthened consolidated management of reputational risk to enhance the reputational risk management level of the

Group. It attached great importance to the investigation and pre-warning of potential reputational risk factors, carried out in-depth identification and assessment, response, reporting and evaluation of reputational risk, established a coordination mechanism between reputational risk management departments and liable departments, and dealt appropriately with reputational risk events, thus effectively maintaining the brand reputation of the Group.

The Bank established and implemented a systematic financial accounting policy system in accordance with the relevant accounting laws and regulations. Accordingly, the Bank's accounting basis was solidified and the level of standardisation and refinement of its financial accounting management was continuously improved. The Bank set criteria for accounting appraisal and continued to promote the qualification of accounting groundwork. The Bank continuously strengthened the quality management of its accounting information, so as to ensure the validity of internal control over financial reporting. The financial statements of the Bank were prepared in accordance with the applicable accounting standards as well as related accounting regulations, and the financial position, operational performance and cash flows of the Bank were fairly presented in all material respects.

The Bank paid close attention to fraud risk prevention and control, proactively identifying, assessing, controlling and mitigating risks. In the first half of 2015, the Bank succeeded in preventing 72 external cases involving RMB109 million.

Operational Risk Management

The Bank continuously promoted the application of operational risk management tools, using tools such as Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC), to identify, assess and monitor operational risk. The Bank enhanced its system support capability by optimising the operational risk management information system and improved the mechanism for rectification of internal control issues, and established the written commitment system. It continuously strengthened its business continuity management system and improved the operating mechanism of business continuity

management. It also put into practice a zero-reporting system for significant risk information and effectively implemented the regulatory requirements on case prevention and control.

Compliance Management

The Bank continuously strengthened its compliance risk management by optimising function and system setup, streamlining specific control procedures and allocating management resources properly. Business departments at various levels worked with the legal and compliance departments to comprehensively and actively monitor the latest regulatory requirements, inspections and evaluations, and to carry out overall assessments, focused research and hierarchical management regarding compliance risk. The prevention and control mechanism for compliance risk was pushed forward in an orderly manner. The Bank further intensified the compliance risk management of its overseas institutions so as to enhance the overall compliance risk management level of the Group.

The Bank continuously pushed forward risk grading of money laundering by customers and updated and improved the rules concerning AML activities. It optimised and upgraded domestic AML system functions while continuously promoting the overseas AML system. It formulated the Group's AML work plan, refined the AML governance framework, policies and rules, control process and information system of the Group, with the aim of realising centralised, professional and automatic AML management and control. It established and implemented the AML training plan for all employees, and defined basic standards for training and stipulated that AML training is a prerequisite for employee entry, assignment abroad and promotion.

The Bank strengthened its management of connected transactions and internal transactions. It continuously optimised its connected transactions monitoring system, promoted refined management of connected transactions based on standard procedures, and strived to enhance connected transactions management. It also continuously monitored internal transactions to ensure that those transactions were compliant with laws and regulations.

Capital Management

The Bank optimised its capital allocation method, and improved its capital budget assessment mechanism in order to guide all units of the Bank to improve their awareness of capital constraints. It continuously optimised its on-balance sheet and off-balance sheet asset structure, devoted great efforts to developing capital-lite businesses and reduced the proportion of high-capital-consumption assets and reasonably controlled the increases of off-balance sheet risk assets, so as to reduce capital occupancy.

Capital Adequacy Ratios

The Bank replenished capital in a proactive and prudent manner. It issued RMB28.0 billion of preference shares in the domestic market and exercised the early redemption rights of A-share convertible bonds according to the relevant terms, which effectively promoted the conversion of convertible bonds to shares. This helped the Bank to enhance its capital strength and improve capital structure, thus laying a solid foundation for its future development.

The Bank shall further enhance capital management, give full play to the leading role of capital to its businesses, improve capital efficiency, and achieve an effective balance among capital, risk and return.

Capital Adequacy Ratios

As at 30 June 2015, the capital adequacy ratios separately calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Regulation Governing Capital Adequacy of Commercial Banks* are listed below:

Unit: RMB million, except percentages

Items	Group		Bank	
	As at	As at	As at	As at
	30 June	31 December	30 June	31 December
	2015	2014	2015	2014
Calculated in accordance with the <i>Capital Rules for Commercial Banks (Provisional)</i>				
Net common equity tier 1 capital	1,099,838	1,054,389	967,475	929,096
Net tier 1 capital	1,202,597	1,127,312	1,067,189	1,000,841
Net capital	1,416,242	1,378,026	1,263,219	1,234,879
Common equity tier 1 capital adequacy ratio	10.63%	10.61%	10.55%	10.48%
Tier 1 capital adequacy ratio	11.62%	11.35%	11.63%	11.29%
Capital adequacy ratio	13.69%	13.87%	13.77%	13.93%
Calculated in accordance with the <i>Regulation Governing Capital Adequacy of Commercial Banks</i>				
Core capital adequacy ratio	11.21%	11.04%	11.49%	11.20%
Capital adequacy ratio	14.34%	14.38%	14.58%	14.45%

For more information on capital measurement of the Bank, please refer to the "Capital Adequacy Ratio Supplementary Information" in Appendix III to the Interim Financial Information.

Leverage Ratio

On 1 April 2015, the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* officially took effect. The Bank calculated its leverage ratio in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)*, the *Leverage Ratio Rules for Commercial Banks* and the *Capital Rules for Commercial Banks (Provisional)*. The details are as follows:

Unit: RMB million, except percentages

Items	As at 30 June 2015 Calculated in accordance with the <i>Administrative Measures</i> for the <i>Leverage Ratio of</i> <i>Commercial Banks (Revised)</i>	As at 31 December 2014 Calculated in accordance with the <i>Leverage Ratio Rules</i> for <i>Commercial Banks</i>
Net tier 1 capital	1,202,597	1,127,312
Adjusted on- and off-balance sheet assets	17,875,933	18,230,490
Leverage ratio	6.73%	6.18%

For more information on leverage ratio measurement of the Bank, please refer to the "Leverage Ratio" in Appendix IV to the Interim Financial Information.

Social Responsibilities

Upholding the development strategy of “Serving Society, Delivering Excellence”, the Bank earnestly fulfilled its responsibilities as a corporate citizen, and dedicated itself to serving, repaying and contributing to society. It played an active part in building a harmonious society and made great contributions to post-disaster assistance and poverty alleviation initiatives, as well as supporting the development of education, science, culture and art, and the protection of the ecological environment.

On 25 April 2015, an 8.1-magnitude earthquake hit Nepal and affected Shigatse and other places in the Tibet Autonomous Region of China. After the earthquake, the Bank quickly activated its major emergency response mechanism to provide foreign currency exchange services for the China International Search and Rescue Team (CISAR) that headed to quake-stricken Nepal that very night. In addition, it donated RMB5 million as post-disaster reconstruction funds to the quake-affected areas of Tibet. On 27 June 2015, a powder explosion occurred during a party in New Taipei City, Taiwan, which caused heavy casualties. Informed of the accident, the Bank quickly remitted NTD3 million to the New Taipei City Social Assistance Account as a donation, with a view to helping the injured access treatment and supporting local reconstruction efforts.

The Bank has provided government-sponsored student loans for 16 consecutive years. It has supported a poverty alleviation programme in the Yongshou, Changwu, Chunhua and Xunyi counties of Xianyang, Shaanxi Province for 13 consecutive years, assisting them in relocating people, building primary and middle schools, and completing drinking water facilities for people and livestock. The Bank has sponsored the Tan KahKee Science Award for 12 consecutive years, in order to honour the excellent scientists who have made

original scientific and technological achievements in China. It has promoted international cultural exchanges in strategic cooperation with the National Centre for the Performing Arts for 7 years in a row. For 4 consecutive years, it has supported the “Rainbow Bridge” programme which sponsors outstanding low-income Chinese and American students to exchange and study in each other’s countries. For 2 consecutive years, it has been engaged in poverty alleviation in Xinjiang, by dispatching working groups to a total of 17 villages in 12 prefectures and setting up education foundations targeted at low-income college students. Its assistance efforts focused on infrastructure, featured agriculture, health service and other fields. In addition, it financed the Jinhui Project launched by China Foundation for Development of Financial Education, to popularise financial knowledge.

The Bank remained consciously committed to low-carbon and eco-friendly development and was actively involved in “green charity”, thus promoting the sustainable development of the environment. The Bank advocated the “green office” concept in its day-to-day operations, aiming to minimise the impact of its operations on the environment by saving paper, power and water, promoting electronic evaluation, and convening video and telephone conferences.

The Bank’s fulfilment of its social responsibilities was widely recognised by society. In the 2015 Corporate Social Responsibility Performance Assessment given by the China Banking Association, the Bank won four awards, including the “Most Socially Responsible Financial Institution”, the “Best Charitable Contribution Award”, the “Best Corporate Social Responsibility Practice”, and the “Best Outlets with Special Contribution to Corporate Social Responsibility”. In addition, it was selected the “Top 100 Listed State-owned Enterprises by Corporate Social Responsibility” by Nanfang Media Group for the 7th consecutive year.

Outlook

In the second half of 2015, both developed and emerging economies are expected to grow at a higher rate. However, the global economy will be confronted with growing risks and uncertainties in the course of recovery. China's economy is experiencing a critical period. Emerging industries and new growth drivers are forming and replacing traditional ones. On one hand, China faces pressure from economic restructuring. On the other hand, it is embracing a stronger internal growth impetus as well as opportunities brought about by intensified innovation and pioneering initiatives. A series of policies aimed at maintaining stable growth is being implemented, and the effects achieved are

increasingly striking. As such, China's economy is expected to grow in a stable manner. However, given the tough pressures of the downturn, the banking industry will face an austere operating environment.

Facing both opportunities and challenges, the Bank will adhere to the strategic goal of "Serving Society, Delivering Excellence", earnestly accord with China's macro-economic policies and bring its competitive advantages of internationalisation and diversification into full play. It will focus upon increasing operational efficiency, developing momentum, quality and potential, and will thus push forward the sustainable and healthy growth of its businesses and the steady enhancement of its market position.

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Share Capital

Unit: Share

	As at 1 January 2015		Increase/decrease during the reporting period					As at 30 June 2015	
	Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Sub-total	Number of shares	Percentage
I. Shares subject to selling restrictions	-	-	-	-	-	-	-	-	-
II. Shares not subject to selling restrictions	288,731,148,000	100.00%	-	-	-	5,656,643,241	5,656,643,241	294,387,791,241	100.00%
1. RMB-denominated ordinary shares	205,108,871,605	71.04%	-	-	-	5,656,643,241	5,656,643,241	210,765,514,846	71.59%
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	83,622,276,395	28.96%	-	-	-	-	-	83,622,276,395	28.41%
4. Others	-	-	-	-	-	-	-	-	-
III. Total Ordinary Shares	288,731,148,000	100.00%	-	-	-	5,656,643,241	5,656,643,241	294,387,791,241	100.00%

Notes:

- As at 30 June 2015, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.
- As at 30 June 2015, none of the Bank's A Shares and H Shares were subject to selling restrictions.
- During the reporting period, 5,656,643,241 ordinary shares were converted from the A-Share Convertible Bonds of the Bank.

Number of Ordinary Shareholders and Shareholdings

Number of ordinary shareholders as at 30 June 2015: 1,617,751 (including 1,413,372 A-Share Holders and 204,379 H-Share Holders)

Top ten ordinary shareholders as at 30 June 2015:

Unit: Share

No.	Name of ordinary shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	(717,500,000)	188,461,533,607	64.02%	-	None	State	A
2	HKSCC Nominees Limited	113,937,985	81,783,905,355	27.78%	-	Unknown	Foreign legal person	H
3	Huaxia Life Insurance Co., Ltd. — Universal Insurance Products	556,862,300	556,862,300	0.19%	-	None	Other	A
4	The Bank of Tokyo-Mitsubishi UFJ Ltd.	-	520,357,200	0.18%	-	Unknown	Foreign legal person	H
5	HKSCC Limited	106,481,214	352,999,524	0.12%	-	None	Foreign legal person	A
6	Penghua CSI Bank Index Classification Securities Investment Fund	299,183,836	299,183,836	0.10%	-	None	Other	A
7	PICC Life Insurance Company Limited — dividend — personal insurance dividend	206,956,856	206,956,856	0.07%	-	None	Other	A
8	Guotai Junan Securities Co., Ltd.	204,792,519	206,619,115	0.07%	-	None	State-owned legal person	A
9	CITIC Securities Co., Ltd.	162,218,649	193,835,332	0.07%	-	None	Other	A
10	China 50 ETF	187,516,356	187,516,356	0.06%	-	None	Other	A

Changes in Share Capital and Shareholdings of Shareholders

On 14 August 2015, Central Huijin Investment Ltd. acquired 1,810,024,500 A Shares of the Bank by means of a transfer agreement. After such acquisition, Central Huijin Investment Ltd. holds 190,271,558,107 A Shares of the Bank, representing approximately 64.63% of the total ordinary share capital of the Bank.

The number of shares held by H-Share Holders was recorded in the register of members kept by the H-Share Registrar of the Bank.

HKSCC Nominees Limited acted as the nominee for all institutional and individual investors that maintain an account with it as at 30 June 2015. The aggregate number of H Shares held by HKSCC Nominees Limited included the shares held by National Council for Social Security Fund.

HKSCC Limited is the nominee holder who holds securities on behalf of others. The securities included the SSE securities acquired by Hong Kong and overseas investors through Shanghai-Hong Kong Stock Connect.

The Bank is not aware of any connected relations or concerted action among the aforementioned ordinary shareholders.

Substantial Shareholder Interests

The register maintained by the Bank pursuant to section 336 of the SFO recorded that, as at 30 June 2015, the following entities were substantial shareholders (as defined in the SFO) having the following interests in the Bank:

Name of shareholder	Capacity (Types of interest)	Number of shares held/ Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A-Share capital	Percentage of total issued H-Share capital	Percentage of total issued ordinary share capital
Central Huijin Investment Ltd.	Beneficial owner	188,553,352,005	A	89.46%	–	64.05%
National Council for Social Security Fund	Beneficial owner	7,518,157,041	H	–	8.99%	2.55%
BlackRock, Inc.	Interest of controlled corporations	5,902,996,356 4,114,000 (S)	H H	– –	7.06% 0.0049%	2.01% 0.0014%
JPMorgan Chase & Co.	Beneficial owner	1,471,621,908 406,154,873 (S)	H H	– –	1.76% 0.49%	0.50% 0.14%
	Investment Manager	556,709,118	H	–	0.67%	0.19%
	Custodian corporation/ approved lending agent	4,518,792,912 (P)	H	–	5.40%	1.53%
	Total	6,547,123,938 406,154,873 (S) 4,518,792,912 (P)	H H H	– – –	7.83% 0.49% 5.40%	2.22% 0.14% 1.53%

Notes:

- 1 The above interest of Central Huijin Investment Ltd. reflects its latest disclosure of interest made pursuant to the SFO, which does not reflect the changes in its holding of the Bank's A Shares from 2011 to the end of the reporting period.
- 2 The percentages listed above were determined based on the total A-Share capital, total H-Share capital and total ordinary share capital of the Bank as at 30 June 2015, respectively.
- 3 BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., which in turn holds the entire issued share capital of BlackRock Financial Management, Inc. Accordingly, BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have the same interests in the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. holds a long position of 5,902,996,356 H Shares and a short position of 4,114,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. Among the aggregate interests in the long position of 5,902,996,356 H Shares, 3,788,000 H Shares are held through derivatives. Among the aggregate interests in the short position of 4,114,000 H Shares, 147,000 H Shares are held through derivatives.
- 4 JPMorgan Chase & Co. holds the entire issued share capital of JPMorgan Chase Bank, N.A. Accordingly, JPMorgan Chase & Co. is deemed to have the same interests in the Bank as JPMorgan Chase Bank, N.A. under the SFO. JPMorgan Chase & Co. holds a long position of 6,547,123,938 H Shares and a short position of 406,154,873 H Shares of the Bank through JPMorgan Chase Bank, N.A. and other corporations controlled by it. Among the aggregate interests in the long position of 6,547,123,938 H Shares, 4,518,792,912 H Shares are held in the lending pool and 396,695,198 H Shares are held through derivatives. Among the aggregate interests in the short position of 406,154,873 H Shares, 406,112,374 H Shares are held through derivatives.
- 5 "S" denotes short position, "P" denotes lending pool.

All the interests stated above represented long positions except where stated otherwise. Save as disclosed above, as at 30 June 2015, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Preference Shares

Issuance and Listing of Preference Shares

During the reporting period, with the approvals of CBRC (Yinjianfu [2014] No. 562) and CSRC (Zhengjianxuke [2014] No. 990), the Bank made a non-public issuance of RMB28 billion Domestic Preference Shares (Second Tranche) on 13 March 2015 in the domestic market. With the approval of SSE (Shangzhenghan [2015] No. 377), the Second Tranche of Domestic Preference Shares have been traded on the Comprehensive Business Platform of SSE since 31 March 2015.

For the terms of issuance of the Second Tranche of Domestic Preference Shares, please refer to the Bank's announcements published on the websites of SSE, HKEx and the Bank.

Number of Preference Shareholders and Shareholdings

Number of preference shareholders as at 30 June 2015: 48 (including 47 Domestic Preference Shareholders and 1 Offshore Preference Shareholder)

Top ten preference shareholders as at 30 June 2015:

Unit: Share

No.	Name of preference shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total preference shares	Number of shares pledged or frozen	Type of shareholder	Type of preference shares
1	Bank of New York Mellon Corporation	–	399,400,000	39.96%	Unknown	Foreign legal person	Offshore Preference Shares
2	China Mobile Communications Corporation	180,000,000	180,000,000	18.01%	None	State-owned legal person	Domestic Preference Shares
3	China National Tobacco Corporation	–	50,000,000	5.00%	None	State-owned legal person	Domestic Preference Shares
4	Zhongwei Real Estate Co., Ltd.	–	30,000,000	3.00%	None	State-owned legal person	Domestic Preference Shares
5	Yunnan Branch of China National Tobacco Corporation	–	22,000,000	2.20%	None	State-owned legal person	Domestic Preference Shares
6	China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH	7,000,000	21,000,000	2.10%	None	Other	Domestic Preference Shares
7	China Shuangwei Investment Co., Ltd.	–	20,000,000	2.00%	None	State-owned legal person	Domestic Preference Shares
7	National Social Security Fund Portfolio 304	12,500,000	20,000,000	2.00%	None	Other	Domestic Preference Shares
7	Bosera Fund — ICBC — Bosera — ICBC — Flexible Allocation No.5 Specific Multi-customer Assets Management Plan	10,000,000	20,000,000	2.00%	None	Other	Domestic Preference Shares
10	China Ping An Life Insurance Co., Ltd. — proprietary fund	4,000,000	19,000,000	1.90%	None	Domestic non-state-owned legal person	Domestic Preference Shares

The Bank of New York Mellon Corporation acted as the custodian for all the offshore preference shareholders that maintain an account with Euroclear and Clearstream as at 30 June 2015, holding 100% of the 399,400,000 Offshore Preference Shares.

Yunnan Branch of China National Tobacco Corporation and China Shuangwei Investment Co., Ltd. are both wholly-owned subsidiaries of China National Tobacco Corporation. Zhongwei Real Estate Co., Ltd. is a subsidiary of China Shuangwei Investment Co., Ltd.

Save as disclosed above, the Bank is not aware of any connected relations or concerted action among the aforementioned preference shareholders.

Other Information of Preference Shares

During the reporting period, there was no redemption, conversion into ordinary shares or voting rights recovery in respect of the preference shares of the Bank.

Preference shares issued by the Bank contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; and preference shares issued are non-derivative instruments that will be settled in the entity's own equity instruments, but includes no contractual obligation for the entity to deliver a variable number of its own

equity instruments. The Bank classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

The funds raised from the issuance of the Domestic Preference Shares during the reporting period have been fully used to replenish the Bank's additional tier 1 capital and increase its capital adequacy ratio.

Convertible Bonds

Issuance of and Changes to Convertible Bonds

With the approvals of CBRC (Yinjianfu [2010] No.148) and CSRC (Zhengjianxuke [2010] No.723), the Bank issued RMB40 billion A-Share Convertible Bonds on 2 June 2010. With the approval of SSE (Shangzhengfazi [2010] No.17), such Convertible Bonds have been listed on SSE since 18 June 2010.

The changes to the Bank's Convertible Bonds during the reporting period are as follows:

Name of Convertible Bonds	Before the change	Increase/decrease			Others	After the change
		Conversion	Redemption	Back-sell		
Bank of China A-Share Convertible Corporate Bonds	14,846,250,000	14,820,428,000	25,822,000	-	-	-

Unit: RMB

Accumulated Conversion of Convertible Bonds

Amount of conversion during the reporting period (RMB)	14,820,428,000
Number of converted shares during the reporting period (share)	5,656,643,241
Accumulated converted shares (share)	15,240,628,510
Proportion of accumulated converted shares to total issued shares before conversion	5.61%

Redemption of Convertible Bonds

Upon satisfaction for the first time of conditional redemption provisions of the Convertible Bonds according to the *Prospectus of Bank of China Limited on Public Offering of A-Share Convertible Corporate Bonds*, and with the approval of CBRC, the Bank redeemed all of the Convertible Bonds registered after the close of the market on 6 March 2015 (the redemption record date). The Convertible Bonds redeemed amounted to RMB25,822,000, representing 0.06% of the total Convertible Bonds (RMB40 billion) issued by the Bank. Accumulatively 15,240,628,510 A Shares were converted from the Convertible Bonds, representing 5.61% of the total issued ordinary shares of the Bank (271,545,137,605 shares) before the commencement of conversion of the Convertible Bonds (1 December 2010). The Convertible Bonds were delisted from SSE as of 13 March 2015.

For details of the redemption of the Convertible Bonds, please refer to the Bank's announcements published on the websites of SSE, HKEx and the Bank.

Directors, Supervisors, Senior Management Members and Staff

Directors, Supervisors and Senior Management Members

Board of Directors

Name	Position	Name	Position
TIAN Guoli	Chairman	LIU Xianghui	Non-executive Director
CHEN Siqing	Vice Chairman and President	CHOW Man Yiu, Paul	Independent Director
ZHANG Xiangdong	Non-executive Director	Jackson TAI	Independent Director
ZHANG Qi	Non-executive Director	Nout WELLINK	Independent Director
WANG Yong	Non-executive Director	LU Zhengfei	Independent Director
WANG Wei	Non-executive Director	LEUNG Cheuk Yan	Independent Director

Notes:

- 1 The information listed in the above table pertains to the incumbent directors.
- 2 Due to the change of job, Ms. SUN Zhijun ceased to serve as Non-executive Director, member of the Strategic Development Committee and member of the Audit Committee of the Bank as of 21 May 2015.
- 3 Due to age reason, Mr. LI Zaohang ceased to serve as Executive Director and member of the Connected Transactions Control Committee of the Bank as of 11 June 2015.
- 4 The 2014 Annual General Meeting of the Bank held on 17 June 2015 considered and approved the proposal on the election of Mr. LI Jucai as Non-executive Director of the Bank. Mr. LI Jucai will begin to serve as Non-executive Director of the Bank from the date of approval by CBRC.
- 5 During the reporting period, none of the directors held any share or convertible bond of the Bank.

Board of Supervisors

Name	Position	Name	Position
LI Jun	Chairman of the Board of Supervisors	LIU Xiaozhong	Employee Supervisor
WANG Xueqiang	Shareholder Supervisor	XIANG Xi	Employee Supervisor
LIU Wanming	Shareholder Supervisor	MEI Xingbao	External Supervisor
DENG Zhiying	Employee Supervisor	CHEN Yuhua	External Supervisor

Notes:

- 1 The information listed in the above table pertains to the incumbent supervisors.
- 2 Mr. CHEN Yuhua began to serve as External Supervisor of the Bank as of 17 June 2015.
- 3 During the reporting period, none of the supervisors held any share or convertible bond of the Bank.

Senior Management

Name	Position	Name	Position
CHEN Siqing	Vice Chairman and President	GAO Yingxin	Executive Vice President
ZHANG Lin	Secretary of Party Discipline Committee	XU Luode	Executive Vice President
ZHU Hexin	Executive Vice President	XIAO Wei	Chief Audit Officer
ZHANG Jinliang	Executive Vice President	GENG Wei	Secretary to the Board of Directors
REN Deqi	Executive Vice President		

Notes:

- 1 The information listed in the above table pertains to the incumbent senior management members.
- 2 Due to the change of job, Mr. YUE Yi ceased to serve as Executive Vice President of the Bank as of 6 March 2015.
- 3 Due to expiry of employment term, Mr. CHIM Wai Kin ceased to serve as Chief Credit Officer of the Bank as of 26 March 2015.
- 4 Due to the change of job, Mr. ZHU Shumin ceased to serve as Executive Vice President of the Bank as of 2 April 2015.
- 5 Mr. GAO Yingxin began to serve as Executive Vice President of the Bank as of 6 May 2015.
- 6 Due to age reason, Mr. LI Zaohang ceased to serve as Executive Vice President of the Bank as of 11 June 2015.
- 7 Mr. ZHU Hexin began to serve as Executive Vice President of the Bank as of 11 June 2015.
- 8 Mr. XU Luode began to serve as Executive Vice President of the Bank as of 11 June 2015.
- 9 Due to the change of job, Mr. FAN Yaosheng ceased to serve as Secretary to the Board of Directors of the Bank as of 16 June 2015.
- 10 Mr. GENG Wei began to serve as Secretary to the Board of Directors of the Bank as of 16 June 2015.
- 11 The Board Meeting held on 21 May 2015 considered and approved the proposal on appointing Mr. XIE Ping as Chief Risk Officer of the Bank. The qualification of Mr. XIE Ping as Chief Risk Officer of the Bank is subject to the approval by CBRC.
- 12 During the reporting period, none of the senior management members held any share or convertible bond of the Bank.

Organisational Management, Human Resources Development and Management

Organisational Management

As at 30 June 2015, the Bank had a total of 11,539 domestic and overseas institutions, including 10,904 institutions in the Chinese mainland and 635 institutions in Hong Kong, Macau, Taiwan and other countries. Its domestic commercial banking business had 10,691 institutions, including 37 tier-1 and direct branches, 318 tier-2 branches and 10,335 outlets.

Geographic distribution of institutions and employees:

Unit: RMB million/unit/person, except percentages

Item	Assets		Institutions		Employees	
	Total assets	% of total	Number of institutions	% of total	Number of employees	% of total
Northern China	5,451,482	28.68%	1,809	15.68%	56,039	18.42%
Northeastern China	697,572	3.67%	954	8.27%	26,173	8.60%
Eastern China	3,983,632	20.96%	3,623	31.40%	92,276	30.33%
Central and Southern China	2,689,328	14.15%	2,804	24.30%	68,581	22.54%
Western China	1,317,893	6.93%	1,714	14.85%	37,142	12.21%
Hong Kong, Macau and Taiwan	2,965,952	15.61%	508	4.40%	19,333	6.35%
Other countries	1,900,361	10.00%	127	1.10%	4,723	1.55%
Elimination	(2,707,627)					
Total	16,298,593	100.00%	11,539	100.00%	304,267	100.00%

Note: The proportion of geographic assets was based on the data before elimination.

Human Resources Development and Management

As at 30 June 2015, the Bank had a total of 304,267 employees. There were 280,211 employees in the operations of the Chinese mainland, of which 273,854 worked in the Bank's domestic commercial banking operations. There were 24,056 employees in the Bank's operations in Hong Kong, Macau, Taiwan and other countries. As at 30 June 2015, the Bank bore costs for a total of 6,093 retirees.

In the first half of 2015, in line with the Group's development strategy and priorities, the Bank focused on adjusting its structure, exploring its potential, and innovating its mechanisms to further optimise allocation of resources such as employees and staff costs, strengthened the linkage between resource inputs and operating efficiency of branches

and improved resource allocation efficiency and input-output efficiency. The Bank also reinforced team building, strengthened the development of competent personnel and stepped up cultivating backbones required by key businesses, centering on the construction of professional position sequence. Besides, the Bank implemented the "broad-band" remuneration system in the Head Office and applied an employee performance evaluation system in domestic branches, in a bid to improve its incentive and restraint mechanism. The Bank also further developed its training system, improved management mechanisms for training institutions, teachers, expenses and curriculum and vigorously promoted case-based learning, so as to enhance the pertinence and effectiveness of trainings. During the first half of 2015, 19,534 training courses were offered with 660,527 participants in its domestic commercial banking operations.

Corporate Governance

The Bank strictly follows the regulatory rules on capital markets and industries, closely follows changes and trends in overseas and domestic regulations and proactively explores innovative models and methods of corporate governance, so as to continuously enhance its corporate governance capabilities.

During the reporting period, the Bank continued to strengthen the protection of shareholders' rights, and fully disclosed the information of shareholders' concern through regular reports and the websites of the Bank and the stock exchanges. The 2014 Annual General Meeting of the Bank was held in Beijing and Hong Kong by way of video conference, allowing shareholders from both places to attend in person to ensure that minority shareholders were properly informed and able to participate and make decisions.

During the reporting period, the Bank further improved its corporate governance mechanisms and formulated the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China Limited* and the *Measures of Authorisation to the President by the Board of Directors of Bank of China Limited*. The Board of Directors paid close attention to enhancing directors' on-going professional development, organised research activities for directors and enhanced its communication mechanisms, thus continuously enhancing its decision-making efficiency and capability.

Corporate Governance Compliance

During the reporting period, the Bank's corporate governance was fully in line with the Company Law and the relevant provisions of CSRC.

During the reporting period, the Bank strictly observed the *Corporate Governance Code* (the "Code") as set out in Appendix 14 to the Hong Kong Listing Rules. The Bank has complied with all provisions of the *Code* and has complied with most of the recommended best practices set out in the *Code*.

Shareholders' Meeting

On 17 June 2015, the Bank held its 2014 Annual General Meeting in Beijing and Hong Kong by way of video conference. This meeting considered and approved 11 proposals including the 2014 work report of the Board of Directors, the 2014 work report of the Board of Supervisors, the 2014 annual financial statements, the 2014 profit distribution plan, the 2015 annual budget for fixed assets investment, the proposal regarding

the appointment of Ernst & Young Hua Ming as the Bank's external auditor for 2015, the proposal regarding the re-election of Mr. Nout WELLINK as Independent Non-executive Director of the Bank, the proposal regarding the election of Mr. Li Jucai as Non-executive Director of the Bank, the proposal regarding the election of Mr. CHEN Yuhua as External Supervisor of the Bank, the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting* and the proposal on the issuance of bonds. The proposal on the issuance of bonds was a special resolution. The meeting also heard the 2014 report on connected transactions and the 2014 duty report of the independent directors.

The shareholders' meeting was convened and held in strict compliance with relevant laws and regulations as well as the listing rules of the Bank's listing exchanges. The Bank's directors, supervisors and senior management members attended the meeting and communicated with shareholders on issues of their concern. The Bank published announcements on the resolutions and legal opinions of the aforementioned shareholders' meeting pursuant to the regulatory requirements in a timely manner.

Directors and the Board of Directors

Currently, the Board of Directors comprises twelve members. There are two executive directors, five non-executive directors and five independent directors. The number of independent directors is no less than one-third of the total number of directors.

Vice Chairman of the Bank Mr. CHEN Siqing ceased to serve as Chairman of the Board of Directors of China Culture Industrial Investment Fund Co., Ltd. as of April 2015. Independent Director of the Bank Mr. Nout WELLINK began to serve as Vice Chairman of the Supervisory Board of PricewaterhouseCoopers Accountants N.V. and ceased to serve as Chairman of the Public Interest Committee of PricewaterhouseCoopers Accountants N.V. as of May 2015. Save as disclosed above, to the best knowledge of the Bank, information regarding the Bank's directors including their appointments is the same as that disclosed in the 2014 Annual Report of the Bank during the reporting period.

During the reporting period, the Bank convened five on-site meetings of the Board of Directors, on 11 March, 25 March, 29 April, 21 May and 17 June respectively. At these meetings, the Board of Directors mainly considered and approved proposals on the 2014 work report of the Board of Directors, the 2014 profit distribution plan, the 2014 internal control self-assessment report, the 2014 corporate

social responsibility report, the 2014 annual report, the 2014 annual report on the capital adequacy ratio, the 2015 first quarter report, the appointment of Executive Vice Presidents, the appointment of the Chief Risk Officer, the appointment of the Board Secretary, and other proposals.

During the reporting period, the Bank convened five meetings of the Board of Directors via written resolutions. At these meetings, the Board of Directors considered and approved the *Regulations on Internal Capital Adequacy Assessment Process of Bank of China Limited (2015 Version)* and other proposals.

The Board of Directors has set up the Strategic Development Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee, and the Connected Transactions Control Committee to assist it in performing its duties and functions in different professional aspects. The positions of Chairman of the Board of Directors and President of the Bank are assumed by two persons. Independent directors serve as chairmen of the Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and the Connected Transactions Control Committee. The work performance of each special committee during the reporting period was as follows:

Special Committees	Work Performance
Strategic Development Committee	The committee held three meetings, including one via written resolution. At these meetings, it mainly reviewed and approved the proposal on 2014 profit distribution plan, the proposal on the issuance of bonds, the <i>Regulations on Internal Capital Adequacy Assessment Process of Bank of China Limited (2015 Version)</i> . The Committee also heard the report on the analysis of the implementation of the strategic plan as at the end of 2014.
Audit Committee	The committee held two meetings, at which it mainly reviewed and approved the 2015 work plan and financial budget for internal audit. It also reviewed the 2014 financial report, the 2015 first quarter financial report, and the 2014 internal control self-assessment report. In addition, it heard the work report on internal control in 2014, the work report on internal audit and management proposal, the report on the overseas supervision information and the report on asset quality in the first quarter of 2015.
Risk Policy Committee	The committee held two meetings, at which it mainly reviewed and approved the <i>General Principles of Risk Management of Bank of China Limited (2015 Edition)</i> , the <i>Capital Adequacy Ratio Report of 2014 of Bank of China Limited</i> , the <i>Market Risk Management Policy of Bank of China Limited (2015 Edition)</i> , the <i>Valuation Policy of Financial Instrument Fair Values of Bank of China Limited (2015 Edition)</i> , the <i>Application for the Interest Rate Risk Limits (Level A) for Banking Book of Bank of China in 2015</i> , the <i>Application for the Trading Book Market Risk Limits (Level A) of Bank of China in 2015</i> , the <i>Measures for Consolidated Management of Bank of China Limited (2015 Edition)</i> , and the <i>Securities Investment Policy of Bank of China Limited (2015 Edition)</i> . The Committee also regularly reviewed the Group risk reports.
Personnel and Remuneration Committee	The committee held seven meetings. Five meetings were held on-site, at which the committee mainly reviewed and approved the proposals on the appointment of Mr. GAO Yingxin, Mr. ZHU Hexin and Mr. XU Luode as Executive Vice Presidents of the Bank, the proposal on nominating Mr. GENG Wei as Secretary to the Board of Directors of the Bank, the proposal on nominating Mr. Nout WELLINK as candidate for Independent Director of the Bank, the proposal on the re-appointment of Ms. YEUNG Cheung Ying as Company Secretary of the Bank, the proposal on the appointment of Mr. XIE Ping as Chief Risk Officer of the Bank, and the proposal on the performance evaluation results of the Chairman of the Board of Directors, executive directors and senior management members in 2014 and the performance evaluation plan for the Chairman of the Board of Directors, President, Chairman of the Board of Supervisors and other senior management members in 2015. It also heard the circular on performance evaluation results of the Chairman of the Board of Supervisors and shareholder supervisors in 2014. Two meetings were held via written resolutions, at which the committee mainly reviewed and approved the proposal on nominating Mr. LI Jucai as candidate for Non-executive Director of the Bank.
Connected Transactions Control Committee	The committee held one meeting, at which it mainly reviewed and approved the proposal on the report on connected transactions of the Bank in 2014. The committee also reviewed the statement on funds occupied by controlling shareholders and other related parties in 2014 and the statement of the Bank's connected transactions in 2014.

Supervisors and the Board of Supervisors

The Board of Supervisors is composed of eight supervisors, including three shareholder supervisors (including the Chairman of the Board of Supervisors), three employee supervisors and two external supervisors.

The Board of Supervisors performed its supervision duties according to relevant laws and diligently reviewed proposals. During the reporting period, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held one meeting and the Finance and Internal Control Supervision Committee of the Board of Supervisors held two meetings. The two special committees reviewed related proposals respectively in advance of submission to the Board of Supervisors. The Board of Supervisors held two meetings, at which it reviewed and approved proposals including the assessment opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors and the senior management and its members in 2014, the 2014 annual report, the 2014 internal control self-assessment report, the 2015 first quarter report and the work plan of the Board of Supervisors for 2015.

During the reporting period, the Board of Supervisors carried out an assessment of the duty performance and due diligence of the Board of Directors, the senior management and its members in 2014. It also implemented the duty performance and due diligence of the supervisors to improve the mechanism of incentive and restraint. It continuously strengthened communication with the Bank's related departments and external auditors, regularly heard special reports on financial and risk management, earnestly performed its financial supervision duties and made timely suggestions. The Board of Supervisors also carried out special investigations into subjects such as the compliance risk management of anti-money laundering, internal control and case precaution, and the development of medium, small and micro-sized businesses with a view to focusing on the Bank's business development priorities and challenges, weak aspects in operational management and the effectiveness of risk management and internal control.

Senior Management

In the first half of 2015, the senior management of the Bank managed the Bank's operations in accordance with powers bestowed upon them by the Articles of Association and the authorisations of the Board of Directors. According to the annual performance objectives approved by the Board, the senior management carried out the Bank's strategic goal of "Serving Society, Delivering Excellence" and adhere to the development trend of internationalisation. The Bank ploughed deep the "blue ocean" to highlight its featured business, pushed forward transformation to improve benefits, strengthened risk control to ensure quality and bolstered the grassroots so as to reinforce the foundation of its business, striving to drive forward new development within the economic "New Normal".

During the reporting period, the senior management of the Bank held 13 regular meetings, at which it discussed and decided upon a series of significant matters, including the Group's business development, performance management, risk management, anti-money laundering, institutional setup and IT system development. It also convened 62 special meetings to study and make arrangements for matters relating to corporate banking, personal banking, financial markets, overseas business, channel building and process optimisation, etc.

The senior management of the Bank presides over the Asset and Liability Management Committee, the Risk Management and Internal Control Committee (which governs the Anti-Money Laundering Committee, the Securities Investment and Management Committee and the Asset Disposal Committee), the Procurement Review Committee and the IT Management Committee. During the reporting period, all of the committees diligently fulfilled their duties and responsibilities as per the powers specified in their committee charters and the rights delegated by the Group Executive Committee, and strived to push forward the sound development of the Bank's various operations.

Significant Events

Formulation and Implementation of Profit Distribution Policy

Ordinary Shares

In 2009, the Bank amended the Articles of Association to state that the Bank should maintain the continuity and stability of its profit distribution policy.

In 2013, the Bank amended the Articles of Association related to the cash dividend. This amendment further clarifies the Bank's profit distribution principles, policy and adjustment procedures, the consideration process of the profit distribution plan and other matters. The amendment states that the Bank shall adopt cash dividend as the priority form of profit distribution. Except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive, and that the cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the ordinary shareholders of the Bank. The amendment also states that the Bank shall offer online voting to shareholders when considering amendments to the profit distribution policy and the profit distribution plan.

In 2014, the Bank formulated the *Shareholder Return Plan for 2014 to 2016* to specify the basic principles, shareholder return plan, and decision-making and supervisory mechanisms regarding the formulation, implementation and amendment of the shareholder return of the Bank.

The procedure to formulate the aforementioned dividend distribution policy was compliant, transparent and complete. The criterion and ratio of the dividend are explicit and clear. The independent directors fully expressed their opinions and the legitimate rights and interests of minority shareholders were fully respected and protected. The procedure was in line with the provisions of the Articles of Association and other rules and regulations.

The dividend distribution plan for ordinary shares of the Bank has been approved by the shareholders' meeting. In 2015, the Bank distributed dividends of ordinary shares for 2014 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

The preference shareholders of the Bank receive dividend at the specified dividend rate prior to the ordinary shareholders. The Bank shall pay the dividend

to the preference shareholders in cash. The Bank shall not distribute the dividend of ordinary shares before all the dividend of preference shares has been paid.

Dividend of the Bank's preference shares will be distributed on an annual basis. The first dividend period begins on the date of issuance of the preference shares. Once the preference shareholders have received dividends at the specified dividend rate, they shall not be entitled to participate in the distribution of the remaining profits of the Bank together with the ordinary shareholders.

The preference share dividend is non-cumulative. If any preference share dividend for any dividend period is not paid in full, such remaining amount of dividend shall not be carried forward to the following dividend year. The Bank shall be entitled to cancel the payment of any dividend of the preference shares, and such cancellation shall not constitute a default. The Bank may at its discretion use the funds arising from the cancellation of such dividend payment to repay other indebtedness due and payable.

Dividend payments are independent from the Bank's credit rating, nor do they vary with the credit rating.

Profit Distribution during the Reporting Period

The 2014 Annual General Meeting considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus reserve of RMB15.888 billion; appropriation to general and regulatory reserves of RMB14.897 billion; no appropriation to the discretionary reserve; considering the Bank's business performance, financial position, and the capital requirements for the future development of the Bank, RMB0.19 per share (before tax) was proposed to be distributed as cash dividend of ordinary shares to A-Share Holders and H-Share Holders whose names appear on the register of shareholders of the Bank as at the market close on 2 July 2015, amounting to approximately RMB55.934 billion (before tax) in total. The dividend distribution has been completed. The Bank did not distribute an interim dividend of ordinary shares for the period ended 30 June 2015, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

During the reporting period, there was no dividend payment in respect of the preference shares. The dividend distribution of offshore preference shares and domestic preference shares (first tranche) was approved by the Board of Directors of the Bank at the Board meeting held on 28 August 2015. The annual dividend rate is 6.75% (calculated on the basis of RMB but paid out in US Dollars

per a fixed exchange rate) for the offshore preference shares amounting to approximately RMB2,984 million in total and the dividends are to be paid on 23 October 2015. The annual dividend rate is 6.00% for the domestic preference shares (first tranche) amounting to RMB1,920 million in total and the dividends are to be paid on 23 November 2015. The financial statements do not reflect this dividend payable in liabilities.

Corporate Governance

Please refer to the section “Corporate Governance” for details of the corporate governance of the Bank.

Purchase and Sale of Material Assets, and Merger and Acquisition

The Bank considered and approved the potential disposal of all interests in Nanyang Commercial Bank, Limited held by BOCHK, a direct wholly-owned subsidiary of BOCHK (Holdings), (the “Potential Disposal”), and the potential restructuring and transfer of banking businesses and assets owned by the Bank in certain countries of Association of Southeast Asian Nations (ASEAN) to BOCHK (Holdings) or BOCHK, at the Board Meeting held on 21 May 2015.

The Bank has obtained the approval from the MOF for the Potential Disposal. BOCHK commenced the related public bidding process via the Beijing Financial Assets Exchange on 15 July 2015.

For details, please refer to the Bank’s announcements published on the websites of SSE, HKEx and the Bank.

Material Litigation, Arbitration and Issues of Media Interest

The Bank was involved in certain litigation and arbitration cases in the regular course of its business. In addition, because of the scope and scale of the Bank’s international operations, the Bank is from time to time subject to a variety of claims made by plaintiffs under the laws of various jurisdictions in which the Bank operates, including allegations such as anti-money laundering. After consulting legal professionals, the senior management holds that none of the litigation and arbitration cases will have a significant impact on the financial position or operating results of the Bank at the current stage.

During the reporting period, there was no material issue attracting negative media interest.

Significant Connected Transactions

The Bank had no significant connected transactions during the reporting period. For details of the related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note III.30 of the Condensed Consolidated Interim Financial Information.

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

During the reporting period, the Bank did not take any significant custody of, sub-contract or lease any material business assets from other companies, or allow its material business assets to be subject to such arrangements that are required to be disclosed.

Material Guarantee Business

As approved by PBOC and CBRC, the Bank’s guarantee business is an off-balance-sheet item in the ordinary course of its business. The Bank operates the guarantee business in a prudent manner and has formulated specific management measures, operational processes and approval procedures in accordance with the risks of guarantee business and carried out this business accordingly. During the reporting period, save as disclosed above, the Bank did not enter into any material guarantee business that is required to be disclosed.

Other Major Contracts

During the reporting period, the Bank had no other major contract that is required to be disclosed.

Undertakings

During the reporting period, to the best of the Bank’s knowledge, there was no breach of material undertakings by the Bank or its shareholders holding 5% or more voting shares of the Bank.

Disciplinary Action Imposed on the Bank, its Directors, Supervisors, Senior Management Members and Shareholders Holding 5% or More Voting Shares of the Bank

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or shareholders holding 5% or more voting shares of

Significant Events

the Bank were subject to investigation, administrative punishment or censure by CSRC or were publicly reprimanded by any stock exchange. No other regulatory administration has imposed any penalty on the Bank that had a material impact on the Bank's operation.

Alert of and Explanations for Predicted Loss in Net Profit for the Period from the Beginning of the Year to the End of the Next Reporting Period or Substantial Change Compared with the Same Period of the Previous Year

Not applicable.

Misappropriation of Funds for Non-operating Purposes by Controlling Shareholder and Other Related Parties

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes.

Use of Raised Funds

All proceeds raised from initial public offerings, the issuances of subordinated bonds, the Rights Issue, tier-2 capital bonds and preference shares have been fully

used to replenish the Bank's capital and increase the level of its capital adequacy.

For details, please refer to the related announcements on the websites of SSE, HKEx and the Bank and the Notes to the Condensed Consolidated Interim Financial Information.

Purchase, Sale or Redemption of the Bank's Listed Securities

As at 30 June 2015, the total number of the Bank's treasury shares was approximately 26.65 million.

For details of the redemption of the Bank's Convertible Bonds, please refer to the section "Changes in Share Capital and Shareholdings of Shareholders — Convertible Bonds".

Implementation of Stock Incentive Plan during the Reporting Period

The Bank approved a long-term incentive policy, including the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan, at the Board meeting and the Extraordinary Shareholders' Meeting held in November 2005. To date, the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan have not been implemented.

Shares in Other Listed Companies and Financial Enterprises Held by the Group

Investment Securities

The investment securities held by the Bank and its subsidiaries during the regular course of business are as follows:

No.	Type of securities	Securities code	Company/securities name	Initial investment cost (unit: RMB)	Securities held at period beginning	Securities held at period end	Carrying value at period end (unit: RMB)	Proportion of the total investment securities at period end	Gains/(losses) during the reporting period (unit: RMB)
1	Stock	000651	GREE	835,256,458	24,759,255	21,303,263	1,341,398,101	8.52%	7,059,731
2	Stock	000333	Midea Group	912,002,001	35,860,883	33,495,902	1,230,491,126	7.81%	1,714,182
3	Stock	600009	SIA	366,627,780	50,630,581	18,839,879	588,503,240	3.74%	4,495,462
4	Stock	600519	Kweichow Moutai Co., Ltd.	359,110,328	1,337,075	1,789,461	454,378,659	2.88%	1,802,095
5	Fund	511990	Fortune SG Fund Management Co., Ltd.	446,316,560	244,333	4,582,587	451,448,550	2.87%	7,731,810
6	Fund	-	NB-High Yield Bond Fund (USD) I Acc	427,928,664	1,459,854	3,397,402	425,976,789	2.70%	1,621,485
7	Stock	601318	Ping An of China	393,911,370	18,471,091	5,116,310	413,104,525	2.62%	3,974,171
8	Stock	600741	HASCO	285,810,573	71,050,066	18,729,243	394,030,036	2.50%	5,372,857
9	Stock	601006	Da-qin Railway	295,992,621	69,940,235	28,265,527	391,056,432	2.48%	2,028,964
10	Stock	600900	CYPC	275,917,675	91,517,263	26,219,628	380,572,966	2.42%	4,032,986
Other investment securities held at period end				9,213,719,761	-	-	9,679,352,560	61.46%	(1,305,884,365)
Gains/(losses) of investment securities sold during the reporting period				-	-	-	-	-	3,120,390,309
Total				13,812,593,791	-	-	15,750,312,984	100.00%	1,854,339,687

Notes:

- 1 The table lists the top ten investment securities held by the Group in descending order according to their carrying value at period end.
- 2 Investment securities listed in this table include stocks, warrants, convertible bonds and open-ended and close-ended funds, which are classified under financial assets at fair value through profit or loss.
- 3 "Other investment securities held at period end" refers to investment securities other than the top ten investment securities listed above held by the Group by the end of the reporting period.
- 4 The units of measures are "share" for stocks and "unit" for funds.

Stocks of Other Listed Companies Held by the Group

Stock code	Stock name	Initial investment cost (unit: RMB)	Stocks held at period beginning (unit: share)	Proportion of total capital of the invested company at period beginning	Stocks held at period end (unit: share)	Proportion of total capital of the invested company at period end	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Increase of equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
549 HK	QIFENG FIBER	54,515,486	94,841,726	10.95%	94,841,726	10.95%	61,254,800	-	20,193,890	Available for sale equity investment	Joint-stock reform
2008 HK	PHOENIX TV	307,358,061	412,000,000	8.30%	412,000,000	8.30%	847,997,352	-	55,233,544	Available for sale equity investment	Joint-stock reform
Total		361,873,547	-	-	-	-	909,252,152	-	75,427,434		

Notes:

- 1 The table lists stocks of listed companies in which the Group had a shareholding of 5% or above, which are classified as long-term equity investments or available for sale equity investments.
- 2 "Gains during the reporting period" refers to dividend income.

Equity Investments in Unlisted Financial Companies Held by the Group

Company name	Initial investment cost (unit: RMB)	Equity held at period beginning (unit: share)	Proportion of total capital of the invested company at period beginning	Equity held at period end (unit: share)	Proportion of total capital of the invested company at period end	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Increase of equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
China Bond Insurance Co., Ltd.	990,569,923	-	14%	-	14%	1,428,498,585	48,658,000	130,676,700	Available for sale equity investment	Investment
JCC Financial Company Limited	94,563,298	-	13%	-	13%	303,149,255	18,365,437	-	Investment in associates and joint ventures	Investment
The Debt Management Company Limited	13,091	1,660	11%	1,660	11%	13,091	-	-	Available for sale equity investment	Investment
Hunan Valin Iron & Steel Group Finance Co., Ltd.	128,301,773	-	10%	-	10%	177,424,591	7,297,111	-	Investment in associates and joint ventures	Investment
Total	1,213,448,085	-	-	-	-	1,909,085,522	74,320,548	130,676,700		

Notes:

- 1 Financial companies include securities firms, commercial banks, insurance companies, futures companies, trust companies, among others.
- 2 The table presents equity investments in unlisted financial companies in which the Group held a proportion of 5% or more of the total shares.
- 3 Carrying value at period end is value after the reduction of impairment allowance.
- 4 "Gains during the reporting period" refers to dividend income, investment income of associates and joint ventures.

The Audit Committee

The Audit Committee of the Bank comprises six members, including Non-executive Director Mr. WANG Yong, Independent Directors Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI, Mr. Nout WELLINK, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan. Independent Director Mr. LU Zhengfei serves as the Chairman of the committee. Following the principle of independence, the committee assists the Board in supervising the financial reports, internal control, internal audit and external audit of the Group.

The Audit Committee has reviewed the interim results of the Bank. The external auditor of the Bank has reviewed the interim report in accordance with International Standards on Review Engagements No. 2410. The committee has considered the financial statements in light of accounting standards, accounting policies and practices, internal control and financial reporting.

Appointment of External Auditors

The Bank engaged Ernst & Young Hua Ming LLP as the Bank's domestic auditor and internal control auditor for 2015 to provide audit services on its financial statements and internal control pursuant to CAS and engaged Ernst & Young as its international auditor for 2015 to provide audit services on financial statements pursuant to IFRS.

Directors and Supervisors' Rights to Acquire Shares

During the reporting period, none of the Bank, its holding companies, or any of its subsidiaries or fellow subsidiaries was party to any arrangements that would enable the Bank's directors and supervisors, or their respective spouses or children below the age of 18, to benefit by acquiring shares in, or debentures of, the Bank or any other body corporate.

Directors and Supervisors' Interests in Shares, Underlying Shares and Debentures

To the best knowledge of the Bank, as at 30 June 2015, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the

register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules.

Securities Transactions by Directors and Supervisors

Pursuant to domestic and overseas securities regulatory requirements, the Bank formulated and implemented the *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* (the "Management Rules") to govern securities transactions by the directors, supervisors and senior management members of the Bank. The terms of the *Management Rules* are more stringent than the mandatory standards set out in the *Model Code*. The Bank has made specific enquiries with all directors and supervisors, all of whom confirmed that they have complied with the standards set out in both the *Management Rules* and the *Model Code* throughout the reporting period.

Compliance with International Accounting Standard No. 34

The 2015 interim report of the Bank is in compliance with International Accounting Standard No.34 — Interim Financial Reporting.

Interim Report

Shareholders may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (Address: 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) to request the interim report prepared under IFRS or go to the Bank's office address for copies (Chinese version) prepared under CAS. The Chinese and/or English versions of this interim report are also available at the following websites: www.boc.cn, www.sse.com.cn and www.hkexnews.hk.

Should there be any queries about how to obtain copies of this interim report or access the document on the Bank's website, please dial the Bank's H-Share Registrar at (852) 2862 8688 or the Bank's hotline at (86)10-6659 2638.

Report on Review of Interim Financial Information



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Board of Directors of Bank of China Limited
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 69 to 144, which comprises the condensed consolidated statement of financial position of Bank of China Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month 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 a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
28 August 2015

Interim Financial Information

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Condensed Consolidated Income Statement

For the six month period ended 30 June 2015 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2015 Unaudited	2014 Unaudited
Interest income	III.1	308,422	294,193
Interest expense	III.1	(145,031)	(137,518)
Net interest income		163,391	156,675
Fee and commission income	III.2	54,134	55,575
Fee and commission expense	III.2	(4,090)	(3,444)
Net fee and commission income		50,044	52,131
Net trading gains	III.3	2,561	7,319
Net gains on financial investments		2,922	318
Other operating income	III.4	19,960	18,429
Operating income		238,878	234,872
Operating expenses	III.5	(87,234)	(85,897)
Impairment losses on assets	III.7	(28,576)	(27,782)
Operating profit		123,068	121,193
Share of results of associates and joint ventures		1,414	757
Profit before income tax		124,482	121,950
Income tax expense	III.8	(29,496)	(28,541)
Profit for the period		94,986	93,409
Attributable to:			
Equity holders of the Bank		90,746	89,724
Non-controlling interests		4,240	3,685
		94,986	93,409
Earnings per share for profit attributable to equity holders of the Bank during the period (Expressed in RMB per ordinary share)	III.9		
— Basic		0.31	0.32
— Diluted		0.31	0.31

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six month period ended 30 June 2015 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2015 Unaudited	2014 Unaudited
Profit for the period		94,986	93,409
Other comprehensive income:	III.10		
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit plans		25	(105)
Subtotal		25	(105)
Items that may be reclassified subsequently to profit or loss			
Fair value gains on available for sale financial assets		2,454	5,519
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		463	77
Exchange differences from the translation of foreign operations		(1,567)	1,913
Other		59	453
Subtotal		1,409	7,962
Other comprehensive income for the period, net of tax		1,434	7,857
Total comprehensive income for the period		96,420	101,266
Total comprehensive income attributable to:			
Equity holders of the Bank		92,187	96,591
Non-controlling interests		4,233	4,675

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2015 (Amount in millions of Renminbi, unless otherwise stated)

		As at 30 June 2015 Unaudited	As at 31 December 2014 Audited
	Note		
ASSETS			
Cash and due from banks and other financial institutions	III.11	726,289	813,054
Balances with central banks	III.12	2,174,894	2,306,088
Placements with and loans to banks and other financial institutions	III.13	611,098	402,280
Government certificates of indebtedness for bank notes issued		79,115	76,517
Precious metals		203,070	194,531
Financial assets at fair value through profit or loss	III.14	119,531	104,528
Derivative financial assets	III.15	55,618	47,967
Loans and advances to customers, net	III.16	8,700,360	8,294,744
Financial investments	III.17	3,168,851	2,605,847
— available for sale		923,071	750,685
— held to maturity		1,614,981	1,424,463
— loans and receivables		630,799	430,699
Investment in associates and joint ventures		17,579	14,379
Property and equipment	III.18	170,112	172,197
Investment properties	III.19	22,517	18,653
Deferred income tax assets	III.24	23,058	25,043
Other assets	III.20	226,501	175,554
Total assets		16,298,593	15,251,382

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2015 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 30 June 2015 Unaudited	As at 31 December 2014 Audited
LIABILITIES			
Due to banks and other financial institutions		1,950,889	1,780,247
Due to central banks		403,588	348,271
Bank notes in circulation		79,034	76,607
Placements from banks and other financial institutions		215,678	225,330
Derivative financial liabilities	III.15	48,637	40,734
Due to customers	III.21	11,536,547	10,885,223
— at amortised cost		11,211,147	10,567,736
— at fair value		325,400	317,487
Bonds issued	III.22	268,727	278,045
Other borrowings		28,459	30,447
Current tax liabilities		29,024	41,636
Retirement benefit obligations		4,264	4,566
Deferred income tax liabilities	III.24	4,741	4,287
Other liabilities	III.25	461,856	352,561
Total liabilities		15,031,444	14,067,954
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital		294,388	288,731
Other equity instruments	III.26	99,714	71,745
Capital reserve		140,225	130,797
Treasury shares		(106)	(25)
Other comprehensive income	III.10	(12,230)	(13,671)
Statutory reserves		96,393	96,105
General and regulatory reserves		160,176	159,341
Undistributed profits		441,525	407,836
		1,220,085	1,140,859
Non-controlling interests		47,064	42,569
Total equity		1,267,149	1,183,428
Total equity and liabilities		16,298,593	15,251,382

Approved and authorised for issue by the Board of Directors on 28 August 2015.

The accompanying notes form an integral part of this interim financial information.



TIAN Guoli
Director



CHEN Siqing
Director

Condensed Consolidated Statement of Changes in Equity

For the six month period ended 30 June 2015 (Amount in millions of Renminbi, unless otherwise stated)

	Unaudited										
	Attributable to equity holders of the Bank										
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2015		288,731	71,745	130,797	(13,671)	96,105	159,341	407,836	(25)	42,569	1,183,428
Total comprehensive income for the period		-	-	-	1,441	-	-	90,746	-	4,233	96,420
Conversion of convertible bonds		5,657	-	10,973	-	-	-	-	-	-	16,630
Capital injection by other equity instruments holders		-	27,969	-	-	-	-	-	-	-	27,969
Appropriation to statutory reserves		-	-	-	-	288	-	(288)	-	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	835	(835)	-	-	-
Dividends	III.27	-	-	-	-	-	-	(55,934)	-	(1,768)	(57,702)
Net change in treasury shares		-	-	-	-	-	-	-	(81)	-	(81)
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	2,030	2,030
Equity component of convertible bonds		-	-	(1,545)	-	-	-	-	-	-	(1,545)
As at 30 June 2015		294,388	99,714	140,225	(12,230)	96,393	160,176	441,525	(106)	47,064	1,267,149

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six month period ended 30 June 2015 (Amount in millions of Renminbi, unless otherwise stated)

	Unaudited										
	Attributable to equity holders of the Bank										
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2014		279,365	-	115,369	(19,241)	80,225	144,450	323,776	(28)	37,561	961,477
Total comprehensive income for the period		-	-	-	6,867	-	-	89,724	-	4,675	101,266
Appropriation to statutory reserves		-	-	-	-	117	-	(117)	-	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	478	(478)	-	-	-
Dividends		-	-	-	-	-	-	(54,755)	-	(1,541)	(56,296)
Net change in treasury shares		-	-	-	-	-	-	-	(11)	-	(11)
Ordinary shares injection by non-controlling shareholders		-	-	-	-	-	-	-	-	28	28
Other		-	-	-	-	(8)	-	-	-	-	(8)
As at 30 June 2014		279,365	-	115,369	(12,374)	80,334	144,928	358,150	(39)	40,723	1,006,456
Total comprehensive income for the period		-	-	-	(1,297)	-	-	79,871	-	3,528	82,102
Conversion of convertible bonds		9,366	-	17,974	-	-	-	-	-	-	27,340
Capital injection by other equity instruments holders		-	71,745	-	-	-	-	-	-	-	71,745
Appropriation to statutory reserves		-	-	-	-	15,771	-	(15,771)	-	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	14,419	(14,419)	-	-	-
Dividends		-	-	-	-	-	-	-	-	(1,693)	(1,693)
Net change in treasury shares		-	-	-	-	-	-	-	14	-	14
Ordinary shares injection by non-controlling shareholders		-	-	-	-	-	-	-	-	11	11
Equity component of convertible bonds		-	-	(2,546)	-	-	-	-	-	-	(2,546)
Other		-	-	-	-	-	(6)	5	-	-	(1)
As at 31 December 2014		288,731	71,745	130,797	(13,671)	96,105	159,341	407,836	(25)	42,569	1,183,428

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six month period ended 30 June 2015 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2015 Unaudited	2014 Unaudited
Cash flows from operating activities			
Profit before income tax		124,482	121,950
Adjustments:			
Impairment losses on assets		28,576	27,782
Depreciation of property and equipment		6,362	6,343
Amortisation of intangible assets and other assets		1,362	1,383
Net gains on disposal of property and equipment, intangible assets and other long-term assets		(539)	(363)
Net gains on disposal of investment in subsidiaries, associates and joint ventures		(8)	(681)
Share of results of associates and joint ventures		(1,414)	(757)
Interest income arising from financial investments		(48,490)	(40,275)
Dividends arising from investment securities		(271)	(284)
Net gains on financial investments		(2,922)	(318)
Interest expense arising from bonds issued		5,236	4,555
Accreted interest on impaired loans		(465)	(439)
Net changes in operating assets and liabilities:			
Net decrease/(increase) in balances with central banks		81,735	(113,895)
Net decrease/(increase) in due from and placements with and loans to banks and other financial institutions		95,301	(132,650)
Net increase in precious metals		(8,520)	(22,198)
Net increase in financial assets at fair value through profit or loss		(18,994)	(9,899)
Net increase in loans and advances to customers		(432,440)	(826,061)
Net increase in other assets		(43,825)	(52,183)
Net increase in due to banks and other financial institutions		170,642	272,542
Net increase in due to central banks		55,317	29,485
Net (decrease)/increase in placements from banks and other financial institutions		(9,652)	96,685
Net increase in due to customers		651,324	1,092,783
Net (decrease)/increase in other borrowings		(1,988)	1,899
Net increase in other liabilities		56,002	26,842
Cash inflow from operating activities		706,811	482,246
Income tax paid		(39,416)	(39,279)
Net cash inflow from operating activities		667,395	442,967

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows (Continued)

For the six month period ended 30 June 2015 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2015 Unaudited	2014 Unaudited
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		4,196	5,478
Proceeds from disposal of investment in subsidiaries, associates and joint ventures		45	784
Dividends received		276	595
Interest income received from financial investments		40,669	36,536
Proceeds from disposal/maturity of financial investments		515,017	434,403
Increase in investment in subsidiaries, associates and joint ventures		(1,390)	(46)
Purchase of property and equipment, intangible assets and other long-term assets		(12,484)	(11,054)
Purchase of financial investments		(1,030,990)	(486,873)
Net cash outflow from investing activities		(484,661)	(20,177)
Cash flows from financing activities			
Proceeds from issuance of bonds		67,467	67,709
Proceeds from issuance of preference shares of the Bank		27,969	–
Proceeds from non-controlling shareholders investment in subsidiaries		2,030	28
Repayments of debts issued		(60,518)	(39,191)
Cash payments for interest on bonds issued		(5,129)	(4,657)
Dividend payments to equity holders of the Bank		–	(38,308)
Dividend payments to non-controlling shareholders		(164)	(1,541)
Other net cash flows from financing activities		(81)	(10)
Net cash inflow/(outflow) from financing activities		31,574	(15,970)
Effect of exchange rate changes on cash and cash equivalents		(7,293)	5,345
Net increase in cash and cash equivalents		207,015	412,165
Cash and cash equivalents at beginning of the period		1,148,151	1,150,566
Cash and cash equivalents at end of the period	III.29	1,355,166	1,562,731

The accompanying notes form an integral part of this interim financial information.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2015

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six month period ended 30 June 2015 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) and should be read in conjunction with the annual financial statements for the year ended 31 December 2014.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2014.

Standards, amendments and interpretations effective in 2015

On 1 January 2015, the Group adopted the following new standards, amendments and interpretations.

IAS 19 Amendments	<i>Defined Benefit Plans: Employee Contributions</i>
Annual Improvements to IFRSs	
2010–2012 cycle and 2011–2013 cycle (issued in December 2013)	

The Group adopted the IAS 19 Amendments — *Defined Benefit Plans: Employee Contributions* in 2015. IAS 19 Amendments require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

The Group adopted Annual Improvements to IFRSs 2010–2012 cycle and 2011–2013 cycle in 2015:

IFRS 2 — *Share-Based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Standards, amendments and interpretations effective in 2015 (Continued)

IFRS 3 — *Business Combinations*

The amendments are applied prospectively and clarify that: (1) all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable); and (2) IFRS 3 does not apply to the accounting for the formation of any joint arrangement.

IFRS 8 — *Operating Segments*

The amendments are applied retrospectively and clarify that: (1) an entity must disclose the judgments made by management in applying the aggregation criteria, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are “similar”; and (2) the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 24 — *Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IFRS 13 — *Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 — *Investment Property*

The amendment is applied prospectively and clarifies that the guidance in IFRS 3 is used to determine if the purchase of investment property is the purchase of an asset or a business combination.

The adoption of the above standards, amendments and interpretations does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2015

		Effective for annual periods beginning on or after
IFRS 9	<i>Financial Instruments</i>	1 January 2018
IAS 27 Amendments	<i>Equity Method in Separate Financial Statements</i>	1 January 2016
IFRS 10, IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 10, IFRS 12 and IAS 28 Amendments	<i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
IAS 1 Amendments	<i>Disclosure Initiative</i>	1 January 2016
Annual Improvements to IFRSs 2012–2014 cycle (issued in September 2014)		1 January 2016
IFRS 11 Amendments	<i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
IAS 16, IAS 38 Amendments	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016

The Group is considering the impact of these standards and amendments on the consolidated financial statements.

II CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2014.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	For the six month period ended 30 June	
	2015	2014
Interest income		
Loans and advances to customers	220,696	207,781
Financial investments and financial assets at fair value through profit or loss ⁽¹⁾	50,057	41,439
Due from central banks	15,026	17,403
Due from and placements with and loans to banks and other financial institutions	22,643	27,570
Subtotal	308,422	294,193
Interest expense		
Due to customers	(112,509)	(104,043)
Due to and placements from banks and other financial institutions	(26,754)	(28,434)
Bonds issued and others	(5,768)	(5,041)
Subtotal	(145,031)	(137,518)
Net interest income ⁽²⁾	163,391	156,675
Interest income accrued on impaired financial assets (included within interest income)	492	474

(1) Interest income on "Financial investments" and "Financial assets at fair value through profit or loss" is principally derived from debt securities listed on China Domestic Interbank Bond Market and unlisted debt securities in Hong Kong, Macau, Taiwan and other countries and regions.

(2) Included within "Interest income" and "Interest expense" are RMB306,773 million (for the six month period ended 30 June 2014: RMB292,976 million) and RMB138,305 million (for the six month period ended 30 June 2014: RMB133,390 million) for financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

2 Net fee and commission income

	For the six month period ended 30 June	
	2015	2014
Agency commissions	14,505	10,907
Bank card fees	12,129	10,232
Credit commitment fees	9,011	8,434
Settlement and clearing fees	6,356	8,637
Spread income from foreign exchange business	3,518	3,695
Consultancy and advisory fees	3,469	8,304
Custodian and other fiduciary service fees	1,628	1,925
Other	3,518	3,441
Fee and commission income	54,134	55,575
Fee and commission expense	(4,090)	(3,444)
Net fee and commission income	50,044	52,131

3 Net trading gains

	For the six month period ended 30 June	
	2015	2014
Net gains from foreign exchange and foreign exchange products	2,353	6,041
Net (losses)/gains from interest rate products	(1,152)	364
Net gains from equity products	1,145	494
Net gains from commodity products	215	420
Total ⁽¹⁾	2,561	7,319

(1) Included in "Net trading gains" above for the six month period ended 30 June 2015 are losses of RMB4,906 million in relation to financial assets and financial liabilities designated at fair value through profit or loss (for the six month period ended 30 June 2014: gains of RMB604 million).

4 Other operating income

	For the six month period ended 30 June	
	2015	2014
Insurance premiums		
— Life insurance contracts	7,363	5,439
— Non-life insurance contracts	2,369	2,610
Revenue from sale of precious metals products	3,722	3,780
Aircraft leasing income	2,991	2,827
Gains on disposal of subsidiaries, associates and joint ventures	8	681
Gains on disposal of property and equipment, intangible assets and other assets	562	381
Dividend income	424	410
Changes in fair value of investment properties (Note III.19)	244	120
Other	2,277	2,181
Total	19,960	18,429

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

5 Operating expenses

	For the six month period ended 30 June	
	2015	2014
Staff costs (Note III.6)	37,077	37,016
General operating and administrative expenses ⁽¹⁾	15,921	16,427
Business tax and surcharges	13,549	13,226
Depreciation and amortisation	6,535	6,567
Insurance benefits and claims		
— Life insurance contracts	7,106	5,735
— Non-life insurance contracts	1,728	1,570
Cost of sales of precious metals products	3,406	3,502
Other	1,912	1,854
Total	87,234	85,897

- (1) Included in the "General operating and administrative expenses" are operating lease expenses of RMB3,423 million and other premises and equipment related expenses (mainly comprised of property management and building maintenance expenses) of RMB4,716 million (for the six month period ended 30 June 2014: RMB3,304 million and RMB4,989 million, respectively).

6 Staff costs

	For the six month period ended 30 June	
	2015	2014
Salary, bonus and subsidy	25,620	26,571
Staff welfare	683	604
Retirement benefits	60	105
Social insurance, including:		
— Medical	1,485	1,323
— Pension	3,213	2,960
— Annuity	1,025	815
— Unemployment	208	206
— Injury at work	84	77
— Maternity insurance	112	99
Housing funds	2,555	2,312
Labour union fee and staff education fee	916	902
Reimbursement for cancellation of labour contract	3	11
Other	1,113	1,031
Total	37,077	37,016

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

7 Impairment losses on assets

	For the six month period ended 30 June	
	2015	2014
Loans and advances ⁽¹⁾		
— Individually assessed	18,993	7,918
— Collectively assessed	8,520	19,584
Subtotal	27,513	27,502
Financial investments		
Available for sale		
— Debt securities	(84)	(94)
— Other available for sale financial assets	27	102
	(57)	8
Held to maturity	(16)	(14)
Loans and receivables	536	—
Other	600	286
Total	28,576	27,782

(1) Details of movements in allowances for loans and advances are disclosed in Note III.16.

8 Income tax expense

	For the six month period ended 30 June	
	2015	2014
Current income tax		
— Chinese mainland income tax	23,351	23,408
— Hong Kong profits tax	2,295	1,834
— Macau, Taiwan and other countries and regions taxation	1,655	2,165
Adjustments in respect of current income tax of prior years	469	750
Subtotal	27,770	28,157
Deferred income tax (Note III.24.3)	1,726	384
Total	29,496	28,541

Provision for Chinese mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Bank and each of its subsidiaries established in Chinese mainland and supplementary PRC tax on overseas operations as determined in accordance with the relevant PRC income tax rules and regulations, as well as income tax withheld by the domestic entities in relation to the taxable income originating from Chinese mainland obtained by the overseas entities.

Taxation on profits of Hong Kong, Macau, Taiwan and other countries and regions has been calculated on the estimated assessable profits in accordance with local tax regulations at the rates of taxation prevailing in the countries or regions in which the Group operates.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

8 Income tax expense (Continued)

The tax rate on the Group's profit before tax differs from the theoretical amount that would arise using the basic Chinese mainland tax rate of the Bank as follows:

	For the six month period ended 30 June	
	2015	2014
Profit before income tax	124,482	121,950
Tax calculated at the applicable statutory tax rate	31,121	30,488
Effect of different tax rates on Hong Kong, Macau, Taiwan and other countries and regions	(1,998)	(1,763)
Supplementary PRC tax on overseas income	2,434	956
Income not subject to tax ⁽¹⁾	(4,964)	(3,690)
Items not deductible for tax purposes ⁽²⁾	1,791	1,389
Other	1,112	1,161
Income tax expense	29,496	28,541

(1) Income not subject to tax mainly comprises interest income from PRC Treasury bonds.

(2) Non-deductible items primarily include losses resulting from write-off of certain non-performing loans, and marketing and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

9 Earnings per share (basic and diluted)

Basic earnings per share

Basic earnings per share was computed by dividing the profit attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the period.

	For the six month period ended 30 June	
	2015	2014
Profit attributable to equity holders of the Bank	90,746	89,724
Weighted average number of ordinary shares in issue (in million shares)	293,079	279,345
Basic earnings per share (in RMB per share)	0.31	0.32

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

9 Earnings per share (basic and diluted) (Continued)

Basic earnings per share (Continued)

Weighted average number of ordinary shares in issue (in million shares)

	For the six month period ended 30 June	
	2015	2014
Issued ordinary shares as at 1 January	288,731	279,365
Weighted average number of shares from conversion of convertible bonds	4,369	–
Weighted average number of treasury shares	(21)	(20)
Weighted average number of ordinary shares in issue	293,079	279,345

Diluted earnings per share

Diluted earnings per share was computed by dividing the adjusted profit attributable to the equity holders of the Bank based on assuming conversion of all dilutive potential shares for the six month period by the adjusted weighted average number of ordinary shares in issue. The Bank has convertible bonds as dilutive potential ordinary shares.

	For the six month period ended 30 June	
	2015	2014
Profit attributable to equity holders of the Bank	90,746	89,724
Add: interest expense on convertible bonds, net of tax, for the period	47	576
Profit used to determine diluted earnings per share	90,793	90,300
Adjusted weighted average number of ordinary shares in issue (in million shares)	293,079	279,345
Add: weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	1,291	13,991
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	294,370	293,336
Diluted earnings per share (in RMB per share)	0.31	0.31

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

10 Other comprehensive income

Accrual amount of other comprehensive income:

	For the six month period ended 30 June	
	2015	2014
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	25	(106)
Less: related income tax impact	–	1
Subtotal	25	(105)
Items that may be reclassified subsequently to profit or loss		
Fair value gains on available for sale financial assets		
Amount recorded in equity	5,768	7,638
Less: related income tax impact	(1,195)	(2,171)
Amount transferred to the income statement	(2,571)	91
Less: related income tax impact	452	(39)
	2,454	5,519
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	460	80
Less: related income tax impact	3	(3)
	463	77
Exchange differences from the translation of foreign operations	(1,753)	1,948
Less: net amount transferred to the income statement from other comprehensive income	186	(35)
	(1,567)	1,913
Other	59	453
Subtotal	1,409	7,962
Total	1,434	7,857

Other comprehensive income attributable to equity holders of the Bank in the statement of financial position:

	Fair value gains on available for sale financial assets	Exchange differences from the translation of foreign operations	Other	Total
As at 1 January 2014	1,652	(21,542)	649	(19,241)
Changes in amount for the previous year	8,050	(2,851)	371	5,570
As at 1 January 2015	9,702	(24,393)	1,020	(13,671)
Changes in amount for the period	2,472	(1,558)	527	1,441
As at 30 June 2015	12,174	(25,951)	1,547	(12,230)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

11 Cash and due from banks and other financial institutions

	As at 30 June 2015	As at 31 December 2014
Cash	73,858	85,123
Due from banks in Chinese mainland	600,317	697,158
Due from other financial institutions in Chinese mainland	857	505
Due from banks in Hong Kong, Macau, Taiwan and other countries and regions	51,220	29,863
Due from other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	37	405
Total	726,289	813,054

12 Balances with central banks

	As at 30 June 2015	As at 31 December 2014
Mandatory reserves ⁽¹⁾	1,651,951	1,727,805
Surplus reserves ⁽²⁾	126,744	158,224
Other deposits ⁽³⁾	396,199	420,059
Total	2,174,894	2,306,088

- (1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong, Macau, Taiwan and other countries and regions where it has operations. As at 30 June 2015, mandatory reserve funds placed with the PBOC were calculated at 18.5% (31 December 2014: 20.0%) and 5.0% (31 December 2014: 5.0%) of qualified RMB deposits and foreign currency deposits from customers of branches in Chinese mainland of the Bank respectively. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group is determined by the PBOC. The amount of mandatory reserve funds placed with the central banks of other jurisdictions is determined by local regulations.
- (2) This mainly represented the surplus reserve funds placed with the PBOC by branches in Chinese mainland of the Group.
- (3) This mainly represented balances, other than mandatory reserves and surplus reserves, placed with central banks by operations in Hong Kong, Macau, Taiwan and other countries and regions.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

13 Placements with and loans to banks and other financial institutions

	As at 30 June 2015	As at 31 December 2014
Placements with and loans to:		
Banks in Chinese mainland	225,540	130,015
Other financial institutions in Chinese mainland	264,175	182,046
Banks in Hong Kong, Macau, Taiwan and other countries and regions	121,532	90,414
Other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	29	12
Subtotal ⁽¹⁾	611,276	402,487
Allowance for impairment losses	(178)	(207)
Total	611,098	402,280
Impaired placements	161	173
Percentage of impaired placements to total placements with and loans to banks and other financial institutions	0.03%	0.04%

(1) "Placements with and loans to banks and other financial institutions" include balances arising from reverse repo agreements and collateralised financing agreements. These are presented by collateral type as follows:

	As at 30 June 2015	As at 31 December 2014
Debt securities		
— Governments	54,290	30,932
— Policy banks	92,423	50,935
— Financial institutions	2,344	1,300
Subtotal	149,057	83,167
Bills	61,718	20,002
Total	210,775	103,169

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

14 Financial assets at fair value through profit or loss

	As at 30 June 2015	As at 31 December 2014
Trading financial assets		
Debt securities		
Issuers in Chinese mainland		
— Government	2,117	2,104
— Policy banks	9,073	9,036
— Financial institutions	16,559	12,130
— Corporate	7,482	5,946
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	17,628	13,260
— Public sectors and quasi-governments	298	365
— Financial institutions	2,220	2,868
— Corporate	2,960	3,636
	58,337	49,345
Other		
Fund investments and other	1,306	1,457
Equity securities	11,026	14,168
Subtotal	70,669	64,970
Financial assets designated at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	432	356
— Policy banks	1,265	1,444
— Financial institutions	1,577	2,295
— Corporate	3,278	7,345
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	931	61
— Financial institutions	24,551	17,711
— Corporate	8,818	3,728
	40,852	32,940
Other		
Fund investments	2,103	754
Loans ⁽¹⁾	4,062	4,144
Equity securities	1,845	1,720
Subtotal	48,862	39,558
Total	119,531	104,528
Analysed as follows:		
Listed in Hong Kong	27,211	24,120
Listed outside Hong Kong ⁽²⁾	56,387	50,365
Unlisted	35,933	30,043
Total	119,531	104,528

(1) There was no significant change during the periods ended 30 June 2015 and 2014 and cumulatively, in the fair value of the loans that was attributable to changes in the credit risk of the loans.

(2) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

15 Derivative financial instruments

The Group enters into foreign currency exchange rate, interest rate, equity, credit or precious metals and other commodity related derivative financial instruments for trading, hedging, asset and liability management and on behalf of customers.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with the fair values of instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, credit spreads, or equity/commodity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

	As at 30 June 2015			As at 31 December 2014		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps ⁽¹⁾	3,062,642	42,476	(37,350)	2,784,008	32,106	(29,101)
Currency options	259,178	1,726	(1,238)	215,372	4,526	(849)
Subtotal	3,321,820	44,202	(38,588)	2,999,380	36,632	(29,950)
Interest rate derivatives						
Interest rate swaps	862,222	5,767	(5,637)	666,049	4,521	(4,730)
Interest rate options	31	–	–	31	–	–
Interest rate futures	2,224	2	(3)	3,503	3	(3)
Subtotal	864,477	5,769	(5,640)	669,583	4,524	(4,733)
Equity derivatives	16,336	666	(842)	14,573	627	(680)
Commodity derivatives and others	215,477	4,981	(3,567)	176,856	6,184	(5,371)
Total	4,418,110	55,618	(48,637)	3,860,392	47,967	(40,734)

- (1) These exchange rate derivatives primarily include foreign exchange transactions with customers; foreign exchange transactions to manage foreign currency exchange risks arising from customers; and foreign currency exchange transactions entered into as part of the asset and liability management and funding requirements.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

16 Loans and advances to customers, net

16.1 Analysis of loans and advances to customers

	As at 30 June 2015	As at 31 December 2014
Corporate loans and advances		
— Loans and advances	6,053,874	5,820,128
— Discounted bills	240,340	225,468
Subtotal	6,294,214	6,045,596
Personal loans		
— Mortgages	1,850,903	1,694,275
— Credit cards	271,729	268,026
— Other	480,308	475,378
Subtotal	2,602,940	2,437,679
Total loans and advances	8,897,154	8,483,275
Allowance for impairment losses		
— Individually assessed	(58,937)	(49,239)
— Collectively assessed	(137,857)	(139,292)
Total allowance for impairment losses	(196,794)	(188,531)
Loans and advances to customers, net	8,700,360	8,294,744

16.2 Analysis of loans and advances to customers by geographical area, industry, collateral type and analysis of overdue loans and advances to customers are presented in Note IV.1.1.

16.3 Analysis of loans and advances to customers by collective and individual allowance assessments

	Loans and advances for which allowance is collectively assessed ⁽¹⁾	Identified impaired loans and advances ⁽²⁾			Subtotal	Total	Identified impaired loans and advances as % of total loans and advances
		for which allowance is collectively assessed	for which allowance is individually assessed				
As at 30 June 2015							
Total loans and advances	8,772,878	35,968	88,308	124,276	8,897,154	1.40%	
Allowance for impairment losses	(118,105)	(19,752)	(58,937)	(78,689)	(196,794)		
Loans and advances to customers, net	8,654,773	16,216	29,371	45,587	8,700,360		
As at 31 December 2014							
Total loans and advances	8,383,486	29,113	70,676	99,789	8,483,275	1.18%	
Allowance for impairment losses	(122,887)	(16,405)	(49,239)	(65,644)	(188,531)		
Loans and advances to customers, net	8,260,599	12,708	21,437	34,145	8,294,744		

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

16 Loans and advances to customers, net (Continued)

16.3 Analysis of loans and advances to customers by collective and individual allowance assessments (Continued)

- (1) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (2) Identified impaired loans and advances are loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either:
 - individually (including mainly significant corporate loans and advances over a certain amount which are impaired); or
 - collectively (portfolios of individually insignificant homogenous loans which share similar credit risk characteristics, including insignificant corporate loans and advances and personal loans which are impaired).

16.4 Reconciliation of allowance for impairment losses on loans and advances to customers

	Six month period ended 30 June 2015	Year ended 31 December 2014
As at 1 January	188,531	168,049
Impairment losses for the period/year	47,889	84,054
Reversal	(20,376)	(37,448)
Written off and transfer out	(19,235)	(25,731)
Transfer in		
— Recovery of loans and advances written off	576	754
— Unwind of discount on allowance	(465)	(879)
— Exchange differences	(126)	(268)
As at 30 June/31 December	196,794	188,531

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

17 Financial investments

	As at 30 June 2015	As at 31 December 2014
Financial investments available for sale		
Debt securities		
Issuers in Chinese mainland		
— Government	113,732	81,134
— Public sectors and quasi-governments	16,524	12,470
— Policy banks	162,806	126,212
— Financial institutions	98,148	93,622
— Corporate	130,934	152,974
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	182,253	85,522
— Public sectors and quasi-governments	17,408	17,065
— Financial institutions	109,903	106,078
— Corporate	50,284	37,061
	881,992	712,138
Equity securities	25,435	26,548
Fund investments and other	15,644	11,999
Total financial investments available for sale ⁽¹⁾	923,071	750,685
Debt securities held to maturity		
Issuers in Chinese mainland		
— Government	865,419	758,291
— Public sectors and quasi-governments	33,444	28,009
— Policy banks	296,911	278,686
— Financial institutions	82,651	68,254
— Corporate	175,201	147,379
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	94,250	94,310
— Public sectors and quasi-governments	22,816	21,904
— Financial institutions	20,823	11,529
— Corporate	23,668	16,319
	1,615,183	1,424,681
Allowance for impairment losses	(202)	(218)
Total debt securities held to maturity ⁽²⁾	1,614,981	1,424,463
Financial investments classified as loans and receivables		
Issuers in Chinese mainland		
— China Orient Bond	160,000	160,000
— Special Purpose Treasury Bond	42,500	42,500
— Financial institutions	48,678	36,250
— Certificate and Saving-type Treasury Bonds and others	32,593	31,561
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Public sectors and quasi-governments	11,852	6,323
— Financial institutions	2	2
— Corporate	16	17
Subtotal of debt securities investments	295,641	276,653
Investment trusts and asset management plans and others ⁽³⁾	335,758	154,110
Allowance for impairment losses	(600)	(64)
Total financial investments classified as loans and receivables	630,799	430,699
Total financial investments	3,168,851	2,605,847

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

17 Financial investments (Continued)

	As at 30 June 2015	As at 31 December 2014
Analysed as follows:		
Financial investments available for sale		
Debt securities		
— Listed in Hong Kong	41,703	34,704
— Listed outside Hong Kong	515,882	430,376
— Unlisted	324,407	247,058
Equity, fund and others		
— Listed in Hong Kong	5,067	4,573
— Listed outside Hong Kong	200	362
— Unlisted	35,812	33,612
Debt securities held to maturity ⁽⁴⁾		
— Listed in Hong Kong	21,626	16,368
— Listed outside Hong Kong	1,399,707	1,229,194
— Unlisted	193,648	178,901
Financial investments classified as loans and receivables		
— Unlisted	630,799	430,699
Total	3,168,851	2,605,847
Listed in Hong Kong	68,396	55,645
Listed outside Hong Kong	1,915,789	1,659,932
Unlisted	1,184,666	890,270
Total	3,168,851	2,605,847

- (1) The Group's accumulated impairment charge on debt securities, equity and other available for sale held as at 30 June 2015 amounted to RMB1,818 million and RMB4,552 million, respectively (31 December 2014: RMB1,924 million and RMB5,203 million, respectively).
- (2) During the period ended 30 June 2015, the Group reclassified certain debt securities with a total carrying value of RMB5,829 million from "Investment securities available for sale" to "Investment securities held to maturity" in response to a change in intention of management.
- (3) This represents the Group's investments in investment trusts and asset management plans which were managed by trust companies or securities companies. The underlying assets of these investment trusts and asset management plans mainly consist of beneficial rights in financial assets etc., of which other banks bear the payment obligations in the future.
- (4) The market values of the above listed held to maturity securities are set out below:

	As at 30 June 2015		As at 31 December 2014	
	Carrying value	Market value	Carrying value	Market Value
Debt securities held to maturity				
— Listed in Hong Kong	21,626	21,998	16,368	16,612
— Listed outside Hong Kong	1,399,707	1,412,458	1,229,194	1,233,453

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

18 Property and equipment

	Six month period ended 30 June 2015				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	94,323	62,216	26,061	68,398	250,998
Additions	178	634	3,526	3,688	8,026
Transfer from investment properties (Note III.19)	98	–	–	–	98
Construction in progress transfer in/(out)	1,182	227	(1,917)	508	–
Disposals	(299)	(873)	(13)	(4,032)	(5,217)
Exchange differences	(62)	(21)	(10)	(50)	(143)
As at 30 June	95,420	62,183	27,647	68,512	253,762
Accumulated depreciation					
As at 1 January	(26,189)	(44,373)	–	(7,043)	(77,605)
Depreciation charge	(1,493)	(3,680)	–	(1,189)	(6,362)
Disposals	260	849	–	461	1,570
Transfer to investment properties (Note III.19)	4	–	–	–	4
Exchange differences	19	11	–	6	36
As at 30 June	(27,399)	(47,193)	–	(7,765)	(82,357)
Allowance for impairment losses					
As at 1 January	(749)	–	(245)	(202)	(1,196)
Impairment losses	–	–	–	(104)	(104)
Disposals	5	–	–	2	7
Exchange differences	–	–	–	–	–
As at 30 June	(744)	–	(245)	(304)	(1,293)
Net book value					
As at 1 January	67,385	17,843	25,816	61,153	172,197
As at 30 June	67,277	14,990	27,402	60,443	170,112

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

18 Property and equipment (Continued)

	Year ended 31 December 2014				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	86,599	58,785	23,040	62,964	231,388
Additions	1,848	6,809	11,096	13,153	32,906
Transfer from/(to) investment properties (Note III.19)	1,287	–	(2)	–	1,285
Construction in progress transfer in/(out)	5,644	451	(7,998)	1,903	–
Disposals	(764)	(3,816)	(76)	(9,851)	(14,507)
Exchange differences	(291)	(13)	1	229	(74)
As at 31 December	94,323	62,216	26,061	68,398	250,998
Accumulated depreciation					
As at 1 January	(24,067)	(40,486)	–	(6,660)	(71,213)
Depreciation charge	(2,834)	(7,592)	–	(2,349)	(12,775)
Disposals	654	3,701	–	1,990	6,345
Transfer to investment properties (Note III.19)	21	–	–	–	21
Exchange differences	37	4	–	(24)	17
As at 31 December	(26,189)	(44,373)	–	(7,043)	(77,605)
Allowance for impairment losses					
As at 1 January	(757)	–	(245)	(205)	(1,207)
Impairment losses	–	–	–	(114)	(114)
Disposals	8	–	–	118	126
Exchange differences	–	–	–	(1)	(1)
As at 31 December	(749)	–	(245)	(202)	(1,196)
Net book value					
As at 1 January	61,775	18,299	22,795	56,099	158,968
As at 31 December	67,385	17,843	25,816	61,153	172,197

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

19 Investment properties

	Six month period ended 30 June 2015	Year ended 31 December 2014
As at 1 January	18,653	20,271
Additions	3,742	533
Transfer to property and equipment, net (Note III.18)	(102)	(1,306)
Disposals	–	(1,461)
Fair value changes (Note III.4)	244	546
Exchange differences	(20)	70
As at 30 June/31 December	22,517	18,653

20 Other assets

	As at 30 June 2015	As at 31 December 2014
Accounts receivable and prepayments	118,034	72,220
Interest receivable ⁽¹⁾	81,501	76,814
Land use rights	8,335	8,563
Intangible assets	4,692	4,654
Long-term deferred expense	3,146	3,506
Repossessed assets ⁽²⁾	2,231	2,289
Goodwill	1,952	1,953
Other	6,610	5,555
Total	226,501	175,554

(1) Interest receivable

	As at 30 June 2015	As at 31 December 2014
Financial investments and financial assets at fair value through profit or loss	43,329	35,452
Loans and advances to customers	27,100	27,943
Due from and placements with and loans to banks, other financial institutions and central banks	11,072	13,419
Total	81,501	76,814

The movements of interest receivable are as follows:

	Six month period ended 30 June 2015	Year ended 31 December 2014
As at 1 January	76,814	62,820
Accrued during the period/year	307,568	601,139
Received during the period/year	(302,881)	(587,145)
As at 30 June/31 December	81,501	76,814

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

20 Other assets (Continued)

(2) Repossessed assets

The Group obtained repossessed assets by taking possession of collateral held as security due to default. Such repossessed assets are as follows:

	As at 30 June 2015	As at 31 December 2014
Commercial properties	1,375	1,306
Residential properties	182	159
Other	1,645	1,834
Subtotal	3,202	3,299
Allowance for impairment	(971)	(1,010)
Repossessed assets, net	2,231	2,289

The total book value of repossessed assets disposed of for the six month period ended 30 June 2015 amounted to RMB296 million (for the year ended 31 December 2014: RMB520 million). The Group plans to dispose of the repossessed assets held at 30 June 2015 by auction, bidding or transfer.

21 Due to customers

	As at 30 June 2015	As at 31 December 2014
At amortised cost		
Demand deposits		
Corporate deposits	2,774,052	2,663,173
Personal deposits	2,011,948	1,847,870
Subtotal	4,786,000	4,511,043
Time deposits		
Corporate deposits	3,247,419	3,013,812
Personal deposits	2,844,445	2,709,995
Subtotal	6,091,864	5,723,807
Certificates of deposit	277,992	278,576
Other deposits	55,291	54,310
Total due to customers at amortised cost	11,211,147	10,567,736
At fair value		
Structured deposits		
Corporate deposits	241,329	234,187
Personal deposits	84,071	83,300
Total due to customers at fair value ⁽¹⁾	325,400	317,487
Total due to customers ⁽²⁾	11,536,547	10,885,223

(1) Due to customers measured at fair value are structured deposits designated at fair value through profit or loss at inception.

There were no significant changes in the Group's credit risk and therefore there were no significant gains or losses attributable to changes in the Group's credit risk for the abovementioned structured deposits during the six month period ended 30 June 2015 and the year ended 31 December 2014.

(2) Due to customers included margin deposits for security received by the Group as at 30 June 2015 of RMB430,304 million (31 December 2014: RMB450,746 million).

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

22 Bonds issued

During the six month period ended 30 June 2015 and the year ended 31 December 2014, the movements of the liability component of A share convertible bonds issued by the Bank were as follows:

	Six month period ended 30 June 2015	Year ended 31 December 2014
As at 1 January	14,917	38,597
Accretion	32	915
Amounts converted to shares	(14,923)	(24,595)
Redemption	(26)	–
As at 30 June/31 December	–	14,917

Convertible bonds with a principal amount of RMB14,820,428,000 were converted into 5,656,643,241 ordinary A shares during the six month period ended 30 June 2015.

23 Share appreciation rights plan

No share appreciation rights were granted since the inception of the plan.

24 Deferred income taxes

24.1 Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are related to the same taxation authority. The table below includes the deferred income tax assets and liabilities of the Group after offsetting qualifying amounts and related temporary differences:

	As at 30 June 2015		As at 31 December 2014	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets	82,780	23,058	93,289	25,043
Deferred income tax liabilities	(22,250)	(4,741)	(23,574)	(4,287)
Net	60,530	18,317	69,715	20,756

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

24 Deferred income taxes (Continued)

24.2 Deferred income tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	As at 30 June 2015		As at 31 December 2014	
	Temporary differences	Deferred tax assets/(liabilities)	Temporary differences	Deferred tax assets/(liabilities)
Deferred income tax assets				
Asset impairment allowances	119,908	30,090	116,577	29,242
Pension, retirement benefits and salary payable	14,154	3,539	20,305	5,076
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	23,201	5,803	18,981	4,745
Fair value changes of available for sale investment securities credited to other comprehensive income	1,168	220	202	53
Other temporary differences	7,075	1,416	4,252	1,007
Subtotal	165,506	41,068	160,317	40,123
Deferred income tax liabilities				
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	(27,658)	(6,914)	(22,709)	(5,677)
Fair value changes of available for sale investment securities charged to other comprehensive income	(13,377)	(3,169)	(9,879)	(2,262)
Depreciation of property and equipment	(12,854)	(2,212)	(11,880)	(2,041)
Revaluation of property and investment properties	(10,608)	(2,059)	(10,824)	(2,109)
Other temporary differences	(40,479)	(8,397)	(35,310)	(7,278)
Subtotal	(104,976)	(22,751)	(90,602)	(19,367)
Net	60,530	18,317	69,715	20,756

As at 30 June 2015, deferred tax liabilities relating to temporary differences of RMB66,530 million associated with the Group's investment in subsidiaries have not been recognised (31 December 2014: RMB53,296 million).

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

24 Deferred income taxes (Continued)

24.3 The movements of the deferred income tax are as follows:

	Six month period ended 30 June 2015	Year ended 31 December 2014
As at 1 January	20,756	19,543
(Charged)/Credited to the income statement (Note III.8)	(1,726)	4,579
Charged to equity	(740)	(3,497)
Other	27	131
As at 30 June/31 December	18,317	20,756

24.4 The deferred income tax charge in the condensed consolidated income statement comprises the following temporary differences:

	For the six month period ended 30 June	
	2015	2014
Asset impairment allowances	848	3,101
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	(179)	(663)
Pension, retirement benefits and salary payable	(1,537)	(1,252)
Other temporary differences	(858)	(1,570)
Total	(1,726)	(384)

25 Other liabilities

	As at 30 June 2015	As at 31 December 2014
Interest payable	157,848	163,228
Items in the process of clearance and settlement	85,424	35,029
Insurance liabilities		
— Life insurance contracts	65,279	58,218
— Non-life insurance contracts	8,557	8,275
Dividend payable	57,555	17
Salary and welfare payables	19,343	26,158
Short position in debt securities	12,121	7,224
Deferred income	7,376	8,104
Placements from banks and other financial institutions at fair value ⁽¹⁾	4,561	5,776
Provision	2,470	2,616
Other	41,322	37,916
Total	461,856	352,561

- (1) Certain financial liabilities related to placements from banks and other financial institutions have been matched with derivatives as part of a documented risk management strategy to mitigate market risk. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the income statement. As at 30 June 2015, the fair value of the financial liabilities related to placements from banks and other financial institutions was approximately the same as the amount that the Group would be contractually required to pay to the holders. There were no significant changes in the Group's credit risk and therefore the amounts of changes in fair value of the abovementioned placements from banks and other financial institutions that were attributable to changes in credit risk were considered not significant during the six month period ended 30 June 2015 and the year ended 31 December 2014.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

26 Other equity instruments

For the six month period ended 30 June 2015, the movement of the Bank's other equity instruments were as follows:

	As at 1 January 2015		Increase		Decrease		As at 30 June 2015	
	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount
Preference Shares								
2014 Offshore								
Preference Shares	399.4	39,782	-	-	-	-	399.4	39,782
2014 Domestic								
Preference Shares	320.0	31,963	-	-	-	-	320.0	31,963
2015 Domestic								
Preference Shares ⁽¹⁾	-	-	280.0	27,969	-	-	280.0	27,969
Total	719.4	71,745	280.0	27,969	-	-	999.4	99,714

- (1) Pursuant to the approvals by the relevant authorities in China, the Bank issued the non-cumulative Domestic Preference Shares in the aggregate par value of RMB28.00 billion on 13 March 2015. Each Domestic Preference Share has a par value of RMB100 and 280.0 million Domestic Preference Shares were issued in total. The initial annual dividend rate is 5.5%.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the China Banking Regulatory Commission (the "CBRC"), all or some only of the Domestic Preference Shares may be redeemed at the discretion of the Bank on 13 March 2020 or on any dividend payment date thereafter at the redemption price which is the sum of the par value of the Domestic Preference Shares and the dividends declared but not yet distributed.

Save for such dividend at the agreed dividend payout ratio, the holders of the above preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The dividends on preference shares are non-cumulative. The Bank shall be entitled to cancel any dividend on the preference shares, and such cancellation shall not be deemed a default. However, the Bank shall not distribute profits to the holders of ordinary shares until resumption of full payment of dividends on the preference shares. Upon the occurrence of a trigger event for the compulsory conversion of preference shares into ordinary shares per agreement, the Bank shall report to the CBRC for review and determination and the Bank will convert the preference shares into ordinary shares in whole or in part.

Capital raised from the issuance of the above preference shares, after deduction of transaction costs, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

27 Dividends

A dividend of RMB0.19 per ordinary share in respect of the profit for the year ended 31 December 2014 amounting to RMB55,934 million was approved by the equity holders of the Bank at the Annual General Meeting held on 17 June 2015. None of this amount was distributed during the six month period ended 30 June 2015. The undistributed portion was recorded in other liabilities as at 30 June 2015. Such dividend was distributed on 3 July 2015 after the appropriate withholding of individual and enterprise income taxes.

28 Contingent liabilities and commitments

28.1 Legal proceedings and arbitrations

As at 30 June 2015, the Group was involved in certain litigation and arbitration cases in the regular course of its business. In addition, in terms of the range and scale of its international operations, the Group may face a variety of legal proceedings within different jurisdictions, including issues related to anti-money laundering. As at 30 June 2015, provisions of RMB661 million (31 December 2014: RMB606 million) were made based on court judgements or the advice of counsel. After consulting legal professionals, senior management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

28.2 Assets pledged

Assets pledged by the Group as collateral for placement, repurchase, short positions, derivative transactions with other banks and financial institutions and for local statutory requirements are set forth in the table below. These transactions are conducted under standard and normal business terms.

	As at 30 June 2015	As at 31 December 2014
Debt securities	182,843	126,995
Bills	2,864	3,227
Total	185,707	130,222

28.3 Collateral accepted

The Group accept securities collateral that are permitted to sell or re-pledge in connection with reverse repurchase and derivatives agreements with banks and other financial institutions. As at 30 June 2015, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB40,209 million (31 December 2014: RMB6,650 million). As at 30 June 2015, the Group had sold or re-pledged such collateral accepted amounted to RMB23 million (31 December 2014: RMB11 million). These transactions are conducted under standard terms and in the normal course of business.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

28 Contingent liabilities and commitments (Continued)

28.4 Capital commitments

	As at 30 June 2015	As at 31 December 2014
Property and equipment		
— Contracted but not provided for	55,526	57,149
— Authorised but not contracted for	3,181	37,895
Intangible assets		
— Contracted but not provided for	681	712
— Authorised but not contracted for	14	28
Investment properties		
— Contracted but not provided for	188	1,916
— Authorised but not contracted for	–	232
Total	59,590	97,932

28.5 Operating leases

Under irrevocable operating lease contracts, the minimum rental payments that should be paid by the Group in the future are summarised as follows:

	As at 30 June 2015	As at 31 December 2014
Within 1 year	5,856	5,852
Between 1 and 2 years	4,737	4,706
Between 2 and 3 years	3,466	3,591
Over 3 years	7,108	7,947
Total	21,167	22,096

28.6 Treasury bonds redemption commitments

The Bank is entrusted by the Ministry of Finance of the People's Republic of China (the "MOF") to underwrite certain Treasury bonds. The investors of these Treasury bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these Treasury bonds. The MOF will not provide funding for the early redemption of these Treasury bonds on a back-to-back basis but will pay interest and repay the principal at maturity. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 30 June 2015, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB41,553 million (31 December 2014: RMB37,810 million). The original maturities of these Treasury bonds vary from 3 to 5 years and management expects the amount of redemption before the maturity dates of these bonds through the Bank will not be material.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

28 Contingent liabilities and commitments (Continued)

28.7 Credit commitments

	As at 30 June 2015	As at 31 December 2014
Loan commitments ⁽¹⁾		
— with an original maturity of less than 1 year	83,441	82,431
— with an original maturity of 1 year or over	663,763	633,338
Letters of guarantee issued ⁽²⁾	1,047,294	1,148,535
Undrawn credit card limits	518,126	479,685
Bank bill acceptance	456,222	484,243
Accepted bill of exchange under letters of credit	191,246	248,158
Letters of credit issued	140,313	145,593
Other	66,914	68,228
Total ⁽³⁾	3,167,319	3,290,211

(1) Loan commitments mainly represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at 30 June 2015, the unconditionally revocable loan commitments of the Group amounted to RMB261,221 million (31 December 2014: RMB258,134 million).

(2) Letters of guarantee issued include financial guarantees and performance guarantees. These obligations on the Group to make payment are dependent on the outcome of a future event.

(3) Risk-weighted assets for credit risk of credit commitments

The risk-weighted assets for credit risk of the Group were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC under the advanced capital measurement approaches. The amounts are determined by the creditworthiness of the counterparties, the maturity characteristics of each type of contract and other factors.

	As at 30 June 2015	As at 31 December 2014
Credit commitments	1,119,145	1,293,082

28.8 Underwriting obligations

As at 30 June 2015, the firm commitment in underwriting securities of the Group amounted to RMB808 million (31 December 2014: Nil).

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

29 Note to the condensed consolidated statement of cash flows

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents comprise the following balances with an original maturity of less than three months:

	As at 30 June 2015	As at 30 June 2014
Cash and due from banks and other financial institutions	441,525	371,606
Balances with central banks	507,039	614,662
Placements with and loans to banks and other financial institutions	312,981	535,982
Financial investments	93,621	40,481
Total	1,355,166	1,562,731

30 Related party transactions

30.1 China Investment Corporation ("CIC") was established on 29 September 2007 with registered capital of RMB1,550 billion. CIC is a wholly State-owned company engaging in foreign currency investment management. The Group is subject to the control of the State Council of the PRC Government through CIC and its wholly owned subsidiary, Central Huijin Investment Ltd. ("Huijin").

The Group entered into banking transactions with CIC in the normal course of its business at commercial terms.

30.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

Legal representative	DING Xuedong
Registered capital	RMB828,209 million
Location of registration	Beijing
Capital shares in the Bank	64.02%
Voting rights in the Bank	64.02%
Nature	Wholly State-owned company
Principal activities	Investment in major State-owned financial institutions on behalf of the State Council; other related businesses approved by the State Council.
National organisation code	71093296-1

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

30 Related party transactions (Continued)

30.2 Transactions with Huijin and companies under Huijin (Continued)

(2) Transactions with Huijin

The Group enters into banking transactions with Huijin in the normal course of its business at commercial terms.

Due to Huijin

	Six month period ended 30 June 2015	Year ended 31 December 2014
As at 1 January	26,442	35,001
Received during the period/year	13,066	38,940
Repaid during the period/year	(29,062)	(47,499)
As at 30 June/31 December	10,446	26,442

Bonds issued by Huijin

As at 30 June 2015, the Bank held "government-backed bonds held to maturity" issued by Huijin in the carrying value of RMB5,851 million (31 December 2014: RMB5,831 million). These bonds have maturity of not more than 30 years and bear fixed interest rates, payable annually. Purchasing of these bonds was in the ordinary course of business of the Group, complying with requirements of related regulations and corporate governance.

(3) Transactions with companies under Huijin

Companies under Huijin include its equity interests in subsidiaries, joint ventures and associates in certain other bank and non-bank entities in the PRC. The Group enters into banking transactions with these companies in the normal course of business at commercial terms which include mainly purchase and sale of debt securities, money market transactions and derivative transactions.

The Group's outstanding balances with these companies were as follows:

	As at 30 June 2015	As at 31 December 2014
Due from banks and other financial institutions	40,900	59,807
Placements with and loans to banks and other financial institutions	87,700	58,583
Financial assets at fair value through profit or loss and financial investments	366,802	284,151
Derivative financial assets	1,453	446
Loans and advances to customers	12,032	11,192
Due to banks and other financial institutions	(352,975)	(273,142)
Placements from banks and other financial institutions	(68,142)	(22,470)
Derivative financial liabilities	(1,481)	(707)
Credit commitments	3,458	2,944

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

30 Related party transactions (Continued)

30.3 Transactions with government authorities, agencies, affiliates and other State-controlled entities

The State Council of the PRC Government directly and indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other State-controlled entities. The Group enters into extensive banking transactions with these entities in the normal course of business at commercial terms, including purchase and redemption of investment securities issued by government agencies, underwriting and distribution of Treasury bonds issued by government agencies through the Group's branch network, foreign exchange transactions and derivative transactions, lending, provision of credit and guarantees and deposit taking.

30.4 Transactions with associates and joint ventures

The Group enters into banking transactions with associates and joint ventures in the normal course of business at commercial terms. These include loans and advances, deposit taking and other normal banking businesses. The main outstanding balances with associates and joint ventures as of the respective period/year end dates are stated below:

	As at 30 June 2015	As at 31 December 2014
Loans and advances to customers	795	714
Due to customers, banks and other financial institutions	(20,553)	(4,008)
Financial assets at fair value through profit or loss and financial investments	–	120
Credit commitments	1,407	1,406

30.5 Transactions with the Annuity Plan

Apart from the obligations for defined contributions to Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the six month period ended 30 June 2015 and the year ended 31 December 2014.

30.6 Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and Executive Officers.

The Group enters into banking transactions with key management personnel in the normal course of business. During the six month period ended 30 June 2015 and the year ended 31 December 2014, there were no material transactions and balances with key management personnel on an individual basis.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

30 Related party transactions (Continued)

30.7 Transactions with Connected Natural Persons

As at 30 June 2015, the Bank's balance of loans to the connected natural persons as defined in the *Administration of Connected Transactions between Commercial Banks and Their Insiders and Shareholders of the CBRC* and the *Administrative Measures for the Disclosure of Information of Listed Companies* of the China Securities Regulatory Commission (the "CSRC") totalled RMB52 million (31 December 2014: RMB77 million) and RMB14 million (31 December 2014: RMB16 million) respectively.

30.8 Balances with subsidiaries

Included in the following captions of the Bank's statement of financial position are balances with subsidiaries:

	As at 30 June 2015	As at 31 December 2014
Due from banks and other financial institutions	49,813	29,291
Placements with and loans to banks and other financial institutions	66,003	55,215
Due to banks and other financial institutions	(101,126)	(115,285)
Placements from banks and other financial institutions	(28,401)	(32,499)

31 Segment reporting

The Group manages the business from both geographic and business perspectives. From the geographic perspective, the Group operates in three principal regions: Chinese mainland, Hong Kong, Macau and Taiwan, and other countries and regions. From the business perspective, the Group provides services through six main business segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information presented includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Funding is provided to and from individual business segments through treasury operations as part of the asset and liability management process. The pricing of these transactions is based on market rates. The transfer price takes into account the specific features and maturities of the product. Internal transactions are eliminated on consolidation.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

31 Segment reporting (Continued)

Geographical segments

Chinese mainland — Corporate banking, personal banking, treasury operations and insurance services, etc. are performed in Chinese mainland.

Hong Kong, Macau and Taiwan — Corporate banking, personal banking, treasury operations, investment banking and insurance services are performed in Hong Kong, Macau and Taiwan. The business of this segment is centralised in BOC Hong Kong (Group) Limited (“BOC Hong Kong Group”).

Other countries and regions — Corporate and personal banking services are provided in other countries and regions. Significant locations include New York, London, Singapore and Tokyo.

Business segments

Corporate banking — Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, trade-related products and other credit facilities, foreign currency, derivative products and wealth management products.

Personal banking — Services to retail customers including saving deposits, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury operations — Consisting of foreign exchange transactions, customer-based interest rate and foreign exchange derivative transactions, money market transactions, proprietary trading and asset and liability management. The results of this segment include the inter-segment funding income and expenses, results from interest bearing assets and liabilities; and foreign currency translation gains and losses.

Investment banking — Consisting of debt and equity underwriting and financial advisory, sales and trading of securities, stock brokerage, investment research and asset management services, and private equity investment services.

Insurance — Underwriting of general and life insurance business and insurance agency services.

Other operations of the Group comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

31 Segment reporting (Continued)

The Group as at and for the six month period ended 30 June 2015

	Hong Kong, Macau and Taiwan						Total
	Chinese mainland	BOC Hong Kong Group	Other	Subtotal	Other countries and regions	Elimination	
Interest income	273,739	19,424	12,313	31,737	16,683	(13,737)	308,422
Interest expense	(134,188)	(6,761)	(8,997)	(15,758)	(8,822)	13,737	(145,031)
Net interest income	139,551	12,663	3,316	15,979	7,861	-	163,391
Fee and commission income	42,798	6,370	3,649	10,019	2,314	(997)	54,134
Fee and commission expense	(1,464)	(1,708)	(826)	(2,534)	(688)	596	(4,090)
Net fee and commission income	41,334	4,662	2,823	7,485	1,626	(401)	50,044
Net trading gains/(losses)	3,435	35	(133)	(98)	(776)	-	2,561
Net gains on financial investments	1,192	655	1,075	1,730	-	-	2,922
Other operating income ⁽¹⁾	6,982	8,362	4,672	13,034	68	(124)	19,960
Operating income	192,494	26,377	11,753	38,130	8,779	(525)	238,878
Operating expenses ⁽¹⁾	(69,269)	(12,012)	(4,520)	(16,532)	(1,958)	525	(87,234)
Impairment losses on assets	(27,257)	(640)	(343)	(983)	(336)	-	(28,576)
Operating profit	95,968	13,725	6,890	20,615	6,485	-	123,068
Share of results of associates and joint ventures	-	(2)	1,416	1,414	-	-	1,414
Profit before income tax	95,968	13,723	8,306	22,029	6,485	-	124,482
Income tax expense							(29,496)
Profit for the period							94,986
Segment assets	12,807,027	1,847,374	1,100,999	2,948,373	1,900,361	(1,374,747)	16,281,014
Investment in associates and joint ventures	-	43	17,536	17,579	-	-	17,579
Total assets	12,807,027	1,847,417	1,118,535	2,965,952	1,900,361	(1,374,747)	16,298,593
Include: non-current assets ⁽²⁾	95,256	22,097	91,576	113,673	4,810	(161)	213,578
Segment liabilities	11,791,997	1,722,801	1,032,925	2,755,726	1,858,307	(1,374,586)	15,031,444
Other segment items:							
Intersegment net interest (expense)/income	(8,472)	1,412	5,746	7,158	1,314	-	-
Intersegment net fee and commission income	504	25	251	276	(379)	(401)	-
Capital expenditure	1,890	445	10,014	10,459	73	-	12,422
Depreciation and amortisation	5,701	439	1,466	1,905	118	-	7,724
Credit commitments	3,076,531	183,767	120,548	304,315	321,303	(534,830)	3,167,319

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

31 Segment reporting (Continued)

The Group as at 31 December 2014 and for the six month period ended 30 June 2014

	Hong Kong, Macau and Taiwan						Total
	Chinese mainland	BOC Hong Kong Group	Other	Subtotal	Other countries and regions	Elimination	
Interest income	262,211	19,083	13,307	32,390	17,228	(17,636)	294,193
Interest expense	(129,990)	(6,348)	(9,617)	(15,965)	(9,199)	17,636	(137,518)
Net interest income	132,221	12,735	3,690	16,425	8,029	-	156,675
Fee and commission income	46,982	5,029	2,469	7,498	2,189	(1,094)	55,575
Fee and commission expense	(1,262)	(1,505)	(523)	(2,028)	(941)	787	(3,444)
Net fee and commission income	45,720	3,524	1,946	5,470	1,248	(307)	52,131
Net trading gains	4,888	719	714	1,433	998	-	7,319
Net gains/(losses) on financial investments	58	122	140	262	(2)	-	318
Other operating income ⁽¹⁾	7,302	5,881	5,205	11,086	69	(28)	18,429
Operating income	190,189	22,981	11,695	34,676	10,342	(335)	234,872
Operating expenses ⁽¹⁾	(69,629)	(10,365)	(4,287)	(14,652)	(1,951)	335	(85,897)
Impairment losses on assets	(25,711)	(301)	(775)	(1,076)	(995)	-	(27,782)
Operating profit	94,849	12,315	6,633	18,948	7,396	-	121,193
Share of results of associates and joint ventures	-	(2)	759	757	-	-	757
Profit before income tax	94,849	12,313	7,392	19,705	7,396	-	121,950
Income tax expense							(28,541)
Profit for the period							93,409
Segment assets	12,071,129	1,693,707	1,007,565	2,701,272	1,843,435	(1,378,833)	15,237,003
Investment in associates and joint ventures	-	46	14,333	14,379	-	-	14,379
Total assets	12,071,129	1,693,753	1,021,898	2,715,651	1,843,435	(1,378,833)	15,251,382
Include: non-current assets ⁽²⁾	99,043	21,731	86,536	108,267	4,956	(161)	212,105
Segment liabilities	11,125,104	1,578,712	943,151	2,521,863	1,799,659	(1,378,672)	14,067,954
Other segment items:							
Intersegment net interest (expense)/income	(12,607)	2,059	7,817	9,876	2,731	-	-
Intersegment net fee and commission income	157	27	397	424	(274)	(307)	-
Capital expenditure	1,853	224	9,029	9,253	122	-	11,228
Depreciation and amortisation	5,814	417	1,379	1,796	116	-	7,726
Credit commitments	3,252,579	186,419	120,720	307,139	288,371	(557,878)	3,290,211

(1) "Other operating income" includes insurance premium income earned, and "operating expenses" include insurance benefits and claims.

(2) Non-current assets include property and equipment, investment properties and other long-term assets.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

31 Segment reporting (Continued)

The Group as at and for the six month period ended 30 June 2015

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	171,512	92,275	70,295	699	1,077	335	(27,771)	308,422
Interest expense	(89,845)	(48,693)	(32,938)	(193)	-	(1,133)	27,771	(145,031)
Net interest income/(expense)	81,667	43,582	37,357	506	1,077	(798)	-	163,391
Fee and commission income	23,141	21,724	7,647	2,213	-	276	(867)	54,134
Fee and commission expense	(1,301)	(1,452)	(320)	(689)	(1,028)	(12)	712	(4,090)
Net fee and commission income	21,840	20,272	7,327	1,524	(1,028)	264	(155)	50,044
Net trading (losses)/gains	(422)	196	2,705	193	(109)	(9)	7	2,561
Net gains on financial investments	31	508	1,054	276	288	765	-	2,922
Other operating income	334	3,795	692	153	10,253	5,836	(1,103)	19,960
Operating income	103,450	68,353	49,135	2,652	10,481	6,058	(1,251)	238,878
Operating expenses	(33,887)	(32,387)	(8,830)	(979)	(9,579)	(2,823)	1,251	(87,234)
Impairment losses on assets	(21,591)	(6,294)	(217)	-	(43)	(431)	-	(28,576)
Operating profit	47,972	29,672	40,088	1,673	859	2,804	-	123,068
Share of results of associates and joint ventures	-	-	-	512	-	923	(21)	1,414
Profit before income tax	47,972	29,672	40,088	2,185	859	3,727	(21)	124,482
Income tax expense								(29,496)
Profit for the period								94,986
Segment assets	7,113,150	2,693,624	6,130,128	95,834	94,382	266,513	(112,617)	16,281,014
Investment in associates and joint ventures	-	-	-	3,578	4	14,057	(60)	17,579
Total assets	7,113,150	2,693,624	6,130,128	99,412	94,386	280,570	(112,677)	16,298,593
Segment liabilities	7,813,293	4,993,290	1,955,907	86,850	82,610	211,949	(112,455)	15,031,444
Other segment items:								
Intersegment net interest (expense)/income	(11,932)	26,985	(14,796)	114	60	(431)	-	-
Intersegment net fee and commission income	3	100	-	-	(704)	756	(155)	-
Capital expenditure	575	640	30	26	39	11,112	-	12,422
Depreciation and amortisation	2,502	3,048	553	34	45	1,542	-	7,724

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

31 Segment reporting (Continued)

The Group as at 31 December 2014 and for the six month period ended 30 June 2014

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	163,206	87,047	71,210	641	1,031	276	(29,218)	294,193
Interest expense	(89,081)	(44,575)	(31,756)	(239)	-	(1,085)	29,218	(137,518)
Net interest income/(expense)	74,125	42,472	39,454	402	1,031	(809)	-	156,675
Fee and commission income	31,930	17,585	5,349	1,365	-	227	(881)	55,575
Fee and commission expense	(1,383)	(1,073)	(300)	(360)	(1,033)	(12)	717	(3,444)
Net fee and commission income	30,547	16,512	5,049	1,005	(1,033)	215	(164)	52,131
Net trading gains/(losses)	778	260	5,677	591	75	(68)	6	7,319
Net gains on financial investments	6	1	157	-	27	127	-	318
Other operating income	345	3,871	689	120	8,504	5,809	(909)	18,429
Operating income	105,801	63,116	51,026	2,118	8,604	5,274	(1,067)	234,872
Operating expenses	(34,538)	(31,696)	(9,171)	(998)	(8,043)	(2,518)	1,067	(85,897)
Impairment (losses)/reversal on assets	(22,554)	(4,884)	90	(37)	(16)	(381)	-	(27,782)
Operating profit	48,709	26,536	41,945	1,083	545	2,375	-	121,193
Share of results of associates and joint ventures	-	-	-	144	(5)	619	(1)	757
Profit before income tax	48,709	26,536	41,945	1,227	540	2,994	(1)	121,950
Income tax expense								(28,541)
Profit for the period								93,409
Segment assets	6,681,512	2,532,905	5,705,555	91,622	86,076	251,585	(112,252)	15,237,003
Investment in associates and joint ventures	-	-	-	3,101	-	11,336	(58)	14,379
Total assets	6,681,512	2,532,905	5,705,555	94,723	86,076	262,921	(112,310)	15,251,382
Segment liabilities	7,261,202	4,691,732	1,900,406	83,882	75,015	167,807	(112,090)	14,067,954
Other segment items:								
Intersegment net interest (expense)/income	(11,579)	28,346	(16,495)	114	58	(444)	-	-
Intersegment net fee and commission income	4	104	-	-	(710)	766	(164)	-
Capital expenditure	579	643	31	16	32	9,927	-	11,228
Depreciation and amortisation	2,509	3,153	552	38	25	1,449	-	7,726

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

32 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose trusts. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received as collateral.

The following table analyses the carrying amount of the abovementioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	As at 30 June 2015		As at 31 December 2014	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	8,582	8,269	10,246	10,195

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities and accordingly may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

32 Transfers of financial assets (Continued)

Securitisation transactions (Continued)

As at 30 June 2015 and 31 December 2014, the Bank derecognised the transferred credit assets in their entirety in the securitisation transactions. The corresponding total carrying amount of asset-backed securities held by the Bank was RMB592 million at 30 June 2015 (31 December 2014: RMB554 million), which also approximates the Bank's maximum exposure to loss.

33 Interests in the unconsolidated structured entities

The Group is principally involved with structured entities through financial investments, asset management and asset securitisation transactions. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. The interests held by the Group in the unconsolidated structured entities are set out as below:

Structured entities sponsored by the Group

In conducting wealth management business, the Group established various structured entities to provide customers specialised investment opportunities within narrow and well-defined objectives. As at 30 June 2015, the balance of the unconsolidated bank wealth management products sponsored by the Group amounted to RMB764,054 million (31 December 2014: RMB846,947 million). For the six month period ended 30 June 2015, fee and commission income from wealth management business, which includes commission, custodian fee and management fee amounted to RMB5,011 million (for the six month period ended 30 June 2014: RMB4,552 million).

For the purpose of asset-liability management, wealth management products may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into repurchase and placement transactions with these wealth management products in accordance with market principles. During the six month period ended 30 June 2015, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB19,300 million (for the six month period ended 30 June 2014: RMB25,550 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 30 June 2015, the balance of above tradings is RMB16,000 million (31 December 2014: Nil). The maximum exposure to loss of those placements approximated the carrying amount.

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB3,929 million during the six month period ended 30 June 2015 (for the six month period ended 30 June 2014: RMB9,383 million). For description of the portion of asset-backed securities issued by above structured entities and held by the Group, refer to Note III.32. As at 30 June 2015, the amount of assets held by publicly offered funds that are sponsored by the Group was RMB195,800 million (31 December 2014: RMB160,900 million).

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

33 Interests in the unconsolidated structured entities (Continued)

Structured entities sponsored by other financial institutions

As at 30 June 2015, the interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out as below:

Structured entity type	Financial assets at fair value through profit or loss	Investment securities available for sale	Debt securities held to maturity	Financial investments classified as loans and receivables	Total	Maximum exposure to loss
As at 30 June 2015						
Fund	2,518	13,224	–	–	15,742	15,770
Wealth management plans	–	–	–	100	100	100
Investment trusts and asset management plans	–	–	–	316,346	316,346	316,346
Asset-backed securitisations	–	10,272	10,089	73	20,434	20,434
As at 31 December 2014						
Fund	1,209	10,042	–	–	11,251	11,289
Wealth management plans	–	–	–	170	170	170
Investment trusts and asset management plans	–	–	–	120,012	120,012	120,012
Asset-backed securitisations	–	11,907	11,311	55	23,273	23,273

34 Events after the financial reporting date

Potential disposal of Nanyang Commercial Bank, Limited held by Bank of China (Hong Kong) Limited

The Bank considered and approved the potential disposal of all interests in Nanyang Commercial Bank, Limited held by Bank of China (Hong Kong) Limited (“BOCHK”), a direct wholly-owned subsidiary of BOC Hong Kong (Holdings) Limited (“BOCHK (Holdings)”) (the “Potential Disposal”), and the potential restructuring and transfer of banking businesses and assets owned by the Bank in certain countries of Association of Southeast Asian Nations (ASEAN) to BOCHK (Holdings) or BOCHK, at the Board Meeting held on 21 May 2015.

The Bank has obtained the approval from the MOF for the Potential Disposal. BOCHK commenced the related public bidding process via the Beijing Financial Assets Exchange on 15 July 2015.

Acquisition by Bank of China Insurance Company Limited of Samsung Air China Life Insurance Co., Ltd. by Way of Capital Increase

Bank of China Insurance Company Limited, a wholly-owned subsidiary of the Bank, acquired Samsung Air China Life Insurance, Co., Ltd. (“Samsung Air China Life”) by way of capital increase in August 2015. Pursuant to the relevant capital increase agreement, Bank of China Insurance Company Limited acquired a post-capital increase equity interest of 51% in Samsung Air China Life in consideration of RMB1.275 billion, thereby becoming its controlling shareholder after the capital increase.

All the necessary regulatory approvals have been obtained for this acquisition by way of capital increase. The change of filing records at the relevant administration for industry and commerce is currently in progress.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

34 Events after the financial reporting date (Continued)

Dividend Distribution Plan of Offshore Preference Shares and Domestic Preference Shares (First Tranche)

The dividend distribution of offshore preference shares and domestic preference shares (first tranche) was approved by the Board of Directors of the Bank at the Board meeting held on 28 August 2015. The annual dividend rate is 6.75% (calculated on the basis of RMB but paid out in US Dollars per a fixed exchange rate) for the offshore preference shares amounting to approximately RMB2,984 million in total and the dividends are to be paid on 23 October 2015. The annual dividend rate is 6.00% for the domestic preference shares (first tranche) amounting to RMB1,920 million in total and the dividends are to be paid on 23 November 2015. These financial statements do not reflect this dividend payable in liabilities.

IV FINANCIAL RISK MANAGEMENT

1 Credit risk

1.1 Loans and advances

(1) Concentrations of risk for loans and advances to customers

- (i) Analysis of loans and advances to customers by geographical area

Group

	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Chinese mainland	6,910,376	77.67%	6,605,773	77.87%
Hong Kong, Macau and Taiwan	1,166,361	13.11%	1,085,928	12.80%
Other countries and regions	820,417	9.22%	791,574	9.33%
Total loans and advances to customers	8,897,154	100.00%	8,483,275	100.00%

Chinese mainland

	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Northern China	1,099,049	15.90%	1,042,449	15.78%
Northeastern China	489,097	7.08%	457,802	6.93%
Eastern China	2,781,599	40.25%	2,685,603	40.66%
Central and Southern China	1,673,582	24.22%	1,597,434	24.18%
Western China	867,049	12.55%	822,485	12.45%
Total loans and advances to customers	6,910,376	100.00%	6,605,773	100.00%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(ii) Analysis of loans and advances to customers by customer type

	As at 30 June 2015			
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	Total
Corporate loans				
— Trade bills	677,754	154,472	255,904	1,088,130
— Other	4,001,406	663,918	540,760	5,206,084
Personal loans	2,231,216	347,971	23,753	2,602,940
Total loans and advances to customers	6,910,376	1,166,361	820,417	8,897,154

	As at 31 December 2014			
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	Total
Corporate loans				
— Trade bills	713,054	148,191	255,968	1,117,213
— Other	3,808,411	606,550	513,422	4,928,383
Personal loans	2,084,308	331,187	22,184	2,437,679
Total loans and advances to customers	6,605,773	1,085,928	791,574	8,483,275

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)**1 Credit risk (Continued)****1.1 Loans and advances (Continued)****(1) Concentrations of risk for loans and advances to customers (Continued)**

(iii) Analysis of loans and advances to customers by industry

Group

	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,690,993	19.01%	1,690,267	19.92%
Commerce and services	1,342,128	15.08%	1,270,883	14.98%
Transportation, storage and postal services	880,075	9.89%	825,423	9.73%
Real estate	763,172	8.58%	714,573	8.42%
Production and supply of electricity, heating, gas and water	422,956	4.75%	413,033	4.87%
Mining	363,777	4.09%	356,991	4.21%
Financial services	248,274	2.79%	230,508	2.72%
Construction	196,011	2.20%	170,358	2.01%
Water, environment and public utility management	183,187	2.06%	189,017	2.23%
Public utilities	96,008	1.08%	89,024	1.05%
Other	107,633	1.21%	95,519	1.13%
Subtotal	6,294,214	70.74%	6,045,596	71.27%
Personal loans				
Mortgages	1,850,903	20.80%	1,694,275	19.97%
Credit cards	271,729	3.06%	268,026	3.16%
Other	480,308	5.40%	475,378	5.60%
Subtotal	2,602,940	29.26%	2,437,679	28.73%
Total loans and advances to customers	8,897,154	100.00%	8,483,275	100.00%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iii) Analysis of loans and advances to customers by industry (Continued)

Chinese mainland

	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,407,801	20.37%	1,385,487	20.97%
Commerce and services	834,669	12.08%	821,011	12.43%
Transportation, storage and postal services	765,529	11.08%	707,646	10.71%
Real estate	489,403	7.08%	470,149	7.12%
Production and supply of electricity, heating, gas and water	379,504	5.49%	372,713	5.64%
Mining	213,956	3.10%	201,333	3.05%
Financial services	114,654	1.66%	112,005	1.70%
Construction	167,922	2.43%	147,512	2.23%
Water, environment and public utility management	183,184	2.65%	188,983	2.86%
Public utilities	92,756	1.34%	85,707	1.30%
Other	29,782	0.43%	28,919	0.44%
Subtotal	4,679,160	67.71%	4,521,465	68.45%
Personal loans				
Mortgages	1,589,900	23.01%	1,444,715	21.87%
Credit cards	259,901	3.76%	256,049	3.87%
Other	381,415	5.52%	383,544	5.81%
Subtotal	2,231,216	32.29%	2,084,308	31.55%
Total loans and advances to customers	6,910,376	100.00%	6,605,773	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)**1 Credit risk (Continued)****1.1 Loans and advances (Continued)****(1) Concentrations of risk for loans and advances to customers (Continued)**

(iv) Analysis of loans and advances to customers by collateral type

Group

	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Unsecured loans	2,768,466	31.12%	2,650,613	31.25%
Guaranteed loans	1,717,794	19.31%	1,625,428	19.16%
Collateralised and other secured loans				
— Loans secured by property and other immovable assets	3,411,548	38.34%	3,158,716	37.23%
— Other pledged loans	999,346	11.23%	1,048,518	12.36%
Total loans and advances to customers	8,897,154	100.00%	8,483,275	100.00%

Chinese mainland

	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Unsecured loans	1,924,957	27.85%	1,831,113	27.72%
Guaranteed loans	1,436,571	20.79%	1,368,779	20.72%
Collateralised and other secured loans				
— Loans secured by property and other immovable assets	2,860,731	41.40%	2,708,384	41.00%
— Other pledged loans	688,117	9.96%	697,497	10.56%
Total loans and advances to customers	6,910,376	100.00%	6,605,773	100.00%

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

Group

	As at 30 June 2015			As at 31 December 2014		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	121,654	97.89%	1.76%	97,057	97.26%	1.47%
Hong Kong, Macau and Taiwan	1,670	1.34%	0.14%	1,827	1.83%	0.17%
Other countries and regions	952	0.77%	0.12%	905	0.91%	0.11%
Total	124,276	100.00%	1.40%	99,789	100.00%	1.18%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers (Continued)

(i) Impaired loans and advances by geographical area (Continued)

Chinese mainland

	As at 30 June 2015			As at 31 December 2014		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	18,651	15.33%	1.70%	15,675	16.15%	1.50%
Northeastern China	8,624	7.09%	1.76%	5,507	5.67%	1.20%
Eastern China	51,417	42.26%	1.85%	44,754	46.11%	1.67%
Central and Southern China	27,696	22.77%	1.65%	20,974	21.61%	1.31%
Western China	15,266	12.55%	1.76%	10,147	10.46%	1.23%
Total	121,654	100.00%	1.76%	97,057	100.00%	1.47%

(ii) Impaired loans and advances by customer type

Group

	As at 30 June 2015			As at 31 December 2014		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	101,469	81.65%	1.61%	82,129	82.30%	1.36%
Personal loans	22,807	18.35%	0.88%	17,660	17.70%	0.72%
Total	124,276	100.00%	1.40%	99,789	100.00%	1.18%

Chinese mainland

	As at 30 June 2015			As at 31 December 2014		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	99,142	81.50%	2.12%	79,565	81.98%	1.76%
Personal loans	22,512	18.50%	1.01%	17,492	18.02%	0.84%
Total	121,654	100.00%	1.76%	97,057	100.00%	1.47%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers (Continued)

(iii) Impaired loans and advances by geographical area and industry

	As at 30 June 2015			As at 31 December 2014		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Manufacturing	42,311	34.05%	3.01%	34,541	34.61%	2.49%
Commerce and services	34,264	27.57%	4.11%	27,925	27.98%	3.40%
Transportation, storage and postal services	8,792	7.07%	1.15%	8,291	8.31%	1.17%
Real estate	3,934	3.16%	0.80%	2,149	2.15%	0.46%
Production and supply of electricity, heating, gas and water	3,425	2.76%	0.90%	3,106	3.11%	0.83%
Mining	2,200	1.77%	1.03%	1,103	1.11%	0.55%
Financial services	468	0.38%	0.41%	250	0.25%	0.22%
Construction	2,683	2.16%	1.60%	1,407	1.41%	0.95%
Water, environment and public utility management	229	0.18%	0.13%	198	0.20%	0.10%
Public utilities	444	0.36%	0.48%	312	0.31%	0.36%
Other	392	0.32%	1.32%	283	0.28%	0.98%
Subtotal	99,142	79.78%	2.12%	79,565	79.72%	1.76%
Personal loans						
Mortgages	6,318	5.08%	0.40%	5,045	5.06%	0.35%
Credit cards	7,736	6.22%	2.98%	5,277	5.29%	2.06%
Other	8,458	6.81%	2.22%	7,170	7.19%	1.87%
Subtotal	22,512	18.11%	1.01%	17,492	17.54%	0.84%
Total for Chinese mainland	121,654	97.89%	1.76%	97,057	97.26%	1.47%
Hong Kong, Macau, Taiwan and other countries and regions						
	2,622	2.11%	0.13%	2,732	2.74%	0.15%
Total	124,276	100.00%	1.40%	99,789	100.00%	1.18%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers (Continued)

(iv) Impaired loans and advances and related allowance by geographical area

	As at 30 June 2015			
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	Net
Chinese mainland	121,654	(57,236)	(19,643)	44,775
Hong Kong, Macau and Taiwan	1,670	(1,052)	(54)	564
Other countries and regions	952	(649)	(55)	248
Total	124,276	(58,937)	(19,752)	45,587

	As at 31 December 2014			
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	Net
Chinese mainland	97,057	(47,582)	(16,305)	33,170
Hong Kong, Macau and Taiwan	1,827	(1,102)	(47)	678
Other countries and regions	905	(555)	(53)	297
Total	99,789	(49,239)	(16,405)	34,145

For description of allowances on identified impaired loans and advances, refer to Note III.16.3.

(3) Loans and advances rescheduled

Rescheduling (referring to loans and other assets that have been restructured and renegotiated) is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, rescheduled credit terms as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or the assumption of the loan by a borrower with better repayment ability.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(3) Loans and advances rescheduled (Continued)

All rescheduled loans are subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "special-mention" upon review if certain criteria are met. If the rescheduled loans fall overdue or if the borrower is unable to demonstrate its repayment ability, these loans will be reclassified to "doubtful" or below. All rescheduled loans within surveillance period were determined to be impaired as at 30 June 2015 and 31 December 2014.

As at 30 June 2015 and 31 December 2014, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

(4) Overdue loans and advances to customers

Analysis of overdue loans and advances by geographical area

	As at 30 June 2015	As at 31 December 2014
Chinese mainland	166,731	117,062
Hong Kong, Macau and Taiwan	6,902	7,296
Other countries and regions	1,525	1,578
Subtotal	175,158	125,936
Percentage	1.97%	1.48%
Less: total loans and advances to customers which have been overdue for less than 3 months	(72,944)	(58,391)
Total loans and advances to customers which have been overdue for more than 3 months	102,214	67,545
Individually assessed impairment allowance — for loans and advances to customers which have been overdue for more than 3 months	(46,578)	(29,886)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities

The table below represents an analysis of the carrying value of debt securities by credit or issuer rating and credit risk characteristic.

	As at 30 June 2015					
	Unrated	AAA	AA	A	Lower than A	Total
Issuers in Chinese mainland						
— Government	–	–	1,034,227	4,308	–	1,038,535
— Public sectors and quasi-governments	52,468	–	–	–	–	52,468
— Policy banks	–	–	58,212	416,843	–	475,055
— Financial institutions	44,770	499	762	111,396	85,086	242,513
— Corporate	215,259	–	20,578	82,407	14,452	332,696
— China Orient	160,000	–	–	–	–	160,000
Subtotal	472,497	499	1,113,779	614,954	99,538	2,301,267
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	–	70,795	171,552	49,818	2,897	295,062
— Public sectors and quasi-governments	760	24,384	22,151	5,038	–	52,333
— Financial institutions	8,874	5,181	48,204	74,401	20,718	157,378
— Corporate	9,333	24,058	12,652	26,689	12,967	85,699
Subtotal	18,967	124,418	254,559	155,946	36,582	590,472
Total ⁽¹⁾	491,464	124,917	1,368,338	770,900	136,120	2,891,739

	As at 31 December 2014					
	Unrated	AAA	AA	A	Lower than A	Total
Issuers in Chinese mainland						
— Government	–	–	889,823	2,931	–	892,754
— Public sectors and quasi-governments	42,979	–	–	–	–	42,979
— Policy banks	–	–	55,491	364,887	–	420,378
— Financial institutions	42,889	498	516	111,845	51,858	207,606
— Corporate	230,144	–	16,624	74,238	13,218	334,224
— China Orient	160,000	–	–	–	–	160,000
Subtotal	476,012	498	962,454	553,901	65,076	2,057,941
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	–	52,504	132,344	5,457	2,849	193,154
— Public sectors and quasi-governments	699	25,028	14,556	5,334	–	45,617
— Financial institutions	2,017	5,583	51,478	64,896	14,081	138,055
— Corporate	9,430	15,840	3,247	21,617	10,574	60,708
Subtotal	12,146	98,955	201,625	97,304	27,504	437,534
Total ⁽¹⁾	488,158	99,453	1,164,079	651,205	92,580	2,495,475

- (1) The Group's available for sale and held to maturity debt securities are individually assessed for impairment. The Group's accumulated impairment charges on available for sale and held to maturity debt securities at 30 June 2015 amounted to RMB1,818 million and RMB202 million, respectively (31 December 2014: RMB1,924 million and RMB218 million). The carrying values of the available for sale and held to maturity debt securities considered impaired as at 30 June 2015 were RMB2,800 million and RMB315 million, respectively (31 December 2014: RMB3,256 million and RMB370 million).

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 Derivatives

The risk-weighted assets for counterparty credit risk (“CCR”) of derivatives of the Group were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC under the advanced capital management approaches. For derivative transactions, risk-weighted assets for CCR include risk-weighted assets for default risk, the risk-weighted assets for credit valuation adjustment (“CVA”) and the risk-weighted assets for central counterparties (“CCPs”).

Risk-weighted assets for CCR of derivatives are as follows:

	As at 30 June 2015	As at 31 December 2014
Risk-weighted assets for default risk		
Currency derivatives	45,421	29,431
Interest rate derivatives	2,636	2,776
Equity derivatives	630	524
Commodity derivatives and others	4,704	3,128
	53,391	35,859
Risk-weighted assets for CVA	35,529	26,620
Risk-weighted assets for CCPs	1,995	2,038
Total	90,915	64,517

1.4 Repossessed assets

The Group obtained assets by taking possession of collateral held as security. Detailed information of such repossessed assets of the Group is disclosed in Note III.20.

2 Market risk

2.1 Market risk measurement techniques and limits

(1) Trading book

For the purpose of market risk management in the trading book, the Group monitors trading book Value at Risk (VaR) limits, stress testing results and exposure limits and tracks each trading desk and dealer’s observance of each limit on a daily basis.

VaR is used to estimate the largest potential loss arising from adverse market movements in a specific holding period and within a certain confidence level.

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

VaR is performed separately by the Bank and its major subsidiaries that are exposed to market risk, BOCHK (Holdings) and BOC International Holdings Limited (“BOCI”). The Bank, BOCHK (Holdings) and BOCI used a 99% level of confidence (therefore 1% statistical probability that actual losses could be greater than the VaR estimate) and a historical simulation model to calculate the VaR estimate. The holding period of the VaR calculations is one day. To enhance the Group’s market risk management, the Group has established the market risk data mart, which enabled a group level trading book VaR calculation on a daily basis.

Accuracy and reliability of the VaR model is verified by daily back-testing the VaR result on trading book. The back-testing results are regularly reported to senior management.

The Group utilises stress testing as an effective supplement to the trading book VaR analysis. Stress testing scenarios are performed based on the characteristics of trading transactions to simulate and estimate losses in adverse and exceptional market conditions. To address changes in the financial markets, the Group enhances its market risk identification capabilities by continuously modifying and improving the trading book stress testing scenarios and measurement methodologies in order to capture the potential impact to transaction market prices stemming from changes in market prices and volatility.

The table below shows the VaR of the trading book by type of risk for the six month periods ended 30 June 2015 and 2014:

Unit: USD million

	Six month period ended 30 June					
	2015			2014		
	Average	High	Low	Average	High	Low
The Bank’s trading VaR						
Interest rate risk	4.61	5.90	3.44	5.31	7.43	3.71
Foreign exchange risk	4.12	8.37	2.10	9.48	13.97	6.02
Volatility risk	0.24	0.61	0.09	0.09	0.20	0.04
Commodity risk	0.48	0.94	0.06	0.30	1.32	0.01
Total of the Bank’s trading VaR	5.88	9.25	4.09	10.29	14.67	6.94

The Bank’s VaR for the six month period ended 30 June 2015 and 2014 was calculated on the Group’s trading positions, excluding those of BOCHK (Holdings) and BOCI.

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

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

Unit: USD million

	Six month period ended 30 June					
	2015			2014		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR⁽ⁱ⁾						
Interest rate risk	3.20	4.85	1.98	3.55	5.09	2.17
Foreign exchange risk	1.62	2.37	1.26	1.84	2.51	1.24
Equity risk	0.04	0.05	0.01	0.03	0.09	0.01
Commodity risk	0.01	0.02	0.00	0.04	0.17	0.00
Total BOCHK (Holdings)'s trading VaR	3.65	4.95	2.30	3.41	4.52	2.35
BOCI's trading VaR⁽ⁱⁱ⁾						
Equity derivatives unit	1.25	2.15	0.54	0.99	1.65	0.46
Fixed income unit	0.90	1.06	0.66	1.10	1.54	0.68
Global commodity unit	0.08	0.17	0.04	0.23	0.61	0.06
Total BOCI's trading VaR	1.54	2.39	1.02	1.45	1.82	1.10

(i) BOCHK (Holdings)'s trading VaR for the period ended 30 June 2015 and 30 June 2014 was calculated including its subsidiaries of Nanyang Commercial Bank Limited, BOC Credit Card (International) Limited and Chiyu Banking Corporation Limited.

(ii) BOCI monitors its trading VaR for equity derivatives unit, fixed income unit and global commodity unit separately, which include equity risk, interest rate risk, foreign exchange risk and commodity risk.

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

(2) Banking book

The banking book is exposed to interest rate risk arising from mismatches repricing periods and inconsistent adjustments between the benchmark interest rates of assets and liabilities. The Group manages interest rate risk in the banking book primarily through an interest rate repricing gap analysis. The interest rate gap analysis is set out in Note IV.2.2 and also covers the trading book.

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis

The tables below summarise the Group's exposure to interest rate risks. It includes the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	As at 30 June 2015						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	329,372	120,629	197,924	1,558	–	76,806	726,289
Balances with central banks	2,020,436	–	–	–	–	154,458	2,174,894
Placements with and loans to banks and other financial institutions	317,785	98,854	178,698	15,761	–	–	611,098
Financial assets at fair value through profit or loss	12,040	16,789	21,807	28,562	24,053	16,280	119,531
Derivative financial assets	–	–	–	–	–	55,618	55,618
Loans and advances to customers, net	1,944,736	1,773,905	4,605,459	88,659	46,259	241,342	8,700,360
Financial investments							
— Available for sale	51,198	117,304	151,836	397,202	165,613	39,918	923,071
— Held to maturity	64,020	103,493	210,764	820,446	416,258	–	1,614,981
— Loans and receivables	44,708	108,258	204,905	196,518	76,410	–	630,799
Other	16,703	9,473	6,965	–	–	708,811	741,952
Total assets	4,800,998	2,348,705	5,578,358	1,548,706	728,593	1,293,233	16,298,593
Liabilities							
Due to banks and other financial institutions	1,180,221	107,067	307,548	152,567	–	203,486	1,950,889
Due to central banks	236,573	38,083	108,474	17,041	513	2,904	403,588
Placements from banks and other financial institutions	122,171	41,526	48,220	3,761	–	–	215,678
Derivative financial liabilities	–	–	–	–	–	48,637	48,637
Due to customers	6,064,727	1,192,405	2,535,933	1,553,692	26,273	163,517	11,536,547
Bonds issued	8,648	11,691	12,098	158,610	77,680	–	268,727
Other	19,577	23,055	8,828	692	390	554,836	607,378
Total liabilities	7,631,917	1,413,827	3,021,101	1,886,363	104,856	973,380	15,031,444
Total interest repricing gap	(2,830,919)	934,878	2,557,257	(337,657)	623,737	319,853	1,267,149

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2014						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	364,984	169,796	191,207	1,565	–	85,502	813,054
Balances with central banks	2,152,838	–	–	–	–	153,250	2,306,088
Placements with and loans to banks and other financial institutions	164,596	99,775	128,637	9,272	–	–	402,280
Financial assets at fair value through profit or loss	9,472	12,238	17,299	32,662	14,638	18,219	104,528
Derivative financial assets	–	–	–	–	–	47,967	47,967
Loans and advances to customers, net	2,125,565	1,846,482	3,991,102	57,124	45,998	228,473	8,294,744
Financial investments							
— Available for sale	65,596	97,646	149,386	259,841	140,631	37,585	750,685
— Held to maturity	32,645	61,129	218,051	744,993	367,645	–	1,424,463
— Loans and receivables	11,977	49,983	92,634	47,604	228,501	–	430,699
Other	5,117	6,638	4,175	–	–	660,944	676,874
Total assets	4,932,790	2,343,687	4,792,491	1,153,061	797,413	1,231,940	15,251,382
Liabilities							
Due to banks and other financial institutions	1,557,680	53,525	61,690	59,769	26,021	21,562	1,780,247
Due to central banks	129,603	105,721	97,741	10,307	–	4,899	348,271
Placements from banks and other financial institutions	111,424	43,924	51,424	18,553	–	5	225,330
Derivative financial liabilities	–	–	–	–	–	40,734	40,734
Due to customers	5,879,818	1,290,696	2,237,125	1,328,283	11,797	137,504	10,885,223
Bonds issued	12,264	35,473	16,477	100,137	113,694	–	278,045
Other	13,473	19,988	9,562	1,117	858	465,106	510,104
Total liabilities	7,704,262	1,549,327	2,474,019	1,518,166	152,370	669,810	14,067,954
Total interest repricing gap	(2,771,472)	794,360	2,318,472	(365,105)	645,043	562,130	1,183,428

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2015 and 31 December 2014. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the tables are the carrying amounts of the assets and liabilities of the Group along with off-balance sheet positions and credit commitments in RMB equivalent, categorised by the original currencies. Derivative financial instruments are included in the net off-balance sheet position using notional amounts.

	As at 30 June 2015							Total
	RMB	USD	HKD	EURO	JPY	GBP	Other	
Assets								
Cash and due from banks and other financial institutions	606,722	89,435	10,656	7,108	2,035	1,058	9,275	726,289
Balances with central banks	1,764,720	291,710	7,720	23,551	15,126	41,800	30,267	2,174,894
Placements with and loans to banks and other financial institutions	438,392	93,605	23,405	2,720	25	9,954	42,997	611,098
Financial assets at fair value through profit or loss	47,070	46,373	25,348	618	17	96	9	119,531
Derivative financial assets	18,902	7,754	22,908	710	475	2,672	2,197	55,618
Loans and advances to customers, net	6,534,095	1,218,896	656,550	136,334	9,047	16,596	128,842	8,700,360
Financial investments								
— Available for sale	457,908	253,727	108,556	10,715	46,688	3,356	42,121	923,071
— Held to maturity	1,437,759	164,967	5,902	—	601	585	5,167	1,614,981
— Loans and receivables	614,677	4,278	2	—	—	—	11,842	630,799
Other	294,734	96,151	133,321	1,894	1,192	2,015	212,645	741,952
Total assets	12,214,979	2,266,896	994,368	183,650	75,206	78,132	485,362	16,298,593
Liabilities								
Due to banks and other financial institutions	1,238,905	454,531	18,980	27,488	8,068	4,972	197,945	1,950,889
Due to central banks	227,398	164,731	11,325	—	—	—	134	403,588
Placements from banks and other financial institutions	80,738	119,180	3,470	1,264	501	3,972	6,553	215,678
Derivative financial liabilities	13,974	7,071	17,949	874	1,393	3,191	4,185	48,637
Due to customers	9,019,487	1,039,949	912,889	167,147	45,181	60,870	291,024	11,536,547
Bonds issued	155,656	95,088	741	12,260	445	670	3,867	268,727
Other	359,258	77,771	151,959	2,682	1,709	1,382	12,617	607,378
Total liabilities	11,095,416	1,958,321	1,117,313	211,715	57,297	75,057	516,325	15,031,444
Net on-balance sheet position	1,119,563	308,575	(122,945)	(28,065)	17,909	3,075	(30,963)	1,267,149
Net off-balance sheet position	(66,816)	(207,253)	212,367	32,871	(17,936)	(743)	49,204	1,694
Credit commitments	2,121,356	687,508	189,693	80,095	6,489	22,248	59,930	3,167,319

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2014							Total
	RMB	USD	HKD	EURO	JPY	GBP	Other	
Assets								
Cash and due from banks and other financial institutions	712,920	70,538	9,859	4,286	1,916	1,087	12,448	813,054
Balances with central banks	1,904,294	298,087	10,685	50,231	3,867	18,672	20,252	2,306,088
Placements with and loans to banks and other financial institutions	259,408	82,968	13,005	1,057	308	7,306	38,228	402,280
Financial assets at fair value through profit or loss	44,797	38,100	21,059	427	–	90	55	104,528
Derivative financial assets	9,689	13,640	20,316	627	118	1,711	1,866	47,967
Loans and advances to customers, net	6,176,901	1,302,278	613,502	67,156	7,993	13,295	113,619	8,294,744
Financial investments								
— Available for sale	393,396	203,998	101,447	11,093	331	5,815	34,605	750,685
— Held to maturity	1,268,586	143,405	6,097	–	616	511	5,248	1,424,463
— Loans and receivables	422,189	233	1,973	–	–	–	6,304	430,699
Other	261,225	89,192	120,636	1,350	909	1,656	201,906	676,874
Total assets	11,453,405	2,242,439	918,579	136,227	16,058	50,143	434,531	15,251,382
Liabilities								
Due to banks and other financial institutions	1,033,495	499,133	17,925	27,945	8,843	5,315	187,591	1,780,247
Due to central banks	185,775	147,335	15,161	–	–	–	–	348,271
Placements from banks and other financial institutions	118,159	82,386	14,383	2,077	3,353	2,294	2,678	225,330
Derivative financial liabilities	2,927	13,164	14,653	891	2,099	3,353	3,647	40,734
Due to customers	8,584,335	976,427	799,630	168,279	38,179	63,533	254,840	10,885,223
Bonds issued	174,698	84,086	742	9,828	1,572	5,273	1,846	278,045
Other	298,682	62,509	129,523	2,555	881	1,295	14,659	510,104
Total liabilities	10,398,071	1,865,040	992,017	211,575	54,927	81,063	465,261	14,067,954
Net on-balance sheet position	1,055,334	377,399	(73,438)	(75,348)	(38,869)	(30,920)	(30,730)	1,183,428
Net off-balance sheet position	(75,751)	(249,557)	147,721	72,896	37,780	31,254	40,651	4,994
Credit commitments	2,247,538	667,694	203,347	79,163	7,011	19,757	65,701	3,290,211

2.4 Price risk

The Group is exposed to equity risk on its available for sale listed equity securities. As at 30 June 2015, a 5 percentage variance in listed equity prices from the 30 June 2015 price would impact the fair value of available for sale listed equity positions by RMB263 million (31 December 2014: RMB247 million). For those available for sale equities considered impaired, the impact would be taken to the income statement. The Group is also exposed to commodity risk, mainly related to bullion. The Group manages such risk together with foreign exchange risk (Note IV.2.1).

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period from the financial reporting date to the contractual maturity date.

	As at 30 June 2015							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	22	178,147	228,009	120,629	197,924	1,558	–	726,289
Balances with central banks	1,651,951	495,326	27,617	–	–	–	–	2,174,894
Placements with and loans to banks and other financial institutions	–	–	317,785	98,383	179,010	15,920	–	611,098
Financial assets at fair value through profit or loss	15,984	–	11,762	15,502	22,178	30,024	24,081	119,531
Derivative financial assets	–	11,853	7,345	11,161	16,177	8,125	957	55,618
Loans and advances to customers, net	100,693	121,645	492,122	973,421	2,200,059	2,071,995	2,740,425	8,700,360
Financial investments								
— Available for sale	39,565	–	30,429	86,425	159,483	438,123	169,046	923,071
— Held to maturity	–	–	41,329	71,889	195,842	881,165	424,756	1,614,981
— Loans and receivables	–	–	44,708	108,258	199,905	201,518	76,410	630,799
Other	234,193	321,208	59,037	41,850	40,910	28,175	16,579	741,952
Total assets	2,042,408	1,128,179	1,260,143	1,527,518	3,211,488	3,676,603	3,452,254	16,298,593
Liabilities								
Due to banks and other financial institutions	–	1,157,828	169,766	107,267	317,341	198,687	–	1,950,889
Due to central banks	–	118,904	120,573	38,083	108,474	17,041	513	403,588
Placements from banks and other financial institutions	–	–	122,171	41,526	47,894	3,761	326	215,678
Derivative financial liabilities	–	7,231	7,357	7,436	17,428	7,669	1,516	48,637
Due to customers	–	4,843,425	1,347,444	1,166,769	2,560,232	1,580,974	37,703	11,536,547
Bonds issued	–	–	7,666	8,277	12,347	77,376	163,061	268,727
Other	–	167,298	110,049	89,354	116,131	65,322	59,224	607,378
Total liabilities	–	6,294,686	1,885,026	1,458,712	3,179,847	1,950,830	262,343	15,031,444
Net liquidity gap	2,042,408	(5,166,507)	(624,883)	68,806	31,641	1,725,773	3,189,911	1,267,149

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 2014							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	-	190,770	259,717	169,796	191,206	1,565	-	813,054
Balances with central banks	1,727,805	549,386	28,897	-	-	-	-	2,306,088
Placements with and loans to banks and other financial institutions	-	-	164,596	99,529	128,686	9,469	-	402,280
Financial assets at fair value through profit or loss	17,670	-	9,844	11,738	17,104	33,326	14,846	104,528
Derivative financial assets	-	8,559	5,542	5,753	21,443	4,185	2,485	47,967
Loans and advances to customers, net	32,171	111,458	391,002	1,000,634	2,106,643	2,050,490	2,602,346	8,294,744
Financial investments								
— Available for sale	37,082	-	37,339	60,324	152,721	312,691	150,528	750,685
— Held to maturity	-	-	11,079	31,189	191,746	794,693	395,756	1,424,463
— Loans and receivables	-	-	11,977	49,983	86,774	52,664	229,301	430,699
Other	228,158	287,218	35,126	29,822	25,947	48,146	22,457	676,874
Total assets	2,042,886	1,147,391	955,119	1,458,768	2,922,270	3,307,229	3,417,719	15,251,382
Liabilities								
Due to banks and other financial institutions	-	1,286,794	184,231	53,489	107,013	120,949	27,771	1,780,247
Due to central banks	-	111,482	23,020	105,721	97,741	10,307	-	348,271
Placements from banks and other financial institutions	-	-	111,587	43,772	51,424	18,547	-	225,330
Derivative financial liabilities	-	4,744	6,385	6,287	15,605	5,821	1,892	40,734
Due to customers	-	4,615,797	1,354,720	1,278,159	2,261,560	1,350,454	24,533	10,885,223
Bonds issued	-	-	10,861	35,473	17,710	39,788	174,213	278,045
Other	-	144,280	69,095	33,720	140,676	65,138	57,195	510,104
Total liabilities	-	6,163,097	1,759,899	1,556,621	2,691,729	1,611,004	285,604	14,067,954
Net liquidity gap	2,042,886	(5,015,706)	(804,780)	(97,853)	230,541	1,696,225	3,132,115	1,183,428

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value

4.1 Financial instruments measured at fair value

Financial instruments measured at fair value are classified into the following three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity securities listed on exchange or debt instrument issued by certain governments and certain exchange-traded derivative contracts.
- Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter (“OTC”) derivative contracts, debt securities for which quotations are available from pricing services providers, traded loans and issued structured deposits.
- Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group uses valuation techniques or counterparty quotations to determine the fair value of financial instruments when it is unable to obtain open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from the open market.

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity), OTC structured derivatives transactions and unlisted funds held by the Group, the management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. Management determines whether to make necessary adjustments to the fair value for the Group’s level 3 financial instruments by assessing the impact of changes in macro-economic factors, valuations by external valuation agencies and other inputs, including loss coverage ratios. The Group has established internal control procedures to control the Group’s exposure to such financial instruments.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

	As at 30 June 2015			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Financial assets at fair value through profit or loss				
— Debt securities	59	97,779	1,351	99,189
— Fund investments and other	3,409	—	—	3,409
— Loans	—	4,062	—	4,062
— Equity securities	12,871	—	—	12,871
Derivative financial assets	12,579	43,039	—	55,618
Investment securities available for sale				
— Debt securities	119,715	761,576	701	881,992
— Fund investments and other	3,934	321	11,389	15,644
— Equity securities	4,831	2,117	18,487	25,435
Financial liabilities measured at fair value through profit or loss				
Placements from banks and other financial institutions at fair value	—	(4,561)	—	(4,561)
Due to customers at fair value	—	(325,400)	—	(325,400)
Short position in debt securities	—	(12,121)	—	(12,121)
Derivative financial liabilities	(8,406)	(40,231)	—	(48,637)
	As at 31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Financial assets at fair value through profit or loss				
— Debt securities	209	81,226	850	82,285
— Fund investments and other	2,211	—	—	2,211
— Loans	—	4,144	—	4,144
— Equity securities	15,888	—	—	15,888
Derivative financial assets	11,959	36,008	—	47,967
Investment securities available for sale				
— Debt securities	34,702	676,457	979	712,138
— Fund investments and other	2,356	314	9,329	11,999
— Equity securities	4,663	2,616	19,269	26,548
Financial liabilities measured at fair value through profit or loss				
Placements from banks and other financial institutions at fair value	—	(5,776)	—	(5,776)
Due to customers at fair value	—	(317,487)	—	(317,487)
Short position in debt securities	—	(7,224)	—	(7,224)
Derivative financial liabilities	(8,191)	(32,543)	—	(40,734)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 Items

	Financial assets at fair value through profit or loss — Debt securities	Investment securities available for sale		
		Debt securities	Fund investments and other	Equity securities
As at 1 January 2015	850	979	9,329	19,269
Total gains and losses				
— profit or loss	(19)	4	39	617
— other comprehensive income	–	7	1,434	(441)
Sales	–	(72)	(869)	(1,029)
Purchases	520	30	1,456	71
Settlements	–	(1)	–	–
Transfers out of Level 3, net	–	(246)	–	–
As at 30 June 2015	1,351	701	11,389	18,487
Total gains or losses for the period included in the income statement for assets/liabilities held as at 30 June 2015	(19)	3	–	–
As at 1 January 2014	301	5,430	6,930	19,215
Total gains and losses				
— profit or loss	(7)	9	(253)	(422)
— other comprehensive income	–	40	530	(998)
Sales	(17)	(2,766)	(1,565)	(195)
Purchases	573	63	3,687	1,669
Settlements	–	–	–	–
Transfers out of Level 3, net	–	(1,797)	–	–
As at 31 December 2014	850	979	9,329	19,269
Total gains or losses for the period included in the income statement for assets/liabilities held as at 31 December 2014	(7)	5	(314)	(457)

Total gains or losses for the six month period ended 30 June 2015 and for the year ended 31 December 2014 included in the income statement as well as total gains or losses included in the income statement relating to financial instruments held at 30 June 2015 and 31 December 2014 are presented in “Net trading gains”, “Net gains on financial investments” or “Impairment losses on assets” depending on the nature or category of the related financial instruments.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Gains or losses on level 3 financial assets and liabilities included in the income statement comprise:

	For the six month period ended 30 June 2015			For the six month period ended 30 June 2014		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains/(losses)	657	(16)	641	37	(151)	(114)

The financial assets and liabilities measured at fair value have been no significant transfers between level 1 and level 2 during the six month period ended 30 June 2015.

4.2 Financial instrument not measured at fair value

Financial assets and liabilities not presented at their fair value on the statement of financial position mainly represent "Balances with central banks", "Due from banks and other financial institutions", "Placements with and loans to banks and other financial institutions", "Loans and advances to customers, net", "Financial investments" classified as held to maturity and loans and receivables, "Due to central banks", "Due to banks and other financial institutions", "Placements from banks and other financial institutions", and "Due to customers" measured at amortised cost, and "Bonds issued".

The tables below summarise the carrying amounts and fair values of "Debt securities" classified as held to maturity and loans and receivables, and "Bonds issued" not presented at fair value on the statement of financial position.

	Carrying value		Fair value	
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
Financial assets				
Debt securities ⁽¹⁾				
— Held to maturity	1,614,981	1,424,463	1,631,439	1,430,467
— Loans and receivables	295,577	276,589	296,257	276,941
Financial liabilities				
Bonds issued ⁽²⁾	268,727	278,045	274,438	289,875

(1) Debt securities classified as held to maturity and loans and receivables

The China Orient Bond and Special Purpose Treasury Bond held by the Bank are non-negotiable. As there are no observable market prices or yields reflecting arm's length transactions of a comparable size and tenor, the fair value is determined based on stated interest rate of the instruments.

Fair values of other debt securities are based on market prices or broker/dealer price quotations. Where this information is not available, the Bank will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flows models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd.

(2) Bonds issued

The aggregate fair values are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.2 Financial instrument not measured at fair value (Continued)

The tables below summarise the three levels' fair values of "Debt securities" classified as held to maturity and loans and receivables (excluding the China Orient Bond and Special Purpose Treasury Bond), and "Bonds issued" not presented at fair value on the statement of financial position.

	As at 30 June 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities				
— Held to maturity	90,619	1,540,778	42	1,631,439
— Loans and receivables	–	93,684	73	93,757
Financial liabilities				
Bonds issued	–	274,438	–	274,438

	As at 31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities				
— Held to maturity	90,276	1,340,139	52	1,430,467
— Loans and receivables	–	74,386	55	74,441
Financial liabilities				
Bonds issued	23,365	266,510	–	289,875

Other than the above, the difference between the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value on the statement of financial position are insignificant. Fair value is measured using a discounted cash flow model.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management

The Group follows the principles below with regard to capital management:

- Adequate capital and sustainable development. Implement the Scientific Outlook on Development thoroughly; follow the lead of the strategic planning of the Group development; and maintain the high quality and adequacy of capital as to meet regulation requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business in the Group.
- Allocation optimisation and benefit augmentation. Allocate capital properly by prioritizing the asset businesses with low capital occupancy and high comprehensive income, to steadily improve the efficiency and return of capital, achieving the reciprocal matchup and dynamic equilibrium among risks, assets and returns.
- Refined management and capital level improvement. Optimise the capital management system by sufficiently identifying, calculating, monitoring, mitigating, and controlling various types of risks; Incorporate capital restraints into the whole process of product pricing, resource allocation, structural adjustments, performance evaluation, etc., ensuring that the capital employed is commensurate with the related risks and the level of risk management.

Capital adequacy and regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBRC, for supervisory purposes. The required information is filed with the CBRC on a quarterly basis.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC. As a Systemically Important Bank, the Group is required to meet the requirements of the CBRC by the end of 2018, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 8.50%, 9.50% and 11.50%, respectively.

In April 2014, the Group obtained approval from the CBRC to adopt the advanced capital measurement approaches, which include Foundation Internal Ratings-based Approach for corporate exposures, Internal Ratings-based Approach for retail exposures, Internal Models Approach for market risk and Standardised Approach for operational risk. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated adopting non-advanced approaches.

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

The Group's regulatory capital is managed by its capital management related departments and consists of the following:

- Common equity tier 1 capital, including common shares, capital reserve, surplus reserve, general reserve, undistributed profits, eligible portion of minority interests and other;
- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests;
- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss provisions and eligible portion of minority interests.

Goodwill, other intangible assets (except land use rights), investments in common equity tier 1 capital of financial institutions with controlling interests but outside of the scope of regulatory consolidation, significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation and other deductible items are deducted from common equity tier 1 and tier 2 capital to derive at the regulatory capital.

The Group took various measures to manage risk-weighted assets including adjusting the composition of its on-balance and off-balance sheet assets.

The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio⁽¹⁾ calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

	As at 30 June 2015	As at 31 December 2014
Common equity tier 1 capital adequacy ratio	10.63%	10.61%
Tier 1 capital adequacy ratio	11.62%	11.35%
Capital adequacy ratio	13.69%	13.87%
Composition of the Group's capital base		
Common equity tier 1 capital	1,114,297	1,068,706
Common shares	294,388	288,731
Capital reserve	139,544	130,116
Surplus reserve	95,819	95,630
General reserve	160,113	159,291
Undistributed profits	413,477	383,213
Eligible portion of minority interests	26,587	27,329
Other ⁽²⁾	(15,631)	(15,604)
Regulatory deductions	(14,459)	(14,317)
Goodwill	(96)	(96)
Other intangible assets (except land use rights)	(4,597)	(4,554)
Gains on sales related to securitisation transactions	(150)	(131)
Direct or indirect investments in own shares	(106)	(25)
Reserve relating to cash-flow hedge items not measured at fair value	11	10
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,521)	(9,521)
Net common equity tier 1 capital	1,099,838	1,054,389
Additional tier 1 capital	102,759	72,923
Preference shares and related premium	99,714	71,745
Eligible portion of minority interests	3,045	1,178
Net tier 1 capital	1,202,597	1,127,312
Tier 2 capital	213,645	250,714
Tier 2 capital instruments issued and related premium	152,125	166,368
Excess loan loss provisions	48,799	67,299
Eligible portion of minority interests	12,721	17,047
Net capital	1,416,242	1,378,026
Risk-weighted assets	10,345,360	9,934,105

(1) When calculating the capital adequacy ratios, Bank of China Group Investment Limited, Bank of China Insurance Company Limited, Bank of China Group Insurance Company Limited and Bank of China Group Life Assurance Company Limited were excluded from the scope of subsidiary consolidation in accordance with requirements of the CBRC.

(2) This mainly represented exchange differences from the translation of foreign operations and fair value gains/(losses) on available for sale financial assets.

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

According to Hong Kong Listing Rules and disclosure regulations of the banking industry, the Group discloses the following supplementary financial information:

1 Liquidity ratios and liquidity coverage ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks (Provisional)*, the liquidity coverage ratio (“LCR”) aims to ensure that commercial banks have sufficient high-quality liquid assets (“HQLA”) that can be converted into cash to meet liquidity requirements for at least thirty days under stress scenarios determined by the CBRC. The commercial banks’ LCR should reach 100% before the end of 2018.

The formula for calculating the LCR is:

$$\text{LCR} = \frac{\text{Stock of HQLA}}{\text{Total net cash outflows over the next 30 calendar days}} \times 100\%$$

	Quarter ended 30 June 2015	Quarter ended 31 March 2015
Average value of LCR ⁽¹⁾	122.71%	122.10%

(1) When calculating the consolidated LCR, Bank of China Group Investment Limited, Bank of China Insurance Company Limited, Bank of China Group Insurance Company Limited and Bank of China Group Life Assurance Company Limited were excluded from the scope of subsidiary consolidation in accordance with requirements of the CBRC.

	As at 30 June 2015	As at 31 December 2014
RMB current assets to RMB current liabilities	41.35%	49.91%
Foreign currency current assets to foreign currency current liabilities	62.35%	59.91%

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and the CBRC.

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

2 Currency concentrations

The following information is computed in accordance with the provisions of the CBRC.

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
As at 30 June 2015				
Spot assets	1,153,900	22,018	224,106	1,400,024
Spot liabilities	(868,570)	(281,937)	(305,700)	(1,456,207)
Forward purchases	2,260,978	398,268	799,030	3,458,276
Forward sales	(2,499,792)	(182,363)	(735,256)	(3,417,411)
Net options position*	9,615	502	(730)	9,387
Net long/(short) position	56,131	(43,512)	(18,550)	(5,931)
Net structural position	23,327	134,609	47,924	205,860
As at 31 December 2014				
Spot assets	1,204,041	21,526	146,298	1,371,865
Spot liabilities	(850,686)	(219,768)	(358,942)	(1,429,396)
Forward purchases	2,111,819	359,305	688,830	3,159,954
Forward sales	(2,425,461)	(206,214)	(495,257)	(3,126,932)
Net options position*	10,598	3,550	(3,512)	10,636
Net long/(short) position	50,311	(41,601)	(22,583)	(13,873)
Net structural position	23,628	123,041	44,199	190,868

* The net option position is calculated using the delta equivalent approach as set out in the requirements of the CBRC.

3 International claims

The group discloses international claims according to "Banking (Disclosure) Rules" (L.N. 160 of 2014). International claims are risk exposures generated from the countries or geographical areas where the counterparties take the ultimate risk while considering the transfer of the risk, exclude local claims on local residents in local currency. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a counterparty whose head office is located in another country.

International claims include "Balances with central banks", "Due from and Placements with and loans to banks and other financial institutions", "Government certificates of indebtedness for bank notes issued", "Financial assets at fair value through profit or loss", "Loans and advances to customers, net" and "Financial investments".

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

3 International claims (Continued)

International claims have been disclosed by major countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers.

	Banks	Official sector	Non-bank private sector	Total
As at 30 June 2015				
Asia Pacific				
Chinese mainland	627,882	106,530	990,989	1,725,401
Hong Kong	27,623	1,589	408,841	438,053
Other Asia Pacific locations	98,410	61,724	260,877	421,011
Subtotal	753,915	169,843	1,660,707	2,584,465
North and South America	57,163	168,046	109,107	334,316
Others	90,168	37,547	107,227	234,942
Total	901,246	375,436	1,877,041	3,153,723

4 Overdue assets

For the purpose of the table below, the entire outstanding balance of “loans and advances to customers” and “placements with and loans to banks and other financial institutions” are considered overdue if either principal or interest payment is overdue.

(1) Total amount of overdue loans and advances to customers

	As at 30 June 2015	As at 31 December 2014
Total loans and advances to customers which have been overdue		
within 3 months	72,944	58,391
between 3 and 6 months	34,709	16,195
between 6 and 12 months	32,994	20,757
over 12 months	34,511	30,593
Total	175,158	125,936
Percentage		
within 3 months	0.82%	0.69%
between 3 and 6 months	0.39%	0.19%
between 6 and 12 months	0.37%	0.24%
over 12 months	0.39%	0.36%
Total	1.97%	1.48%

(2) Total amount of overdue placements with and loans to banks and other financial institutions

The total amount of overdue “placements with and loans to banks and other financial institutions” as at 30 June 2015 and 31 December 2014 is not considered material.

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX II — SUPPLEMENTARY INFORMATION — DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL INFORMATION

There are no differences in the Group's operating results for the six month period ended 30 June 2015 and 2014 or total equity as at 30 June 2015 and as at 31 December 2014 presented in the Group's condensed consolidated interim financial information prepared under IFRS and those prepared under CAS.

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

1 Scope of consolidation

When calculating the Group's consolidated (hereinafter referred as "the Group") capital adequacy ratios, Bank of China Group Investment Limited, Bank of China Insurance Company Limited, Bank of China Group Insurance Company Limited and Bank of China Group Life Assurance Company Limited were excluded from the scope of subsidiary consolidation in accordance with requirements of the CBRC. For the Bank's unconsolidated (hereinafter referred as "the Bank") capital adequacy ratio calculations, only the branches were included, while the subsidiaries and other affiliates were excluded.

2 Capital adequacy ratio

The Group and the Bank calculate the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* as follows:

	As at 30 June 2015		As at 31 December 2014	
	Group	Bank	Group	Bank
Net common equity tier 1 capital	1,099,838	967,475	1,054,389	929,096
Net tier 1 capital	1,202,597	1,067,189	1,127,312	1,000,841
Net capital	1,416,242	1,263,219	1,378,026	1,234,879
Common equity tier 1 capital adequacy ratio	10.63%	10.55%	10.61%	10.48%
Tier 1 capital adequacy ratio	11.62%	11.63%	11.35%	11.29%
Capital adequacy ratio	13.69%	13.77%	13.87%	13.93%

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

3 Risk-weighted assets

The Group's risk-weighted assets are as follows:

	As at 30 June 2015	As at 31 December 2014
Credit risk-weighted assets	9,480,208	9,007,917
Market risk-weighted assets	93,952	82,706
Operational risk-weighted assets	722,984	722,984
Additional risk-weighted assets required due to the application of the capital floor	48,216	120,498
Total risk-weighted assets	10,345,360	9,934,105

4 Credit risk exposures

The Group's credit risk exposures analysed by the calculation methods are as follows:

	As at 30 June 2015				
	On- balance sheet credit risk	Off- balance sheet credit risk	Counterparty credit risk	Total	Average risk weight
Exposures covered by Internal Ratings-based Approach	7,377,478	1,300,647	19,373	8,697,498	71.7%
Corporate exposures	5,147,201	1,154,017	19,373	6,320,591	80.7%
Retail exposures	2,230,277	146,630	–	2,376,907	47.8%
Exposures not covered by Internal Ratings-based Approach	8,757,492	418,781	183,877	9,360,150	34.6%
Of which: Asset securitisation	15,259	–	–	15,259	117.7%
Total	16,134,970	1,719,428	203,250	18,057,648	52.5%

	As at 31 December 2014				
	On- balance sheet credit risk	Off- balance sheet credit risk	Counterparty credit risk	Total	Average risk weight
Exposures covered by Internal Ratings-based Approach	6,984,988	1,341,550	16,754	8,343,292	72.2%
Corporate exposures	4,900,513	1,200,052	16,754	6,117,319	80.9%
Retail exposures	2,084,475	141,498	–	2,225,973	48.3%
Exposures not covered by Internal Ratings-based Approach	8,159,439	535,488	136,057	8,830,984	33.8%
Of which: Asset securitisation	17,636	–	–	17,636	110.9%
Total	15,144,427	1,877,038	152,811	17,174,276	52.5%

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

5 Capital requirements on market risk

The Group's capital requirements on market risk are as follows:

	Capital requirements	
	As at 30 June 2015	As at 31 December 2014
Covered by Internal Model Approach	4,264	3,830
Not covered by Internal Model Approach	3,252	2,786
Interest rate risk	2,768	2,255
Stock risk	404	361
Foreign exchange risk	–	–
Commodity risk	80	170
Total	7,516	6,616

6 VaR

The VaR and stressed VaR of the Group covered by the Internal Model Approach are as follows:

	For the six month period ended 30 June 2015			
	Average	Maximum	Minimum	End
VaR	272	365	166	212
Stressed VaR	1,229	1,997	724	940

	For the year ended 31 December 2014			
	Average	Maximum	Minimum	End
VaR	370	573	143	228
Stressed VaR	697	1,118	321	801

7 Operational risk management

During the reporting period, the Group used the standardised approach to measure the consolidated operational risk capital requirement, which amounted to RMB57,839 million. Please refer to the section "Management Discussion and Analysis-Risk Management".

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

8 Interest rate risk in the banking book

The Group manages interest rate risk in the banking book primarily through an interest rate repricing gap analysis. The interest rate repricing gap analysis (including the trading book) is set out below.

	As at 30 June 2015						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	Total
Assets							
Cash and balances with central banks	2,020,436	–	–	–	–	228,314	2,248,750
Due from banks and other financial institutions	327,490	120,447	197,823	–	–	2,947	648,707
Placements with and loans to banks and other financial institutions	145,870	82,651	155,446	15,761	–	–	399,728
Financial assets at fair value through profit or loss	9,931	13,847	17,986	23,558	19,839	13,062	98,223
Derivative financial assets	–	–	–	–	–	55,321	55,321
Reverse repurchase transactions	171,313	16,203	23,252	–	–	–	210,768
Interest receivable	–	–	–	–	–	80,743	80,743
Loans and advances to customers	1,944,656	1,773,905	4,605,459	88,659	46,259	241,342	8,700,280
Financial investments — Available for sale	43,846	117,304	151,351	393,429	159,138	10,547	875,615
Financial investments — Held to maturity	63,872	103,375	210,542	816,131	408,775	–	1,602,695
Financial investments — Loans and receivables	44,708	108,258	204,805	196,518	76,410	–	630,699
Other assets	16,703	9,473	6,965	–	–	530,529	563,670
Total assets	4,788,825	2,345,463	5,573,629	1,534,056	710,421	1,162,805	16,115,199
Liabilities							
Due to central banks	236,573	38,083	108,474	17,041	513	2,904	403,588
Due to banks and other financial institutions	1,180,221	107,067	307,548	152,567	–	203,486	1,950,889
Placements from banks and other financial institutions	88,572	39,470	47,894	3,761	–	–	179,697
Financial liabilities at fair value through profit or loss	3,496	6,323	5,887	586	390	–	16,682
Derivative financial liabilities	–	–	–	–	–	48,039	48,039
Repurchase transactions	32,617	2,056	–	–	–	–	34,673
Due to customers	6,065,922	1,192,640	2,536,432	1,553,998	26,278	163,549	11,538,819
Bonds issued	8,648	11,691	12,098	138,224	72,580	–	243,241
Other liabilities	7,402	–	–	–	–	457,688	465,090
Total liabilities	7,623,451	1,397,330	3,018,333	1,866,177	99,761	875,666	14,880,718
Total interest repricing gap	(2,834,626)	948,133	2,555,296	(332,121)	610,660	287,139	1,234,481

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

8 Interest rate risk in the banking book (Continued)

	As at 31 December 2014						Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	
Assets							
Cash and balances with central banks	2,152,838	–	–	–	–	238,373	2,391,211
Due from banks and other financial institutions	363,863	169,733	190,995	–	–	339	724,930
Placements with and loans to banks and other financial institutions	86,490	74,650	126,912	9,272	–	–	297,324
Financial assets at fair value through profit or loss	9,336	12,044	16,621	27,272	6,444	17,910	89,627
Derivative financial assets	–	–	–	–	–	47,715	47,715
Reverse repurchase transactions	76,771	24,769	1,625	–	–	–	103,165
Interest receivable	–	–	–	–	–	76,138	76,138
Loans and advances to customers	2,125,496	1,846,482	3,991,102	57,124	45,998	228,473	8,294,675
Financial investments — Available for sale	65,596	97,280	149,164	253,995	131,825	5,681	703,541
Financial investments — Held to maturity	32,527	60,862	217,462	740,189	360,515	–	1,411,555
Financial investments — Loans and receivables	11,907	49,983	92,634	47,504	228,501	–	430,529
Other assets	5,010	6,638	4,175	–	–	499,832	515,655
Total assets	4,929,834	2,342,441	4,790,690	1,135,356	773,283	1,114,461	15,086,065
Liabilities							
Due to central banks	129,603	105,721	97,741	10,307	–	4,899	348,271
Due to banks and other financial institutions	1,557,680	53,525	61,690	59,769	26,021	21,562	1,780,247
Placements from banks and other financial institutions	85,782	40,179	41,797	18,553	–	5	186,316
Financial liabilities at fair value through profit or loss	2,599	2,606	6,996	392	407	–	13,000
Derivative financial liabilities	–	–	–	–	–	40,143	40,143
Repurchase transactions	23,689	3,745	9,627	–	–	–	37,061
Due to customers	5,882,044	1,290,696	2,237,283	1,328,450	11,797	137,746	10,888,016
Bonds issued	12,264	35,124	16,477	85,512	108,072	–	257,449
Other liabilities	1,550	–	–	–	–	378,241	379,791
Total liabilities	7,695,211	1,531,596	2,471,611	1,502,983	146,297	582,596	13,930,294
Total interest repricing gap	(2,765,377)	810,845	2,319,079	(367,627)	626,986	531,865	1,155,771

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 1: Composition of capital

	As at 30 June 2015	As at 31 December 2014	Code
Common equity tier 1 capital			
1 Paid-in capital	294,388	288,731	j
2 Retained earnings	669,409	638,134	
2a Surplus reserve	95,819	95,630	q
2b General reserve	160,113	159,291	r
2c Undistributed profits	413,477	383,213	s
3 Accumulated other comprehensive income (and other reserves)	123,913	114,512	
3a Capital reserve	139,544	130,116	l
3b Currency transition differences	(22,972)	(21,447)	p
3c Others	7,341	5,843	n-p
4 Amount attributable to common equity tier 1 capital in transitional period	–	–	
5 Eligible portion of minority interests	26,587	27,329	u
6 Common equity tier 1 capital before regulatory adjustment	1,114,297	1,068,706	
Common equity tier 1 capital: regulatory adjustment			
7 Prudential valuation adjustment	–	–	
8 Goodwill, net of related deferred tax liability	(96)	(96)	-h
9 Other intangible assets (excluding land use rights) (net of deferred tax liabilities deduction)	(4,597)	(4,554)	g-f
10 Net deferred tax assets incurred due to operating losses, relying on the Bank's future profitability to be realised	–	–	
11 Reserve relating to cash-flow hedge items not measured at fair value	11	10	-o
12 Shortfall of provisions to loan losses	–	–	
13 Gains on sale of securitisation	(150)	(131)	-t
14 Unrealised gains and losses that have resulted from changes in the fair value of liabilities due to changes in own credit risk	–	–	
15 Net pension assets with fixed yield (net of deferred tax liabilities deduction)	–	–	
16 Direct or indirect investments in own shares	(106)	(25)	m
17 Reciprocal cross holdings in common equity of banks or other financial institutions based on agreement	–	–	
18 Non-significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
19 Significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
20 Collateralised loan service rights	Not applicable	Not applicable	
21 Deductible amount of other net deferred tax assets relying on the bank's future profitability	–	–	
22 Deductible amount of non-deducted part of common equity tier 1 capital of significant minority investments in financial institutions that are outside the scope of regulatory consolidation and other net deferred tax assets relying on the Bank's future profitability in excess of 15% of common equity tier 1 capital	–	–	

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2015	As at 31 December 2014	Code
23 Of which: Amount deductible out of significant minority investments in financial institutions	–	–	
24 Of which: Amount deductible out of collateralised loan service rights	Not applicable	Not applicable	
25 Of which: Amount deductible out of other net deferred tax assets relying on the Bank's future profitability	–	–	
26a Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,521)	(9,521)	-e
26b Gap of common equity tier 1 capital of controlled but unconsolidated financial institutions	–	–	
26c Total of other items deductible out of common equity tier 1 capital	–	–	
27 Non-deducted gap deductible out of additional tier 1 capital and tier 2 capital	–	–	
28 Total regulatory adjustment of common equity tier 1 capital	(14,459)	(14,317)	
29 Net common equity tier 1 capital	1,099,838	1,054,389	
Additional tier 1 capital			
30 Additional tier 1 capital instruments and related premiums	99,714	71,745	
31 Of which: Equity part	99,714	71,745	k
32 Of which: Liability part	–	–	
33 Instruments non-attributable to additional tier 1 capital after transitional period	–	–	
34 Eligible portion of minority interests	3,045	1,178	v
35 Of which: Part of instruments non-attributable to additional tier 1 capital after transitional period	–	–	
36 Additional tier 1 capital before regulatory adjustment	102,759	72,923	
Additional tier 1 capital: Regulatory adjustment			
37 Direct or indirect investments in additional tier 1 capital of own banks	–	–	
38 Additional tier 1 capital cross-held between banks or between the bank and other financial institutions based on agreement	–	–	
39 Non-significant minority investments in additional tier 1 capital of unconsolidated financial institutions (deductible part)	–	–	
40 Significant minority investments in additional tier 1 capital of financial institutions that are outside the scope of regulatory consolidation	–	–	
41a Investment in additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	
41b Gap of additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	
41c Other items deductible out of additional tier 1 capital	–	–	
42 Non-deducted gaps deductible out of tier 2 capital	–	–	
43 Total regulatory adjustment of additional tier 1 capital	–	–	
44 Net additional tier 1 capital	102,759	72,923	
45 Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)	1,202,597	1,127,312	

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2015	As at 31 December 2014	Code
Tier 2 capital			
46 Tier 2 capital instruments issued and related premiums	152,125	166,368	
47 Of which: Part of instruments non-attributable to tier 2 capital after transitional period	103,930	118,163	i
48 Eligible portion of minority interests	12,721	17,047	
49 Of which: Part of non-attributable to tier 2 capital after transitional period	3,922	6,793	
50 Excess provision included in tier 2 capital	48,799	67,299	-b-d
51 Tier 2 capital before regulatory adjustment	213,645	250,714	
Tier 2 capital: Regulatory adjustment			
52 Tier 2 capital of the bank held directly or indirectly	–	–	
53 Tier 2 capital cross-held between banks or between the bank and other financial institutions based on agreement	–	–	
54 Non-significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
55 Significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	–	–	
56a Investment in tier 2 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	
56b Gap of tier 2 capital of controlled but unconsolidated financial institutions	–	–	
56c Other items deductible out of tier 2 capital	–	–	
57 Total regulatory adjustment of tier 2 capital	–	–	
58 Net tier 2 capital	213,645	250,714	
59 Total net capital (net tier 1 capital + net tier 2 capital)	1,416,242	1,378,026	
60 Total risk-weighted assets	10,345,360	9,934,105	
Capital adequacy ratio and reserve capital requirement			
61 Common equity tier 1 capital adequacy ratio	10.63%	10.61%	
62 Tier 1 capital adequacy ratio	11.62%	11.35%	
63 Capital adequacy ratio	13.69%	13.87%	
64 Institution-specific capital requirement	3.50%	3.50%	
65 Of which: Capital reserve requirement	2.50%	2.50%	
66 Of which: Countercyclical reserve requirement	–	–	
67 Of which: Additional capital requirement of G-SIFIs	1.00%	1.00%	
68 Ratio of common equity tier 1 capital meeting buffer area to risk-weighted assets	5.63%	5.61%	
Domestic minimum regulatory capital requirement			
69 Common equity tier 1 capital adequacy ratio	5.00%	5.00%	
70 Tier 1 capital adequacy ratio	6.00%	6.00%	
71 Capital adequacy ratio	8.00%	8.00%	

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2015	As at 31 December 2014	Code
Non-deducted part of threshold deductibles			
72 Non-significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	67,498	55,840	
73 Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	3,830	3,330	
74 Collateralised loan service rights (net of deferred tax liabilities deduction)	Not applicable	Not applicable	
75 Other net deferred tax assets relying on the bank's future profitability (net of deferred tax liabilities deduction)	22,439	24,627	
Limit of excess loan loss reserve attributable to tier 2 capital			
76 Actual accrued excess loan loss reserve amount under the Regulatory Weighting Approach	10,375	–	-a
77 Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	10,375	–	-b
78 Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	69,985	67,299	-c
79 Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	38,424	67,299	-d
Capital instruments meeting exit arrangement			
80 Amount attributable to common equity tier 1 capital of the current period derived from transitional period arrangement	–	–	
81 Amount non-attributable to common equity tier 1 capital derived from transitional period arrangement	–	–	
82 Amount attributable to additional tier 1 capital of the current period derived from transitional period arrangement	–	–	
83 Amount non-attributable to additional tier 1 capital derived from transitional period arrangement	–	–	
84 Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	103,930	118,163	i
85 Amount non-attributable to tier 2 capital of the current period derived from transitional period arrangement	–	–	

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 2: Financial and regulatory consolidated balance sheet

	As at 30 June 2015		As at 31 December 2014	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
ASSETS				
Cash and balances with central banks	2,248,752	2,248,750	2,391,211	2,391,211
Due from banks and other financial institutions	652,431	648,707	727,931	724,930
Precious metals	203,070	203,070	194,531	194,531
Placements with and loans to banks and other financial institutions	400,323	399,728	299,111	297,324
Financial assets at fair value through profit or loss	119,531	98,223	104,528	89,627
Derivative financial assets	55,618	55,321	47,967	47,715
Reverse repurchase transactions	210,775	210,768	103,169	103,165
Interest receivable	81,501	80,743	76,814	76,138
Loans and advances to customers	8,700,360	8,700,280	8,294,744	8,294,675
Financial investments — Available for sale	923,071	875,615	750,685	703,541
Financial investments — Held to maturity	1,614,981	1,602,695	1,424,463	1,411,555
Financial investments — Loans and receivables	630,799	630,699	430,699	430,529
Long term equity investment	17,579	43,126	14,379	42,632
Investment properties	22,517	10,756	18,653	10,630
Property and equipment	170,112	96,271	172,197	99,604
Intangible assets	13,027	12,135	13,217	12,307
Goodwill	1,952	96	1,953	96
Deferred income tax assets	23,058	22,439	25,043	24,627
Other assets	209,136	175,777	160,087	131,228
Total assets	16,298,593	16,115,199	15,251,382	15,086,065

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 2: Financial and regulatory consolidated balance sheet (Continued)

	As at 30 June 2015		As at 31 December 2014	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
LIABILITIES				
Due to central banks	403,588	403,588	348,271	348,271
Due to banks and other financial institutions	1,950,889	1,950,889	1,780,247	1,780,247
Placements from banks and other financial institutions	181,005	179,697	188,269	186,316
Financial liabilities at fair value through profit or loss	16,682	16,682	13,000	13,000
Derivative financial liabilities	48,637	48,039	40,734	40,143
Repurchase transactions	34,673	34,673	37,061	37,061
Due to customers	11,536,547	11,538,819	10,885,223	10,888,016
Benefits payable	23,607	23,379	30,724	30,323
Tax payable	29,024	28,493	41,636	41,161
Interest payable	157,848	157,848	163,228	163,210
Contingent liabilities	2,470	2,470	2,616	2,616
Bonds issued	268,727	243,241	278,045	257,449
Deferred income tax liabilities	4,741	1,158	4,287	1,280
Other liabilities	373,006	251,742	254,613	141,201
Total liabilities	15,031,444	14,880,718	14,067,954	13,930,294
EQUITY				
Share capital	294,388	294,388	288,731	288,731
Other equity instruments	99,714	99,714	71,745	71,745
Capital reserve	140,225	139,544	130,797	130,116
Less: Treasury shares	(106)	(106)	(25)	(25)
Other comprehensive income	(12,230)	(15,631)	(13,671)	(15,604)
Surplus reserve	96,393	95,819	96,105	95,630
General reserve	160,176	160,113	159,341	159,291
Undistributed profits	441,525	413,477	407,836	383,213
Capital and reserves attributable to equity holders of the Bank	1,220,085	1,187,318	1,140,859	1,113,097
Non-controlling interests	47,064	47,163	42,569	42,674
Total equity	1,267,149	1,234,481	1,183,428	1,155,771
Total equity and liabilities	16,298,593	16,115,199	15,251,382	15,086,065

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 3: Reconciliation and illustration of balance sheet items

	As at 30 June 2015	As at 31 December 2014	Code
ASSETS			
Cash and balances with central banks	2,248,750	2,391,211	
Due from banks and other financial institutions	648,707	724,930	
Precious metals	203,070	194,531	
Placements with and loans to banks and other financial institutions	399,728	297,324	
Financial assets at fair value through profit or loss	98,223	89,627	
Derivative financial assets	55,321	47,715	
Reverse repurchase transactions	210,768	103,165	
Interest receivable	80,743	76,138	
Loans and advances to customers	8,700,280	8,294,675	
Of which: Actual accrued excess loan loss reserve amount under the Regulatory Weighting Approach	(10,375)	–	a
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	(10,375)	–	b
Of which: Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	(69,985)	(67,299)	c
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	(38,424)	(67,299)	d
Financial investments — Available for sale	875,615	703,541	
Financial investments — Held to maturity	1,602,695	1,411,555	
Financial investments — Loans and receivables	630,699	430,529	
Long term equity investment	43,126	42,632	
Of which: Investment in common equity capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,521	9,521	e
Investment properties	10,756	10,630	
Property and equipment	96,271	99,604	
Intangible assets	12,135	12,307	f
Of which: Land use rights	7,538	7,753	g
Goodwill	96	96	h
Deferred income tax assets	22,439	24,627	
Other assets	175,777	131,228	
Total assets	16,115,199	15,086,065	

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 3: Reconciliation and illustration of balance sheet items (Continued)

	As at 30 June 2015	As at 31 December 2014	Code
LIABILITIES			
Due to central banks	403,588	348,271	
Due to banks and other financial institutions	1,950,889	1,780,247	
Placements from banks and other financial institutions	179,697	186,316	
Financial liabilities at fair value through profit or loss	16,682	13,000	
Derivative financial liabilities	48,039	40,143	
Repurchase transactions	34,673	37,061	
Customer deposits	11,538,819	10,888,016	
Benefits payable	23,379	30,323	
Tax payable	28,493	41,161	
Interest payable	157,848	163,210	
Contingent liabilities	2,470	2,616	
Bonds issued	243,241	257,449	
Of which: Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	103,930	118,163	i
Deferred income tax liabilities	1,158	1,280	
Other liabilities	251,742	141,201	
Total liabilities	14,880,718	13,930,294	
EQUITY			
Share capital	294,388	288,731	j
Other equity instruments	99,714	71,745	k
Capital reserve	139,544	130,116	l
Less: Treasury shares	(106)	(25)	m
Other cumulative comprehensive earnings and disclosed reserves	(15,631)	(15,604)	n
Of which: Reserve relating to cash-flow hedge items not measured at fair value	(11)	(10)	o
Of which: Currency translation differences	(22,972)	(21,447)	p
Surplus reserve	95,819	95,630	q
General reserve	160,113	159,291	r
Undistributed profits	413,477	383,213	s
Of which: Gain on sale of securitisation	150	131	t
Capital and reserves attributable to equity holders of the Bank	1,187,318	1,113,097	
Non-controlling interests	47,163	42,674	
Of which: Amount attributable to common equity capital	26,587	27,329	u
Of which: Amount attributable to additional tier 1 capital	3,045	1,178	v
Total equity	1,234,481	1,155,771	
Total equity and liabilities	16,115,199	15,086,065	

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 4: Main attributes of capital instruments

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference shares (A share)	Preference shares (H share)	Preference shares (A share)
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	601988.SH	3988.HK	360002.SH	4601.HK	360010.SH
3	Applicable law	PRC law	Hong Kong SAR law	PRC law	Hong Kong SAR law	PRC law
Regulatory processing						
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Common equity tier 1 capital	Common equity tier 1 capital	Tier 1 capital	Tier 1 capital	Tier 1 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Common equity tier 1 capital	Common equity tier 1 capital	Tier 1 capital	Tier 1 capital	Tier 1 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Common shares	Common shares	Preference shares	Preference shares	Preference shares
8	Amount attributable to regulatory capital (the last reporting day)	282,501	151,808	31,963	39,782	27,969
9	Par value of instrument	210,766	83,622	32,000	39,940	28,000
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve	Other equity instrument	Other equity instrument	Other equity instrument
11	Initial issuing date	2006/6/29	2006/6/1 2006/6/9	2014/11/21	2014/10/23	2015/3/13
12	Term (term or perpetual)	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Not applicable	Not applicable	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter
16	Of which: Subsequent redemption date (if any)	Not applicable	Not applicable	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter

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(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference shares (A share)	Preference shares (H share)	Preference shares (A share)
Dividend or interest payment						
17	Of which: Fixed or floating dividend or interest payment	Floating	Floating	Fixed	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	Not applicable	Not applicable	6%	6.75%	5.50%
19	Of which: Existence of dividend brake mechanism	No	No	No	No	No
20	Of which: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	No	No	Yes	Yes	Yes
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET 1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) Upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. "Tier 2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (i) the CBRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET 1 CAR drops to 5.125% or below, the Offshore Preference Shares shall be wholly or partly converted into H Shares so as to restore the CET1 CAR above the trigger point; (2) Upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Offshore Preference Shares shall be converted into H Shares. "Tier 2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (i) the CBRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET 1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) Upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. "Tier 2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (i) the CBRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference shares (A share)	Preference shares (H share)	Preference shares (A share)
Dividend or interest payment (Continued)						
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Whole/part	Whole/part	Whole/part
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB2.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalisation, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds etc.)), or rights issue for A Shares, the Bank will make an adjustment to the compulsory conversion	The initial conversion price of the Offshore Preference Shares is the average trading price of H Shares of the Bank in the 20 trading days prior to the announcement date (i.e. 2014/5/13) of the Board resolution on the Offshore Preference Shares issuance, equivalent to HKD3.44 per H Share, which has been approved by General Meeting. The conversion price will be subject to adjustment in the following events: (a) if the Bank shall issue any H Shares credited as fully paid to holders of H Shares by way of a distribution of bonus shares or a capitalisation issue; (b) if the Bank shall issue any H Shares by way of a rights issue; (c) if the Bank shall issue (otherwise than rights issue) any H Shares (other than H Shares issued on the compulsory conversion	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB2.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalisation, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds etc.)), or rights issue for A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but

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(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference shares (A share)	Preference shares (H share)	Preference shares (A share)
	Dividend or interest payment (Continued)			price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary share	of the Offshore Preference Shares or on the exercise of any other rights of conversion into, or exchange or subscription for H Shares), at a price per H Share which is less than the Current Market Price per H Share on the date of the announcement of the terms of such issue or grant; (d) if the Bank repurchases any of its Ordinary Shares, or is subject to a merger, division or any other circumstances that may lead to any change in the Bank's share classes, number and/or shareholders' equity and thereby affect the rights and interests of the Offshore Preference Shareholders, the Bank is entitled to adjust the compulsory conversion price in a fair, just and equitable manner in order to protect the rights and interests of the Offshore Preference Shareholders	the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary share

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference shares (A share)	Preference shares (H share)	Preference shares (A share)
Dividend or interest payment (Continued)						
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Yes	Yes	Yes
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	A common share	H common share	A common share
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Bank of China Limited	Bank of China Limited	Bank of China Limited
30	Write-down feature	No	No	No	No	No
31	Of which: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
32	Of which: Please specify write down in whole or in part, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the depositor, general creditor, and subordinated debt	The lower priority behind the depositor, general creditor, and subordinated debt	The lower priority behind the depositor, general creditor, and subordinated debt
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No
	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	Bank of China Limited	Bank of China Limited
2	Identification code	1428010.IB	5828.HK
3	Applicable law	PRC law	English law (Provisions relating to subordination shall be governed by PRC law)
Regulatory processing			
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level
7	Instrument type	Eligible tier 2 capital bond	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	29,970	18,225
9	Par value of instrument	30,000	18,341
10	Accounting treatment	Bonds Issued	Bonds Issued
11	Initial issuing date	2014/8/8	2014/11/13
12	Term (term or perpetual)	Term	Term
13	Of which: Original maturity date	2024/8/11	2024/11/13
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2019/8/11)	Not applicable
16	Of which: Subsequent redemption date (if any)	Subject to the Redemption Conditions, the Notes are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the Notes are outstanding which has the effect that the Notes, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the Notes are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the Notes are outstanding which has the effect that the Notes, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment			
17	Of which: Fixed or floating dividend or interest payment	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	5.80%	5%
19	Of which: Existence of dividend brake mechanism	No	No
20	Of which: Discretion to cancel dividend or interest payment	Not applicable	Not applicable
21	Of which: Existence of redemption incentive mechanism	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	No	No
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable
30	Write-down feature	Yes	Yes
31	Of which: Please specify the trigger point of write-down, if allowed	“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
32	Of which: Please specify write down in whole or in part, if write-down is allowed	Write-down in whole	Write-down in whole
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Perpetual write-down	Perpetual write-down
34	Of which: Please specify the book- entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor
36	Does the instrument contain temporary illegible attribute? Of which: If yes, please specify such attribute	No Not applicable	No Not applicable

Appendix

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX IV — LEVERAGE RATIO

The leverage ratio of the Group calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* is as follows⁽¹⁾⁽²⁾:

No.	Items	As at 30 June 2015
1	Total consolidated assets	16,298,593
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(9,521)
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	60,103
5	Adjustments for securities financing transactions	13,815
6	Adjustments for off-balance sheet exposures	1,700,971
7	Other adjustments	(188,028)
8	Adjusted on- and off-balance sheet assets	17,875,933

No.	Items	As at 30 June 2015
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	15,849,110
2	Less: tier 1 capital deductions	14,459
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	15,834,651
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	55,321
5	Add-on amounts for potential future exposure associated with all derivative transactions	60,400
6	Gross-up for derivative collateral provided where deducted from the balance sheet assets	–
7	Less: Deductions of receivable assets for cash variation margin provided in derivative transactions	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–
9	Adjusted effective notional amount of written credit derivatives	–
10	Less: Deductible amounts for written credit derivatives	–
11	Total derivative exposures	115,721
12	Accounting balance for securities financing transaction assets	210,768
13	Less: Deducted amounts for securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction assets	13,822
15	Agent transaction exposures	–
16	Balance of assets in securities financing transactions	224,590
17	Off-balance sheet items	3,672,266
18	Less: Adjustments for conversion to credit equivalent amounts	1,971,295
19	Adjusted off-balance sheet exposures	1,700,971
20	Net tier 1 capital	1,202,597
21	Adjusted on- and off-balance sheet exposures	17,875,933
22	Leverage ratio	6.73%

(1) When calculating the consolidated leverage ratio, the scope for consolidation is in accordance with the requirements of the *Capital Rules for Commercial Banks (Provisional)*. For more details please refer to the section “1 scope of consolidation” in “Appendix III — capital adequacy ratio supplementary information.”

(2) As at 31 March 2015, the leverage ratio of the Group calculated in accordance with the regulatory requirements mentioned above was 6.88%. The net tier 1 capital amounted to RMB1,212,919 million and the total adjusted on-balance sheet and off-balance sheet assets amounted to RMB17,624,946 million.

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