



中国光大银行
CHINA EVERBRIGHT BANK

China Everbright Bank Company Limited

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

Stock Code : 6818

2015 
INTERIM REPORT





Cover Illustration: “Tasting Victory Together” by Tang Shuangning

Backstory: On the list of the Fortune Global 500 released by Fortune magazine in July 2015, China Everbright Group Limited claimed its place for the first time, ranking No.420. Mr. Tang Shuangning, Chairman of the Group, along with the board and the management team, expressed their heartfelt gratitude to all men and women of the group and their families, as well as friends who have stood by the Group along the way! To mark this event, Mr. Tang drew a Chinese ink painting, based on a Chinese tale: In the celebration of the crushing victory against the Huns, the invading nomadic group, the Emperor Wu of the Han Dynasty awarded a pot of exquisite wine to General Huo Qubing, the commander of the Han troops. General Huo, who thought the hard-earned victory should be attributed to the whole army’s braveness and sacrifices, poured the wine into a spring and asked all his officers and soldiers to drink the spring water with a taste of wine. This story is also believed to be the origin of the name of Jiuquan (literally “Wine Spring”), a city of Gansu province in the northwestern part of China.

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Chapter I Important Notice and Definition

I. Important Notice

- (I) The Board of Directors, Board of Supervisors and Directors, Supervisors and Senior Management of the Bank hereby warrant the authenticity, accuracy and completeness of the contents of this report and that there are no false representations, misleading statements or material omissions, and jointly and severally accept full responsibility for the information in this report.
- (II) The Bank did not implement any profit distribution or capitalization of capital reserves for the first half of 2015.
- (III) The 34th meeting of the Sixth Session of the Board of Directors of the Bank was convened in Beijing on 28 August, 2015, at which the 2015 Interim Report of the Bank was considered and approved. 14 out of 16 eligible Directors attended the meeting in person. Mr. Ma Teng and Mr. Yang Jigui, both directors, did not attend the meeting in person due to other work engagements. Mr. Zhao Huan was authorized to attend the meeting and exercise the voting right on the behalf of Mr. Ma Teng and Mr. Yang Jigui.
- (IV) The financial statements of the Bank for the first half of 2015 were prepared in accordance with the PRC Generally Accepted Accounting Principles (“PRC GAAP”) and the International Financial Reporting Standards (“IFRSs”) and have been reviewed by KPMG Huazhen LLP and KPMG in accordance with Chinese and Hong Kong standards on review engagements, respectively.
- (V) Mr. Tang Shuangning, Chairman of the Board of Directors, Mr. Zhao Huan, President and Mr. Xie Rong, Independent Non-Executive Director hereby warrant the authenticity, accuracy and completeness of the financial statements in this report.
- (VI) Unless otherwise stated, all monetary sums stated in this report are expressed in Renminbi/RMB.
- (VII) Forward-looking statements such as future plans of the Bank mentioned in this report do not constitute actual commitments of the Bank to the investors. Investors are cautioned against the investment risks.
- (VIII) In this report, “We/we”, the “Company”, the “Bank”, “our Company”, “Whole Bank” and “China Everbright Bank” refer to China Everbright Bank Company Limited, and the “Group” refers to China Everbright Bank Company Limited and its subsidiaries.

II. Definition

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

Ministry of Finance	:	Ministry of Finance of the People's Republic of China
Central Bank	:	The People's Bank of China
CBRC	:	China Banking Regulatory Commission
CSRC	:	China Securities Regulatory Commission
CIC	:	China Investment Corporation
CHI	:	Central Huijin Investment Ltd.
Everbright Group	:	China Everbright Group Limited
SSE	:	Shanghai Stock Exchange
HKSE	:	The Stock Exchange of Hong Kong Limited

(II) The terms in this report are general concepts adopted in the banking industry. For certain special terms used in connection with products of the Bank which may cause investors' difficulty in understanding their technical meanings, please refer to the 2014 annual report of the Bank.

Chapter II Corporate Information

- I. Registered Name in Chinese: 中國光大銀行股份有限公司 (Abbreviation: 中國光大銀行 or 光大銀行)
Registered Name in English: CHINA EVERBRIGHT BANK COMPANY LIMITED
(Abbreviation: CEB BANK)
- II. Legal Representative: TANG Shuangning
Authorised Representatives: ZHAO Huan, CAI Yunge
- III. Secretary to the Board of Directors & Company Secretary: CAI Yunge
Securities Affairs Representative: LI Jiayan
Assistant to Company Secretary: LEE Mei Yi
Office Address: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing
Postcode: 100033
Tel: 010-63636363
Fax: 010-63636713
E-mail: IR@cebbank.com
Investor hotline: 010-63636388
- IV. Registered Address: Beijing
Office Address: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing
Postcode: 100033
Website: www.cebbank.com
- V. Principal Place of Business in Hong Kong: 30/F, Far East Finance Centre, No. 16,
Harcourt Road, Admiralty, Hong Kong
- VI. Newspaper and Website Designated for Information Disclosure:
Mainland China: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by CSRC for publication of A share interim report:
SSE's website: www.sse.com.cn,
Company's website: www.cebbank.com
Website for publication of H share interim report:
HKSE's website: www.hkex.com.hk,
Company's website: www.cebbank.com
Copies of the interim report are available at: Office of the Board of Directors of the Bank
- VII. Stock Exchanges for Listing of Shares:
A share: SSE
Abbreviated name of Ordinary Shares: Everbright Bank;
Stock code of Ordinary Shares: 601818
Abbreviated name of Preference Shares: 光大優1;
Stock code of Preference Shares: 360013 (SSE Comprehensive Business Platform)
H share: HKSE
Abbreviated name: CEB Bank;
Stock code: 6818

VIII. Change of Registration during the Reporting Period:

Initial registration date: June 18, 1992

Initial registration place: Beijing

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

Date of change of registration: March 9, 2011

Changed registration place: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing

Business license registration number for enterprise legal person: 100000000011748

Code of financial authority: B0007H111000001

Tax registration No: 110102100011743

Code of organisation: 10001174-3

IX. Auditors

Domestic Auditor: KPMG Huazhen LLP

Office Address: 8/F, Office Tower E2, Oriental Plaza, Beijing;

Certified Public Accountants for Signature: Jin Naiwen, Huang Aizhou

Overseas Auditor: KPMG

Office Address: 8/F, Prince's Building, No. 10, Charter Road, Central, Hong Kong

X. A Share Legal Advisor: Jun He Law Offices

H Share Legal Advisor: Herbert Smith Freehills

XI. A Share Registrar: Shanghai Branch, China Securities Depository and Clearing Corporation Limited

Office Address: 36/F, China Insurance Building, No. 166, Lujiazui East Road, Pudong New District, Shanghai

H Share Registrar: Computershare Hong Kong Investor Services Limited

Office Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Chapter III Summary of Accounting Data and Financial Indicators

I. Key Financial Data and Indicators

Item	January – June, 2015	January – June, 2014	Change (%)	January – June, 2013
Operating performance (RMB million)				
Net interest income	32,105	27,838	15.33	26,054
Net fee and commission income	13,558	8,632	57.07	7,349
Operating income	45,587	37,560	21.37	33,838
Operating expenses	(15,710)	(13,661)	15.00	(12,160)
Impairment losses on assets	(8,387)	(3,128)	168.13	(2,250)
Profit before tax	21,490	20,771	3.46	19,428
Net profit	16,267	15,872	2.49	14,939
Net profit attributable to equity shareholders of the Bank	16,241	15,845	2.50	14,917
Per share (in RMB)				
Basic and diluted earnings per share	0.35	0.34	2.94	0.37

	June 30, 2015	December 31, 2014	Change (%)	December 31, 2013
Net asset per share attributable to equity shareholders of the Bank	4.03	3.83	5.22	3.30

Profitability indicators (%)	January – June, 2015	January – June, 2014	Change	January – June, 2013
Return on average total assets	1.13	1.25	-0.12 percentage point	1.26
Return on weighted average equity	17.30	19.40	-2.10 percentage point	24.59
Net interest spread	2.03	1.99	0.04 percentage point	2.04
Net interest margin	2.27	2.25	0.02 percentage point	2.23
Proportion of fee and commission income in operating income	29.74	22.98	6.76 percentage point	21.72
Cost-to-income ratio	26.69	28.38	-1.69 percentage point	27.93

Item	June 30, 2015	December 31, 2014	Change (%)	December 31, 2013
Scale indicators (RMB million)				
Total assets	3,000,336	2,737,010	9.62	2,415,086
Net loans and advances to customers	1,386,947	1,271,430	9.09	1,142,138
Total liabilities	2,791,880	2,557,527	9.16	2,262,034
Deposits from customers	1,894,576	1,785,337	6.12	1,605,278
Equity attributable to equity shareholders of the Bank	207,925	178,975	16.18	152,839
Share capital	46,679	46,679	–	46,277
Asset quality indicators (%)				
Non-performing loan ratio	1.42	1.19	+0.23 percentage point	0.86
Provision coverage ratio	155.18	180.52	-25.34 percentage point	241.02
Provision-to-loan ratio	2.20	2.16	+0.04 percentage point	2.07

Note: The calculation of basic and diluted earnings per share, return on weighted average equity and net assets per share excluded the effect of the issuance of preference shares. And it is same thereafter.

II. Supplementary Financial Indicators

Unit: %

Item	Standard Value	June 30, 2015	December 31, 2014	December 31, 2013	
Liquidity ratio	RMB	≥25	46.81	45.90	33.12
	Foreign currency	≥25	94.14	109.61	59.65
Loan to deposit ratio	RMB	≤75	72.87	70.86	72.06
	Currencies converted into RMB	≤75	72.30	70.10	72.59
Loan exposure to single largest customer		≤10	2.65	3.05	3.70
Loan exposure to top ten customers		≤50	14.02	15.19	18.92

Note: The above data of the Bank is calculated in accordance with the regulatory requirements of the CBRC.

Chapter III Summary of Accounting Data and Financial Indicators

III. Capital Composition and Changes

Capital adequacy ratios calculated in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* (released by the CBRC on June 7, 2012) are as follows:

Unit: RMB million, %

	June 30, 2015		31 December, 2014	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Net capital base	240,386	235,695	212,719	208,280
1.1 Core tier-1 capital	188,342	186,624	179,356	177,853
1.2 Core tier-1 capital deductions	(2,021)	(4,891)	(2,085)	(4,955)
1.3 Net core tier-1 capital	186,321	181,733	177,271	172,898
1.4 Other tier-1 capitals	19,988	19,965	10	–
1.5 Other tier-1 capital deductions	–	–	–	–
1.6 Net tier-1 capital	206,309	201,698	177,281	172,898
1.7 Tier-2 capital	34,077	33,997	35,438	35,382
1.8 Tier-2 capital deductions	–	–	–	–
2. Credit risk weighted asset	1,881,485	1,849,747	1,766,454	1,744,119
3. Market risk weighted asset	7,629	7,629	4,400	4,400
4. Operational risk weighted asset	127,376	126,051	127,377	126,051
5. Total risk weighted assets	2,016,490	1,983,427	1,898,231	1,874,570
6. Core tier-1 capital adequacy ratio	9.24	9.16	9.34	9.22
7. Tier-1 capital adequacy ratio	10.23	10.17	9.34	9.22
8. Capital adequacy ratio	11.92	11.88	11.21	11.11

- Note:
- All domestic and overseas branches, as well as invested financial institutions within the scope of consolidated management in accordance with the Provisional Regulation, should calculate the consolidated capital adequacy ratios. The invested financial institutions within the scope of consolidated management include Everbright Financial Leasing Co., Ltd., Shaoshan Everbright Village Bank Co., Ltd., and Jiangsu Huai'an Everbright Village Bank Co., Ltd.
 - Core tier-1 net capital = Core tier-1 capital – Core tier-1 capital deductions; Net tier-1 capital = Net core tier-1 capital + Other tier-1 capital – Other tier-1 capital deductions; Total net capital = Net tier-1 capital + Tier-2 capital – Tier-2 capital deductions.
 - As at the end of the reporting period, the aggregate amount of risk exposure of the Bank's credit risk asset portfolio after mitigation was RMB3,108.4 billion.
 - Please refer to the website of the Bank for details of the capital composition.

IV. Leverage Ratio

Please refer to unaudited supplementary financial information to the financial statements for details.

Chapter IV Report of the Board of Directors

I. Business Review

(I) Stable growth of business scale

As at the end of the reporting period, the total assets of the Group were RMB3,000.336 billion, representing an increase of RMB263.326 billion, or 9.62% as compared with those at the end of the previous year. The total liabilities were RMB2,791.880 billion, representing an increase of RMB234.353 billion or 9.16% as compared with the end of the previous year. Total deposits from customers were RMB1,894.576 billion, representing an increase of RMB109.239 billion or 6.12% as compared with the end of the previous year. Total loans and advances were RMB1,418.201 billion, representing an increase of RMB118.746 billion or 9.14% as compared with those at the end of the previous year. Loan-to-deposit ratio of currencies converted into RMB was 72.30%, which was well controlled within the statutory limit.

(II) Gradual improvement of profitability

During the reporting period, operation income of the Group was RMB45.587 billion, representing a year-on-year increase of RMB8.027 billion or 21.37%. Actual operating expenses were RMB15.710 billion, representing a year-on-year increase of RMB2.049 billion or 15.00%. Profit before tax was RMB21.490 billion, representing a year-on-year increase of RMB719 million or 3.46%. Net profit was RMB16.267 billion, representing a year-on-year increase of RMB395 million or 2.49%.

In light of the continuous advancement in interest rate liberalization in China, the Group tightened the control over liability costs, resulting in a year-on-year increase of 2 basis points in net interest margin during the reporting period. Net fee and commission income recorded a year-on-year increase of 57.07%. Return on average total assets was 1.13%, a year-on-year decrease of 0.12 percentage point. Return on weighted average equity was 17.30%, representing a year-on-year decrease of 2.10 percentage points.

(III) Overall controllable risks of asset quality

As at the end of the reporting period, the Group's non-performing loans were RMB20,141 million, representing an increase of RMB4,616 million as compared with the end of the previous year. Non-performing loan ratio was 1.42%, up by 0.23 percentage points as compared with the end of the previous year. Credit provision coverage ratio was 155.18%, down by 25.34 percentage points as compared with the end of the previous year.

(IV) Improvement in capital adequacy

The Company successfully issued the preference shares and the capital adequacy improved. As at the end of the reporting period, the Group's capital adequacy ratio reached 11.92%, up by 0.71 percentage points as compared with that at the end of the previous year. Core tier-1 capital adequacy ratio and tier-1 capital adequacy ratio was 9.24% and 10.23%, down by 0.1 percentage point and up by 0.89 percentage point as compared with that at the end of the previous year.

Chapter IV Report of the Board of Directors

II. Income Statement Analysis

(I) Changes in items of Income Statement

Unit: RMB million

Item	January – June, 2015	January – June, 2014	Change
Net interest income	32,105	27,838	4,267
Net fee and commission income	13,558	8,632	4,926
Net trading (losses)/gains	(337)	1,227	(1,564)
Dividend income	4	–	4
Net gains/(losses) arising from investment securities	5	(99)	104
Net foreign exchange gains/(losses)	160	(233)	393
Other operating income	92	195	(103)
Operating expenses	15,710	13,661	2,049
Impairment losses on assets	8,387	3,128	5,259
Profit before tax	21,490	20,771	719
Income tax	5,223	4,899	324
Net profit	16,267	15,872	395
Net profit attributable to equity shareholders of the Bank	16,241	15,845	396

(II) Operating income

During the reporting period, operation income of the Group was RMB45,587 million, representing a year-on-year increase of RMB8,027 million or 21.37%, mainly due to the increase in net interest income and net fee and commission income. The proportion of net interest income was 70.43%, representing a year-on-year decrease of 3.69 percentage points. The proportion of net fee and commission income was 29.74%, representing a year-on-year increase of 6.76 percentage points.

Unit: %

Item	January – June, 2015	January – June, 2014
Net interest income	70.43	74.12
Net fee and commission income	29.74	22.98
Other income	(0.17)	2.90
Total operating income	100.00	100.00

(III) Net interest income

During the reporting period, the Group's net interest income was RMB32,105 million, representing a year-on-year increase of RMB4,267 million or 15.33%. Net interest spread was 2.03%, representing a year-on-year increase of 4 basis points; and net interest margin was 2.27%, representing a year-on-year increase of 2 basis points.

Unit: RMB million, %

	January – June, 2015			January – June, 2014		
	Average Balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
Interest-earning assets						
Loans and advances to customers	1,406,953	41,897	5.96	1,238,839	39,062	6.31
Investments	684,359	18,212	5.32	548,884	13,986	5.10
Deposits with the central bank	343,857	2,524	1.47	327,538	2,426	1.48
Placements and deposits with financial institutions and financial assets held under resale agreements	387,592	8,516	4.39	362,396	10,668	5.89
Total interest-earning assets	2,822,761	71,149	5.04	2,477,657	66,142	5.34
Interest income		71,149			66,142	
Interest-bearing liabilities						
Deposits from customers	1,815,795	23,962	2.64	1,658,191	22,813	2.75
Placements and deposits from financial institutions and financial assets sold under repurchase agreements	649,046	12,203	3.76	584,933	14,585	4.99
Debt securities issued	127,922	2,879	4.50	42,715	906	4.24
Total interest-bearing liabilities	2,592,763	39,044	3.01	2,285,839	38,304	3.35
Interest expense		39,044			38,304	
Net interest income		32,105			27,838	
Net interest spread			2.03			1.99
Net interest margin			2.27			2.25

Note: 1. Net interest spread is the difference between average yield of total interest-earning assets and average cost of total interest-bearing liabilities;

2. Net interest margin is net interest income divided by the average balance of total interest-earning assets.

Chapter IV Report of the Board of Directors

(IV) Interest income

During the reporting period, the Group's interest income was RMB71,149 million, representing a year-on-year increase of RMB5,007 million or 7.57%. Interest income from loans and advances to customers is the major source of the Group's interest income.

1. Interest income from loans and advances to customers

The Group's interest income from loans and advances to customers was RMB41,897 million, representing a year-on-year increase of RMB2,835 million or 7.26%, mainly due to the year-on-year increase in the average balance of loans and advances to customers.

Unit: RMB million, %

Item	January – June, 2015			January – June, 2014		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	882,948	26,681	6.04	801,907	25,279	6.30
Retail loans	473,101	13,749	5.81	417,728	13,017	6.23
Discounted bills	50,904	1,467	5.76	19,204	766	7.98
Total loans and advances to customers	1,406,953	41,897	5.96	1,238,839	39,062	6.31

2. Interest income from investments

The Group's interest income from investments was RMB18,212 million, representing a year-on-year increase of RMB4,226 million or 30.22%, mainly due to the year-on-year increase in both average balance and average yield from investments.

3. Interest income from placements and deposits with financial institutions and financial assets held under resale agreements

The Group's interest income from placements and deposits with financial institutions and assets held under resale agreements was RMB8,516 million, representing a year-on-year decrease of RMB2,152 million or 20.17%, mainly due to the decrease in average yield of interest income from placements and deposits with financial institutions and assets held under resale agreements.

(V) Interest expense

During the reporting period, the Group's interest expense was RMB39,044 million, representing a year-on-year increase of RMB740 million or 1.93%. Interest expense on deposits from customers is a major part of the Group's interest expense.

1. Interest expense on deposits from customers

Interest expense on deposits from customers was RMB23,962 million, representing a year-on-year increase of RMB1,149 million or 5.04%, mainly due to the year-on-year increase in average balance of deposits from customers.

Unit: RMB million, %

Item	January – June, 2015			January – June, 2014		
	Average Balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
Corporate deposits	1,389,839	17,839	2.57	1,256,630	16,375	2.61
Including: Demand deposits	445,699	1,558	0.70	430,043	1,531	0.71
Time deposits	944,140	16,281	3.45	826,587	14,844	3.59
Retail deposits	425,956	6,123	2.87	401,561	6,438	3.21
Including: Demand deposits	109,182	325	0.60	92,116	222	0.48
Time deposits	316,774	5,798	3.66	309,445	6,216	4.02
Total deposits from customers	1,815,795	23,962	2.64	1,658,191	22,813	2.75

2. Interest expense on placements and deposits from financial institutions, and financial assets sold under repurchase agreements

Interest expense on placements and deposits from financial institutions, and financial assets sold under repurchase agreements of the Group was RMB12,203 million, representing a year-on-year decrease of RMB2,382 million or 16.33%, mainly due to the year-on-year decrease in average cost of placements and deposits from financial institutions, and financial assets sold under repurchase agreements.

3. Interest expense on debt securities issued

The Group's interest expense on debt securities issued was RMB2,879 million, representing a year-on-year increase of RMB1,973 million or 217.77%, mainly due to the year-on-year increase in both average balance and average cost of debt securities issued.

Chapter IV Report of the Board of Directors

(VI) Net fee and commission income

During the reporting period, the Group's net fee and commission income was RMB13,558 million, representing a year-on-year increase of RMB4,926 million or 57.07%, mainly due to the significant increase in bank card service fees and wealth management service fees, of which, income from bank card service fees increased by RMB1,972 million year-on-year or 47.27%, and income from wealth management service fees increased by RMB2,677 million year-on-year or 274.85%.

Unit: RMB million

Item	January – June, 2015	January – June, 2014
Fee and commission income	14,211	9,258
Underwriting and advisory fees	913	1,054
Bank card service fees	6,144	4,172
Settlement and clearing fees	829	1,143
Wealth management service fees	3,651	974
Acceptance and guarantee fees	599	629
Agency service fees	627	352
Custody and other fiduciary business fees	815	554
Others	633	380
Fee and commission expense	653	626
Net fee and commission income	13,558	8,632

(VII) Other income

During the reporting period, the Group's other income was negative RMB76 million, representing a year-on-year decrease of RMB1,166 million or 106.97%, mainly due to the increase of fair value changes losses.

Unit: RMB million

Item	January – June, 2015	January – June, 2014
Net trading (losses)/gains	(337)	1,227
Dividend income	4	–
Net gains/(losses) arising from investment securities	5	(99)
Net foreign exchange gains/(losses)	160	(233)
Other operating income	92	195
Total	(76)	1,090

(VIII) Operating expenses

During the reporting period, the Group's operating expenses were RMB15,710 million, a year-on-year increase of RMB2,049 million or 15.00%. Cost-to-income ratio was 26.69%, representing a year-on-year decrease of 1.69 percentage point. Staff costs, which were the major component of operating expense, amounted to RMB7,761 million during the reporting period, up by RMB1,265 million or 19.47% year-on-year.

Unit: RMB million

Item	January – June, 2015	January – June, 2014
Staff costs	7,761	6,496
Premises and equipment expenses	2,191	1,942
Business tax and surcharges	3,543	3,002
Others	2,215	2,221
Total operating expense	15,710	13,661

(IX) Impairment losses on assets

During the reporting period, impairment losses on assets of the Group were RMB8,387 million, representing a year-on-year increase of RMB5,259 million or 168.13%, mainly due to the increase in impairment losses on loans and advances.

Unit: RMB million

Item	January – June, 2015	January – June, 2014
Impairment losses on loans and advances to customers	7,687	3,280
Impairment losses on held-to-maturity investments	1	(253)
Impairment losses on available-for-sale financial assets	–	(13)
Impairment losses on debt securities classified as receivables	494	37
Others	205	77
Total impairment losses on assets	8,387	3,128

(X) Income tax

During the reporting period, the Group's income tax was RMB5,223 million, representing a year-on-year increase of RMB324 million or 6.61%.

Chapter IV Report of the Board of Directors

III. Balance Sheet Analysis

(I) Assets

At the end of the reporting period, the total assets of the Bank reached RMB3,000,336 million, representing an increase of RMB263,326 million or 9.62% as compared with those at the end of the previous year, mainly due to the increase in loans and advances to customers, investment securities and other financial assets and etc..

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Total loans and advances to customers	1,418,201		1,299,455	
Provision for impairment of loans	(31,254)		(28,025)	
Net loans and advances to customers	1,386,947	46.23	1,271,430	46.45
Deposits with banks and other financial institutions	53,974	1.80	40,316	1.47
Cash and deposits with the central bank	344,523	11.48	354,185	12.94
Investment securities and other financial assets	845,413	28.18	589,626	21.54
Placements with banks and other financial institutions, and financial assets held under resale agreements	290,260	9.67	419,415	15.32
Interests receivable	16,799	0.56	14,621	0.53
Fixed assets	12,739	0.42	13,043	0.48
Goodwill	1,281	0.04	1,281	0.05
Deferred tax assets	3,579	0.12	3,034	0.11
Other assets	44,821	1.50	30,059	1.11
Total assets	3,000,336	100.00	2,737,010	100.00

1. Loan and advances

At the end of the reporting period, the Group's total loans and advances to customers were RMB1,418,201 million, representing an increase of RMB118,746 million or 9.14% as compared with those at the end of the previous year. Net loans and advances to customers accounted for 46.23% of total assets, representing a decrease of 0.22 percentage point as compared with that at the end of the previous year. It was mainly due to the rapid increase in investment securities and placements with banks and other financial institutions, representing a bigger proportion of the Bank's total assets.

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Corporate loans	893,069	62.97	820,139	63.11
Retail loans	489,899	34.55	458,385	35.28
Discounted bills	35,233	2.48	20,931	1.61
Total loans and advances to customers	1,418,201	100.00	1,299,455	100.00

2. Investments

At the end of the reporting period, the Group's investments in securities and other financial assets were RMB845,413 million, representing an increase of RMB255,787 million as compared with those at the end of the previous year, accounting for 28.18% of total assets, and representing an increase of 6.64 percentage points as compared with that at the end of the previous year.

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	9,901	1.17	4,377	0.74
Positive fair value of derivatives	1,036	0.12	1,082	0.18
Available-for-sale financial assets	200,155	23.68	138,559	23.50
Held-to-maturity investments	126,914	15.01	111,697	18.94
Debt securities classified as receivables	507,407	60.02	333,911	56.64
Total investment in securities and other financial assets	845,413	100.00	589,626	100.00

3. Types and amounts of financial bonds held

Unit: RMB million

Type	Amount
Financial assets at fair value through profit or loss	1,044
Available-for-sale financial assets	41,947
Held-to-maturity investments	17,817
Total	60,808

4. Top 10 financial bonds held

Unit: RMB million, %

Name of bonds	Nominal value	Annual interest rate	Maturity date	Provision for impairment Losses
Bond 1	1,690	4.89	2016-10-24	—
Bond 2	1,460	5-day average of 3-month Shibor +0.30	2016-06-16	—
Bond 3	1,160	4.23	2021-11-05	—
Bond 4	1,070	5-day average of 3-month Shibor -0.20	2018-06-09	—
Bond 5	1,050	4.04	2019-07-22	—
Bond 6	1,050	One-year time deposit interest rate +0.70	2019-09-23	—
Bond 7	1,040	3.42	2015-08-02	—
Bond 8	990	4.21	2025-04-13	—
Bond 9	940	3.42	2018-11-25	—
Bond 10	900	4.58	2022-08-20	—

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5. Goodwill

The Group's goodwill cost was RMB6,019 million. At the end of the reporting period, the provision for impairment losses on goodwill was RMB4,738 million, and the carrying value of goodwill was RMB1,281 million, which was the same as that at the end of the previous year.

(II) Liabilities

At the end of the reporting period, the Group's total liabilities reached RMB2,791,880 million, representing an increase of RMB234,353 million or 9.16% as compared with those at the end of the previous year, mainly due to the increase in deposits from customers and etc..

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Due to the central bank	11,040	0.40	30,040	1.17
Deposits from customers	1,894,576	67.86	1,785,337	69.81
Deposits from banks and other financial institutions	589,927	21.13	507,187	19.83
Placements from banks and other financial institutions, and financial assets sold under repurchase agreements	76,428	2.74	88,516	3.46
Negative fair value of derivatives	1,302	0.05	781	0.03
Accrued staff costs	10,584	0.38	9,668	0.38
Taxes payable	4,851	0.17	3,829	0.15
Interests payable	29,091	1.04	29,950	1.17
Debt securities issued	157,224	5.63	89,676	3.51
Other liabilities	16,857	0.60	12,543	0.49
Total liabilities	2,791,880	100.00	2,557,527	100.00

Note: Deposits include structured deposits measured at fair value as specified, same hereinafter.

At the end of the reporting period, the balance of the Group' deposits from customers reached RMB1,894,576 million, representing an increase of RMB109,239 million or 6.12% as compared with that at the end of the previous year.

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Corporate customers	1,433,840	75.69	1,367,857	76.62
Including: Demand deposits	487,659	25.75	486,562	27.26
Time deposits	946,181	49.94	881,295	49.36
Retail customers	358,553	18.92	345,154	19.33
Including: Demand deposits	126,835	6.69	119,794	6.71
Time deposits	231,718	12.23	225,360	12.62
Other deposits	102,183	5.39	72,326	4.05
Total deposits from customers	1,894,576	100.00	1,785,337	100.00

(III) Equity of shareholders

At the end of the reporting period, the equity attributable to equity shareholders of the Bank was RMB207,925 million, representing an increase of RMB28,950 million as compared with that at the end of the previous year. This change was primarily attributed to: (i) net profit attributable to equity shareholders of the Bank of RMB16,241 million; (ii) increase in fair value of available-for-sale financial assets of RMB1,426 million; (iii) increase in equity of shareholders of RMB19,965 million due to the issuance of preference shares; and (iv) distribution of dividends for 2014, resulting in a decrease of RMB8,682 million in equity of shareholders.

Unit: RMB million

Item	June 30, 2015	December 31, 2014
Share capital	46,679	46,679
Other equity instruments	19,965	–
Capital reserve	33,365	33,365
Other comprehensive income	1,648	222
Surplus reserve	12,050	12,050
General reserve	33,903	33,903
Retained earnings	60,315	52,756
Total equity attributable to equity shareholders of the Bank	207,925	178,975
Non-controlling interests	531	508
Total equity	208,456	179,483

(IV) Off-balance sheet items

The Group's off-balance sheet items are mainly credit commitments, including loan and credit card commitments, acceptances, letters of guarantee, letters of credit and guarantees. As at the end of the reporting period, the total amount of credit commitments was RMB746,457 million, representing a decrease of RMB25,823 million as compared with that as at the end of the previous year, mainly due to a decrease of RMB23,775 million in letters of credit.

Unit: RMB million

Item	June 30, 2015	December 31, 2014
Loan and credit card commitments	123,943	131,532
Acceptances	476,373	473,866
Letters of guarantee	65,493	62,459
Letters of credit	80,463	104,238
Guarantees	185	185
Total	746,457	772,280

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IV. Cash Flow Analysis

Total net cash generated from the Group's operating activities was RMB200,349 million, of which cash inflow from operating activities was RMB33,769 million; cash inflow from changes in operating assets was RMB5,213 million; cash inflow from changes in operating liabilities was RMB161,367 million.

Net cash outflow from investing activities was RMB254,797 million, of which cash inflow from disposal and redemption of investments was RMB84,966 million; cash outflow from cash payment in investments was RMB339,179 million.

Net cash inflow from financing activities was RMB74,624 million, of which cash inflow generated from the issuance of inter-bank negotiable certificate of deposits was RMB67,548 million; cash received from the issuance of preference shares was RMB19,965 million.

V. Analysis of Loan Quality

(I) Distribution of loans by industry

During the reporting period, the Bank focused on the economic restructuring and the business transformation and upgrade, so as to aggressively adjust the credit portfolio by industry, and hence the loan proportion of manufacturing, wholesale and retail industries declined, whereas the loans of infrastructure, livelihood and consumption-related sectors increased.

The following table sets out the Group's distribution of loans by industry:

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Manufacturing	248,717	27.85	234,451	28.59
Real estate	140,675	15.75	125,922	15.35
Wholesale and retail trade	137,741	15.42	149,031	18.17
Transportation, storage and postal services	68,380	7.66	63,537	7.75
Construction	53,771	6.02	47,193	5.75
Leasing and commercial services	53,509	5.99	51,533	6.28
Water, environment and public utility management	50,035	5.60	38,684	4.72
Mining	37,140	4.16	32,004	3.90
Production and supply of power, gas and water	25,114	2.81	23,047	2.81
Agriculture, forestry, animal husbandry and fishery	17,727	1.98	12,931	1.58
Others	60,260	6.76	41,806	5.10
Subtotal of corporate loans	893,069	100.00	820,139	100.00
Personal loans	489,899	–	458,385	–
Discounted bills	35,233	–	20,931	–
Gross loans and advances to customers	1,418,201	–	1,299,455	–

Note: Other industries consist of Public administration and social organization; accommodation and catering; financial services; scientific research, technical services and geological prospecting; resident services and other services; health, social security and social welfare; culture, sports and entertainment, etc., same hereinafter.

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(II) Distribution of loans by geographical segment

The Bank had stable distribution of loans by geographical segment, of which Yangtze River Delta and Pearl River Delta saw a decline, with the increases in both the Central and Northeastern regions, which resulted in a more balanced distribution by geographical segment.

The following table sets out the Group's distribution of loans by geographical segment:

Unit: RMB million, %

Region	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	284,348	20.05	261,847	20.15
Pearl River Delta	185,009	13.05	170,874	13.15
Bohai Rim	254,390	17.94	239,130	18.40
Central	215,647	15.21	195,254	15.02
Western	214,351	15.11	197,769	15.22
Northeastern	90,068	6.35	80,385	6.19
Hong Kong	18,613	1.31	14,535	1.12
Head Office	155,775	10.98	139,661	10.75
Gross loans and advances to customers	1,418,201	100.00	1,299,455	100.00

(III) Types of loan guarantee and their proportions

The Bank's proportion of guaranteed, mortgage and pledge loans reached 70.40%, and credit loans mainly came from clients with high credit rating.

The following table sets out the types of loan guarantee of the Group:

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Unsecured loans	419,780	29.60	397,697	30.60
Guaranteed loans	295,731	20.85	293,787	22.61
Mortgage loans	551,891	38.92	492,366	37.89
Pledge loans	150,799	10.63	115,605	8.90
Gross loans and advances to customers	1,418,201	100.00	1,299,455	100.00

(IV) Top 10 loan customers

Unit: RMB million, %

Name	Industry	June 30, 2015	Proportion to total loans	Proportion to net capital
		Balance of loans		
Borrower A	Transportation, storage and postal services	6,375	0.45	2.65
Borrower B	Public administration and social organization	4,795	0.34	2.00
Borrower C	Real estate	3,400	0.24	1.42
Borrower D	Manufacturing	3,002	0.21	1.25
Borrower E	Wholesale and retail trade	2,990	0.21	1.24
Borrower F	Real estate	2,950	0.21	1.23
Borrower G	Manufacturing	2,700	0.19	1.12
Borrower H	Public administration and social organization	2,530	0.18	1.05
Borrower I	Transportation, storage and postal services	2,510	0.18	1.04
Borrower J	Leasing and commercial services	2,460	0.17	1.02
Total amount		33,712	2.38	14.02

Note: The proportion of the balance of loans to net capital is calculated according to the relevant requirements of the CBRC.

(V) Five-category loan classification

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Pass	1,337,002	94.27	1,241,912	95.57
Special mention	61,058	4.31	42,018	3.24
Substandard	11,289	0.80	8,685	0.67
Doubtful	6,555	0.46	4,864	0.37
Loss	2,297	0.16	1,976	0.15
Gross loans and advances to customers	1,418,201	100.00	1,299,455	100.00
Performing loans	1,398,060	98.58	1,283,930	98.81
Non-performing loans	20,141	1.42	15,525	1.19

(VI) Loan migration ratio

Unit: %

Item	June 30, 2015	December 31, 2014	December 31, 2013
Loan migration ratio of normal loans	2.69	4.08	1.77
Loan migration ratio of special mention loans	18.80	26.68	17.47
Loan migration ratio of substandard loans	40.97	64.04	86.45
Loan migration ratio of doubtful loans	9.52	28.77	21.48

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(VII) Restructured loans and overdue loans

1. Restructured loans

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Restructured loans and advances	11,193	0.79	4,632	0.36
Less: Restructured loans and advances overdue for more than 90 days	3,471	0.25	858	0.07
Restructured loans and advances overdue for less than 90 days	7,722	0.54	3,774	0.29

2. Please refer to notes to the financial statements for details of overdue loans.

(VIII) Non-performing loans by business type

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Corporate loans	15,311	76.02	11,939	76.90
Retail loans	4,830	23.98	3,586	23.10
Discounted bills	–	–	–	–
Total amount of non-performing loans	20,141	100.00	15,525	100.00

(IX) Distribution of non-performing loans by geographical segment

Unit: RMB million, %

Region	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	4,619	22.93	4,609	29.69
Pearl River Delta	3,279	16.28	3,011	19.40
Bohai Rim	2,215	11.00	1,519	9.78
Central	3,488	17.32	1,983	12.77
Western	3,642	18.08	1,927	12.41
Northeastern	626	3.11	631	4.07
Hong Kong	–	–	–	–
Head Office	2,272	11.28	1,845	11.88
Total amount of non-performing loans	20,141	100.00	15,525	100.00

(X) Distribution of non-performing loans by industry

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Manufacturing	6,046	30.02	5,201	33.50
Wholesale and retail trade	5,567	27.64	5,092	32.80
Real estate	430	2.13	469	3.02
Transportation, storage and postal services	191	0.95	121	0.78
Leasing and commercial services	121	0.60	31	0.20
Water, environment and public facilities management	–	–	–	–
Construction	222	1.10	201	1.29
Mining	1,603	7.96	618	3.98
Production and supply of power, gas and water	–	–	–	–
Public administration and social organization	11	0.05	12	0.08
Others	1,120	5.57	194	1.25
Total amount of corporate loans	15,311	76.02	11,939	76.90
Personal loans	4,830	23.98	3,586	23.10
Discounted bills	–	–	–	–
Total amount of non-performing loans	20,141	100.00	15,525	100.00

(XI) Distribution of non-performing loans by guarantee type

Unit: RMB million, %

Item	June 30, 2015		December 31, 2014	
	Balance	Percentage	Balance	Percentage
Unsecured loans	3,485	17.30	2,911	18.75
Guaranteed loans	9,602	47.68	6,344	40.86
Mortgage loans	5,877	29.18	5,590	36.01
Pledge loans	1,177	5.84	680	4.38
Total amount of non-performing loans	20,141	100	15,525	100.00

(XII) Repossessed assets and provision for impairment

Unit: RMB million

Item	June 30, 2015	December 31, 2014
Cost of repossessed assets	308.83	308.49
Including: land, buildings and structures	308.49	308.49
Others	0.34	–
Less: provision for impairment	15.07	4.19
Net value of repossessed assets	293.76	304.30

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(XIII) Provision for loan impairment and write-offs

Unit: RMB million

Item	June 30, 2015	December 31, 2014
Balance at the beginning of the period/year	28,025	24,172
Charge for the period/year	7,996	10,548
Release for the period/year	(309)	(567)
Recoveries	161	330
Unwinding of discount (note)	(362)	(558)
Write-offs during the period/year	(1,986)	(4,096)
Disposal in the period/year	(2,271)	(1,804)
Balance at the end of the period/year	31,254	28,025

Note: It refers to cumulative interest income of impaired loans due to the subsequent increase in present value over time.

(XIV) Interest receivable and bad debt provision

1. Change in on-balance sheet interest receivable

Unit: RMB million

Item	Balance at the beginning of the period	Increase in the period	Decrease in the period	Balance at the end of the period
On-balance sheet interest receivable	14,657	26,471	24,294	16,834

2. Bad debt provision for interests receivable

Unit: RMB million

Item	June 30, 2015	December 31, 2014	Decrease
Balance of bad debt provision for interest receivable	35	36	-1

(XV) Other receivables and bad debt provision

1. Change in other receivables

Unit: RMB million

Item	June 30, 2015	December 31, 2014	Increase
Other receivables	4,093	2,866	1,227

2. Bad debt provision for other receivables

Unit: RMB million

Item	June 30, 2015	December 31, 2014	Increase
Balance of bad debt provision for other receivables	508	500	8

VI. Capital Adequacy Ratio Analysis

Please refer to the “Summary of Accounting Data and Financial Indicators” for the details.

VII. Segment Performance

(I) Performance by geographical segment

Unit: RMB million

Region	January – June, 2015		January – June, 2014	
	Operating Income	Total Profit	Operating income	Total profit
Yangtze River Delta	7,608	2,504	6,345	2,769
Pearl River Delta	5,170	1,626	4,439	2,084
Bohai Rim	8,257	4,358	6,687	4,012
Central	5,933	2,307	5,128	2,840
Western	4,900	1,498	4,630	2,637
Northeastern	2,357	785	1,975	1,097
Head Office	11,248	8,372	8,300	5,341
Hong Kong	114	40	56	(9)
Total	45,587	21,490	37,560	20,771

(II) Performance by business function

Unit: RMB million

Item	January – June, 2015		January – June, 2014	
	Operating Income	Total profit	Operating income	Total profit
Corporate banking business	26,342	12,349	23,314	13,041
Retail banking business	16,782	6,901	11,420	4,887
Treasury business	2,410	2,208	2,748	2,799
Other business	53	32	78	44
Total	45,587	21,490	37,560	20,771

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VIII. Others

(I) Changes in Major Financial Indicators and Reasons

Unit: RMB million, %

Item	June 30, 2015	December 31, 2014	Increase or decrease	Major reasons for change
Deposits with banks and other financial institutions	53,974	40,316	33.88	Increase in scale of deposits with banks based on treasury position and changes in the market interest rate
Placements with banks and other financial institutions	75,370	132,733	-43.22	Decrease in scale of placements based on treasury position and changes in the market interest rate
Financial assets at fair value through profit or loss	9,901	4,377	126.21	Increase in financial assets held for trading and trading volume of precious metal business
Available-for-sale financial assets	200,155	138,559	44.45	Increase in scale of investment in available-for-sale debt securities and income-guaranteed wealth management products
Debt securities classified as receivables	507,407	333,911	51.96	Increase in scale of investment in beneficial interest and exposure in wealth management products issued by other banks
Other assets	44,821	30,059	49.11	Expansion in scale of financial leasing business and increase in the amount of financial lease receivables
Due to the central bank	11,040	30,040	-63.25	Decrease in amount due to the central bank
Negative fair value of derivatives	1,302	781	66.71	Affected by changes in RMB exchange rate, the loss from revaluation of some foreign exchange swaps increased
Financial assets sold under repurchase agreements	31,102	51,772	-39.93	Decrease in scale of financial assets sold under repurchase agreements based on liquidity management
Debts securities issued	157,224	89,676	75.32	Increase in scale of interbank negotiable certificate of deposits
Other liabilities	16,857	12,543	34.39	Increase in funds pending clearance
Other equity instruments	19,965	-	Not applicable	Issuance of preference shares

Item	January – June, 2015	January – June, 2014	Increase or decrease	Major reasons for change
Net fee and commission income	13,558	8,632	57.07	Increase in service fee income from intermediary services including bank cards and wealth management, etc.
Net gains/(losses) arising from investment securities	5	(99)	Not applicable	Increase in income from disposal of a portion of the securities to take profit
Net trading (losses)/gains	(337)	1,227	-127.47	With the changes in forward RMB exchange rate, and valuation change of certain matured foreign exchange swaps were transferred out, net trading losses in fair value change increase
Net foreign exchange gains/(losses)	160	(233)	Not applicable	With the changes in spot RMB exchange rate, and valuation change of certain matured foreign exchange swaps were transferred into net foreign exchange gains, foreign exchange gain increase
Other operating income	92	195	-52.82	Decrease in both proceeds from loans disposed of and financial subsidy granted to subsidiaries
Impairment losses on assets	(8,387)	(3,128)	168.13	Increase in amount of provisions for impairment loss on loans
Other total comprehensive income	1,426	3,076	-53.64	Sharper decrease in market interest rate during the same period last year resulted in higher valuation gains

(II) Overdue and outstanding debts

During the reporting period, the Bank did not incur any overdue and outstanding debts.

IX. Performance of Business Lines

(I) Corporate banking business

1. Corporate deposit and loans

The Company actively prevented and controlled credit risks, enhanced product integration and innovation, satisfied customers' capital needs with comprehensive financial services and promoted continued enhancement of its credit structure, thereby achieving a balanced development of assets and liabilities and a steady rise in profitability. As at the end of the reporting period, the Bank's corporate deposits amounted to RMB1,439,253 million (including those corporate related deposits in other deposits), an increase of RMB68,930 million or 5.03% from that as at the end of the previous year. Among these deposits, core corporate deposits amounted to RMB1,122,376 million, an increase of RMB57,084 million or 5.36% from that as at the end of the previous year. The Bank's total corporate loans (excluding discounted bills) amounted to RMB893,069 million, an increase of RMB72,930 million or 8.89% from that as at the end of the previous year.

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2. Small and micro finance business

Adhering to its business strategy of providing “small-amount, decentralised, standardised and convenient” services, the Bank responded to the clients’ demands for short-term, frequently-needed and quickly-approved finance and enhance the efficiency of its small and micro credit approval, provided small and micro lending clients under RMB5 million credit with a series of small-amount and quickly-approved financing products. According to the SME categorisation standards jointly issued by the Ministry of Industry and Information Technology and other three ministries in 2011 and the regulatory requirements of CBRC, the balance of the Bank’s small and micro lending amounted to RMB280,600 million as at the end of the reporting period, an increase of RMB34,115 million or 13.84% from that as at the end of the previous year, well above the bank-wide average lending growth rate. The number of small and micro lending clients was 127,200, a year-on-year increase of 67,000.

3. Investment banking business

The Bank actively provided customers with debt financing services, including short-term commercial papers, medium-term notes, super-short-term commercial papers, private placement notes and collective notes of small and micro enterprises. As at the end of the reporting period, the Bank served as a leading underwriter for non-financial corporate debt financing instruments of RMB112,675 million in aggregate, securing a high ranking among joint-stock commercial banks of the same nature. As a financial advisor, the Bank designed and provided customers with various financial solutions including financial derivatives, debt financing instruments and structured financing.

4. Asset custody business

To increase its capability to serve the market, the Bank enhanced product innovation according to market demand, stepped up its marketing efforts for custody products and established a comprehensive custody product system. The Bank secured its leading position among its peers in terms of the scale of trust assets safekeeping, insurance funds custody and wealth management funds custody. As at the end of the reporting period, both the asset scale of and the income from the Bank’s custody business recorded a new high, with the former reaching RMB3,536,000 million, increasing RMB699,900 million or 25% from that as at the end of the previous year, and the latter reaching RMB767 million, up by RMB271 million or 55% year-on-year.

5. Pension business

The Bank’s pension business adhered to the “sincere and wise, precise and safe” service principles and continued to refine the “Enjoyable Welfare Plan” and “Flexible Welfare Plan” products. Taking into consideration the ongoing reforms of the pension and insurance system and the trend of pension finance development while consolidating financial service resources related to pension and welfare management, the Bank made every effort in establishing the “Pension and Benefits Express” brand for financial services to provide corporate and business units as well as individuals with a full range of multi-dimensional and one-stop integrated financial services. As at the end of the reporting period, the Bank’s pension assets under custody amounted to RMB37,122 million, and 950,300 personal pension and welfare accounts in total were managed by the Bank.

6. Trade banking business

The Bank proactively implemented its strategic plan for the development of overseas business and stepped up its efforts for international presence. The Bank fostered its business in the Pilot Free Trade Zones in Shanghai, Tianjin, Fujian and Guangzhou and enhanced business collaborations among its branches in China's mainland and its Hong Kong branch, and intensified its research and development of innovative products with a focus on international businesses. The Bank also constantly improved its system of rules and regulations and carried out risk review from multiple perspectives and at different layers, thereby maintaining the steady development of its trade banking business. As at the end of the reporting period, the total value of its international settlement business amounted to an equivalent of USD47,586 million in aggregate and the net fee-based income of trade banking business reached RMB1,221 million.

(II) Retail banking business

1. Personal deposit business

Adhering to the “deposits-based” operating strategy, the retail banking business line of the Bank maintained the growth of its total personal deposits at a reasonable pace while gradually increasing the proportion of its core deposits. As at the end of the reporting period, the personal deposits of the Bank amounted to RMB455,323 million (including those retail banking related deposit in other deposits), representing an increase of RMB40,309 million from that as at the end of the previous year, among which the core deposits amounted to RMB256,509 million, up by RMB7,565 million from the end of the previous year. Daily average balance of its personal deposits amounted to RMB425,632 million, an increase of RMB27,592 million from that as at the end of the previous year, among which, daily average balance of its core deposits amounted to RMB248,074 million, increasing RMB18,838 million from that as at the end of the previous year. The costs of deposits continued to be reduced through structural adjustment. As at the end of the reporting period, the average interest rate of personal deposits decreased by 21BPs as compared with that at the end of the previous year.

2. Personal loan business

The Bank achieved its working targets of business scale growth, structural improvement, on-par performance with peers and controllable quality of its assets. With its personal mortgage loan business playing a leading role, it launched some innovative products such as White-collar Easy Loans. It relaunched loans with pledged equity in a timely manner and explored the introduction of the “Full Link” mode to enhance its vehicle consumption loan. As at the end of the reporting period, the balance of personal loans amounted to RMB334,135 million (excluding credit cards), an increase of RMB13,864 million or 4.33% from that as at the end of the previous year, among which the balance of consumer credit amounted to RMB177,968 million, an increase of RMB19,313 million from that as at the end of the previous year. The NPL ratio of personal loans was 0.77%, lower than the average of its comparable peers.

3. Private banking business

During the reporting period, the Bank established an independent department for private banking business, a secondary department under the Retail Banking Department. This organisational change has facilitated the building of business team. Based on its products and clients, and with support from its systems and internal control, the Bank thoroughly probed into the needs of its customers. In addition, the Bank built up an institutional framework for the private banking business to foster its brand building efforts. As at the end of the reporting period, the Bank had 21,678 private banking customers, representing an increase of 3,368 customers or 18.40% from that as at the end of the previous year. The total assets under management of private banking business amounted to RMB194,500 million, up by RMB26,000 million or 15.40% from the figure as at the end of the previous year.

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4. Bank card business

(1) Debit card business

The Bank continued to enhance its debit card products and their features. Through expanding the range of application in various sectors, the Bank developed financial IC cards and commenced cooperation in various sectors including transportation, social security, education, community services and corporate services. Meanwhile, the Bank developed its refined customer segments and issued specific debit cards to cater for customers in need of different functions including payroll credit, micro financing and overseas financing. As at the end of the reporting period, the Bank issued 52,960,000 debit cards in total, representing an increase of 2,400,000 cards from that as at the beginning of the year.

(2) Credit card business

The Bank drove the development of its credit card business through innovation, made full play on the edge of the Internet and mobile internet channels and continued to upgrade its O2O system to draw customers while the business functions of the credit card mobile APP was further improved. In addition, the concept of big data was fully employed in the area of risk management and control, resulting in better asset quality and all-rounded improvements of customer experience. As at the end of the reporting period, 1,934,400 new credit cards were issued, bringing the accumulated number of credit cards issued to 25,706,100. Balance of credit card overdraft was RMB155,764 million, a year-on-year increase of 32.00%. The total operating income from credit cards business was RMB8,887 million, representing a year-on-year increase of 40.00%.

(3) Treasury and interbank business

1. Treasury business

Pursuant to the requirements of the second-generation payment system of the central bank, the Bank formulated a management solution for its treasury business to facilitate comprehensive and refined management. The Bank stepped up its operations in the money market in accordance with the market situation and its own liquidity conditions, which helped improve its capital efficiency and market influence. On the basis of ensuring its own liquidity safety, the Bank optimised and adjusted the bond accounts portfolio in terms of type and term, allocating more resources to government bonds and corporate bonds with high safety and profitability. As at the end of the reporting period, the Bank's RMB and foreign currency denominated assets reached RMB371,546 million, accounting for 12.52% of its total assets, among which the bond portfolio of the Bank reached RMB291,265 million and interest income was RMB5,793 million, a year-on-year increase of 16.75%. The total settlement volume of its RMB denominated bonds amounted to RMB8.07 trillion, ranking the first among joint-stock banks of the same type.

2. Interbank business

According top priority to risk management and liquidity safety of its interbank business, the Bank adjusted its product mix and strengthened its refined management, in order to keep its interbank business at an appropriate scale. The Bank furthered the reform of special institutions for interbank business pursuant to the requirements of regulatory authorities. The Bank also continued to advance its collaboration with other banks in asset and liability businesses, vigorously expanding its cooperation with non-banking financial institutions. As at the end of the reporting period, the balances of interbank deposits, placements with banks and discounted notes were RMB589,927 million, RMB53,974 million and RMB35,233 million respectively.

(IV) Asset management business

In terms of funds, the wealth management and asset management businesses of the Bank continued to enhance its customer mix and expand its sales channels while further upgrading its standard of information disclosure. In terms of assets, the Bank strengthened the build-up of investment research capability, maintained and improved its dumbbell-shaped investment structure. The Bank also enhanced its structural financing for large-scale infrastructure projects as well as innovating and developing corporate asset securitisation projects, thereby enriching and expanding its business lineup in the capital market. In addition, the Bank advanced its risk management capability and other foundation work such as improving the IT system at its roots, so as to secure healthy and fast-paced development of related businesses. As at the end of the reporting period, the scale of wealth management products surpassed the RMB1,000,000 million mark and reached RMB1,004,014 million, increased by 18% from that as at the end of the previous year; net fee income of the wealth management business amounted to RMB3,651 million for the first half of the year, achieving wealth management investment gains of RMB32,708 million for clients; all wealth management products under the Bank's "Sunshine Smart" brand were successfully cashed upon maturity, while the risk level of outstanding wealth management products remained normal.

(V) E-banking business

The e-banking business of the Bank promoted the integration of its internal and external electronic channels, putting particular emphasis on building the six principal businesses of "Sunshine Bank," "Cloud Payment," "Cloud Billing," "e Financing," "e Wealth Management" and "e Commerce." The Bank proactively pushed forward business model innovations, comprehensively upgraded its mobile finance strategy, and succeeded in boosting the popularity of its key e-banking brands. The overall business also saw rapid development. As at the end of the reporting period, the number of mobile banking customers reached 16.36 million, a rise of 30% from that as at the end of the previous year; the number of retail e-banking customers reached 18.50 million, increasing by 20% from that as at the end of the previous year; the number of electronic payment customers was 8.64 million, up by 10% from that as at the end of the previous year; e-banking business recorded a comprehensive income of RMB2,780 million, representing a year-on-year increase of 119%.

X. Information Technology

During the reporting period, the Bank's operation remained safe and sound without major security incident, ranking among the best in the CBRC IT Supervision's assessment.

The Bank completed the implementation of key projects, such as the system for Direct Bank, the Enterprise Customer Information Facility and the Centralized Operation Business Processing System. The Bank also enhanced and improved its online supply chain system, its retail marketing and sales management platform as well as its private banking system, while pushing forward the establishment of the Customer Line Management platform and the Sunshine Asset Management System. As a result, the Bank succeeded in providing an integrated and comprehensive financial solution covering both corporate clients and retail clients. Technologies including cloud computing and big data were applied to build an internal cloud computing platform for the Bank as well as cloud infrastructure construction for its intermediary businesses. Various technological innovation projects were fielded bank-wide, such as the Third Party Cross Border Settlements, online custody services for property transaction funds, corporate smart settlement payment cards, enhanced smart bill supplier as well as ETC Co-branded Card.

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XI. Business Innovation

The Bank launched a comprehensive range of initiatives to promote product and service innovations in relation to the Bank's principal businesses, including corporate finance, retail finance and internet finance. The Bank also continued to seek innovative developments of intermediary businesses including investment banking, asset management, interbank business, custody and credit card services. The Bank played an active role in the preliminary research on the letter of guarantee business under the "General Customs Duty Guarantee" of the General Administration of Customs. For the customs area integration project in collaboration with the General Administration of Customs, after the successful operation of the regional integration project in the Beijing-Tianjin-Hebei integration area, the project was also launched in the Yangtze River Economic Belt integration area. Furthermore, the Bank also initiated the construction of a "marketing engine" targeting large-scale retail business clients using the integrated terminal, and established a retail marketing and sales management platform; the innovative "Cloud Payment" business model was introduced and the leading "Cloud Billing" brand was expanded from the "Inclusive Financial System" to the "Smart City," leading to the successful operation of the first "e Commerce" project.

XII. Investment Analysis

(1) Equity investment

- The balance of the Bank's long-term equity investment was RMB2,875 million, basically the same compared with that as at the end of the previous year.
- Holding of shares of other listed companies**

Unit: shares, %, USD ten thousand

Stock code	Abbreviated stock name	Number of shares held	Shareholding proportion	Closing book value
V	Visa Inc	4,061	0.0027	108.27

3. Holding of shares of unlisted financial enterprises

Unit: RMB ten thousand, ten thousand shares, %

Investment entity	Investment Amount	Number of Shares	Shareholding percentage		Closing book value	Profit or Loss in the reporting period	Change in owner's equity in the reporting period	Accounting Item	Source of Shares
			Beginning of the period	End of the period					
Everbright Financial Leasing Co., Ltd.	270,000	333,000	90	90	270,000	24,089.19	24,089.19	Long-term equity investments	Initial stock
Shaoshan Everbright Village Bank Co., Ltd.	10,500	10,500	70	70	10,500	590.41	-409.73	Long-term equity investments	Initial stock
Jiangsu Huai'an Everbright Village Bank Co., Ltd.	7,000	7,000	70	70	7,000	132.24	89.86	Long-term equity investments	Initial stock
China Unionpay Co., Ltd.	9,750	7,500	2.56	2.56	9,750	91,507.00	188,989.00	Available-for-sale financial assets	Investment

Note: During the reporting period, the cash dividends of Shaoshan Everbright Village Bank Co., Ltd. amounted to RMB10.0014 million, resulting in a decrease in its owners' equity at the end of the reporting period.

4. Trading of shares of other listed companies by the Bank

The Bank did not conduct any trading of shares of other listed companies during the reporting period.

(2) Use of raised funds during the reporting period

On June 19, 2015, the Company issued 200,000,000 domestic non-public preference shares with a par value of RMB100 per share. After deduction of relevant issuance expenses, the actual proceeds raised amounted to RMB19,965 million, all of which were used to replenish tier one capital, improve the capital adequacy ratio and support business development.

(3) Major uses of non-raised funds

The Bank did not conduct any major investment using non-raised funds.

XIII. Special Purpose Entities Controlled by the Bank and Structured Products

1. There are no special purpose entities controlled by the Bank.
2. The structured products whose equities are held by the Group but not recognised in the consolidated financial statements mainly include special asset management plans. Please refer to the notes to the financial statements for details.

XIV. Risk Management

(1) Credit Risk Management

The Bank adjusted and enhanced its credit policies, maintained its bottom line in preventing and controlling credit risks, better adapting to and serving the new normal of the economy. The Bank pushed forward credit structure adjustment of traditional industries by both offering support and exerting pressure, and, focusing on national strategies, strengthened credit support to key construction projects. In addition, the Bank tendered the needs of the four new categories (new technologies, new industries, new operations, and new models) to promote the structural transformation and upgrade of these industries. The Bank also catered for the needs of domestic consumption with increased credit support; and adjusted its policies dynamically to strengthen risk prevention and control of key areas.

During the reporting period, the Bank formulated the “Proposal to Further the Reforms of the Risk Management System and Mechanism,” and delivered measures to enhance the risk management system, improve the risk management mechanism and clarify the exact responsibilities of the functional departments on risk management. The Bank highlighted the branches’ status as an operation entity and strengthened the tiered management of the headquarters and branches. The Bank introduced a system of person-in-charge and adjusted the management system of delegation of power of approval in order to clarify the relationship between approval and authorisation while exploring to establish a system with dedicated personnel for granting approval. In addition, the Bank enhanced credit approval procedures to improve the degree of professionalism and refinement.

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The Bank continued to exercise control over the total amount of loans to industries plagued with massive overcapacity, and reduced credit offered to companies in the commodity wholesaling and trading sector. Dynamic adjustments were made to the credit policy of real estate development loans, operational property mortgage loans. The Bank also strengthened the recovery of existing non-performing loans and overdue loans and stepped up efforts in resolving risks, while introducing new methods to manage non-performing loans, effectively revitalising existing non-performing loans. The Bank continued to respond to the requirement of serving the real economy by providing assistance to struggling companies for them to stay afloat, pursue upgrading and transformation and regain their competitiveness, so as to protect the Bank's assets and reduce losses to a minimum.

Please refer to the notes to the financial statements for more details on credit risk management of the Bank.

(2) Liquidity Risk Management

The Bank adhered to a prudent liquidity risk management policy and further enhanced its liquidity risk mechanism and contingency arrangements, ensuring its sound liquidity in general. In order to make proper liquidity arrangements in advance, real-time monitoring was given to factors such as central bank monetary policy adjustments and the development of the capital market in day-to-day management. The Bank monitored its liquidity risk exposure limit on a daily basis and performed regular liquidity stress tests. The internal fund transfer pricing (FTP) was determined and adjusted in an objective and flexible manner, which delivered forward-looking liquidity guidance and unified liquidity management. The Bank also diversified its liabilities, adjusted the term structure of its market operations, increased the volume of interbank deposit certificates issued and ensured the safety of its capital payment. The liquidity risk management policies were improved to ensure regulatory indicators for liquidity could be met. The Bank's awareness of liquidity risk was heightened while the mechanism for regular liquidity contingency exercises was set up, leading to better resilience against liquidity risk.

Please refer to notes to the financial statements for further details of liquidity risk management of the Bank.

(3) Market Risk Management

The Bank continuously improved its market risk management system based on its business development and established a comprehensive interest rate authorisation management system. The Bank enhanced the structure of its market risk exposure limit according to the level of risk tolerance and changes in business development, and performed monitoring and reporting of risk exposure limit to maintain the Bank's market risks at a reasonable level. The Bank strengthened its market research and analysis and proactively reduced the leverage ratio of relevant wealth management business in response to the volatility in the capital market. Furthermore, the Bank improved the infrastructure of its market risk management system and pushed forward market risk data mart projects, carrying out comprehensive monitoring of businesses including treasury, wealth management, interbank and precious metal businesses, as well as the treasury business launched by the Hong Kong branch, which served as the basis for sensitivity index calculation, stress test, measurement of value at risk and risk assets calculation.

Please refer to the notes to the financial statements for further details of market risk management of the Bank.

(4) Operational Risk Management

The Bank continuously improved its operational risk management framework and management system, integrating the management resources of internal control and operational risk management system. Adhering to the general principles of “multi-level management and emphasis on priorities,” the Bank strengthened the operational risk management responsibilities of business and functional departments as “the first level of the defence mechanism,” while incorporating operational risk management into product design, management systems, operational procedures and job specifications for timely warning, reminding, reporting and handling of operational risk, so as to prevent the occurrence of material operational risks and banking incidents. The Bank implemented the rotation and mandatory leave systems for staff in key positions, stepped up investigation on staff’s unusual funds transactions, and improved the contingency planning for extraordinary events, which enhanced the standards and effectiveness of operational risk management and established a good operational risk management culture.

Please refer to notes to the financial statements for further details of the operational risk management of the Bank.

(5) Compliance Risk Management

The Bank established an external compliance database through the project of implementing internal control standards and compliance management, and the database was further improved during the process of daily application. By actively tracking the changes in related laws and regulations, the Bank’s Legal and Compliance Department played a leading role in providing early guidance, compliance review and consultancy. In addition, the Bank established a compliance manager management system based on business lines and geographic regions in order to monitor internal control and compliance on a regular basis while strengthening the monitoring of and early warnings for daily internal control and compliance risks. The Bank carried out audits and compliance assessments, including 231 comprehensive audits and 24 special audits on sub-branches during the first half of the year. The Bank also strengthened the building of the compliance manager team by implementing a certification system, so as to increase the number of full-time compliance managers and ensure they could perform their duties effectively.

(6) Reputation Risk Management

The Bank continued to improve its reputation risk management and enhanced its capability to monitor and respond to public opinions by heightening its awareness of risky events and issuing early warnings about potential reputation risks. Through measures including regular training, early risk warnings and appraisals and assessments, the awareness of reputation risk and responsiveness of the Bank as a whole were enhanced. In addition, the Bank fostered the organic integration of public opinion management and business development, gradually attaching greater importance to risk reputation management.

(7) Anti-money Laundering Management

The Bank strengthened its internal control mechanism and modified its model of management, putting extra efforts to implement anti-money laundering management and provide guidance across the Bank. The Bank also enhanced the monitoring of the flow of funds of money laundering crimes and expanded the monitoring scope of the blacklist system. The Bank enhanced the development of its anti-money laundering system and established an indicator system to keep track of unusual transactions, so as to raise the level of automatic processing. In addition, the Bank analysed different types of money laundering activities on an ongoing basis and developed data models to enhance its capability and efficiency of anti-money laundering initiatives. The Bank also stepped up training and public education on anti-money laundering and expanded the scale of the training and education to cover a larger audience.

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XV. Outlook of the Bank

(1) Progress of business target delivery

As at the end of the reporting period, total assets of the Bank increased by 9.62%, loans and advances to customers increased by 9.14% and general deposits increased by 6.12%. The progress of completing the annual business target is steady and sound.

(2) Potential risks and countermeasures

1. Potential risks

- (1) Higher pressure from rebound in non-performing loans. Due to factors such as China's economic slowdown, structural adjustment and protracted overcapacity of some industries, pressure from rebound in non-performing loans remains high. Credit asset quality of banks will still be under long-term pressure, posing serious challenges to risk management.
- (2) Greater difficulty to manage market risk and liquidity risk. As interest rate marketisation continues to progress while the financial market becomes increasingly volatile, commercial banks face new challenges to manage market risk and liquidity risk.
- (3) Considerable obstacles to boost profit. Uncertainties abound amid the complicated economic environment at the moment. As interest rate spreads continue to narrow, private banks keep on emerging, internet finance grows faster and interbank competition becomes more intense, the Bank faces considerable obstacles in boosting its profit.

2. Countermeasures

- (1) Making utmost efforts to maintain asset quality. The Bank will continue to tighten and reduce credit to industries burdened by overcapacity and actively withdraw from loans to clients with continuous operating losses. Measures will be strengthened to manage and deal with clients yet to pose non-performance risks to curb the rise of new non-performing loans. The Bank will also take bolder steps to recover and manage non-performing loans to hold on to the bottom line of its risk management.
- (2) Enhancing market risk and liquidity risk management capabilities. The Bank will foster refined management and improve dynamic cash-flow analysis. A more comprehensive suite of liquidity management tools will be developed, coupled with better arrangements to access contingency funding sources. The Bank will also bolster research efforts on reform policies such as the deposit insurance system, enabling proactive management and control of liquidity risks.
- (3) Proactively enhancing and adjusting the structure of assets and liabilities. The Bank will strive to revitalise existing assets while making better use of new ones. Special attention will be paid to national strategies to seek a faster growth of project stockpile. The Bank will actively pursue strategic transformation and maintain an appropriate interest spread between deposit and loan by controlling the cost of deposit interest payment. The Bank will strengthen the overall management and refined management of assets and liabilities, monitor the total growth in assets and liabilities, aim for establishing a balanced structure while at the same time accomplishing the three major targets of profit maximisation, liquidity safety and controllable market risk.

XVI. Implementation of Profit Distribution Plan

The 2014 Profit Distribution Plan of the Bank was to distribute a cash dividend of RMB0.186 (before tax) per share to all shareholders, amounting to RMB8,682,311,700 in total, and approximately HKD0.23598191 (before tax) per share would be distributed to holders of H shares. On May 19, 2015, the Bank convened the Annual General Meeting, at which the Profit Distribution Plan was approved. The record date for holders of A shares was June 2, the ex-dividend date was June 3 and the date of distribution of the cash dividend was June 3. The record date for holders of H shares was June 2 and the date of distribution of the cash dividend was June 10.

Chapter V Significant Events

I. Purchase, Sale or Repurchase of the Bank's Listed Securities

During the reporting period, the Bank and its subsidiaries did not purchase, sell or repurchase any listed securities of the Bank.

II. Material Litigation, Arbitration and Negative Media Reports

During the reporting period, the Bank was not involved in any material litigation, arbitration or any event relating to negative media reports.

III. Use of Capital by the Controlling Shareholders and their Related Parties for Non-operating Purposes

During the reporting period, there was no capital of the Bank which was used by the controlling shareholders and their related parties for non-operating purposes.

IV. Matters Concerning Bankruptcy Reorganisation

During the reporting period, no bankruptcy reorganisation took place in the Bank.

V. Material Acquisitions, Sales or Disposals of Assets and Mergers

During the reporting period, the Bank was not involved in any material acquisitions, sales or disposals of assets or mergers.

VI. Share Incentive Scheme

The Bank has not implemented any share incentive scheme.

VII. Matters Concerning Connected Transactions of the Bank under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules")

In accordance with the Hong Kong Listing Rules, the transactions between the Bank and its connected persons (as defined in Hong Kong Listing Rules) constitute connected transactions of the Bank. The Bank monitors and manages these connected transactions in accordance with the Hong Kong Listing Rules.

On 31 October 2014 and as approved by the Board of Directors of the Bank, the Bank entered into a preference shares subscription agreement (hereinafter as the “Subscription Agreement”) with Everbright Group in relation to a connected transaction, pursuant to which Everbright Group proposed to subscribe part of the domestic preference shares to be issued by the Bank (hereinafter as the “Transaction”), the details of which were set out in the Bank’s announcement dated 31 October 2014 on “Connected Transaction – Subscription of domestic preference shares by controlling shareholder”. Everbright Group is a connected person of the Bank, and therefore the Transaction constitutes a connected transaction of the Bank and was subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Transaction was presented to and approved by the independent shareholders by way of ordinary resolution at the 2014 Third Extraordinary General Meeting of the Bank on 23 December 2014. As at the date of this report, the preference shares issuance of the Bank has obtained the necessary approvals from relevant government and regulatory bodies (CBRC and CSRC). The first tranche of issuance of 200 million preference shares was completed on 2 July 2015, and none of these shares were issued to connected persons of the Bank.

During the reporting period, the Bank and its connected persons conducted connected transactions in the ordinary course of business. Pursuant to Chapter 14A of the Hong Kong Listing Rules, such connected transactions were exempted from reporting, annual review, announcement and independent shareholders’ approval requirements.

VIII. Material Contracts and Their Performance

(I) Significant events in respect of entrusting, contracting or leasing assets of or to other companies

During the reporting period, the Bank had not entered into any material contracts in relation to entrusting, contracting or leasing assets of or to other companies.

(II) Significant Guarantees

The provision of guarantee is one of the ordinary business of the Bank. During the reporting period, the Bank did not have any material guarantees which were required to be disclosed save for the financial guarantees within its business scope as approved by the PBOC and CBRC.

During the reporting period, the Bank was not engaged in the provision of external guarantee that violated stipulated decision-making procedures.

(III) Other material contracts

During the reporting period, the Bank had no other material contracts and all contracts regarding daily operations were duly performed.

Chapter V Significant Events

IX. Important Undertakings of the Bank or Shareholders Holding More than 5% of Its Shares and Their Performance

During the reporting period, none of the Bank or shareholders holding more than 5% of its shares had made any new undertakings. As at the end of the reporting period, the continual undertakings of the Bank or shareholders holding more than 5% of its shares have all been performed.

X. Changes in Accounting Policies

During the reporting period, the Bank did not have changes in accounting policies.

XI. Investigation and Administrative Penalty by Regulatory Authorities

During the reporting period, none of the Bank, its Directors, Supervisors, Senior Management, shareholders holding more than 5% of its shares was subject to any investigation, administrative penalty or public censure by the CSRC, or public censure by any stock exchange, or any penalty with significant impact on the Bank's operation imposed by any regulatory body.

XII. Other Significant Events

On 15 June 2015, upon approval by the CSRC via document Zheng Jian Xu Ke [2015] No. 1239, the domestic non-public issuance of preference shares by the Bank was approved. In the first issuance on 19 June 2015, the Bank issued 200 million shares with a par value of RMB100 per share. After deducting issuance expenses, the actual proceeds raised amounted to RMB19,965 million. Upon approval by the SSE via document Shang Zheng Han [2015] No. 1131, the preference shares under the issuance were listed for trading on the comprehensive business platform of the SSE from 21 July 2015.

XIII. Review of Interim Results

The Bank's external auditors KPMG reviewed the Bank's interim financial statements which were prepared in accordance with disclosure requirements of the International Accounting Standards and Hong Kong Listing Rules. The Audit Committee and the Board of Directors of the Bank have reviewed and approved the interim results and financial report of the Bank for the six months ended 30 June 2015.

XIV. Publication of Interim Report

The Interim Report, in both Chinese and English, prepared by the Bank in accordance with the International Financial Reporting Standards and Hong Kong Listing Rules is available at the websites of the HKSE and the Bank. In case of any discrepancy, the Chinese version shall prevail.

Chapter VI Changes in Share Capital and Shareholders

I. Changes in share capital

Unit: share, %

	Before change		Changes during the reporting period	After change	
	Number	Percentage	Number	Number	Percentage
I. Shares subject to trading moratorium	-	-	-	-	-
II. Shares not subject to trading moratorium	-	-	-	-	-
1. Renminbi ordinary shares (A shares)	39,810,359,500	85.29	-	39,810,359,500	85.29
2. Domestic listed foreign shares	-	-	-	-	-
3. Overseas listed foreign shares (H shares)	6,868,735,500	14.71	-	6,868,735,500	14.71
4. Others	-	-	-	-	-
III. Total shares	46,679,095,000	100.00	-	46,679,095,000	100.00

II. Number of shareholders

Unit: shareholder

	A shares	H shares
Total number of shareholders as at the end of the reporting period	558,351	1,057

III. Confirmation on the Bank's compliance with requirement of sufficiency of public float under the Hong Kong Listing Rules

Based on publicly available information and the knowledge of the Directors, as at 30 June 2015, the Bank has maintained the minimum public float as required by the Hong Kong Listing Rules and the waiver granted by the HKSE upon the listing of the Bank.

Chapter VI Changes in Share Capital and Shareholders

IV. Shareholdings of top 10 shareholders

Unit: share, %

Name of shareholder	Nature	Change in the reporting period	Shareholding percentage	Number of shares held		
				Shares not subject to trading moratorium	Shares subject to trading moratorium	Number of shares pledged or frozen
Everbright Group	Domestic legal person	9,000,000,000	23.69	11,057,280,034	-	-
CHI	State	-9,000,000,000	21.96	10,250,916,094	-	-
Hong Kong Securities Clearing Company Nominees Limited, including:	-	1,471,000	14.70	6,862,557,500	-	Unknown
Ocean Fortune Investment Limited	Overseas legal person	-	3.39	1,584,273,000	-	-
China Life Reinsurance Company Limited	Domestic legal person	114,873,000	2.48	1,156,133,000	-	-
China Everbright Limited	Overseas legal person	-	3.37	1,572,735,868	-	-
China Reinsurance (Group) Corporation Limited	Domestic legal person	-171,923,000	1.68	782,913,367	-	-
Shenergy (Group) Co., Ltd	Domestic legal person	-	1.64	766,002,403	-	-
Hongta Tobacco (Group) Co., Ltd	Domestic legal person	-68,120,850	1.01	470,297,000	-	-
China Electronic Corporation	Domestic legal person	-23,700,000	0.67	310,746,842	-	-
Guangzhou Maritime Transport (Group) Co., Ltd	Domestic legal person	-113,246,100	0.67	310,686,489	-	-
Guangzhou Haining Maritime Service Co., Ltd	Domestic legal person	-	0.64	300,017,286	-	-

Note: The connecting relationship or concerted actions among the above shareholders: The Bank was informed that as at the end of the reporting period, CHI held a 55.67% and 84.91% interest in Everbright Group and China Reinsurance (Group) Corporation respectively. China Everbright Limited is a subsidiary of China Everbright Holdings Company Limited, and China Everbright Holdings Company Limited is a wholly-owned subsidiary of Everbright Group; China Life Reinsurance Company Limited is a subsidiary of China Reinsurance (Group) Corporation. Guangzhou Maritime Transport (Group) Co., Ltd, Guangzhou Haining Maritime Service Co., Ltd, and Ocean Fortune Investment Limited are all subsidiaries of China Shipping (Group) Company. Save for the above, the Bank is not aware of any connecting relationship or concerted action among the above shareholders.

- Note:
1. Upon approval by the State Council, China Everbright (Group) Corporation changed from a wholly state-owned enterprise into a joint stock company, and changed its name into China Everbright Group Limited. The company was promoted and set up by the Ministry of Finance and CHI. CHI invested its 9 billion shares of the Bank in Everbright Group, and the equity transfer was completed on 13 May 2015.
 2. The total number of H shares of the Bank held by the Hong Kong Securities Clearing Company Nominees Limited acting as the nominee for all institutional and individual investors that maintain an account with it as at the end of the reporting period was 6,862,557,500 shares, of which Ocean Fortune Investment Limited and China Life Reinsurance Company Limited held 1,584,273,000 and 1,156,133,000 H shares of the Bank respectively, all of which were held under the name of Hong Kong Securities Clearing Company Nominees Limited. Excluding the H shares of the Bank held by Ocean Fortune Investment Limited and China Life Reinsurance Company Limited, the number of remaining H shares of the Bank held under the name of Hong Kong Securities Clearing Company Nominees Limited was 4,122,151,500 H shares.

V. Shareholding of the top 10 shareholders not subject to trading moratorium

The shareholding of the top 10 shareholders of the Bank not subject to trading moratorium are the same as that of the top 10 shareholders of the Bank.

VI. Changes in substantial shareholders of the Bank during the reporting period

On 13 May 2015, CHI completed the equity transfer of its 9 billion shares of the Bank into Everbright Group. For details, please refer to “Announcement of China Everbright Bank Regarding Share Transfer of Shareholders” (Lin 2015-017) issued by the Bank dated 15 May 2015.

VII. Interests or short positions of substantial shareholders and other persons in shares and underlying shares of the Bank under Hong Kong laws and regulations

As at 30 June 2015, so far as was known to Directors and Supervisors of the Bank, the following persons or corporations (other than Directors, Supervisors or Chief Executives of the Bank) had interests and short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance of Hong Kong (“HKSF”) or which were required to be notified to the Bank:

Name of substantial shareholder	Note	Class of shares	Type of interest	Long/short position	Number of shares	Percentage of the relevant shares in issue (%) ^{5,6}	Percentage of the total issued shares (%) ^{5,6}
China Shipping (Group) Company	1	H shares	Interest of controlled corporation	Long	1,584,273,000	23.06	3.39
China Shipping (Hong Kong) Holdings Co., Ltd.	1	H shares	Interest of controlled corporation	Long	1,584,273,000	23.06	3.39
Ocean Fortune Investment Limited	1	H shares	Beneficial Owner	Long	1,584,273,000	23.06	3.39
CHI	2	H shares	Interest of controlled corporation	Long	1,298,203,000	18.90	2.78
China Reinsurance (Group) Corporation	2	H shares	Beneficial Owner/Interest of controlled corporation	Long	1,214,573,000	17.68	2.60
China Life Reinsurance Company Ltd.	2	H shares	Beneficial Owner	Long	1,156,133,000	16.83	2.47
National Council for Social Security Fund		H shares	Beneficial Owner	Long	617,375,500	8.99	1.32
BlackRock, Inc.	3	H shares	Interest of controlled corporation	Long	349,096,513	5.08	0.74
				Short	1,242,000	0.02	0.002
Everbright Group	4	A Shares	Beneficial Owner/Interest of controlled corporation	Long	13,089,751,960	32.88	28.04
CHI	4	A Shares	Beneficial Owner/Interest of controlled corporation	Long	24,123,581,421	60.59	51.67

Chapter VI Changes in Share Capital and Shareholders

- Note:
1. Ocean Fortune Investment Limited held a long position in 1,584,273,000 H shares of the Bank directly. As far as the Bank is aware, Ocean Fortune Investment Limited was wholly-owned by China Shipping (Hong Kong) Holdings Co. Ltd., while China Shipping (Hong Kong) Holdings Co. Ltd. was wholly-owned by China Shipping (Group) Company. In accordance with the HKSF0, China Shipping (Hong Kong) Holdings Co. Ltd. and China Shipping (Group) Company were deemed to be interested in the 1,584,273,000 H shares held by Ocean Fortune Investment Limited.
 2. China Life Reinsurance Company Ltd. held a long position in 1,156,133,000 H shares of the Bank directly. China Reinsurance (Group) Corporation held a long position in 58,440,000 H shares of the Bank directly. China Everbright Holdings Company Limited held a long position in 83,630,000 H Shares of the Bank directly. As far as the Bank is aware, China Life Reinsurance Company Ltd. was wholly-owned by China Reinsurance (Group) Corporation, while 84.91% of the equity of China Reinsurance (Group) Corporation was held by CHI. China Everbright Holdings Company Limited was wholly-owned by Everbright Group, while 55.67% of the equity of Everbright Group was held by CHI. In accordance with the HKSF0, China Reinsurance (Group) Corporation were deemed to be interested in the 1,156,133,000 H shares held by China Life Reinsurance Company Ltd. Therefore, CHI was deemed to be interested in a total of 1,298,203,000 H shares of the Bank.
 3. BlackRock, Inc. was deemed to be interested in a long position in a total of 349,096,513 H shares of the Bank and a short position in 1,242,000 H shares held by its following subsidiaries:
 - (a) BlackRock Investment Management, LLC (indirect subsidiary of BlackRock, Inc.) held a long position in 855,000 H shares of the Bank.
 - (b) BlackRock Financial Management, Inc. (indirect subsidiary of BlackRock, Inc.) held a long position in 9,866,000 H shares of the Bank.
 - (c) BlackRock Institutional Trust Company, National Association (indirect subsidiary of BlackRock, Inc.) held a long position in 84,550,810 H shares and a short position in 1,242,000 H shares of the Bank.
 - (d) BlackRock Fund Advisors (indirect subsidiary of BlackRock, Inc.) held a long position in 99,956,000 H shares of the Bank.
 - (e) BlackRock Advisors, LLC (indirect subsidiary of BlackRock, Inc.) held a long position in 2,337,000 H shares of the Bank.
 - (f) BlackRock Japan Co., Ltd. (indirect subsidiary of BlackRock, Inc.) held a long position in 3,277,000 H shares of the Bank.
 - (g) BlackRock Asset Management Canada Limited (indirect subsidiary of BlackRock, Inc.) held a long position in 458,000 H shares of the Bank.
 - (h) BlackRock Investment Management (Australia) Limited (indirect subsidiary of BlackRock, Inc.) held a long position in 355,999 H shares of the Bank.
 - (i) BlackRock Asset Management North Asia Limited (indirect subsidiary of BlackRock, Inc.) held a long position in 21,880,942 H shares of the Bank.
 - (j) BlackRock (Netherlands) B.V. (indirect subsidiary of BlackRock, Inc.) held a long position in 3,687,000 H shares of the Bank.
 - (k) BlackRock Advisors (UK) Limited (indirect subsidiary of BlackRock, Inc.) held a long position in 91,836,762 H shares of the Bank.
 - (l) BlackRock International Limited (indirect subsidiary of BlackRock, Inc.) held a long position in 1,087,000 H shares of the Bank.
 - (m) BlackRock Asset Management Ireland Limited (indirect subsidiary of BlackRock, Inc.) held a long position in 19,200,046 H shares of the Bank.

- (n) BlackRock (Luxembourg) S.A. (indirect subsidiary of BlackRock, Inc.) held a long position in 883,000 H shares of the Bank.
- (o) BlackRock Investment Management (UK) Limited (indirect subsidiary of BlackRock, Inc.) held a long position in 8,190,954 H shares of the Bank.
- (p) BlackRock Fund Managers Limited (indirect subsidiary of BlackRock, Inc.) held a long position in 662,000 H shares of the Bank.
- (q) BlackRock Asset Management (Schweiz) AG (indirect subsidiary of BlackRock, Inc.) held a long position in 13,000 H shares of the Bank.

In addition, the long position in 2,838,000 H shares involved derivatives, and was cash settled (off exchange).

4. Everbright Group directly held a long position in 11,057,280,034 A shares of the Bank. Everbright Group was deemed to be interested in a long position in a total of 2,032,471,926 A shares of the Bank held by its following subsidiaries:
 - (1) Everbright Holding (Jiangsu) Company Investment Limited directly held a long position in 64,516,000 A shares of the Bank.
 - (2) China Everbright Limited directly held a long position of 1,572,735,868 A shares of the Bank.
 - (3) Everbright Environmental Protection (China) Limited directly held a long position of 48,387,000 A shares of the Bank.
 - (4) Meiguang Enyu (Shanghai) Properties Company Limited directly held a long position of 148,156,258 A shares of the Bank.
 - (5) China Everbright Investment Management Company directly held a long position of 48,387,000 A shares of the Bank.
 - (6) Everbright Capital Management Limited directly held a long position of 150,289,800 A shares of the Bank.

Therefore, Everbright Group directly and indirectly held a long position of 13,089,751,960 A shares of the Bank in total.

CHI directly held a long position in 10,250,916,094 A shares of the Bank, and China Reinsurance (Group) Corporation directly held a long position of 782,913,367 A shares of the Bank. As far as the Bank is aware, 84.91% of the equity interest of China Reinsurance (Group) Corporation and 55.67% of the equity interest of Everbright Group were held by CHI respectively. In accordance with the HKSF, CHI was deemed to be interested in the long position in 782,913,367 A shares held by China Reinsurance (Group) Corporation, and the long position of 13,089,751,960 A shares held by Everbright Group. Therefore, CHI directly and indirectly held a long position in 24,123,581,421 A shares of the Bank in total.

5. The total number of issued shares of the Bank amounted to 46,679,095,000 as at 30 June 2015, including 39,810,359,500 A shares and 6,868,735,500 H shares.
6. The percentage of shareholdings was calculated by rounding to two decimal places.

Save as disclosed above, as at 30 June 2015, the Bank had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the HKSF, or which were recorded in the register required to be kept by the Bank under section 336 of the HKSF.

Chapter VI Changes in Share Capital and Shareholders

VIII. Interests or short positions of Directors, Supervisors and Chief Executives in shares, underlying shares and debentures of the Bank under the Hong Kong laws and regulations.

As at 30 June 2015, as far as the Directors and Supervisors of the Bank are aware, none of the Directors, Supervisors nor the Chief Executives of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Divisions 7 and 8 of Part XV of the HKSF) which were required to be recorded in the register required to be kept under section 352 of the HKSF, or which were required to be notified to the Bank and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Hong Kong Listing Rules, nor had they been granted the right to acquire any interests in shares or debentures of the Bank or any of its associated corporations.

Chapter VII Matters Regarding Preference Shares

I. The issuance and listing of preference shares during the reporting period

Unit: %, ten thousand shares

Code	Abbreviation	Date of Issuance	Issuance Price (RMB)	Coupon	Issuance Volume	Date of Listing	Approved Volume for Listing and Trading	Date of Delisting
360013	Everbright P 1	19 June 2015	100	5.30	20,000	21 July 2015	20,000	-

Use of proceeds: upon approval by the CSRC on 15 June 2015 via document Zheng Jian Xu Ke [2015] No. 1239, the Bank had a non-public issuance of preference shares. In the first issuance on 19 June 2015, the Bank issued 200 million shares with a par value of RMB100 per share. After deducting issuance expenses, the actual proceeds raised amounted to RMB19,965 million, all of which are used to replenish the tier-1 capital of the Bank; the issued shares were arranged for trading on the comprehensive business platform of the SSE from 21 July 2015.

II. Total number of holders of preference shares and shareholdings of top 10 shareholders

Unit: share, %

Number of holders of preference shares as at the end of the reporting period (shareholder) 18						
Name of shareholder	Nature of shareholder	Changes in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Class of shares	Number of shares pledged/frozen
Bank of Communications Schroder Fund Management Co., Ltd.	Others	37,750,000	37,750,000	18.88	Domestic preference shares	-
China CITIC Bank Corporation Limited	Others	17,750,000	17,750,000	8.88	Domestic preference shares	-
Chuangjin Hexin Fund Management Limited	Others	15,510,000	15,510,000	7.76	Domestic preference shares	-
CITIC International Securities Co., Ltd.	Others	15,500,000	15,500,000	7.75	Domestic preference shares	-
Bank of Communications International Trust Co., Ltd.	Others	15,500,000	15,500,000	7.75	Domestic preference shares	-
Huabao Trust Co., Ltd.	Others	13,870,000	13,870,000	6.94	Domestic preference shares	-
China Resources SZITIC Trust Co., Ltd.	Others	13,870,000	13,870,000	6.94	Domestic preference shares	-
Jianxin Trust Co., Limited	Others	10,000,000	10,000,000	5.00	Domestic preference shares	-
China Ping An Property Insurance Co., Ltd.	Others	10,000,000	10,000,000	5.00	Domestic preference shares	-
China Ping An Life Insurance Co., Ltd.	Others	10,000,000	10,000,000	5.00	Domestic preference shares	-

The connecting relationship or concerted actions among the above shareholders: China Ping An Insurance Co., Ltd. and China Ping An Life Insurance Co., Ltd. are persons acting in concert.

Chapter VII Matters Regarding Preference Shares

- III. During the reporting period, there was no repurchase of preference shares or conversion of preference shares into ordinary shares by the Bank.**
- IV. During the reporting period, the Bank did not have restoration of voting right of preference shares.**
- VI. The accounting policies and reasons for the preference shares of the Bank**

According to the provisions of the “International Accounting Standards No. 32 – Financial Instruments: Presentation” promulgated by International Accounting Standards Board, the terms and conditions of the issuance of preference shares by the Bank complied with the requirements of accounting for the preference shares as an equity instrument, and therefore the preference shares under the issuance were accounted for as an equity instrument.

Chapter VIII Directors, Supervisors, Senior Management, Staff and Branch Outlets

I. None of the Directors, Supervisors and Senior Management of the Bank held any shares, stock options of the Bank or had been granted any restrictive shares of the Bank during the reporting period.

II. List of Directors, Supervisors and Senior Management

As at the end of the reporting period, the Board of Directors of the Bank had 18 Directors in total, including 2 Executive Directors, namely Mr. Zhao Huan and Mr. Ma Teng; 10 Non-executive Directors, namely Mr. Tang Shuangning, Mr. Gao Yunlong, Mr. Wu Jian, Ms. Narentuya, Mr. Wu Gang, Ms. Wang Shumin, Mr. Wang Zhongxin, Mr. Wu Gaolian, Mr. Zhao Wei and Mr. Yang Jigui; and 6 Independent Non-executive Directors, namely Mr. Zhang Xinze, Mr. Qiao Zhimin, Mr. Xie Rong, Ms. Fok Oi Ling Catherine, Mr. Xu Hongcai and Mr. Feng Lun.

As at the end of the reporting period, the Board of Supervisors of the Bank had 9 Supervisors in total, including 3 Shareholder Supervisors, namely Mr. Li Xin, Mr. Yan Lianchen and Mr. Wu Junhao; 4 Employee Supervisors, namely Mr. Mu Huijun, Ms. Chen Yu, Mr. Ye Donghai and Mr. Ma Ning; and 2 External Supervisors, namely Mr. Yu Erniu and Mr. James Parks Stent.

As at the end of the reporting period, the Senior Management of the Bank comprised 9 persons in total, namely Mr. Zhao Huan, Mr. Ma Teng, Ms. Li Jie, Mr. Zhang Huayu, Mr. Lu Hong, Mr. Qiu Huofa, Mr. Wu Jian, Mr. Yao Zhongyou and Mr. Cai Yunge.

III. Appointment or Resignation of Directors, Supervisors and Senior Management

(I) Appointment or Resignation of Directors

1. In February 2015, the CBRC approved the appointment qualification of Mr. Zhao Wei and Mr. Yang Jigui as Non-Executive Directors, and the appointment qualification of Mr. Xu Hongcai and Mr. Feng Lun as Independent Non-Executive Directors.
2. In February 2015, Mr. Zhou Daojiong ceased to perform the duties of an Independent Non-Executive Director.
3. In March 2015, the CBRC approved the appointment qualification of Mr. Ma Teng as Executive Director.
4. Ms. Narentuya tendered resignation to the Board of Directors of the Bank from her positions of Non-executive Director, member of the Strategy Committee of the Board of Directors and member of the Audit Committee of the Board of Directors of the Bank in July 2015 due to change of job assignments.

Chapter VIII Directors, Supervisors, Senior Management, Staff and Branch Outlets

(II) Appointment or Resignation of Supervisors

1. Mr. Cai Haoyi resigned from the positions of Chairman of the Board of Supervisors, Shareholder Supervisor and member of the Nomination Committee of the Board of Supervisors of the Bank in June 2015 due to changes of job assignments.
2. Mr. Li Xin was elected as Shareholder Supervisor of the Bank in May 2015, and he was elected as Chairman of the Board of Supervisors of the Bank in June 2015.

(III) There was no new appointment or resignation of Senior Management during the reporting period.

IV. Changes in Information of Directors and Supervisors during the Reporting Period

1. Mr. Zhao Huan, an Executive Director of the Bank, concurrently served as Executive Director of China Everbright Group Limited.
2. Mr. Ma Teng, an Executive Director of the Bank, concurrently served as Chairman of the Board of Directors of CEB International Investment Company Limited.
3. Mr. Yang Jigui, a Non-Executive Director of the Bank, concurrently served as Director of Shanghai Life Insurance Company Ltd..
4. Mr. Xie Rong, a Non-Executive Director of the Bank, concurrently served as Independent Director of Shanghai Bairun Flavour & Fragrance Co., Ltd..

V. Directors' and Supervisors' Interests in Contracts and Service Contracts

None of the Directors and Supervisors of the Bank had any material interest in the material contracts to which the Bank or any of its subsidiaries was a party during the reporting period. None of the Directors and Supervisors of the Bank has entered into any service contract with the Bank which is not determinable by the Bank within one year without payment of compensation (excluding statutory compensation).

VI. Information on Employees and Branch Outlets

As at the end of the reporting period, the Bank had 38,029 incumbent employees.

As at the end of the reporting period, the total number of branch outlets of the Bank was 1,000, including 37 tier-1 branches (including Hong Kong Branch), 61 tier-2 branches and 902 outlets (including sub-branches in different cities, county-level sub-branches, sub-branches in the same city and banking department of branches), representing an increase of 49 branch outlets as compared to the number at the end of the previous year. During the reporting period, the Bank opened 5 new tier-2 branches and 43 outlets, and upgraded 1 sub-branch to tier-2 branch.

Details of the employees and branch outlets of the Bank are as follows:

Name of Branch	Number of Outlets	Number of employees	Total assets (RMB million)
Head Office	1	5,870	1,370,722
Beijing Branch	66	2,653	389,130
Tianjin Branch	33	1,075	66,838
Shanghai Branch	55	1,826	208,922
Chongqing Branch	24	915	58,639
Shijiazhuang Branch	36	942	69,688
Taiyuan Branch	30	954	50,521
Hohhot Branch	14	517	35,488
Dalian Branch	23	656	38,480
Shenyang Branch	28	968	65,303
Changchun Branch	27	744	28,089
Heilongjiang Branch	35	1,000	36,241
Nanjing Branch	32	1,117	108,779
Suzhou Branch	20	847	65,936
Wuxi Branch	6	266	41,809
Hangzhou Branch	34	1,207	80,141
Ningbo Branch	19	765	69,249
Hefei Branch	35	1,075	76,772
Fuzhou Branch	30	1,063	61,286
Xiamen Branch	13	415	34,706
Nanchang Branch	15	446	46,979
Jinan Branch	23	723	44,554
Qingdao Branch	28	817	58,549
Yantai Branch	13	404	23,736
Zhengzhou Branch	44	1,199	63,101
Wuhan Branch	28	925	44,610
Changsha Branch	41	1,007	60,490
Guangzhou Branch	68	2,011	127,980
Shenzhen Branch	45	1,289	143,652
Nanning Branch	23	708	37,778
Haikou Branch	19	623	26,744
Chengdu Branch	24	827	67,372
Kunming Branch	20	643	37,440
Xi'an Branch	29	907	62,892
Urumqi Branch	5	137	10,358
Guiyang Branch	7	209	15,665
Lanzhou Branch	7	180	7,595
Hong Kong Branch	1	99	33,432
Adjustment on consolidation			-869,330
Total	1001	38,029	3,000,336

- Note: 1. Employees of the Head Office included 2,912 employees in the Credit Card Center and 1,632 employees working at 95595 Customer Service Center.
2. The number of outlets, number of employees and the total assets in the above table excluded those of the subsidiaries of the Bank.

Chapter IX Corporate Governance

I. Overview of the Corporate Governance of the Bank

The corporate governance practice of the Bank had no deviation from the related requirements of the Company Law, the CSRC, the CBRC and the HKSE.

During the reporting period, CBRC approved in April 2015 the amended *Articles of Association* of the Bank upon issuance of preference shares by the Bank. The Board of Directors of the Bank continued to improve rules and regulations and proceeded to amend the *Rules of Procedures of the General Meeting and Rules of Procedures of the Board of Directors* in accordance with the latest *Articles of Association* of the Bank. The Board of Directors has attached great importance to capital replenishment and oversaw the management to complete the issuance of the first tranche of preference shares of RMB200 million in June 2015, and further strengthened the management of connected transactions, aiming for prompt handling and update of the list of connected parties upon the completion of the restructuring of Everbright Group.

The Board of Supervisors of the Bank conducted the 2014 annual evaluation on the performance of duties by the Board of Directors and its members as well as the senior management, and reported the results of the evaluation to the shareholders' meeting and the CBRC in a timely manner. The Board of Supervisors also considered regular financial reports of the Bank in performing its function of overseeing the Bank's financials. The Board of Supervisors received reports on risks, audit and internal control aspects of the Bank for a number of times and gave advice and recommendations on risk management and internal control management; formulated, considered and approved the *Measures on Duty Performance Evaluation for Supervisor* to enhance the system of supervision and evaluation of the performance of the Board of Supervisors.

II. Shareholders' General Meetings

The Bank convenes shareholders' general meetings in strict compliance with the *Articles of Association* of the Bank and *Rules of Procedures of the General Meeting* to ensure that decisions on important matters are made in accordance with the law, and to safeguard the legitimate interests of shareholders. During the reporting period, the Bank convened one general meeting in total, the details of which are as follows:

On May 19, 2015, the Bank convened the 2014 Annual General Meeting and considered and approved 10 resolutions including the resolutions in respect of the work report of the Board of Directors, work report of the Board of Supervisors, audited accounts, financial budget plan, profit distribution plan and election of supervisor, and received 2 reports.

The procedures for issuing the notice, convening and holding of and voting at the above meetings are in compliance with the Company Law, the listing rules of the places where the Bank is listed and the *Articles of Association* of the Bank. The legal advisor engaged by the Board of Directors attested the above general meetings of the Bank. The PRC legal advisor of the Bank issued relevant legal opinion.

III. Convening Meetings of the Board of Directors and its Board Committees

During the reporting period, the Board of Directors convened 5 meetings, including 2 on-site meetings, namely the twenty-ninth and thirtieth meetings of the Sixth Session of the Board of Directors respectively; and 3 meetings by written resolution, namely the thirty-first, thirty-second and thirty-third meetings of the Sixth Session of the Board of Directors respectively. The Board of Directors considered 35 proposals and received 13 reports, effectively playing the role of the Board of Directors in making decisions in a scientific manner.

The Board Committees of the Board of Directors convened 13 meetings in total, including 2 meetings of the Strategy Committee, 3 meetings of the Audit Committee, 3 meetings of the Risk Management Committee, 1 meeting of the Nomination Committee, 2 meetings of the Remuneration Committee and 2 meetings of the Related Party Transaction Control Committee. The Board Committees of the Board of Directors considered 29 proposals in total and received 18 special research reports.

IV. Convening of Meetings of the Board of Supervisors and its Special Committees

During the reporting period, the Board of Supervisors convened 4 meetings, including 2 on-site meetings, namely the fifteenth and sixteenth meetings of the Sixth Session of the Board of Supervisors respectively; and 2 meetings by written resolution, namely the seventeenth and eighteenth meetings of the Sixth Session of the Board of Supervisors; considered 16 proposals and received 1 report, effectively performing the supervisory functions of the Board of Supervisors.

The Special Committees of the Board of Supervisors convened 5 meetings in total, including 2 meetings of the Supervision Committee for considering 3 proposals, and 3 meetings of the Nomination Committee for considering 6 proposals, providing decision support to the supervisory functions of the Board of Supervisors.

V. Policy on Diversity of the Board of Directors

In accordance with the relevant requirements of the Hong Kong Listing Rules, the Bank formulated the Policy on Diversity of Members of the Board of Directors, clearly specifying that in determining the composition of the Board of Directors, consideration will be given to various aspects of diversity of members of the Board of Directors, including gender, age, cultural and educational background, professional experience, skills, knowledge and tenure of office.

VI. Implementation of Information Disclosure

As a company listed both in Shanghai and in Hong Kong, the Bank conscientiously studied and implemented various regulatory requirements in preparing regular reports in compliance with the rules of the markets of the two places, and published the 2014 Annual Report and 2015 First Quarterly Report as scheduled during the reporting period to disclose the operations and management of the Bank to domestic and foreign investors, and actively responded to the requirement of SSE by adopting a template based on the XBRL standardised information reporting system in the course of preparing regular reports, so as to ensure compliance of the relevant disclosure documents. In compliance with the relevant regulatory rules for disclosure, 34 provisional announcements (including non-announcement online documents) were published on the SSE and 59 provisional announcements (including overseas regulatory announcements) were published on the HKSE for timely disclosure of significant events of the Bank and their progress to investors, so as to ensure synchronisation in the markets of the two places. In March 2015, as the media reported the analysis reports of relevant institutions, the Bank promptly issued a clarification announcement to protect the investors' right to know. In accordance with the special requirements of regulatory authorities on management of inside information, the Bank has continued strengthening the management of insiders to prevent leakage of price-sensitive information, so as to ensure the rights of investors to have fair access to the information of the Bank.

Chapter IX Corporate Governance

VII. Investor Relations

The Bank has strictly abided by the relevant provisions of laws and regulations of the places of listing as well as the requirements of the regulatory authorities in carrying out relevant investor relations management through various ways to continuously raise the standards of investor services. The Bank held its press conference for 2014 results (A+H shares) in Hong Kong, as well as investor meetings, and communicated and exchanged views with more than 150 on-site and online analysts from renowned investment banks and investment institutions at home and abroad. The Bank met investors, as well as analysts from investment banks and investment institutions at home and abroad, for field research with 137 attendees and answered more than 160 enquiry calls from investors and made replies to over 120 enquiry emails in total. The Bank participated in investment strategies meetings for six times, communicated with small and medium investors through the Annual General Meeting, interacted with investors by using platforms such as “SSE e-interaction”, and disclosed compliance information in the investor relations management section of the official website of the Bank. The Bank has paid close attention to the development of the domestic and international capital markets and kept itself abreast of the performance of banks at home and abroad.

VIII. Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank has adopted the standards set out in the Model Code in Appendix 10 of the Hong Kong Listing Rules as the code of practice for conduct of securities transactions by Directors and Supervisors of the Bank. Upon enquiry, all Directors and Supervisors have confirmed that they have complied with the above Model Code during the six months ended June 30, 2015. The Bank has also set up guidelines on trading of securities of the Bank by relevant employees, which are no less exacting than the Model Code. It had not come to the attention of the Bank that any relevant employee was in breach of the guidelines during the reporting period.

IX. Statement on Compliance with the Corporate Governance Code of the Hong Kong Listing Rules

During the six months ended June 30, 2015, the Bank has applied the principles set out in the Corporate Governance Code in Appendix 14 of the Hong Kong Listing Rules and has complied with all the code provisions.

Chapter X Report on Review of Interim Financial Information and Financial Statements



To the Board of Directors of China Everbright Bank Company Limited

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

Introduction

We have reviewed the accompanying interim financial information set out on pages 58 to 144, which comprises the consolidated statement of financial position of China Everbright Bank Company Limited (the "Bank") and its subsidiaries (collectively the "Group") as at 30 June 2015 and the related consolidated statements of profit or loss and other 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 ("IAS") 34, *Interim Financial Reporting*, 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 form a conclusion, based on our review, on the interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope Of Review

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

Conclusion

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

KPMG

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

28 August 2015

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2015	2014
Interest income		71,149	66,142
Interest expense		(39,044)	(38,304)
Net interest income	3	32,105	27,838
Fee and commission income		14,211	9,258
Fee and commission expense		(653)	(626)
Net fee and commission income	4	13,558	8,632
Net trading (losses)/gains	5	(337)	1,227
Dividend income		4	-
Net gains/(losses) arising from investment securities	6	5	(99)
Foreign exchange gains/(losses)		160	(233)
Other operating income		92	195
Operating income		45,587	37,560
Operating expenses	7	(15,710)	(13,661)
Operating profit before impairment		29,877	23,899
Impairment losses on assets	8	(8,387)	(3,128)
Profit before tax		21,490	20,771
Income tax	9	(5,223)	(4,899)
Net profit		16,267	15,872
Other comprehensive income for period:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
– Change in fair value recognised in the Capital Reserve		1,904	3,623
– Reclassified to the profit or loss upon disposal		(3)	479
– Related income tax effect		(475)	(1,026)
Other comprehensive income, net of tax		1,426	3,076
Total comprehensive income		17,693	18,948
Net profit attributable to:			
Equity shareholders of the Bank		16,241	15,845
Non-controlling interests		26	27
		16,267	15,872
Total comprehensive income attributable to:			
Equity shareholders of the Bank		17,667	18,921
Non-controlling interests		26	27
		17,693	18,948
Basic and diluted earnings per ordinary share (in RMB)	10	0.35	0.34

The notes on pages 64 to 144 form part of these financial statements.

Unaudited Consolidated Statement of Financial Position

As at 30 June 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2015	31 December 2014
Assets			
Cash and deposits with the central bank	11	344,523	354,185
Deposits with banks and other financial institutions	12	53,974	40,316
Placements with banks and other financial institutions	13	75,370	132,733
Financial assets at fair value through profit or loss	14	9,901	4,377
Positive fair value of derivatives	15	1,036	1,082
Financial assets held under resale agreements	16	214,890	286,682
Interests receivable	17	16,799	14,621
Loans and advances to customers	18	1,386,947	1,271,430
Available-for-sale financial assets	19	200,155	138,559
Held-to-maturity investments	20	126,914	111,697
Debt securities classified as receivables	21	507,407	333,911
Property and equipment	22	12,739	13,043
Goodwill	23	1,281	1,281
Deferred tax assets	24	3,579	3,034
Other assets	25	44,821	30,059
Total assets		3,000,336	2,737,010
Liabilities and equity			
Liabilities			
Due to the central bank		11,040	30,040
Deposits from banks and other financial institutions	27	589,927	507,187
Placements from banks and other financial institutions	28	45,326	36,744
Negative fair value of derivatives	15	1,302	781
Financial assets sold under repurchase agreements	29	31,102	51,772
Deposits from customers	30	1,894,576	1,785,337
Accrued staff costs	31	10,584	9,668
Taxes payable	32	4,851	3,829
Interests payable	33	29,091	29,950
Debt securities issued	34	157,224	89,676
Other liabilities	35	16,857	12,543
Total liabilities		2,791,880	2,557,527

The notes on pages 64 to 144 form part of these financial statements.

Unaudited consolidated statement of financial position

As at 30 June 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2015	31 December 2014
Equity			
Share capital	36	46,679	46,679
Other equity instruments	37	19,965	–
Capital reserve	38	35,013	33,587
Surplus reserve	39	12,050	12,050
General reserve	39	33,903	33,903
Retained earnings	40	60,315	52,756
Total equity attributable to equity shareholders of the Bank		207,925	178,975
Non-controlling interests		531	508
Total equity		208,456	179,483
Total liabilities and equity		3,000,336	2,737,010

Approved and authorised for issue by the board of directors on 28 August 2015.

Tang Shuangning
Chairman of the Board
of Directors,
Non-executive Director

Zhao Huan
President,
Executive Director

Xie Rong
Independent Non-executive
Director

The notes on pages 64 to 144 form part of these financial statements.

Unaudited Consolidated Statement of Changes in Equity

for the six months ended 30 June 2015

(Expressed in millions of Renminbi, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank							Non-controlling interests	Total
	Share Capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2015	46,679	-	33,587	12,050	33,903	52,756	178,975	508	179,483
Changes in equity for the period:									
Total comprehensive income	-	-	1,426	-	-	16,241	17,667	26	17,693
Changes in share capital:									
- Capital injection by preference share holders	37	19,965	-	-	-	-	19,965	-	19,965
Appropriation of profit:	40								
- Cash dividends		-	-	-	-	(8,682)	(8,682)	(3)	(8,685)
Balance at 30 June 2015	46,679	19,965	35,013	12,050	33,903	60,315	207,925	531	208,456
Balance at 1 January 2014	46,277	-	28,707	9,199	29,861	38,795	152,839	213	153,052
Changes in equity for the period:									
Total comprehensive income	-	-	3,076	-	-	15,845	18,921	27	18,948
Changes in share capital:									
- Issue of H-shares		402	828	-	-	-	1,230	-	1,230
- Change in non-controlling interests of subsidiaries		-	-	-	-	-	-	30	30
Appropriation of profit:	40								
- Cash dividends		-	-	-	-	(8,029)	(8,029)	-	(8,029)
Balance at 30 June 2014	46,679	-	32,611	9,199	29,861	46,611	164,961	270	165,231
Balance at 1 January 2014	46,277	-	28,707	9,199	29,861	38,795	152,839	213	153,052
Changes in equity for the year:									
Total comprehensive income	-	-	4,052	-	-	28,883	32,935	45	32,980
Changes in share capital:									
- Issue of H-shares		402	828	-	-	-	1,230	-	1,230
- Change in non-controlling interests of subsidiaries		-	-	-	-	-	-	250	250
Appropriation of profit:	40								
- Appropriation to surplus reserve		-	-	2,851	-	(2,851)	-	-	-
- Appropriation to general reserve		-	-	-	4,042	(4,042)	-	-	-
- Cash dividends		-	-	-	-	(8,029)	(8,029)	-	(8,029)
Balance at 31 December 2014	46,679	-	33,587	12,050	33,903	52,756	178,975	508	179,483

The notes on pages 64 to 144 form part of these financial statements.

Unaudited Consolidated Cash Flow Statement

for the six months ended 30 June 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2015	2014
Cash flows from operating activities		
Net profit	16,267	15,872
<i>Adjustments for:</i>		
Impairment losses on assets	8,387	3,128
Depreciation and amortisation	1,039	932
Unwinding of discount	(362)	(260)
Dividends income	(4)	–
Unrealised foreign exchange losses/(gains)	6	(348)
Net (gains)/losses on disposal of investment securities	(5)	99
Net (gains)/losses on disposal of trading securities	(179)	15
Revaluation losses/(gains) on financial instruments at fair value through profit or loss	516	(1,242)
Interest expense on debt securities issued	2,879	906
Net losses on disposal of property and equipment	2	2
Income tax	5,223	4,899
	33,769	24,003
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank, banks and other financial institutions	(1,170)	(38,099)
Net decrease/(increase) in placements with banks and other financial institutions	74,507	(81,338)
Net increase in loans and advances to customers	(123,080)	(80,802)
Net decrease/(increase) in financial assets held under resale agreements	73,667	(15,641)
Net (increase)/decrease in other operating assets	(18,711)	29,767
	5,213	(186,113)
<i>Changes in operating liabilities</i>		
Net increase in deposits from banks and other financial institutions	82,740	58,786
Net increase/(decrease) in placements from banks and other financial institutions	8,582	(10,449)
Net decrease in financial assets sold under repurchase agreements	(20,636)	(16,805)
Net decrease in amount due to central bank	(19,000)	–
Net increase in deposits from customers	109,239	191,004
Income tax paid	(5,199)	(4,948)
Net increase/(decrease) in other operating liabilities	5,641	(891)
	161,367	216,697
Net cash flows from operating activities	200,349	54,587

The notes on pages 64 to 144 form part of these financial statements

	Note	Six months ended 30 June	
		2015	2014
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		84,966	114,681
Proceeds from dividends income		4	–
Proceeds from disposal of property and equipment and other assets		4	25
Payments on acquisition of investments		(339,179)	(204,314)
Payments on acquisition of property and equipment, intangible assets and other assets		(592)	(1,127)
Net cash flows used in investing activities		(254,797)	(90,735)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		–	1,230
Net proceeds from issue of preference shares		19,965	–
Capital contribution by non-controlling interests		–	30
Proceeds from issue of new debt securities		67,548	18,378
Cash paid on debts securities redeemed		–	(3,000)
Interest paid on debts securities issued		(4,198)	(1,743)
Dividends paid		(8,691)	–
Net cash flows from financing activities		74,624	14,895
Effect of foreign exchange rate changes on cash and cash equivalents		(204)	353
Net increase/(decrease) in cash and cash equivalents	44(a)	19,972	(20,900)
Cash and cash equivalents as at 1 January		98,001	116,821
Cash and cash equivalents as at 30 June	44(b)	117,973	95,921
Interest received		67,164	63,232
Interest paid (excluding interest expense on debts securities issued)		(35,738)	(30,405)

The notes on pages 64 to 144 form part of these financial statements.

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

1 Background information

China Everbright Bank Company Limited (the “Bank”) commenced its operations in Beijing, the People’s Republic of China (“the PRC”) on 18 August 1992. The A-shares and H-shares of the Bank were listed on the Shanghai Stock Exchange in August 2010 and The Stock Exchange of Hong Kong Limited in December 2013 respectively.

The principal activities of the Bank and its subsidiaries (collectively the “Group”) are the provision of corporate and retail deposits, loans and advances, settlement, treasury business and other financial services as approved by the China Banking Regulatory Commission (the “CBRC”). The Bank mainly operated in mainland China, which, for the purpose of the report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC and Taiwan.

The Bank has branches in 28 provinces, autonomous regions, municipalities in mainland China and Hong Kong as at 30 June 2015.

2 Basis of preparation

(1) Compliance with International Financial Reporting Standards (“IFRSs”)

These consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*.

These consolidated interim financial statements do not include all the information required for a full set of financial statements prepared in accordance with IFRSs. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2014.

The interim financial statements is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is issued on 28 August 2015.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as being previously reported information does not constitute the Group’s statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2015.

2 Basis of preparation (continued)

(2) Use of estimates and assumptions

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

(3) Significant accounting policies

The accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) as of 1 January 2015. The principal effects of adopting these revised IFRSs are as follows:

Amendments to IAS 19 Employee benefits "Defined benefit plans: Employee contributions"

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions meet the criteria set out in the amendments, a company is permitted (but not required) to recognize the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The adoption does not have any material impact on the financial position and the financial result of the Group.

Annual Improvements to IFRSs 2010-2012 Cycle

The 2010-2012 cycle of annual improvement contains amendments to seven standards with consequential amendments to other standards and interpretations including IFRS 2 Share based payment, IFRS 3 Business combinations, IFRS 8 Operating segments, IFRS 13 Fair value measurement, IAS 24 Related party disclosures, IAS 16 Property, plant and equipment and IAS 38 Intangible assets.

Annual Improvements to IFRSs 2011-2013 Cycle

The 2011-2013 cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations including IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 3 Business combinations, IFRS 13 Fair value measurement, IAS 40 Investment property.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

3 Net interest income

	Note	Six months ended 30 June	
		2015	2014
Interest income arising from			
Deposits with the central bank		2,524	2,426
Deposits with banks and other financial institutions		735	1,216
Placements with banks and other financial institutions		1,248	4,242
Loans and advances to customers	3(a)		
– Corporate loans and advances		26,681	25,279
– Personal loans and advances		13,749	13,017
– Discounted bills		1,114	687
Financial assets held under resale agreements		6,533	5,210
Investments in debt securities		18,212	13,986
Re-discounted bills		353	79
Sub-total		71,149	66,142
Interest expenses arising from			
Due to the central bank		409	–
Deposits from banks and other financial institutions		10,586	13,100
Placements from banks and other financial institutions		586	717
Deposits from customers			
– Corporate customers		15,763	15,259
– Individual customers		2,657	2,534
– Structured deposits from corporate customers		2,076	1,116
– Structured deposits from individual customers		3,466	3,904
Financial assets sold under repurchase agreements		622	768
Debts securities issued	3(b)	2,879	906
Sub-total		39,044	38,304
Net interest income		32,105	27,838

Note:

(a) The interest income arising from impaired financial assets for the period ended 30 June 2015 amounted to RMB362 million (Six months ended 30 June 2014: RMB260 million).

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

4 Net fee and commission income

	Six months ended 30 June	
	2015	2014
Fee and commission income		
Bank card service fees	6,144	4,172
Wealth management service fees	3,651	974
Underwriting and advisory fees	913	1,054
Settlement and clearing fees	829	1,143
Custody and other fiduciary business fees	815	554
Agency services fees	627	352
Acceptance and guarantee fees	599	629
Others	633	380
Sub-total	14,211	9,258
Fee and commission expense		
Bank card transaction fees	515	511
Settlement and clearing fees	42	47
Others	96	68
Sub-total	653	626
Net fee and commission income	13,558	8,632

5 Net trading (losses)/gains

	Note	Six months ended 30 June	
		2015	2014
Trading financial instruments			
– Derivatives		(567)	860
– Debt securities		215	310
Sub-total		(352)	1,170
Financial instruments designated at fair value through profit or loss	5(a)	15	57
Total		(337)	1,227

(a) The net change in fair value of the structured deposits is disclosed in interest expense (Note 3), including the net losses in fair value of the structured deposits from corporate customers of RMB594 million and net gains from individual customers of RMB339 million respectively. (Six months ended 30 June 2014: net losses of RMB474 million and net losses of RMB1,759 million respectively)

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

6 Net gains/(losses) arising from investment securities

	Six months ended 30 June	
	2015	2014
Net (losses)/gains on disposal of available-for-sale financial assets	(20)	376
Net revaluation gains/(losses) reclassified from other comprehensive income on disposal	3	(479)
Net gains on disposal of held-to-maturity investments	12	–
Net gains on disposal of debt securities classified as receivables	10	4
Total	5	(99)

7 Operating expenses

	Six months ended 30 June	
	2015	2014
Staff costs		
– Salaries and bonuses	6,208	5,159
– Staff welfares	116	106
– Pension and annuity	567	471
– Housing allowances	281	257
– Supplementary retirement benefits	2	2
– Others	587	501
Sub-total	7,761	6,496
Premises and equipment expenses		
– Depreciation of property and equipment	717	653
– Amortisation of intangible assets	119	99
– Amortisation of long-term assets	203	180
– Rental and property management expenses	1,152	1,010
Sub-total	2,191	1,942
Business tax and surcharges	3,543	3,002
Other general and administrative expenses	2,215	2,221
Total	15,710	13,661

8 Impairment losses on assets

	Six months ended 30 June	
	2015	2014
Loans and advances to customers	7,687	3,280
Held-to-maturity investments	1	(253)
Available-for-sale financial assets	–	(13)
Debt securities classified as receivables	494	37
Others	205	77
Total	8,387	3,128

9 Income tax

(a) Income tax:

	Note	Six months ended 30 June	
		2015	2014
Current tax		6,402	4,672
Deferred tax	24(b)	(1,020)	309
Adjustments for prior year	9(b)	(159)	(82)
Total		5,223	4,899

(b) Reconciliations between income tax and accounting profit are as follows:

	Six months ended 30 June	
	2015	2014
Profit before tax	21,490	20,771
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	5,373	5,193
Non-deductible expenses		
– Staff costs	40	26
– Impairment losses on assets	415	164
– Others	69	29
	524	219
Non-taxable income		
– Interest income from the PRC government bonds	(515)	(431)
Sub-total	5,382	4,981
Adjustments for prior year	(159)	(82)
Income tax	5,223	4,899

10 Basic and diluted earnings per ordinary share

	Note	Six months ended 30 June	
		2015	2014
Weighted average number of ordinary shares (in millions)	10(a)	46,679	46,612
Net profit attributable to equity shareholders of the Bank		16,241	15,845
Basic and diluted earnings per ordinary share attributable to equity shareholders of the Bank (in RMB)		0.35	0.34

There is no difference between basic and diluted earnings per ordinary share as there was no potentially dilutive shares outstanding during the period.

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

10 Basic and diluted earnings per ordinary share (continued)

(a) Weighted average number of ordinary shares (in millions)

	Six months ended 30 June	
	2015	2014
Number of ordinary shares as at 1 January	46,679	46,277
Newly added weighted average number of ordinary shares	–	335
Weighted average number of ordinary shares	46,679	46,612

11 Cash and deposits with the central bank

	Note	30 June 2015	31 December 2014
Cash on hand		6,941	7,312
Deposits with the central bank			
– Statutory deposit reserves	11(a)	299,514	306,808
– Surplus deposit reserves	11(b)	34,095	35,305
– Fiscal deposits		3,973	4,760
Sub-total		337,582	346,873
Total		344,523	354,185

- (a) The Group places statutory deposit reserves with the People's Bank of China (the "PBOC") in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2015	31 December 2014
Reserve ratio for RMB deposits	16.5%	18.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

12 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2015	31 December 2014
Deposits in mainland China		
– Banks	44,886	23,799
– Other financial institutions	357	241
Sub-total	45,243	24,040
Deposits outside mainland China		
– Banks	8,767	16,310
Sub-total	8,767	16,310
Total	54,010	40,350
Less: Provision for impairment losses	(36)	(34)
Net balances	53,974	40,316

13 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2015	31 December 2014
Placements in mainland China		
– Banks	19,440	63,514
– Other financial institutions	49,539	64,234
Sub-total	68,979	127,748
Placements outside mainland China		
– Banks	6,393	4,986
Sub-total	6,393	4,986
Total	75,372	132,734
Less: Provision for impairment losses	(2)	(1)
Net balances	75,370	132,733

As at 30 June 2015, the placements with banks and other financial institutions included a short term funding provided to the Group's non-principal guaranteed wealth management products of RMB29.90 billion (31 December 2014: RMB42.38 billion). These transactions are priced at normal commercial terms and conditions.

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

14 Financial assets at fair value through profit or loss

	Note	30 June 2015	31 December 2014
Debt securities held for trading	14(a)	7,592	4,190
Financial assets designated at fair value through profit or loss	14(b)	2,309	187
Total		9,901	4,377

(a) Debt securities held for trading

	Note	30 June 2015	31 December 2014
Issued by the following governments or institutions In mainland China			
– Government		203	151
– The PBOC		30	30
– Banks and other financial institutions		1,044	454
– Other institutions	(i)	6,315	3,555
Total	(ii)	7,592	4,190
Unlisted		7,592	4,190
Total		7,592	4,190

Note:

(i) Debt securities issued by other institutions in mainland China mainly represented debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.

(ii) No investments were subject to material restrictions on realisation.

(b) Financial assets designated at fair value through profit or loss

	30 June 2015	31 December 2014
Precious metal	2,161	15
Fixed interest rate personal mortgage loans	148	172
Total	2,309	187

For fixed interest rate personal mortgage loans, the Group used interest rate swap to manage the associated interest rate risk. The changes in fair value during the period and the accumulated changes attributable to credit risk were immaterial.

15 Derivatives

Derivative financial instruments included forward and swap contracts undertaken by the Group in foreign currency and interest rate markets. The Group acts as an intermediary between a wide range of customers for structuring deals to provide risk management solutions to meet customer needs. These positions are actively managed through entering into back-to-back deals with external parties to ensure the Group's net exposures are within acceptable risk level. The Group also uses derivative financial instruments to manage its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and their corresponding fair values at the end of the reporting period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting period, they do not represent amounts at risk.

(a) Analysed by nature of contract

	30 June 2015		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	73,314	481	(464)
Currency derivatives			
– Foreign exchange forward	24,762	77	(112)
– Foreign exchange swap	133,303	476	(725)
– Foreign exchange option	238	2	(1)
Total	231,617	1,036	(1,302)

	31 December 2014		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	91,261	331	(278)
Currency derivatives			
– Foreign exchange forward	17,543	154	(91)
– Foreign exchange swap	123,616	595	(411)
– Foreign exchange option	229	2	(1)
Total	232,649	1,082	(781)

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

15 Derivatives (continued)

(b) Analysed by credit risk-weighted amounts

	30 June 2015	31 December 2014
Counterparty default risk-weighted assets		
– Interest rate derivatives	122	106
– Currency derivatives	605	943
Credit value adjustment	553	968
Total	1,280	2,017

16 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	30 June 2015	31 December 2014
In mainland China		
– Banks	173,347	240,926
– Other financial institutions	41,543	45,756
Total	214,890	286,682
Net balances	214,890	286,682

(b) Analysed by type of security held

	30 June 2015	31 December 2014
Bonds		
– Government bonds	26,385	21,222
– Other debt securities	48,026	82,695
Sub-total	74,411	103,917
Bank acceptances	140,479	178,007
Others	–	4,758
Total	214,890	286,682
Net balances	214,890	286,682

17 Interests receivable

	30 June 2015	31 December 2014
Interest receivable from investments	12,194	9,271
Interest receivable from loans and advances to customers	3,894	3,843
Interest receivable from deposits and placements with banks and other financial institutions	486	1,299
Other interest receivable	260	244
Total	16,834	14,657
Less: Provision for impairment losses	(35)	(36)
Net balances	16,799	14,621

18 Loans and advances to customers

(a) Analysed by nature

	30 June 2015	31 December 2014
Corporate loans and advances	893,069	820,139
Personal loans and advances		
– Residential and commercial mortgage loans	214,293	199,167
– Credit cards	155,764	139,648
– Personal business loans	97,416	95,242
– Others	22,426	24,328
Sub-total	489,899	458,385
Discounted bills	35,233	20,931
Gross loans and advances to customers	1,418,201	1,299,455
Less: Provision for impairment losses		
– Individually assessed	(6,255)	(4,946)
– Collectively assessed	(24,999)	(23,079)
Total provision for impairment losses	(31,254)	(28,025)
Net loans and advances to customers	1,386,947	1,271,430

Part of the above loans and advances to customers was pledged for repurchase agreements, see Note 26(a).

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

18 Loans and advances to customers (continued)

(b) Analysed by economic sector

	30 June 2015		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	248,717	17.54%	64,628
Real estate	140,675	9.92%	117,039
Wholesale and retail trade	137,741	9.71%	50,074
Transportation, storage and postal services	68,380	4.82%	24,439
Construction	53,771	3.79%	17,135
Leasing and commercial services	53,509	3.77%	26,054
Water, environment and public utility management	50,035	3.53%	21,724
Mining	37,140	2.62%	4,949
Others	103,101	7.27%	39,388
Sub-total of corporate loans and advances	893,069	62.97%	365,430
Personal loans and advances	489,899	34.55%	307,608
Discounted bills	35,233	2.48%	29,652
Gross loans and advances to customers	1,418,201	100.00%	702,690
Less: Provision for impairment losses			
– Individually assessed	(6,255)		
– Collectively assessed	(24,999)		
Total provision for impairment losses	(31,254)		
Net loans and advances to customers	1,386,947		

18 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

	31 December 2014		Loans and advances secured by collaterals
	Amount	Percentage	
Manufacturing	234,451	18.04%	55,247
Wholesale and retail trade	149,031	11.47%	47,454
Real estate	125,922	9.69%	93,955
Transportation, storage and postal services	63,537	4.89%	20,617
Leasing and commercial services	51,533	3.97%	23,718
Construction	47,193	3.63%	12,356
Water, environment and public utility management	38,684	2.98%	13,423
Mining	32,004	2.46%	4,641
Others	77,784	5.99%	27,136
Sub-total of corporate loans and advances	820,139	63.12%	298,547
Personal loans and advances	458,385	35.27%	293,388
Discounted bills	20,931	1.61%	16,036
Gross loans and advances to customers	1,299,455	100.00%	607,971
Less: Provision for impairment losses			
– Individually assessed	(4,946)		
– Collectively assessed	(23,079)		
Total provision for impairment losses	(28,025)		
Net loans and advances to customers	1,271,430		

As at the end of the reporting period and during the period, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each economic sector which constitute 10% or more of gross loans and advances to customers are as follows:

	30 June 2015				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
Manufacturing	6,046	(2,378)	(5,828)	2,587	149

	31 December 2014				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	5,201	(2,156)	(5,137)	2,621	555
Wholesale and retail trade	5,092	(1,995)	(4,077)	4,008	1,357

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

18 Loans and advances to customers (continued)

(c) Overdue loans analysed by overdue period

	30 June 2015					Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years		
Unsecured loans	6,040	3,141	321	19		9,521
Guaranteed loans	8,065	8,592	3,648	128		20,433
Secured loans						
– By tangible assets other than monetary assets	13,626	8,829	3,004	297		25,756
– By monetary assets	1,002	1,268	248	17		2,535
Total	28,733	21,830	7,221	461		58,245
As a percentage of gross loans and advances to customers	2.03%	1.54%	0.51%	0.03%		4.11%

	31 December 2014					Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years		
Unsecured loans	7,431	2,710	350	26		10,517
Guaranteed loans	7,382	5,694	1,283	144		14,503
Secured loans						
– By tangible assets other than monetary assets	10,925	5,398	1,998	220		18,541
– By monetary assets	867	516	189	12		1,584
Total	26,605	14,318	3,820	402		45,145
As a percentage of gross loans and advances to customers	2.05%	1.10%	0.29%	0.03%		3.47%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

18 Loans and advances to customers (continued)

(d) Loans and advances and provision for impairment losses

	30 June 2015				
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are collectively assessed	for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	1,398,060	4,830	15,311	1,418,201	1.42%
Less: Provision for impairment losses	(22,197)	(2,802)	(6,255)	(31,254)	
Net loans and advances to customers	1,375,863	2,028	9,056	1,386,947	

	31 December 2014				
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are collectively assessed	for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	1,283,930	3,586	11,939	1,299,455	1.19%
Less: Provision for impairment losses	(20,968)	(2,111)	(4,946)	(28,025)	
Net loans and advances to Customers	1,262,962	1,475	6,993	1,271,430	

Note:

- (i) *Loans and advances collectively assessed for impairment include those which are graded normal or special-mention.*
- (ii) *Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the following methods:*
- *Individually (including corporate loans and advances which are graded substandard, doubtful or loss); or*
 - *Collectively, representing portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).*

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(Expressed in millions of Renminbi, unless otherwise stated)

18 Loans and advances to customers (continued)

(e) Movements of provision for impairment losses

	Six months ended 30 June 2015			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	(20,968)	(2,111)	(4,946)	(28,025)
Charge for the period	(1,229)	(2,077)	(4,690)	(7,996)
Release for the period	–	–	309	309
Recoveries	–	(110)	(51)	(161)
Unwinding of discount	–	–	362	362
Disposal	–	–	2,271	2,271
Write-offs	–	1,496	490	1,986
As at 30 June	(22,197)	(2,802)	(6,255)	(31,254)

	2014			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	(19,252)	(1,563)	(3,357)	(24,172)
Charge for the year	(1,716)	(2,062)	(6,770)	(10,548)
Release for the year	–	–	567	567
Recoveries	–	(231)	(99)	(330)
Unwinding of discount	–	–	558	558
Disposal	–	–	1,804	1,804
Write-offs	–	1,745	2,351	4,096
As at 31 December	(20,968)	(2,111)	(4,946)	(28,025)

18 Loans and advances to customers (continued)

(f) Analysed by geographical sector

	30 June 2015		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	284,348	20.05%	157,539
Bohai Rim	254,390	17.94%	118,582
Central	215,647	15.21%	115,180
Western	214,351	15.11%	131,438
Pearl River Delta	185,009	13.05%	117,278
Northeastern	90,068	6.35%	56,767
Overseas	18,613	1.31%	5,906
Head Office	155,775	10.98%	–
Gross loans and advances to customers	1,418,201	100.00%	702,690

	31 December 2014		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	261,847	20.15%	139,184
Bohai Rim	239,130	18.40%	100,197
Western	197,769	15.22%	115,060
Central	195,254	15.02%	99,622
Pearl River Delta	170,874	13.15%	99,099
Northeastern	80,385	6.19%	48,485
Overseas	14,535	1.12%	6,324
Head Office	139,661	10.75%	–
Gross loans and advances to customers	1,299,455	100.00%	607,971

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

18 Loans and advances to customers (continued)(f) **Analysed by geographical sector** (continued)

As at the end of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers are as follows:

	30 June 2015		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	4,619	(1,905)	(5,500)
Western	3,642	(1,032)	(3,914)
Central	3,488	(1,185)	(3,272)
Pearl River Delta	3,279	(1,182)	(3,551)
Bohai Rim	2,215	(724)	(4,374)

	31 December 2014		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	4,609	(1,717)	(4,914)
Pearl River Delta	3,011	(1,286)	(3,304)
Central	1,983	(744)	(3,281)
Western	1,927	(501)	(3,652)
Bohai Rim	1,519	(461)	(4,201)

The definitions of the regional distributions are set out in Note 46(b).

(g) **Rescheduled loans and advances to customers**

	30 June 2015	31 December 2014
Rescheduled loans and advances to customers	11,193	4,632
Less: Rescheduled loans and advances to customers overdue more than 90 days	(3,471)	(858)
Rescheduled loans and advances to customers overdue not more than 90 days	7,722	3,774

19 Available-for-sale financial assets

	Note	30 June 2015	31 December 2014
Available-for-sale debt investments	19(a)	188,705	138,249
Available-for-sale equity investments	19(b)	310	310
Available-for-sale fund investments	19(c)	11,140	–
Total		200,155	138,559
Listed		26,621	2,788
– of which in Hong Kong		1,825	1,240
Unlisted		173,534	135,771
Total		200,155	138,559

(a) Available-for-sale debt investments

All available-for-sale debt investments were stated at fair value and issued by the following governments and institutions:

	Note	30 June 2015	31 December 2014
In mainland China			
– Government		37,984	37,938
– Banks and other financial institutions	(i)	40,732	14,029
– Other institutions	(ii)	107,711	84,429
Sub-total		186,427	136,396
Outside mainland China			
– Government		160	320
– Banks and other financial institutions		1,215	952
– Other institutions		903	581
Sub-total		2,278	1,853
Total	(iii)	188,705	138,249

Note:

- (i) Debt securities issued by Banks and other financial institutions mainly represent debt securities and interbank deposits issued by banks and other financial institutions in the mainland China.
- (ii) Debt securities issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.
- (iii) As at the end of the reporting period, part of the available-for-sale financial assets were pledged for repurchase agreements and time deposits (see Note 26(a)).

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

19 Available-for-sale financial assets (continued)

(b) Available-for-sale equity investments

	30 June 2015	31 December 2014
At cost		
As at 30 June / 31 December	305	305
Less: Provision for impairment losses	(1)	(1)
Sub-total	304	304
At fair value	6	6
Total	310	310

(c) Available-for-sale fund investments

	30 June 2015	31 December 2014
In mainland China		
– Banks and other financial institutions	11,140	–
Total	11,140	–

20 Held-to-maturity investments

Issued by the following governments or institutions:

	Note	30 June 2015	31 December 2014
In mainland China			
– Government		89,992	71,509
– Banks and other financial institutions		17,678	20,530
– Other institutions	20(a)	18,547	19,045
Sub-total		126,217	111,084
Outside mainland China			
– Banks and other financial institutions		139	331
– Other institutions		565	288
Sub-total		704	619
Total	20(b)	126,921	111,703
Less: Provision for impairment losses		(7)	(6)
Net balances		126,914	111,697
Listed		807	601
– of which in Hong Kong		807	601
Unlisted		126,107	111,096
Net balances		126,914	111,697
Fair value		128,259	112,161

Note:

- (a) Debt securities issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.
- (b) As at the end of the reporting period, part of the held-to-maturity investments were pledged as securities for certain transactions (see Note 26(a)).
- (c) The Group disposed of the held-to-maturity debt investments with a notional amount of RMB310 million prior to their maturity dates for the six months ended 30 June 2015 (2014: RMB343 million), which account for 0.28% (2014: 0.32%) of the portfolio before the disposal.

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

21 Debt securities classified as receivables

	Note	30 June 2015	31 December 2014
Wealth management products issued by other financial institution	21(a)	131,576	70,334
Beneficial interest transfer plans	21(b)	376,532	263,784
Total		508,108	334,118
Less: Provision for impairment losses		(701)	(207)
Net balances		507,407	333,911

Note:

(a) Wealth management products issued by other financial institutions are fixed-term products.

(b) Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies. As at 30 June 2015, part of investments in the beneficial interest transfer plans held by the Bank were under forward sale contracts with other financial institutions in mainland China, the notional amount of which was RMB28,609 million (31 December 2014: RMB44,410 million). The fair values of the above mentioned investments approximate to their carrying amount.

22 Property and equipment

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2015	10,599	393	673	4,906	3,367	19,938
Additions	118	–	142	133	29	422
Transfers (out)/in of investment properties	(13)	13	–	–	–	–
Transfer out to others	–	–	(6)	–	–	(6)
Disposals	–	–	–	(42)	(13)	(55)
As at 30 June 2015	10,704	406	809	4,997	3,383	20,299
Accumulated depreciation						
As at 1 January 2015	(2,135)	(138)	–	(2,899)	(1,564)	(6,736)
Charge for the period	(178)	(5)	–	(334)	(200)	(717)
Transfers out/(in) of investment properties	3	(3)	–	–	–	–
Transfer out to others	–	–	–	–	–	–
Disposals	–	–	–	41	11	52
As at 30 June 2015	(2,310)	(146)	–	(3,192)	(1,753)	(7,401)
Provision for impairment						
As at 1 January 2015	(132)	(27)	–	–	–	(159)
As at 30 June 2015	(132)	(27)	–	–	–	(159)
Net book value						
As at 30 June 2015	8,262	233	809	1,805	1,630	12,739

22 Property and equipment (continued)

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2014	9,585	415	1,408	4,184	2,729	18,321
Additions	6	–	269	863	687	1,825
Transfers in/(out) of construction in progress	989	–	(989)	–	–	–
Transfers in/(out) of investment properties	22	(22)	–	–	–	–
Transfer in/(out) to others	72	–	(15)	–	–	57
Disposals	(75)	–	–	(141)	(49)	(265)
As at 31 December 2014	10,599	393	673	4,906	3,367	19,938
Accumulated depreciation						
As at 1 January 2014	(1,935)	(132)	–	(2,430)	(1,036)	(5,533)
Charge for the year	(192)	(11)	–	(594)	(557)	(1,354)
Transfers (in)/out of investment properties	(5)	5	–	–	–	–
Transfer in to others	(16)	–	–	–	–	(16)
Disposals	13	–	–	125	29	167
As at 31 December 2014	(2,135)	(138)	–	(2,899)	(1,564)	(6,736)
Provision for impairment						
As at 1 January 2014	(128)	(31)	–	–	–	(159)
Transfers (in)/out	(4)	4	–	–	–	–
As at 31 December 2014	(132)	(27)	–	–	–	(159)
Net book value						
As at 31 December 2014	8,332	228	673	2,007	1,803	13,043

As at 30 June 2015, title deeds were not yet finalised for the premises with a carrying amount of RMB170 million (31 December 2014: RMB182 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the leases as follows:

	30 June 2015	31 December 2014
Held in mainland China		
– Long term leases (over 50 years)	–	32
– Medium term leases (10-50 years)	8,251	8,290
– Short term leases (less than 10 years)	11	10
Total	8,262	8,332

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

22 Property and equipment (continued)

The net book values of investment properties at the end of the reporting period are analysed by the remaining terms of the leases is as follows:

	30 June 2015	31 December 2014
Held in mainland China – Medium term leases (10-50 years)	233	228
Total	233	228

23 Goodwill

	30 June 2015	31 December 2014
Gross amount	6,019	6,019
Less: Provision for impairment losses	(4,738)	(4,738)
Net balances	1,281	1,281

As approved by the PBOC, the Bank and China Development Bank (“CDB”) jointly signed an “Agreement between China Development Bank and China Everbright Bank for the transfer of assets, liabilities and banking premises of China Investment Bank” (the “Agreement”) on 18 March 1999. According to the Agreement, CDB transferred the assets, liabilities, equity and 137 outlets of 29 branches of the former China Investment Bank (“CIB”) to the Bank. The Agreement became effective on 18 March 1999. The Bank assessed the fair value of the transferred assets and liabilities, and recognised the excess of the purchase cost over the sum of the fair value of the net assets transferred and deferred tax assets as goodwill.

24 Deferred tax assets and liabilities

(a) Analysed by nature

	30 June 2015	31 December 2014
Deferred tax assets	3,579	3,034
Deferred tax liabilities	–	–
Net balances	3,579	3,034

24 Deferred tax assets and liabilities (continued)

(b) Movements of deferred tax

	Provision for impairment losses Note (i)	Staff cost payable	Net (gains)/ losses from fair value changes of financial instruments Note (ii)	Net balance of deferred tax assets
1 January 2015	1,484	1,694	(144)	3,034
Recognised in profit or loss	700	191	129	1,020
Recognised in other comprehensive income	–	–	(475)	(475)
30 June 2015	2,184	1,885	(490)	3,579

	Provision for impairment losses Note (i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note (ii)	Net balance of deferred tax assets
1 January 2014	1,071	1,394	1,550	4,015
Recognised in profit or loss	413	300	(325)	388
Recognised in other comprehensive income	–	–	(1,369)	(1,369)
31 December 2014	1,484	1,694	(144)	3,034

Note:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses were determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains on fair value changes of financial instruments are subject to tax when realised.
- (iii) Unrecognised deferred tax assets

As at 30 June 2015, the Group has not recognised deferred tax assets of RMB2,902 million (31 December 2014: RMB2,700 million) for provision of impairment losses amounting to RMB11,608 million (31 December 2014: RMB10,800 million). This was mainly because it was uncertain whether the losses from write-offs of the impaired assets could be approved by the relevant tax authorities in the foreseeable future.

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25 Other assets

	Note	30 June 2015	31 December 2014
Financial lease receivables		33,653	21,490
Precious metal		4,024	1,798
Other receivables		3,584	2,083
Long-term deferred expense		1,369	1,452
Intangible assets		740	804
Property and equipment purchase prepayment		522	436
Assets from wealth management business	25(a)	520	1,574
Repossessed assets		294	304
Land use rights		115	118
Total		44,821	30,059

(a) Assets from wealth management business

The assets held for wealth management business represent the trust investments purchased by the Group, acting as an agent for wealth management investors, and using the funds collected from investors. The credit risk, interest risk, liquidity risk and investment risk of the underlying trust investments are assumed by the investors who purchase the wealth management products. However, the Group has certain risk exposures in respect of those wealth management assets for which the amounts and maturities do not exactly match the underlying trust funds. Accordingly, the Group accounts for such wealth management assets under other assets and the corresponding trust funds under other liabilities (see Note 35).

26 Pledged assets

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities include discounted bills and debt securities. They are mainly pledged for repurchase agreements and time deposits. The carrying amount of the financial assets pledged as securities as at 30 June 2015 is RMB54,500 million (31 December 2014: RMB66,237 million).

(b) Collaterals received

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at the end of the reporting period, the Group did not hold any resale agreement that collaterals were permitted to be sold or repledged in the absence of the counterparty's default on the agreements.

27 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2015	31 December 2014
Deposits in mainland China		
– Banks	218,014	272,345
– Other financial institutions	352,895	200,907
Sub-total	570,909	473,252
Deposits outside mainland China		
– Banks	19,018	33,935
Sub-total	19,018	33,935
Total	589,927	507,187

28 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2015	31 December 2014
Placements in mainland China		
– Banks	32,153	27,313
– Other financial institutions	–	1,800
Sub-total	32,153	29,113
Placements outside mainland China		
– Banks	13,173	7,631
Sub-total	13,173	7,631
Total	45,326	36,744

29 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	30 June 2015	31 December 2014
In mainland China		
– Banks	31,099	48,111
– Other financial institutions	3	3,661
Total	31,102	51,772

(b) Analysed by collateral

	30 June 2015	31 December 2014
Bank acceptances	14,209	2,099
Debt securities	16,893	49,673
Total	31,102	51,772

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

30 Deposits from customers

	30 June 2015	31 December 2014
At amortised cost		
Demand deposits		
– Corporate customers	451,584	443,484
– Individual customers	126,228	119,123
Sub-total	577,812	562,607
Time deposits		
– Corporate customers	646,474	616,272
– Individual customers	129,570	128,721
Sub-total	776,044	744,993
Pledged deposits		
– Acceptances	207,645	207,419
– Letters of credit	19,046	21,663
– Letters of guarantees	9,635	10,851
– Others	7,382	10,022
Sub-total	243,708	249,955
Other deposits	102,183	72,326
Total deposits from customers at amortised cost	1,699,747	1,629,881
At fair value		
Structured deposits		
– Corporate customers	93,354	59,766
– Individual customers	101,475	95,690
Total deposits from customers at fair value	194,829	155,456
Total	1,894,576	1,785,337

31 Accrued staff costs

	Note	30 June 2015	31 December 2014
Salary and welfare payable		10,077	9,175
Pension payable	31(a)	193	179
Supplementary retirement benefits payable	31(b)	314	314
Total		10,584	9,668

31 Accrued staff costs (continued)

(a) Pension scheme

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' gross wages in prior year, which are expensed to profit or loss when the contributions are made.

(b) Supplementary retirement benefits ("SRB")

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period.

32 Taxes payable

	30 June 2015	31 December 2014
Income tax payable	3,014	1,970
Business tax and surcharges payable	1,709	1,723
Others	128	136
Total	4,851	3,829

33 Interests payable

	30 June 2015	31 December 2014
Deposits from customers	27,007	25,639
Debt securities issued	385	1,704
Others	1,699	2,607
Total	29,091	29,950

34 Debt securities issued

	Note	30 June 2015	31 December 2014
Subordinated debts	34(a)	6,700	6,700
Financial bonds	34(b)	33,500	30,000
Tier 2 capital bonds	34(c)	16,200	16,200
Interbank deposits issued	34(d)	95,972	32,591
Certificates of deposits issued	34(e)	4,852	4,185
Total		157,224	89,676

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

34 Debt securities issued (continued)

(a) Subordinated debts

	Note	30 June 2015	31 December 2014
Subordinated fixed rate debts maturing in June 2027	(ii)	6,700	6,700
Total		6,700	6,700

Note:

- (i) Fixed rate subordinated debts of RMB6.7 billion with a term of fifteen years were issued on 7 June 2012. The coupon rate is 5.25% per annum. The Group has an option to redeem the debts on 8 June 2022 at the nominal amount.
- (ii) As at 30 June 2015, the fair value of the total subordinated debt securities issued approximates to RMB6,821 million (31 December 2014: RMB6,556 million).

(b) Financial bonds

	Note	30 June 2015	31 December 2014
Financial fixed rate bonds maturing in March 2017	(i)	20,000	20,000
Financial floating rate bonds maturing in March 2017	(ii)	10,000	10,000
Financial fixed rate bonds maturing in June 2018	(iii)	3,500	–
Total		33,500	30,000

Note:

- (i) Fixed rate financial bonds of RMB20 billion with a term of five years were issued on 28 March 2012. The coupon rate is 4.20% per annum.
- (ii) Floating rate financial bonds of RMB10 billion with a term of five years were issued on 28 March 2012. The bonds bear interest at a floating rate based on the PBOC's one-year time deposits rate plus a margin of 0.95%.
- (iii) Fixed rate financial bonds of RMB3.50 billion with a term of three years were issued by Everbright Financial Leasing Co., Ltd on 16 June 2015. The coupon rate is 4.00% per annum.
- (iv) As at 30 June 2015, the fair value of the total financial bond securities issued approximates to RMB33,402 million (31 December 2014: RMB29,602 million).

34 Debt securities issued (continued)

(c) Tier 2 capital bonds

- (i) Fixed rate tier 2 capital bonds of RMB16.2 billion with a term of ten years were issued on 9 June 2014. The coupon rate is 6.20% per annum. The Group has an option to redeem the debts on 10 June 2019 at the nominal amount.
- (ii) As at 30 June 2015, the fair value of the total tier 2 capital bonds approximates to RMB17,050 million (31 December 2014: RMB16,835 million).

(d) Interbank deposits issued

- (i) As at 30 June 2015, the interbank deposits were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB96,127 million (31 December 2014: RMB32,548 million).

(e) Certificates of deposits issued

The certificates of deposits were issued by the Bank's Hong Kong branch and measured at amortised cost. The fair value of the certificates of deposits issued approximates to their carrying amount.

35 Other liabilities

	Note	30 June 2015	31 December 2014
Payment and collection clearance accounts		5,148	787
Finance leases payable		3,844	2,719
Deferred income		2,037	2,007
Wealth management fund payables	35(a)	568	2,252
Provisions	35(b)	438	424
Dormant accounts		335	297
Dividend payables		22	28
Others		4,465	4,029
Total		16,857	12,543

(a) Wealth management fund payables

The amounts and maturities of the wealth management assets do not exactly match the underlying trust funds. Accordingly, the Group accounts for such wealth management assets under other assets (Note 25(a)) and the corresponding trust funds under other liabilities.

(b) Provisions

As at 30 June 2015, the accruals for litigation losses estimated by the Group based on the status of outstanding litigation cases and the probability of losses amounted to RMB17 million (31 December 2014: RMB17 million).

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(Expressed in millions of Renminbi, unless otherwise stated)

36 Share capital

The Bank's shareholding structure as at the end of the reporting period is as follows:

	30 June 2015	31 December 2014
Ordinary shares listed in mainland China (A share)	39,810	39,810
Ordinary shares listed in Hong Kong (H share)	6,869	6,869
Total	46,679	46,679

37 Other equity instruments

(a) Preference shares at the end of the period

Issue date	Dividend rate	Issue price	Number of share issued (million shares)	In original currency RMB million	Conversion condition
2015-6-19	5.30%	RMB100/share	200	20,000	Mandatory
Less:					
Issuing costs				(35)	
Book value				19,965	

(b) Main Clauses

(i) Dividend

Fixed rate for the first 5 years after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread.

The fixed spread equals to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the preference shares.

Dividends will be paid annually.

(ii) Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

37 Other equity instruments (continued)

(b) Main Clauses (continued)

(iii) Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

(iv) Order of distribution and liquidation method

The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt and holders of Tier-two capital bonds, but will be senior to the ordinary shareholders.

(v) Mandatory conversion trigger events

Upon the occurrence of an Additional Tier-one Capital Trigger Event (Core Tier-one Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into A shares, in order to restore the Core Tier-one Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to A shares, it could not be converted to Preference Shares again;

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into A shares.

(vi) Redemption

Subject to the prior approval of the CBRC and the satisfaction of the relevant requirements, the Group shall have the right to redeem all or part of the Preference Shares on any redeemable day (the payment date for dividends of the Preference Shares each year) after the fifth year following the completion date of the Issuance of the Preference Shares. The specific commencement date of the redemption period shall be determined by the Board in line with market conditions, subject to authorisation at a shareholders' general meeting (the authorisation can be further delegated). The redemption period for the Preference Shares shall commence on such commencement date of the redemption period and end on the completion date of the redemption or conversion of all the Preference Shares. Where redemption is in part, the Preference Shares shall be redeemed based on the same proportion and conditions. Preference Shares shall be redeemed in cash. The redemption price shall be the par value plus the dividend declared but unpaid for the relevant period.

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

37 Other equity instruments (continued)

(c) Changes in Preference shares outstanding

Outstanding Financial Instruments	As at 1 January 2015	Additions for the period		Decreases for the period		As at 30 June 2015
		Carrying value	Amount (million)	Carrying value	Amount (million)	
Preference Shares	–	19,965	200	–	–	19,965

(d) Interests attributable to equity instruments' holders

Equity instrument

	30 June 2015	31 December 2014
1. Total equity attributable to equity shareholders of the Bank	207,925	178,975
(1) Equity attributable to ordinary equity holders of the Bank	187,960	178,975
(2) Equity attributable to preference shares holders of the Bank	19,965	–
2. Total equity attributable to non-controlling interests	531	508
(1) Equity attributable to non-controlling interests of ordinary shares	531	508
(2) Equity attributable to non-controlling interests of other equity instruments	–	–

38 Capital reserve

	30 June 2015	31 December 2014
Fair value changes on available-for-sale financial assets	1,645	219
Share premium	33,365	33,365
Remeasurement of defined benefit plan	3	3
Total	35,013	33,587

39 Surplus reserve and general reserve

(a) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund. The Bank is required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

The Bank is required, in principle, to set aside a general reserve, through appropriation of profit after tax, with an amount of not lower than 1.5% of the ending balance of its gross risk-bearing assets.

40 Appropriation of profits

(a) At the Annual General Meeting of shareholders held on 19 May 2015, the shareholders approved the following profit appropriations for the year ended 31 December 2014:

- Appropriated RMB2,851 million (10% of the net profit of the bank) to surplus reserve;
- Appropriated RMB4,042 million to general reserve; and
- Declared cash dividends to all shareholders of RMB8,682 million representing RMB1.86 per 10 shares before tax.

(b) At the Annual General Meeting of shareholders held on 27 June 2014, the shareholders approved the following profit appropriations for the year ended 31 December 2013:

- Appropriated RMB2,639 million (10% of the net profit of the bank) to surplus reserve;
- Appropriated RMB1,798 million to general reserve; and
- Declared cash dividend to all shareholders of RMB8,029 million representing RMB1.72 per 10 shares before tax.

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

41 Involvement with unconsolidated structured entities

- (a) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include entities set up for wealth management products issued by other financial institutions and beneficial interest transfer plans (“asset management plans”), available-for-sale fund investments and asset-backed securities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in unconsolidated structured entities as at 30 June 2015:

	30 June 2015		31 December 2014	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Debt securities classified as receivables	507,407	507,407	299,701	299,701
Available-for-sale fund investments	11,140	11,140	–	–
Asset-backed securities	7,521	7,521	–	–
Total	526,068	526,068	299,701	299,701

- (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in the types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2015, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at 30 June 2015, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, is RMB692,633 million (31 December 2014: RMB624,457 million).

- (c) Unconsolidated structure entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June 2015.

The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2015 but matured before 30 June 2015 amounted to RMB158,791 million (Six months ended 30 June 2014: RMB143,206 million).

- (d) During the six months ended 30 June 2015, the amount of fee and commission income received from the unconsolidated structured entities by the Group amounted to RMB3,651 million (Six months ended 30 June 2014: RMB974 million).

42 Transferred 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 structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned in accordance with IFRSs. 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.

The Group enters into credit assets transfer transactions in the normal course of business by which it transfers credit assets to structured entities which sell trust benefit interests to investors.

As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it has retained control on them, these financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets. As at 30 June 2015, loans with an original carrying amount of RMB2,327 million (31 December 2014: nil) had been transferred by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches. As at 30 June 2015, the carrying amount of assets that the Group continues to recognise amounts to RMB952 million (31 December 2014: nil).

43 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier one capital, other core tier one capital and tier two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading global banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio. The required information is filed with the CBRC by the Group and the Bank semi-annually and quarterly.

The Group started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". For systemically important banks, each bank is required to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of at least 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their respective local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

43 Capital management (continued)

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets for over-the-counter (OTC) derivatives are the summation of default risk-weighted assets and credit value adjustment (CVA). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP. During the period, the Group has complied in full with all its externally imposed capital requirements.

The Group calculates the capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and relevant requirements promulgated by the CBRC.

	30 June 2015	31 December 2014
Total core tier-one capital	188,342	179,356
Share capital	46,679	46,679
Qualifying portion of capital reserve	35,013	33,587
Surplus reserve	12,050	12,050
General reserve	33,903	33,903
Retained earnings	60,315	52,756
Qualifying portions of non-controlling interests	382	381
Core tier-one capital deductions	(2,021)	(2,085)
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use right	(740)	(804)
Net core tier-one capital	186,321	177,271
Other tier-one capital	19,988	10
Additional tier-one capital instruments	19,965	–
Qualifying portions of non-controlling interests	23	10
Tier-one capital net	206,309	177,281
Tier-two capital	34,077	35,438
Qualifying portions of tier-two capital instruments issued and share premium	22,900	22,900
Surplus provision for loan impairment	11,114	12,500
Qualifying portions of non-controlling interests	63	38
Net capital base	240,386	212,719
Total risk weighted assets	2,016,490	1,898,231
Core tier-one capital adequacy ratio	9.24%	9.34%
Tier-one capital adequacy ratio	10.23%	9.34%
Capital adequacy ratio	11.92%	11.21%

44 Notes to consolidated cash flow statements

(a) Net increase/(decrease) in cash and cash equivalents

	Six months ended 30 June	
	2015	2014
Cash and cash equivalents as at 30 June	117,973	95,921
Less: Cash and cash equivalents as at 1 January	98,001	116,821
Net increase/(decrease) in cash and cash equivalents	19,972	(20,900)

(b) Cash and cash equivalents

	30 June 2015	30 June 2014
Cash on hand	6,941	7,440
Deposits with the central bank	34,095	16,960
Deposits with banks and other financial institutions	34,025	23,532
Placements with banks and other financial institutions	42,912	47,989
Total	117,973	95,921

45 Related party relationships and transactions

(a) China Everbright Group Ltd. (“China Everbright Group”)

The transactions and balances with China Everbright Group and its affiliates are summarised in Note 45(b).

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party relationships and transactions (continued)**(b) Transactions between the Group and other related parties****(i) Other related parties information**

Other related parties having transactions with the Group:

Related party	
Affiliated companies	
– China Everbright Limited	Shareholder, affiliate of China Everbright Group
– Everbright Securities Co., Ltd. (“Everbright Securities”)	Affiliate of China Everbright Group
– China Everbright Group Limited	Affiliate of China Everbright Group
– China Everbright International Limited	Affiliate of China Everbright Group
– China Everbright Industry (Group) Co., Ltd	Affiliate of China Everbright Group
– Shanghai Everbright Convention and Exhibition Centre Limited	Affiliate of China Everbright Group
– China Everbright Investment and Assets Management Co., Ltd	Affiliate of China Everbright Group
– Everbright Real Estate Co., Ltd.	Affiliate of China Everbright Group
– Everbright Financial Holding Asset Management Co., Ltd.	Affiliate of China Everbright Group
– Sun Life Everbright Life Insurance Co., Ltd.	Affiliate of China Everbright Group
– China Everbright Xinglong Trust Co., Ltd.	Affiliate of China Everbright Group
– Everbright Pramerica Fund Management Co., Ltd.	Affiliate of China Everbright Group
– Everbright Futures Co., Ltd.	Affiliate of China Everbright Group
– Everbright Securities Asset Management Co., Ltd.	Affiliate of China Everbright Group
– Everbright Fortune Investment Co., Ltd.	Affiliate of China Everbright Group
– Everbright Capital Investment Management Co., Ltd.	Affiliate of China Everbright Group
– Everbright Happy Life International Leasing Co., Ltd.	Affiliate of China Everbright Group
– Everbright Guangzi Investment Management Co., Ltd	Affiliate of China Everbright Group
– Sun Life Everbright Asset Management Co., Ltd.	Affiliate of China Everbright Group
– Everbright Yunfu Internet Co., Ltd	Affiliate of China Everbright Group

45 Related party relationships and transactions (continued)

(b) Transactions between the Group and other related parties (continued)

(i) Other related parties information (continued)

Other related parties having transactions with the Group: (continued)

Related party	
Other related parties	
– China Shipping (Group) Company	Common key management
– Shanghai Baosight Software Co., Ltd.	Common key management
– SAIC Motor Corporation, Ltd.	Common key management
– Shanghai Electric Group Company Limited	Common key management
– Vantone Holdings Co., Ltd	Common key management
– Beijing Science and Technology Park Construction (Group) Co. Ltd	Common key management
– Haitong Securities Company Limited	Common key management
– China UnionPay Co., Ltd.	Common key management
– Orient Securities Company Limited	Common key management
– Shanghai ICY New Energy Venture Capital Co., Ltd.	Common key management
– China Pacific Property Insurance Co., Ltd.	Common key management
– China Pacific Life Insurance Co., Ltd.	Common key management
– First-trust Fund Management Co., Ltd.	Common key management
– Shanghai Benemae Pharmaceutical Corporation	Common key management
– Hithink Flush Information Network Co., Ltd	Common key management

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party relationships and transactions (continued)**(b) Transactions between the Group and other related parties** (continued)**(ii) Related party transactions**

The Group's material transactions and balances with China Everbright Group and the above related parties during the reporting period are summarised as follows:

	China Everbright (Group) (Note 45(a))	China Everbright Limited	Affiliated Companies	Others	Total
Transactions with related parties for the six months ended 30 June 2015:					
Interest income	–	–	37	47	84
Interest expense	(13)	–	(729)	(1,344)	(2,086)
Balances with related parties as at 30 June 2015:					
Financial assets at fair value through profit or loss	–	–	–	102	102
Financial assets held under resale agreements	–	–	–	1,531	1,531
Interest receivable	–	–	28	85	113
Loans and advances to customers	–	–	372	–	372
Available-for-sale financial assets	–	–	1,597	–	1,597
Held-to-maturity investments	–	–	–	900	900
Debt securities classified as receivables	–	–	35,276	2,200	37,476
Other assets	–	–	11	159	170
	–	–	37,284	4,977	42,261
Deposits from banks and other financial institutions	–	–	23,378	3,977	27,355
Deposits from customers	2,489	–	16,745	17,401	36,635
Interest payable	2	–	94	534	630
Other liabilities	–	–	–	–	–
	2,491	–	40,217	21,912	64,620
Significant off-balance sheet items with related parties as at 30 June 2015:					
Guarantee granted (Note)	180	–	–	–	180

45 Related party relationships and transactions (continued)

(b) Transactions between the Group and other related parties (continued)

(ii) Related party transactions (continued)

The Group's material transactions and balances with China Everbright Group and the above related parties during the reporting period are summarised as follows: (continued)

	China Everbright (Group) (Note 45(a))	China Everbright Limited	Affiliated Companies	Others	Total
Transactions with related parties for the six months ended 30 June 2014:					
Interest income	–	–	8	85	93
Interest expense	(10)	(4)	(94)	(462)	(570)
Balances with related parties as at 31 December 2014:					
Financial assets held					
under resale agreements	–	–	790	1	791
Loans and advances					
to customers	–	–	202	–	202
Held-to-maturity investments	–	–	–	900	900
Interest receivable	–	–	9	15	24
Debt securities classified					
as receivables	–	–	80,652	–	80,652
Other assets	–	–	–	28	28
	–	–	81,653	944	82,597
Deposits from banks and other financial institutions					
	–	–	10,171	364	10,535
Deposits from customers	21	–	31,148	17,032	48,201
Interest payable	–	–	24	364	388
Other liabilities	–	–	45	–	45
	21	–	41,388	17,760	59,169
Significant off-balance sheet items with related parties as at 31 December 2014:					
Guarantee granted (Note)	180	–	–	–	180

Note: As at 30 June 2015, the Bank has guarantee obligations relating to the China Everbright Group's outstanding interest obligation of RMB180 million due to one of the state-owned commercial banks.

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party relationships and transactions (continued)

(c) China Investment Corporation/Huijin and its affiliates

Approved by the State Council of the PRC, China Investment Corporation (“CIC”) was established on 29 September 2007 with a registered capital of USD 200 billion. Central Huijin Investment Ltd. (“Huijin”) is a wholly owned subsidiary of CIC and exercises its rights and obligations as an investor on behalf of CIC.

Huijin was incorporated as a wholly state-owned investment company on 16 December 2003. It was registered in Beijing with a registered capital of RMB828,209 million. Apart from equity investments as authorised by the State Council of the PRC, it does not engage in any other commercial operations.

The Group’s transactions with Huijin and its affiliates mainly include deposit taking, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts, financial bonds and certificates of deposits which are bearer bonds tradable in the secondary market. Accordingly, the Group has no information in respect of the amount of the debts held by these banks and other financial institutions as at the end of the reporting period.

The Group’s material transactions and balances with CIC, Huijin and its affiliates during the reporting period are summarised as follows:

	Six months ended 30 June	
	2015	2014
Interest income	7,101	2,721
Interest expense	(7,628)	(3,033)

45 Related party relationships and transactions (continued)

(c) China Investment Corporation/Huijin and its affiliates (continued)

	30 June 2015	31 December 2014
Deposits with banks and other financial institutions	11,630	16,887
Placements with banks and other financial institutions	11,236	22,133
Financial assets at fair value through profit or loss	727	223
Financial assets held under resale agreements	21,153	2,721
Interest receivable	4,883	2,087
Debt securities classified as receivables	91,850	37,234
Loans and advances to customers	–	1,500
Available-for-sale financial assets	5,819	6,037
Held-to-maturity investments	12,675	16,027
Deposits from banks and other financial institutions	96,166	118,609
Placements from banks and other financial institutions	18,903	21,263
Financial assets sold under repurchase agreements	12,128	23,576
Deposits from customers	20,171	19,803
Interest payable	2,252	1,226
Other liabilities	–	30

(d) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (“state-owned entities”). Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

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

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party relationships and transactions (continued)

(e) Key management personnel

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Remuneration	10,284	10,232
Retirement benefits	574	554
– Basic social pension insurance	292	301

(f) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 of the Hong Kong Companies Ordinance are as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Aggregate amount of relevant loans outstanding as at the period/year end	7,115	3,712
Maximum aggregate amount of relevant loans outstanding during the period/year	10,997	8,892

46 Segment reporting

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

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

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services, remittance services, and securities agency services.

46 Segment reporting (continued)

Treasury business

This segment covers the Group's treasury operations. The treasury business enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities, derivatives and foreign currency trading for its own accounts. The treasury segment also covers customer-driven derivatives and foreign currency trading, as well as management of the Group's overall liquidity position, including the issuance of subordinated debts.

Others

These represent equity investments and related income.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

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

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

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(Expressed in millions of Renminbi, unless otherwise stated)

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

	Six months ended 30 June 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	15,294	8,564	8,247	–	32,105
Internal net interest income/(expense)	7,999	(2,392)	(5,607)	–	–
Net interest income	23,293	6,172	2,640	–	32,105
Net fee and commission income	2,902	10,550	106	–	13,558
Net trading losses	–	–	(337)	–	(337)
Dividend income	–	–	–	4	4
Net gains/(losses) arising from investment securities	10	7	(12)	–	5
Foreign exchange gains	109	38	13	–	160
Other operating income	28	15	–	49	92
Operating income	26,342	16,782	2,410	53	45,587
Operating expenses	(7,998)	(7,490)	(201)	(21)	(15,710)
Operating profit before impairment	18,344	9,292	2,209	32	29,877
Impairment losses on assets	(5,995)	(2,391)	(1)	–	(8,387)
Profit before tax	12,349	6,901	2,208	32	21,490
Other segment information					
– Depreciation and amortisation	(528)	(498)	(13)	–	(1,039)
– Capital expenditure	301	284	7	–	592

	30 June 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	1,912,615	573,613	509,240	8	2,995,476
Segment liabilities	2,128,256	473,294	190,167	141	2,791,858

46 Segment reporting (continued)

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

	Six months ended 30 June 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	12,558	7,626	7,654	–	27,838
Internal net interest income/(expense)	7,350	(1,785)	(5,565)	–	–
Net interest income	19,908	5,841	2,089	–	27,838
Net fee and commission income	3,255	5,290	87	–	8,632
Net trading gains	–	228	999	–	1,227
Net gains/(losses) arising from investment securities	4	–	(103)	–	(99)
Foreign exchange gains/(losses)	55	36	(324)	–	(233)
Other operating income	92	25	–	78	195
Operating income	23,314	11,420	2,748	78	37,560
Operating expenses	(8,228)	(5,184)	(215)	(34)	(13,661)
Operating profit before impairment	15,086	6,236	2,533	44	23,899
Impairment losses on assets	(2,045)	(1,349)	266	–	(3,128)
Profit before tax	13,041	4,887	2,799	44	20,771
Other segment information					
– Depreciation and amortisation	(556)	(365)	(11)	–	(932)
– Capital expenditure	676	445	13	–	1,134
	31 December 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	1,727,980	542,756	461,653	306	2,732,695
Segment liabilities	1,948,717	432,748	175,914	120	2,557,499

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(Expressed in millions of Renminbi, unless otherwise stated)

46 Segment reporting (continued)

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

Reconciliation between segment assets, liabilities and total assets and total liabilities:

	Note	30 June 2015	31 December 2014
Segment assets		2,995,476	2,732,695
Goodwill	23	1,281	1,281
Deferred tax assets	24	3,579	3,034
Total assets		3,000,336	2,737,010
Segment liabilities		2,791,858	2,557,499
Dividend payables	35	22	28
Total liabilities		2,791,880	2,557,527

(b) Geographical information

The Group operates principally in mainland China with branches located in 28 provinces, autonomous regions and municipalities directly under the central government, with subsidiaries located in Wuhan city of Hubei Province, Shaoshan city of Hunan Province and Huai'an city of Jiangsu Province.

Non-current assets include property and equipment, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the branches which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Yangtze River Delta” refers to the following areas serviced by subsidiary and branches of the Bank: Huai’an Everbright, Shanghai, Nanjing, Hangzhou, Suzhou, Ningbo and Wuxi;
- “Pearl River Delta” refers to the following areas serviced by branches of the Bank: Guangzhou, Shenzhen, Fuzhou, Xiamen and Haikou;
- “Bohai Rim” refers to the following areas serviced by branches of the Bank: Beijing, Tianjin, Shijiazhuang, Jinan, Qingdao and Yantai;
- “Central” refers to the following areas serviced by subsidiaries and branches of the Bank: Everbright Financial Leasing and Shaoshan Everbright, Zhengzhou, Taiyuan, Changsha, Wuhan, Hefei and Nanchang;
- “Western” refers to the following areas serviced by branches of the Bank: Xi’an, Chengdu, Chongqing, Kunming, Nanning, Hohhot, Urumchi; Guiyang and Lanzhou;
- “Northeastern” refers to the following areas serviced by branches of the Bank: Heilongjiang, Changchun, Shenyang and Dalian;

46 Segment reporting (continued)

(b) Geographical information (continued)

- “Hong Kong” refers to the Hong Kong Special Administrative Region serviced by branch of the Bank; and
- “Head Office” refers to the headquarter of the Group.

	Operating Income								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Hong Kong	Total
Six months ended 30 June 2015	7,608	8,257	11,248	5,933	5,170	4,900	2,357	114	45,587
Six months ended 30 June 2014	6,345	6,687	8,300	5,128	4,439	4,630	1,975	56	37,560

	Non-current Asset (i)								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Hong Kong	Total
30 June 2015	2,820	1,018	5,110	1,261	1,232	1,104	1,024	25	13,594
31 December 2014	2,918	1,066	5,130	1,327	1,285	1,156	1,059	24	13,965

(i) Including property and equipment and intangible assets.

47 Risk management

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group’s exposure to each of the above risks and their sources, and the Group’s objectives, policies and procedures for measuring and managing these risks.

The Group’s risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

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47 Risk management (continued)

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible department for credit risk management include the Risk Management Department, Credit Approval Department, Credit management department, Special Assets Resolution Department and Legal and Compliance Department, and the Group deployed Credit Officer to Retail Banking Department of Head office, the business line of medium-sized and small enterprises, credit card business, treasury business and the first tier branches. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Credit management department is responsible for lending review and frequent monitoring and management of credit portfolio trends and developments. Front line departments such as the Corporate Banking Department and the Retail Banking Department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place dynamic monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks. The Group has further enhanced the parallel operating mechanism. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

47 Risk management (continued)

(a) Credit risk (continued)

Credit business (continued)

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collaterals and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process in accordance with its standardised loan recovery procedures.

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

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

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

Treasury Business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic and real-time basis, and credit limits are reviewed and revised regularly.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets, including derivative financial instruments.

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(Expressed in millions of Renminbi, unless otherwise stated)

47 Risk management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(ii) Financial assets analysed by credit quality are summarised as follows:

	30 June 2015				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments ⁽¹⁾	Others ⁽²⁾
Impaired					
Individually assessed					
Gross amount	15,311	16	–	2	566
Provision for impairment losses	(6,255)	(16)	–	(2)	(168)
Sub-total	9,056	–	–	–	398
Collectively assessed					
Gross amount	4,830	–	–	–	875
Provision for impairment losses	(2,802)	–	–	–	(56)
Sub-total	2,028	–	–	–	819
Overdue but not impaired					
– Less than 3 months (inclusive)	27,949	–	–	2,109	220
– Between 3 months and 6 months (inclusive)	5,492	–	–	–	–
– Over 6 months	5,440	–	–	293	–
Gross amount	38,881	–	–	2,402	220
Provision for impairment losses	(4,648)	–	–	(7)	(8)
Sub-total	34,233	–	–	2,395	212
Neither overdue nor impaired					
Gross amount	1,359,179	129,366	214,890	842,682	55,683
Provision for impairment losses	(17,549)	(22)	–	(700)	(998)
Sub-total	1,341,630	129,344	214,890	841,982	54,685
Total	1,386,947	129,344	214,890	844,377	56,114

47 Risk management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(ii) Financial assets analysed by credit quality are summarised as follows: (continued)

	31 December 2014				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments ^(*)	Others ^(**)
Impaired					
Individually assessed					
Gross amount	11,939	16	–	2	702
Provision for impairment losses	(4,946)	(16)	–	(2)	(168)
Sub-total	6,993	–	–	–	534
Collectively assessed					
Gross amount	3,586	–	–	–	582
Provision for impairment losses	(2,111)	–	–	–	(46)
Sub-total	1,475	–	–	–	536
Overdue but not impaired					
– Less than 3 months (inclusive)	25,674	645	–	200	–
– Between 3 months and 6 months (inclusive)	1,850	124	–	–	–
– Over 6 months	2,138	–	–	–	–
Gross amount	29,662	769	–	200	–
Provision for impairment losses	(3,677)	–	–	–	–
Sub-total	25,985	769	–	200	–
Neither overdue nor impaired					
Gross amount	1,254,268	172,299	286,682	588,556	41,064
Provision for impairment losses	(17,291)	(19)	–	(212)	(848)
Sub-total	1,236,977	172,280	286,682	588,344	40,216
Total	1,271,430	173,049	286,682	588,544	41,286

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

** Others comprise positive fair value of derivatives, interests receivable, assets from wealth management business recorded in other assets, and other receivables.

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47 Risk management (continued)(a) **Credit risk** (continued)**Treasury Business** (continued)**(iii) Credit rating**

The distribution according to the credit quality of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	30 June 2015	31 December 2014
Carrying value		
<i>Individually assessed and impaired</i>		
Gross amount	16	16
Provision for impairment losses	(16)	(16)
Sub-total	–	–
<i>Overdue but not impaired</i>		
– grade A to AAA	–	769
Sub-total	–	769
<i>Neither overdue nor impaired</i>		
– grade A to AAA	163,419	225,412
– grade B to BBB	5,274	36,124
– unrated (Note)	175,541	197,426
Sub-total	344,234	458,962
Total	344,234	459,731

Note: Mainly represent placements with other financial institutions and debt securities held under resale agreements with other financial institutions.

47 Risk management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(iii) Credit rating (continued)

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or the major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	30 June 2015	31 December 2014
Carrying value		
<i>Individually assessed and impaired</i>		
Gross amount	1	1
Provision for impairment losses	(1)	(1)
Sub-total	–	–
<i>Neither overdue nor impaired</i>		
<i>Bloomberg Composite</i>		
– grade AAA	–	125
– grade AA- to AA+	774	1,196
– grade A- to A+	869	1,000
– grade lower than A-	795	558
Sub-total	2,438	2,879
<i>Other agency ratings</i>		
– grade AAA	58,483	55,800
– grade AA- to AA+	88,054	45,766
– grade A- to A+	134,928	114,819
– grade lower than A-	1,809	1,992
– unrated	37,499	32,880
Sub-total	320,773	251,257
Total	323,211	254,136

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47 Risk management (continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures as well as the market risk tolerance level recommended by senior management. The Group is primarily exposed to market risk in its treasury business. The Treasury Department is responsible for the Group's investments and proprietary trading business. The Planning and Finance Department is responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Market Risk Management Division in the Treasury Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the main tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, stress testing and effective duration analysis are the main tools used by the Group to measure and monitor the market risk of its non-trading businesses.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

47 Risk management (continued)

(b) Market risk (continued)

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Planning and Finance Department of the Group is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

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47 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(i) *The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:*

	Effective interest rate (Note (i))	30 June 2015					
		Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.47%	344,523	15,080	329,443	-	-	-
Deposits with banks and other financial institutions	3.40%	53,974	-	39,983	13,691	300	-
Placements with banks and other financial institutions	3.03%	75,370	-	65,691	9,300	379	-
Financial assets held under resale agreements	4.99%	214,890	-	192,906	21,984	-	-
Loans and advances to customers (Note (ii))	5.96%	1,386,947	-	757,068	615,609	11,819	2,451
Investments (Note (iii))	5.32%	844,377	351	182,872	339,669	255,506	65,979
Others	-	80,255	45,046	35,176	33	-	-
Total assets	5.04%	3,000,336	60,477	1,603,139	1,000,286	268,004	68,430
Liabilities							
Due to the central bank	3.51%	11,040	-	5,000	6,040	-	-
Deposits from banks and other financial institutions	3.99%	589,927	-	578,862	11,065	-	-
Placements from banks and other financial institutions	2.56%	45,326	21	33,077	12,191	37	-
Financial assets sold under repurchase agreements	2.51%	31,102	-	30,501	601	-	-
Deposits from customers	2.64%	1,894,576	5,685	1,161,389	477,262	250,155	85
Debt securities issued	4.50%	157,224	-	56,852	51,472	26,000	22,900
Others	-	62,685	60,169	1,974	497	45	-
Total liabilities	3.01%	2,791,880	65,875	1,867,655	559,128	276,237	22,985
Asset-liability gap	2.03%	208,456	(5,398)	(264,516)	441,158	(8,233)	45,445

47 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(i) *The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:* (continued)

	Effective interest rate (Note (i))	31 December 2014					
		Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.51%	354,185	16,365	337,820	-	-	-
Deposits with banks and other financial institutions	4.16%	40,316	-	39,401	915	-	-
Placements with banks and other financial institutions	5.70%	132,733	-	46,972	76,482	9,279	-
Financial assets held under resale agreements	5.56%	286,682	-	188,139	98,543	-	-
Loans and advances to customers (Note (ii))	6.30%	1,271,430	-	877,913	377,758	12,933	2,826
Investments (Note (iii))	5.21%	588,544	340	102,690	219,754	204,444	61,316
Others	-	63,120	38,692	23,658	715	55	-
Total assets	5.30%	2,737,010	55,397	1,616,593	774,167	226,711	64,142
Liabilities							
Due to the central bank	3.54%	30,040	-	30,000	40	-	-
Deposits from banks and other financial institutions	4.91%	507,187	-	505,885	1,302	-	-
Placements from banks and other financial institutions	3.11%	36,744	21	19,853	16,870	-	-
Financial assets sold under repurchase agreements	2.83%	51,772	-	51,051	721	-	-
Deposits from customers	2.73%	1,785,337	2,768	1,096,625	427,489	253,412	5,043
Debt securities issued	4.54%	89,676	-	28,452	17,746	36,778	6,700
Others	-	56,771	53,738	2,674	352	7	-
Total liabilities	3.24%	2,557,527	56,527	1,734,540	464,520	290,197	11,743
Asset-liability gap	2.06%	179,483	(1,130)	(117,947)	309,647	(63,486)	52,399

Note:

- Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.
- For loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB44,903 million as at 30 June 2015 (31 December 2014: RMB34,425 million). Overdue amounts represent loans for which the principal or interest is overdue one day or more.
- Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

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(Expressed in millions of Renminbi, unless otherwise stated)

47 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 30 June 2015, assuming other variables remain unchanged, an increase in estimated interest rate of one hundred basis points will cause the Group's net profit to decrease by RMB1,235 million (31 December 2014: RMB1,928 million), and equity to decrease by RMB4,492 million (31 December 2014: RMB4,749 million); a decrease in estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB1,245 million (31 December 2014: RMB1,929 million), and equity to increase by RMB4,679 million (31 December 2014: RMB4,905 million).

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;
- At the end of the reporting period, an interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

47 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk

The Group's foreign currency risk mainly arises from the foreign currency portfolio within the treasury's proprietary investments, and other foreign currency exposures. The Group manages foreign currency risk by spot and forward foreign exchange transactions, swap transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

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

	30 June 2015			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	339,755	3,940	828	344,523
Deposits with banks and other financial institutions	40,203	9,335	4,436	53,974
Placements with banks and other financial institutions	55,889	19,342	139	75,370
Financial assets held under resale agreements	214,890	–	–	214,890
Loans and advances to customers	1,332,217	47,192	7,538	1,386,947
Investments (Note (i))	833,562	10,456	359	844,377
Others	79,781	370	104	80,255
Total assets	2,896,297	90,635	13,404	3,000,336
Liabilities				
Due to the central bank	11,040	–	–	11,040
Deposits from banks and other financial institutions	584,692	5,210	25	589,927
Placements from banks and other financial institutions	24,157	19,309	1,860	45,326
Financial assets sold under repurchase agreements	31,102	–	–	31,102
Deposits from customers	1,803,227	70,682	20,667	1,894,576
Debt securities issued	152,662	2,266	2,296	157,224
Others	60,433	1,764	488	62,685
Total liabilities	2,667,313	99,231	25,336	2,791,880
Net position	228,984	(8,596)	(11,932)	208,456
Off-balance sheet credit commitments	596,641	23,784	2,088	622,513
Derivative financial instruments (Note (ii))	(29,322)	14,891	13,901	(530)

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47 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group's currency exposures as at the end of the reporting period are as follows: (continued)

	31 December 2014			Total (RMB Equivalent)
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	
Assets				
Cash and deposits with the central bank	348,828	4,566	791	354,185
Deposits with banks and other financial institutions	20,115	11,151	9,050	40,316
Placements with banks and other financial institutions	123,401	8,555	777	132,733
Financial assets held under resale agreements	286,682	–	–	286,682
Loans and advances to customers	1,219,590	48,080	3,760	1,271,430
Investments (Note (i))	585,597	2,627	320	588,544
Others	62,012	1,025	83	63,120
Total assets	2,646,225	76,004	14,781	2,737,010
Liabilities				
Due to the central bank	30,040	–	–	30,040
Deposits from banks and other financial institutions	506,453	694	40	507,187
Placements from banks and other financial institutions	18,616	15,762	2,366	36,744
Financial assets sold under repurchase agreements	51,772	–	–	51,772
Deposits from customers	1,691,760	77,163	16,414	1,785,337
Debt securities issued	86,102	1,491	2,083	89,676
Others	54,331	1,464	976	56,771
Total liabilities	2,439,074	96,574	21,879	2,557,527
Net position	207,151	(20,570)	(7,098)	179,483
Off-balance sheet credit commitments	739,355	30,599	2,326	772,280
Derivative financial instruments (Note (ii))	(37,297)	28,223	8,833	(241)

Note:

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

(ii) Derivative financial instruments reflect the net notional amounts of derivatives.

47 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 30 June 2015, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would increase both the Group's net profit and equity by RMB10 million (31 December 2014: RMB11 million); a depreciation of one hundred basis points in the US dollar against the RMB would decrease both the Group's net profit and equity by RMB10 million (31 December 2014: RMB11 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and HK dollars change in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

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47 Risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC, chaired by the President of the Bank, is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximisation and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Planning and Finance Department is responsible for executing liquidity risk management policies. It is also responsible for identifying, measuring, monitoring and managing medium- and long-term working capital on a regular basis, and for formulating liquidity management strategies. The Treasury Department is responsible for monitoring working capital on a daily basis and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies outlined above. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

47 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	30 June 2015							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	303,487	41,036	-	-	-	-	-	344,523
Deposit with banks and other financial institutions	-	19,039	9,337	8,000	17,291	307	-	53,974
Placement with banks and other financial institutions	-	-	60,202	5,489	9,300	379	-	75,370
Financial asset held under resale agreements	-	-	128,615	64,291	21,984	-	-	214,890
Loans and advances to customers	32,626	161,747	65,950	120,159	456,824	326,631	223,010	1,386,947
Investments (*)	310	16,674	26,783	128,058	340,633	265,298	66,621	844,377
Others	24,147	261	4,597	11,373	15,111	20,023	4,743	80,255
Total assets	360,570	238,757	295,484	337,370	861,143	612,638	294,374	3,000,336
Liabilities								
Due to the central bank	-	-	-	5,000	6,040	-	-	11,040
Deposits from banks and other financial institutions	-	279,907	154,039	78,700	76,226	1,055	-	589,927
Placements from banks and other financial institutions	-	21	16,953	16,124	12,191	37	-	45,326
Financial assets sold under repurchase agreements	-	3	21,311	9,187	601	-	-	31,102
Deposits from customers	-	716,677	229,964	208,180	484,015	255,655	85	1,894,576
Debt securities issued	-	-	24,040	32,506	40,148	37,630	22,900	157,224
Others	-	20,362	20,074	3,843	10,314	8,078	14	62,685
Total liabilities	-	1,016,970	466,381	353,540	629,535	302,455	22,999	2,791,880
Long/(Short) position	360,570	(778,213)	(170,897)	(16,170)	231,608	310,183	271,375	208,456
Notional amount of derivative financial instruments	-	-	44,219	44,143	111,412	31,266	577	231,617

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47 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period: (continued)

	31 December 2014							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	311,568	42,617	-	-	-	-	-	354,185
Deposit with banks and other financial institutions	-	24,514	4,730	9,200	1,165	707	-	40,316
Placement with banks and other financial institutions	-	769	19,250	26,953	76,482	9,279	-	132,733
Financial asset held under resale agreements	-	-	152,212	35,927	98,543	-	-	286,682
Loans and advances								
to customers	23,666	143,832	63,061	123,887	410,093	296,564	210,327	1,271,430
Investments (*)	310	213	9,390	85,093	217,751	213,619	62,168	588,544
Others	21,845	114	2,832	9,438	13,181	13,871	1,839	63,120
Total assets	357,389	212,059	251,475	290,498	817,215	534,040	274,334	2,737,010
Liabilities								
Due to the central bank	-	-	30,000	-	40	-	-	30,040
Deposits from banks and other financial institutions	-	256,489	118,557	74,320	48,754	9,067	-	507,187
Placements from banks and other financial institutions	-	21	8,977	10,876	16,870	-	-	36,744
Financial assets sold under repurchase agreements	-	3	50,001	1,047	721	-	-	51,772
Deposit from customers	-	678,683	193,386	208,174	444,139	255,912	5,043	1,785,337
Debt securities issued	-	-	7,970	10,482	17,746	46,778	6,700	89,676
Others	-	15,174	18,812	4,172	10,667	7,791	155	56,771
Total liabilities	-	950,370	427,703	309,071	538,937	319,548	11,898	2,557,527
Long/(Short) position	357,389	(738,311)	(176,228)	(18,573)	278,278	214,492	262,436	179,483
Notional amount of derivative financial instruments	-	-	28,875	38,488	123,256	41,399	631	232,649

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

47 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of financial liabilities, loan commitments and credit card commitments at the end of the reporting period:

	30 June 2015							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Due to the central bank	11,040	11,190	-	-	5,044	6,146	-	-
Deposits from banks and other financial institutions	589,927	595,708	280,243	154,948	79,605	79,703	1,209	-
Placements from banks and other financial institutions	45,326	45,419	21	16,976	16,143	12,241	38	-
Financial assets sold under repurchase agreements	31,102	31,755	3	21,444	9,651	657	-	-
Deposits from customers	1,894,576	1,933,221	716,744	231,353	209,965	493,030	282,038	91
Debt securities issued	157,224	173,289	-	24,055	32,507	40,174	40,381	36,172
Other financial liabilities	32,292	32,299	15,901	15,435	418	499	46	-
Total non-derivative financial liabilities	2,761,487	2,822,881	1,012,912	464,211	353,333	632,450	323,712	36,263
Derivative financial liabilities								
Derivative financial instruments settled on net basis		12	-	9	(1)	9	(5)	-
Derivative financial instruments settled on gross basis								
Cash inflow		166,602	-	43,331	39,039	83,511	721	-
Cash outflow		(167,092)	-	(43,353)	(39,103)	(83,907)	(729)	-
Total derivative financial liabilities		(490)	-	(22)	(64)	(396)	(8)	-
Loan commitments and credit card commitments		123,943	108,765	4,904	2,601	1,794	4,613	1,266

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47 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of financial liabilities, loan commitments and credit card commitments at the end of the reporting period: (continued)

	31 December 2014							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Due to the central bank	30,040	30,305	-	30,264	-	41	-	-
Deposits from banks and other financial institutions	507,187	513,315	256,889	119,536	75,578	51,028	10,284	-
Placements from banks and other financial institutions	36,744	37,582	21	9,048	11,022	17,491	-	-
Financial assets sold under repurchase agreements	51,772	51,966	3	50,059	1,119	785	-	-
Deposits from customers	1,785,337	1,831,940	678,749	194,637	210,454	453,406	288,399	6,295
Debt securities issued	89,676	101,298	-	7,996	10,514	20,360	54,673	7,755
Other financial liabilities	26,040	26,111	10,329	14,443	966	365	8	-
Total non-derivative financial liabilities	2,526,796	2,592,517	945,991	425,983	309,653	543,476	353,364	14,050
Derivative financial liabilities								
Derivative financial instruments settled on net basis		47	-	6	(3)	23	21	-
Derivative financial instruments settled on gross basis								
Cash inflow		143,890	27	28,959	35,442	77,489	1,973	-
Cash outflow		(143,436)	(14)	(28,361)	(35,357)	(77,732)	(1,972)	-
Total derivative financial liabilities		454	13	598	85	(243)	1	-
Loan commitments and credit card commitments		131,532	106,612	8,147	4,969	3,935	5,649	2,220

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

47 Risk management (continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- A set of standard operational procedures covering all products and services, which is practical, traceable and can be re-performed, investigated and remedied;
- A series of operational risk management tools, including Risk Control Self-Assessment (RCSA), Key Risk Index (KRI), Loss Event Collection and IT system monitoring;
- An operational risk management culture, the core values of the culture is that effective risk management could create value. It is supported with a team of operational risk management professionals across all branches, businesses and functions;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

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48 Fair value

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. The fair values of unlisted equity investments are estimated using the applicable price/earning ratios of comparable listed companies, after adjustment for the specific circumstances of the issuers.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(iv) Derivative financial instruments

The fair values of foreign currency forward and swap contracts is determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Reuters' quoted price.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers and debt securities classified as receivables are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Available-for-sale investments and held for trading investments are stated at fair value. The carrying amount and fair value of held-to-maturity investments are disclosed in Note 20.

48 Fair value (continued)

(b) Fair value measurement (continued)

(ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, financial liabilities at fair value through profit or loss, deposits from customers and subordinated debts issued.

Financial liabilities at fair value through profit or loss are stated at fair value in the statements of financial position. The carrying amount and fair value of debts securities issued are disclosed in Note 34. The carrying amounts of other financial liabilities approximate their fair values.

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes bonds and a majority of OTC derivative contracts. Input parameters like ChinaBond interbank yield curves or LIBOR yield curves are sourced from ChinaBond, Bloomberg and Shanghai Clearing House.

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes complicated derivative contracts and structured deposits with one or more than one significant unobservable component.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

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48 Fair value (continued)**(c) Fair value hierarchy** (continued)

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

	30 June 2015			
	Level 1	Level 2	Level 3	Total
Assets				
<i>Financial assets at fair value through profit or loss</i>				
Held for trading				
– debt instruments	–	7,592	–	7,592
Financial assets designated at fair value through profit or loss	–	2,161	148	2,309
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	–	555	–	555
– interest rate derivatives	–	453	28	481
<i>Available-for-sale financial assets</i>				
– debt instruments	–	188,705	–	188,705
– fund instruments	–	11,140	–	11,140
– equity instruments	6	–	–	6
Total	6	210,606	176	210,788
Liabilities				
<i>Deposits from customers</i>				
Structured deposits designated at fair value through profit or loss	–	–	194,829	194,829
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	–	838	–	838
– interest rate derivatives	–	440	24	464
Total	–	1,278	194,853	196,131

48 Fair value (continued)

(c) Fair value hierarchy (continued)

	31 December 2014			Total
	Level 1	Level 2	Level 3	
Assets				
<i>Financial assets at fair value through profit or loss</i>				
Held for trading				
– debt instruments	–	4,190	–	4,190
<i>Financial assets designated at fair value through profit or loss</i>				
– foreign currency derivatives	–	15	172	187
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	–	751	–	751
– interest rate derivatives	–	301	30	331
<i>Available-for-sale financial assets</i>				
– debt instruments	–	138,249	–	138,249
– equity instruments	6	–	–	6
Total	6	143,506	202	143,714
Liabilities				
<i>Deposits from customers</i>				
Structured deposits designated at fair value through profit or loss	–	–	155,456	155,456
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	–	503	–	503
– interest rate derivatives	–	257	21	278
Total	–	760	155,477	156,237

During the period/year ended 30 June 2015 and 31 December 2014, there were no significant transfers between instruments in Level 1 and Level 2.

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48 Fair value (continued)

(c) Fair value hierarchy (continued)

The movement during the six months ended 30 June 2015 in the balance of Level 3 fair value measurements is as follows:

	Financial assets Designated at fair Value through Profit or loss	Derivative Financial Assets	Total	Non- derivative Financial Liabilities	Derivative Financial Liabilities	Total
1 January 2015	172	30	202	(155,456)	(21)	(155,477)
Total gains or losses:						
In profit or loss for the current year	8	(2)	6	5	(3)	2
Purchases	9	–	9	(148,999)	–	(148,999)
Settlements	(41)	–	(41)	109,621	–	109,621
30 June 2015	148	28	176	(194,829)	(24)	(194,853)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year	6	(1)	5	5	(3)	2

The movement during the year ended 31 December 2014 in the balance of Level 3 fair value measurements is as follows:

	Financial assets Designated at fair Value through Profit or loss	Derivative Financial Assets	Total	Non- derivative Financial Liabilities	Derivative Financial Liabilities	Total
1 January 2014	234	76	310	(126,274)	(86)	(126,360)
Total gains or losses:						
In profit or loss for the current year	11	(25)	(14)	53	31	84
Purchases	4	10	14	(155,448)	–	(155,448)
Settlements	(77)	(31)	(108)	126,213	34	126,247
31 December 2014	172	30	202	(155,456)	(21)	(155,477)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year	10	(15)	(5)	(8)	31	23

During the period/year 30 June 2015 and 31 December 2014, there were no significant transfers into or out of Level 3.

48 Fair value (continued)

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 30 June 2015, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

49 Entrusted lending business

The Group provides entrusted lending business services to government agencies, corporations and individuals. All entrusted loans are funded by entrusted funds from these entities and individuals. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustors and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position.

	30 June 2015	31 December 2014
Entrusted loans	100,141	88,913
Entrusted funds	100,141	88,913

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

50 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card limits, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertaking's by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	30 June 2015	31 December 2014
Loan commitments		
– Original contractual maturity within one year	8,239	7,869
– Original contractual maturity more than one year (inclusive)	31,305	47,944
Credit card commitments	84,399	75,719
Sub-total	123,943	131,532
Acceptances	476,373	473,866
Letters of guarantees	65,493	62,459
Letters of credit	80,463	104,238
Guarantees	185	185
Total	746,457	772,280

The Group may be exposed to credit risk in all the above credit businesses. Group management periodically assesses the credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Credit risk-weighted amount

	30 June 2015	31 December 2014
Credit risk-weighted amount of credit commitments	293,916	325,387

The credit risk weighted amount represent to the amount calculated with reference to the guidelines issued by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 150% for credit commitments.

50 Commitments and contingent liabilities (continued)

(c) Operating lease commitments

As at the end of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	30 June 2015	31 December 2014
Within one year (inclusive)	1,992	1,984
After one year but within two years (inclusive)	1,959	1,852
After two years but within three years (inclusive)	1,862	1,755
After three years but within five years (inclusive)	2,952	2,842
After five years	3,344	3,041
Total	12,109	11,474

(d) Capital commitments

As at the balance sheet dates, the Group's authorised capital commitments are as follows:

	30 June 2015	31 December 2014
Contracted for		
– Purchase of property and equipment	288	496
Approved but not contracted for		
– Purchase of property and equipment	611	740
Total	899	1,236

(e) Underwriting and redemption commitments

The Group has no unexpired commitments for underwriting bonds as at 30 June 2015.

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

The Group's redemption commitments are as follows:

	30 June 2015	31 December 2014
Redemption commitments	9,212	8,230

Notes to the Unaudited Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

50 Commitments and contingent liabilities (continued)

(f) Forward assets purchase and sale commitments

The Group has unexpired forward purchase and sale commitments as follows:

	30 June 2015	31 December 2014
Forward assets purchase and sale commitments	1,350	1,350

(g) Outstanding litigations and disputes

As at 30 June 2015, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB592 million (31 December 2014: RMB447 million). Provisions have been made for the estimated losses of such litigation based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

51 Subsequent Events

There is no significant event to be disclosed after the reporting period.

52 Comparative figures

Certain comparative figures have been adjusted to conform with changes in presentations in current period.

53 Immediate and ultimate parent

The immediate and ultimate parents of the Group are China Everbright Group and CIC.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purposes only.

1 Liquidity Coverage Ratio and Leverage Ratio

Liquidity Coverage Ratio

	As at 30 June 2015	Average for the period ended 30 June 2015	As at 31 December 2014	Average for the year ended 31 December 2014
Liquidity coverage ratio (RMB and foreign currency)	81.44%	90.69%	77.09%	91.70%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

Leverage Ratio

	30 June 2015
Leverage Ratio	5.73%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

2 Currency concentrations

	30 June 2015			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	76,005	10,748	4,032	90,785
Spot liabilities	(96,574)	(17,310)	(4,569)	(118,453)
Forward purchases	84,164	13,332	4,448	101,944
Forward sales	(69,273)	(1,117)	(2,762)	(73,152)
Net long/(short) position	(5,678)	5,653	1,149	1,124
Net structural position	11	11	–	22

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

2 Currency concentrations (continued)

	31 December 2014			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	76,005	10,748	4,032	90,785
Spot liabilities	(96,574)	(17,310)	(4,569)	(118,453)
Forward purchases	83,068	10,733	1,177	94,978
Forward sales	(54,845)	(2,482)	(596)	(57,923)
Net long position	7,654	1,689	44	9,387
Net structural position	11	11	–	22

The net structural position of the Group includes the structural positions, denominated in foreign currency, of the Bank's Hong Kong branch. Structural assets mainly include property and equipment.

3 International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions and debt investments.

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

	As at 30 June 2015			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific	28,439	101	15,045	43,585
– of which attributed to Hong Kong	10,541	–	13,869	24,410
Europe	3,473	–	4,838	8,311
North and South America	4,035	–	38,373	42,408
	35,947	101	58,256	94,304

3 International claims (continued)

	As at 31 December 2014			Total
	Banks and other financial institutions	Public sector entities	Others	
Asia Pacific	24,546	101	15,037	39,684
– of which attributed to Hong Kong	13,135	–	14,112	27,247
Europe	1,775	–	3,256	5,031
North and South America	5,923	–	40,278	46,201
	32,244	101	58,571	90,916

4 Gross amount of overdue loans and advances

(a) By geographical segments

	30 June 2015	31 December 2014
Western	6,838	2,692
Yangtze River Delta	6,525	4,643
Pearl River Delta	4,394	3,056
Central	4,348	3,382
Bohai Rim	3,661	2,220
Head Office	2,272	1,845
North eastern	1,474	702
Total	29,512	18,540

(b) By overdue days

	30 June 2015	31 December 2014
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	9,981	6,339
– between 6 months and 1 year (inclusive)	11,849	7,979
– over 1 year	7,682	4,222
Total	29,512	18,540
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.70%	0.49%
– between 6 months and 1 year (inclusive)	0.84%	0.61%
– over 1 year	0.54%	0.32%
Total	2.08%	1.42%

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

4 Gross amount of overdue loans and advances (continued)

	30 June 2015	31 December 2014
Current market value of collateral held against the covered portion of overdue loans and advances	20,787	9,298
Covered portion of overdue loans and advances	12,171	6,096
Uncovered portion of overdue loans and advances	17,341	12,444
Individual impairment allowances made on overdue loans and advances	5,562	4,728

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.


5 Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. As at 30 June 2015, substantial amounts of the Group's exposures arose from businesses with mainland China entities or individuals.



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