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

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

2017 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of Bank of Communications Co., Ltd. (the “**Bank**”) is pleased to announce the unaudited consolidated financial information (the “**Interim Results**”) of the Bank and its subsidiaries (the “**Group**”) for the six months ended 30 June 2017 (the “**Reporting Period**”), which has been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The Board of Directors of the Bank (the “**Board of Directors**”) and the Audit Committee of the Board of Directors have reviewed and confirmed the Interim Results.

I. CORPORATE INFORMATION

	Stock Name	Stock Code	Listing Venue
A Share	Bank of Communications	601328	Shanghai Stock Exchange
H Share	BANKCOMM	03328	The Stock Exchange of Hong Kong Limited
Domestic Preference Share	BOCOM PREF1	360021	Shanghai Stock Exchange
Overseas Preference Share	BOCOM 15USDPREF	4605	The Stock Exchange of Hong Kong Limited

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II. FINANCIAL HIGHLIGHTS

As at 30 June 2017, key financial data and financial indicators prepared by the Group under International Financial Reporting Standards (the “IFRSs”) are as follows:

	<i>(in millions of RMB unless otherwise stated)</i>		
Major financial data	January to June 2017	January to June 2016	Increase/ (decrease) (%)
Net interest income	62,708	68,148	(7.98)
Profit before tax	47,355	48,497	(2.35)
Net profit (attributable to shareholders of the parent company)	38,975	37,661	3.49
Earnings per share (attributable to shareholders of the Bank, in RMB yuan)	0.49	0.50	(2.00)
	30 June 2017	31 December 2016	Increase/ (decrease) (%)
Total assets	8,930,838	8,403,166	6.28
Including: Loans and advances to customers	4,370,147	4,102,959	6.51
Total liabilities	8,282,430	7,770,759	6.58
Including: Due to customers	4,938,694	4,728,589	4.44
Shareholders’ equity (attributable to shareholders of the Bank)	643,250	629,142	2.24
Net assets per share (attributable to shareholders of the Bank, in RMB yuan) ¹	7.86	7.67	2.48
Net Capital ²	759,091	723,961	4.85
Including: Net Core Tier-1 capital ²	581,708	568,131	2.39
Other Tier-1 capital ²	59,963	59,920	0.07
Tier-2 capital ²	117,420	95,910	22.43
Risk weighted assets ²	5,477,993	5,163,250	6.10
Major financial indicator (%)	January to June 2017	January to June 2016	Changes (Percentage point)
Cost-to-income ratio ³	26.96	24.85	2.11
Annualized return on average assets	0.91	1.00	(0.09)
Annualized return on average shareholders’ equity ⁴	13.06	14.08	(1.02)

	30 June 2017	31 December 2016	Changes (Percentage point)
Impaired loans ratio	1.51	1.52	(0.01)
Provision coverage of impaired loans	151.02	150.50	0.52
Capital adequacy ratio ²	13.86	14.02	(0.16)
Tier-1 Capital adequacy ratio ²	11.71	12.16	(0.45)
Core Tier-1 Capital adequacy ratio ²	10.62	11.00	(0.38)

Notes:

1. Refers to shareholder's equity attributable to shareholders of the Bank after the deduction of other equity instruments against the total issued ordinary shares as at the end of the Reporting Period.
2. Calculated pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional) issued by the China Banking Regulatory Commission (the "CBRC").
3. Refers to business and administrative expenses against the revenue net of cost of sales from other operations under the China Accounting Standards, which is consistent with financial reporting data as prepared under the China Accounting Standards.
4. With the effect of preference share eliminated.

III. CHANGES IN ORDINARY SHARES AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

(I) Changes in Share Capital

As at the end of the Reporting Period, the Bank had issued a total of 74,262,726,645 ordinary shares, including 39,250,864,015 A shares and 35,011,862,630 H shares, which accounted for 52.85% and 47.15%, respectively. All the ordinary shares issued by the Bank are not subject to sales restrictions.

	31 December 2016		Changes (+/-) during the Reporting Period					30 June 2017	
	Number of shares (share)	Percentage (%)	Newly issued	Bonus share	Conversion from reserves	Others	Sub-total	Number of shares (share)	Percentage (%)
I. Shares subject to sales restrictions	0	0	-	-	-	-	-	0	0
II. Shares not subject to sales restrictions	74,262,726,645	100.00	-	-	-	-	-	74,262,726,645	100.00
1. Renminbi ordinary shares	39,250,864,015	52.85	-	-	-	-	-	39,250,864,015	52.85
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	35,011,862,630	47.15	-	-	-	-	-	35,011,862,630	47.15
III. Total	74,262,726,645	100.00	-	-	-	-	-	74,262,726,645	100.00

(II) Shareholdings of the Shareholders (According to the Bank's Register of Members Maintained at its Share Registrars)

As at the end of the Reporting Period, the total number of shareholders of ordinary shares of the Bank was 379,036, of which 341,809 were holders of A shares and 37,227 were holders of H shares.

Shareholdings of Top 10 Ordinary Shareholders

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Number of shares pledged or frozen ¹	Nature of shareholders
Ministry of Finance of People's Republic of China ("Ministry of Finance")	–	15,148,693,829	20.40	A share	Nil	The State
	–	4,553,999,999	6.13	H share	Nil	
HKSCC Nominees Limited ²	3,683,284	14,948,958,007	20.13	H share	Unknown	Foreign legal person
The Hong Kong and Shanghai Banking Corporation ³	–	13,886,417,698	18.70	H share	Nil	Foreign legal person
The National Council for Social Security Fund ⁴	–	1,877,513,451	2.53	A share	Nil	The State
	–	1,405,555,555	1.89	H share	Nil	
China Securities Finance Corporation Limited	120,099,443	1,818,294,252	2.45	A share	Nil	State-owned legal person
Capital Airport Holding Company	–	1,246,591,087	1.68	A share	Nil	State-owned legal person
Shanghai Haiyan Investment Management Co., Ltd.	–	808,145,417	1.09	A share	Nil	State-owned legal person
Wutongshu Investment Platform Co., Ltd.	–	794,557,920	1.07	A share	Nil	State-owned legal person
Yunnan Hehe (Group) Co., Ltd.	–	745,305,404	1.00	A share	Nil	State-owned legal person
China FAW Group Corporation	–	663,941,711	0.89	A share	Nil	State-owned legal person

Notes:

1. The Bank is not aware of the existence of any related relationship among the above shareholders, or whether they are parties acting in concert as defined in the Measures for the Administration of the Takeover of Listed Companies.
2. The aggregate number of shares held by the nominee, HKSCC Nominees Limited, represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at the end of the Reporting Period.

3. According to the Bank's register of members, the Hong Kong and Shanghai Banking Corporation Limited ("HSBC") held 13,886,417,698 H shares of the Bank as at the end of the Reporting Period. According to the disclosure of interests forms filed with the Stock Exchange of Hong Kong Limited (the "HKEx") by HSBC Holdings plc, HSBC beneficially held 14,135,636,613 H shares of the Bank as at the end of the Reporting Period, representing 19.03% of the Bank's total ordinary shares issued. Please refer to "Substantial shareholders and holders of interests or short positions required to be disclosed under Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") for details of the H shares that deemed to be beneficially owned by HSBC.
4. According to the information provided by the National Council for Social Security Fund (the "SSF") to the Bank, as at the end of the Reporting Period, other than the shareholdings recorded in the register of members of the Bank, SSF held additional 7,653,570,777 H shares of the Bank, of which 7,027,777,777 H shares were registered under HKSCC Nominees Limited and 625,793,000 H shares were indirectly held by certain asset managers. As at the end of the Reporting Period, SSF held a total of 10,936,639,783 A shares and H shares of the Bank, representing 14.73% of the Bank's total ordinary shares issued.

(III) Controlling Shareholders/Actual Controllers

There is no controlling shareholder or actual controller of the Bank.

During the Reporting Period, the Bank's shareholders with shareholding of 5% or more had no changes.

(IV) Substantial Shareholders and Holders of Interests or Short Positions Required to be Disclosed Under Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance

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

Name of substantial shareholders	Capacity	Number of A shares	Nature of interests ¹	Approximate percentage of total issued A shares (%)	Approximate percentage of total issued ordinary shares (%)
Ministry of Finance	Beneficial owner	15,148,693,829 ²	Long position	38.59	20.40
SSF	Beneficial owner	1,877,513,451 ³	Long position	4.78	2.53

Name of substantial shareholders	Capacity	Number of H shares	Nature of interests ¹	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued ordinary shares (%)
SSF	Beneficial owner	9,059,126,332 ³	Long position	25.87	12.20
Ministry of Finance	Beneficial owner	4,553,999,999 ²	Long position	13.01	6.13
HSBC	Beneficial owner	14,135,636,613	Long position	40.37	19.03
	Interests of controlled corporations	2,674,232 ⁴	Long position	0.01	0.004
	Total:	14,138,310,845		40.38	19.04
HSBC Finance (Netherlands)	Interests of controlled corporations	14,138,310,845 ⁵	Long position	40.38	19.04
HSBC Bank plc	Beneficial owner	9,012,000	Long position	0.03	0.01
	Interests of controlled corporations	63,250 ⁶	Long position	0.0002	0.0001
	Total	9,075,250		0.03	0.01
HSBC Holdings plc	Interests of controlled corporations	14,147,386,095 ⁷	Long position	40.41	19.05

Notes:

1. Long positions held other than through equity derivatives.
2. To the knowledge of the Bank, as at the end of the Reporting Period, the Ministry of Finance held 4,553,999,999 H shares and 15,148,693,829 A shares of the Bank, representing 6.13% and 20.40% of the total ordinary shares issued by the Bank, respectively.
3. To the knowledge of the Bank, as at the end of the Reporting Period, the SSF held 9,059,126,332 H shares and 1,877,513,451 A shares of the Bank, representing 12.20% and 2.53% of the total ordinary shares issued by the Bank, respectively.
4. According to the disclosure of interests forms filed with the HKEx by HSBC Holdings plc, HSBC holds 62.14% of equity interests in Hang Seng Bank Limited. Pursuant to the SFO, HSBC is deemed to own the interests associated with the Bank's H shares held by Hang Seng Bank Limited.

Hang Seng Bank Limited is deemed to own the interests associated with the 2,674,232 H shares held by its wholly-owned subsidiaries. These 2,674,232 H shares represent the aggregate of the 2,581,887 H shares directly held by Hang Seng Bank Trustee International Limited and 92,345 H shares directly held by Hang Seng Bank (Trustee) Limited.

5. According to the disclosure of interests forms filed with the HKEx by HSBC Holdings plc, HSBC is wholly owned by HSBC Asia Holdings BV, which is wholly owned by HSBC Asia Holdings (UK) Limited. Furthermore, HSBC Asia Holdings (UK) Limited is wholly owned by HSBC Holdings BV, which is in turn wholly owned by HSBC Finance (Netherlands). Pursuant to the SFO, each of HSBC Asia Holdings BV, HSBC Asia Holdings (UK) Limited, HSBC Holdings BV and HSBC Finance (Netherlands) is deemed to own the interests associated with the 14,138,310,845 H shares held by HSBC.
6. According to the disclosure of interests forms filed with the HKEx by HSBC Holdings plc, HSBC Trustee (C.I.) Limited holds 63,250 H shares. HSBC Trustee (C.I.) Limited is wholly owned by HSBC Private Bank (C.I.) Limited, which is wholly owned by HSBC Private Banking Holdings (Suisse) SA. Furthermore, HSBC Private Banking Holdings (Suisse) SA is wholly owned by HSBC Europe (Netherlands) BV, 94.90% of which is owned by HSBC Bank plc. Pursuant to the SFO, each of HSBC Private Bank (C.I.) Limited, HSBC Private Banking Holdings (Suisse) SA, HSBC Europe (Netherlands) BV and HSBC Bank plc is deemed to own the interests associated with the 63,250 H shares held by HSBC Trustee (C.I.) Limited.
7. According to the disclosure of interests forms filed with the HKEx by HSBC Holdings plc, both HSBC Finance (Netherlands) and HSBC Bank plc are wholly owned by HSBC Holdings plc. Pursuant to Notes 3, 4 and 5, and the SFO, HSBC Holdings plc is deemed to own the interests associated with the 14,138,310,845 H shares held by HSBC and the 9,075,250 H shares held by HSBC Bank plc.

Other than as disclosed above, as at 30 June 2017, no person (excluding the Directors, Supervisors and Chief Executive of the Bank) or corporation was recorded in the register required to be kept under Section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the HKEx pursuant to Divisions 2 and 3 of Part XV of the SFO.

IV. INFORMATION OF PREFERENCE SHARES

(I) Issuance and Listing of Preference Shares as at the End of the Reporting Period

Code of preference share	Abbreviation of preference share	Issuance date	Issue price	Nominal dividend yield (%)	Number of shares issued (share)	Listing date	Number of shares approved for trading (share)	Delisting date
4605	BOCOM 15USDPREF	29/07/2015	USD20/share	5.00	122,500,000	30/07/2015	122,500,000	–
360021	BOCOM PREF1	02/09/2016	RMB100/share	3.90	450,000,000	29/09/2016	450,000,000	–

(II) Preference Shareholders

1. Total Number of Preference Shareholders

As at the end of the Reporting Period, the total number of overseas preference shareholders was 1, and that of domestic preference shareholders was 43.

2. Overseas Preference Shareholders as at the End of the Reporting Period

As at the end of the Reporting Period, the overseas preference shareholders and their shareholdings are as follows:

Serial Number	Name of shareholder	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Status of shares	Number of shares pledged or frozen	Nature of shareholder
1	DB Nominees (Hong Kong) Limited	–	122,500,000	100.00	Overseas preference share	Unknown	–	Foreign legal person

Notes:

1. Shareholdings of overseas preference shareholders are summarized according to the Bank's register members of overseas preference shareholders.
2. DB Nominees (Hong Kong) Limited, as a trustee, held 122,500,000 overseas preference shares, accounting for 100% of the Bank's total overseas preference shares, on behalf of all assignees in clearing systems (Euroclear and Clearstream) as at the end of the Reporting Period.
3. "Percentage" refers to the percentage of number of overseas preference shares held by overseas preference shareholders out of the total number of overseas preference shares.
4. The Bank is not aware of the existence of any related relationship among the overseas preference shareholders and the top 10 ordinary shareholders, or whether they are parties acting in concert.

3. Top 10 Domestic Preference Shareholders as at the End of the Reporting Period

As at the end of the Reporting Period, the Top 10 domestic preference shareholders are as follows:

Serial Number	Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Status of shares	Number of shares pledged or frozen	Nature of shareholders	Number of shares
1	China Mobile Communications Corporation	–	100,000,000	22.22	Domestic preference share	Nil	–	State-owned legal person	
2	AXA SPDB Investment Managers – SPDB – Shanghai Pudong Development Bank Shanghai Branch single fund trust	–	20,000,000	4.44	Domestic preference share	Nil	–	Others	
3	CCB Trust Co., Ltd. – “Qian Yuan – Ri Xin Yue Yi” open-ended wealth management single fund trust	–	20,000,000	4.44	Domestic preference share	Nil	–	Others	
4	Truvalue Asset Management – CMBC – China Merchants Bank Co., Ltd.	–	20,000,000	4.44	Domestic preference share	Nil	–	Others	
5	Bosera Funds – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-customer Asset Management Plan	–	20,000,000	4.44	Domestic preference share	Nil	–	Others	
6	Wisdom Asset Management – Ping An Bank – Ping An Bank Co., Ltd.	–	20,000,000	4.44	Domestic preference share	Nil	–	Others	
7	China Ping An Life Insurance Co., Ltd. – Self-owned capital	–	18,000,000	4.00	Domestic preference share	Nil	–	Others	
8	China National Tobacco Corporation – Henan Branch	–	15,000,000	3.33	Domestic preference share	Nil	–	State-owned legal person	
9	China Life Property & Casualty Insurance Company Limited – Traditional – Common insurance product	–	15,000,000	3.33	Domestic preference share	Nil	–	Others	
10	China CITIC Bank Corporation Limited – Le Ying series of CITIC wealth management products	–	14,000,000	3.11	Domestic preference share	Nil	–	Others	

Notes:

1. Shareholdings of domestic preference shareholders are summarized according to the Bank's register members of domestic preference shareholders.
2. "Percentage" refers to the percentage of number of domestic preference shares held by domestic preference shareholders out of the total number of domestic preference shares.
3. The Bank is not aware of the existence of any related relationship among the top 10 domestic preference shareholders, the above shareholders and the top 10 ordinary shareholders, or whether they are parties acting in concert.

(III) Dividends Distribution of Preference Shares

According to the resolution and authorization of shareholders' general meeting, the 8th meeting of the eighth Board of Directors of the Bank dated 28 April 2017 reviewed and approved the Bank's plans for the dividends distribution of overseas preference shares and domestic preference shares, and approved to distribute dividends of overseas preference shares on 31 July 2017, and to distribute dividends of domestic preference shares on 7 September 2017.

The total amount of dividends in respect of overseas preference shares was USD136,111,111, including the actual payment of USD122,500,000 to preference shareholders at the (after-tax) dividend rate (5.00%) agreed under the issuance clauses of overseas preference shares, and the income tax withholding of USD13,611,111 at the tax rate of 10% in accordance with relevant laws and regulations, which was borne by the Bank. Please refer to the announcement published on the Shanghai Stock Exchange (the "SSE") website, the HKEx website and the Bank's official website for the details of the dividend distribution of overseas preference shares. The above dividends were fully paid in cash on 31 July 2017.

The dividends on domestic preference shares were calculated at the nominal dividend yield of 3.90% and amounted to RMB1,755,000,000, which would be distributed on 7 September 2017.

(IV) Redemption and Conversion of Preference Shares During the Reporting Period

During the Reporting Period, there was no redemption or conversion of preference shares.

(V) Restoration and Exercise of Voting Rights (if any During the Reporting Period) Required to be Disclosed

During the Reporting Period, the Bank did not restore any voting rights of preference shares.

(VI) Accounting Policy for Preference Shares and its Rationale

In accordance with *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, *Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments and the Regulations on Distinguishing between Liabilities and Equity Instruments and Relevant Accounting Treatment* issued by the Ministry of Finance as well as terms and conditions of the preference shares of the Bank, the preference shares issued by the Bank met the requirements to be recognized as equity instruments and therefore were classified as equity instruments.

V. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Business Review

In the first half of 2017, the Group proactively managed to navigate through multiple challenges on increasing market volatility and intensified competition. The Group adhered to the “BoCom Strategy” to serve the real economy by persisting in reforms and innovation as well as prioritizing risk management and controls. The Group achieved a stable growth of operating results. As at the end of the Reporting Period, the Group’s total assets increased by 6.28% from the beginning of the year to RMB8,930.838 billion. During the Reporting Period, the net profit (attributable to shareholders of the Bank) increased by 3.49% on a year-on-year basis to RMB38.975 billion.

Constantly optimizing asset structure with focus on serving the real economy. The Group actively followed up national development strategies and expanded social public financing scale. As at the end of the Reporting Period, its balance of loans to customers (before impairment allowances, the same below unless otherwise specified) increased by RMB267.188 billion or 6.51% from the beginning of the year to RMB4,370.147 billion. The Group improved the liquidity of its credit assets by re-financing RMB360.2 billion of the recalled corporate credit and quasi-credit proceeds to the preferable customers. The Group continually optimized the credit structure to support structural reform on the supply side and 5 major tasks of “de-capacity, de-stocking, de-leverage, cost reduction and weakness strengthening”. As at the end of the Reporting Period, the balance of loans to infrastructure and city construction and service areas including transportation, conservancy and environment, public facility management and service increased by 10.66% from the beginning of the year, while the balance of loans to industries with serious overcapacity decreased by RMB5.13 billion from the beginning of the year. The Group provided more credit support for livelihood security and consumption upgrade areas, and the balance of credit card overdraft and the balance of personal housing mortgage loans increased by 12.91% and 8.56% from the beginning of the year, respectively. The Group proactively fulfilled social responsibilities and vigorously developed inclusive finance by setting up the inclusive finance division. The balance of loans to SMEs from domestic branches increased by 8.17% from the beginning of the year, higher than the average growth rate of loans.

Accelerating the advance of “BoCom Strategy” to manifest features of wealth management. With the advancing of Group internationalization and business integration strategies, the Group continued to enhance its capabilities of cross-border, cross-industry and cross-market services, which accounted for an increasing share of profit to the overall Group’s result. During the Reporting Period, the net profits of overseas banking entities increased by 10.97% on a year-on-year basis, accounting for 7.63% of the Group’s net profit, representing an increase of 0.52 percentage point on a year-on-year basis. The net profits attributable to shareholders of the Bank from the controlling subsidiaries increased by 9.64% on a year-on-year basis, accounting for 5.37% of the Group’s net profit, representing an increase of 0.30 percentage point on a year-on-year basis. With increasingly improved wealth management system, the “OTO Fortune” for high-end and mid-end customers reflected increasing market reputation with respect to personal business, the number of OTO Fortune standard customers increased by 8.97% from the beginning of the year and personal assets under management (AUM) amounted to RMB2.8 trillion; with respect to corporate business, “Win to Fortune” showed significant achievements in brand construction and the number of corporate customers of e-channel “Win to Fortune” cash management reached nearly 20,000; with respect to interbank business, “BoCom Tong Ye” interbank wealth management business realized rapid development and the number of interbank wealth management customers increased by 13.42% from the beginning of the year.

Continuously deepening reforms to achieve stable business growth. According to the BoCom’s Plan to Strengthen Reform, the Group carried forward specific reform programs of “20+20+20” in a planned and orderly manner. The Group actively explored corporate governance mechanism with Chinese characteristics and implemented reform of internal operation mechanism, to drive transformation and innovation of operation mode. Specifically, the new pattern of transformation development driven by “two engines” of “divisional structure operation + branch operation” has been initially formed. During the Reporting Period, 6 profit making centers had a year-on-year increase of profits before allowances and tax of 13.77%, and the “Head Office-to-Headquarters” levels of professional services and operating skills were significantly improved. In respect of improving shareholding structure and optimizing corporate governance mechanism, the Group selected subsidiaries as pilot. During the Reporting Period, BoCom International was listed on the main board of the HKEx, becoming the first Chinese bank-owned brokerage firm listed in Hong Kong, which provided a major boost to transformation development strategy of BoCom International itself as well as to the bank’s overall comprehensive and deepening reform. The positive effect of the reform helped the Group to stably enhance its business strength. During the Reporting Period, the net profit (attributable to shareholders of the Bank) increased by 3.49% on a year-on-year basis to RMB38.975 billion, representing a growth rate significantly higher than that of previous two years. Net fee and commission income increased by 1.42% on a year-on-year basis to RMB21.261 billion, accounting for 20.46% of the Group’s net profits, representing an increase of 0.23 percentage point on a year-on-year basis.

Strengthening risk management and control in all aspects and gradually improving asset quality. The Group further improved the comprehensive risk management system with “full coverage, whole process, accountability and risk culture” as the core principles. The Group maintained prudent risk management by deepening reform on organizational risk management system and structure, enhancing risk controls in key areas, strengthening risk identification, monitoring and early warning, as well as putting more efforts to disposal of risks. The objective is to continue to improve our ability of early identification, early warning and early disposal of risks. At the end of the Reporting Period, the Group’s impaired loans ratio declined to some extent and both overdue loans and loans overdue by more than 90 days were reduced. The impaired loans ratio decreased by 0.01 percentage point from the beginning of the year to 1.51%. The balance of overdue loan decreased by RMB6.026 billion or by 0.30 percentage point from the beginning of the year. Loans overdue by more than 90 days decreased by RMB3.859 billion or by 0.22 percentage point from the beginning of the year. The provision coverage ratio of impaired loans increased by 0.52 percentage point from the beginning of the year to 151.02%.

Advancing business transformation and innovation and effectively improving brand image. Upholding the transformation development path featured by low capital consumption and low cost expansion, the Group made great efforts to expand light-capital businesses such as asset management, transaction and credit cards. As at the end of the Reporting Period, the risk-weighted assets increased by 6.10% from the beginning of the year, 0.18 percentage point lower as compared with capital growth. With a grasp of development trend of financial technology and Internet finance, the Group pushed forward innovation of key products including mobile banking and interbank platform by virtue of project-based reform. Through officially launching “mobile-based credit card”, the Group initiated the “quick approval, quick utilization and quick loan” mode in the industry. During the Reporting Period, the number of mobile-based credit cards for which application materials have been submitted accumulated to 1.42 million, while the number of mobile credit cards issued was 1.03 million. In 2017, the Group was honored in FORTUNE’s “Top 500 Global Companies” for nine consecutive years and ranked No. 171 in terms of revenue. It ranked No. 11 among the global top 1,000 banks in terms of Tier-1 Capital rated by The Banker, the highest from previous records, and ranked Top 20 among global banks for four consecutive years.

1. Corporate banking business

- During the Reporting Period, the Group's profit before tax from corporate banking business and net fee and commission income amounted to RMB20.551 billion and RMB9.347 billion, respectively.
- As at the end of the Reporting Period, the Group's corporate deposit balance increased by 4.02% from the beginning of the year to RMB3,335.198 billion, while corporate loan balance increased by 5.49% from the beginning of the year to RMB3,076.97 billion.
- As at the end of the Reporting Period, the Group's corporate impaired loan balance and impaired loans ratio were RMB50.588 billion and 1.64%, respectively.

The Group reinforced linkage of cross-border, cross-industry and cross-market capital elements to meet the comprehensive financing demands of customers with product portfolio including credit, bond, fund, leasing, trust, asset management, insurance and debt and equity financing. With focus on increasing its capability of providing one-stop corporate financial services and with comprehensive coverage of “commercial + investment banking businesses, on + off balance sheet businesses, equity + debt businesses, domestic + overseas services, and online + offline services”, the Group strived to establish a good brand in terms of cash management, supply chain finance, investment banking and cross-border transactional finance.

(1) Corporate and institutional businesses

The Group constantly served the real economy by giving full play to the advantages of international and integrated operation. Through accelerating the establishment of tiered, categorized and hierarchical customer management system and promoting the vertical management of account marketing, the Group improved the integrated operation capacity of Head Office and branches. With focus on customer demands, the Group actively conducted structured comprehensive financing business, ramped up innovation and launched innovative products such as court case loan management. The Group introduced competence-based model for corporate relationship managers in order to enhance the level of business and service to corporate customers. As at the end of the Reporting Period, the total number of corporate customers of domestic branches increased by 4.5% from the beginning of the year.

(2) *Small and micro enterprise businesses*

Inclusive finance division was set up to advance coordinated development of inclusive finance for all businesses by building sound governance mechanism and organization structure and enhancing overall planning of inclusive finance business. The Group improved multi-tiered marketing service system and focused on key customers including those in industrial chain, those without loans, those involved in bank-government collaboration and those on quality third-party platforms. The Group strengthened project-based life cycle management and further optimized structure of SME customers. The Group continued to carry forward innovation of products to SMEs by introducing composite service programs including “Mortgage +” and loans for diversified operations, etc. The Group strengthened mobile-end channel construction and constantly promoted online and offline competitive products such as POS loans, Quick Mortgage Loan and You Dai Tong. As at the end of the Reporting Period, the balance of loans of domestic branches to small and micro enterprise businesses that met the qualification standards required by four National ministries and commissions increased by 8.17% from the beginning of the year to RMB739.87 billion.

(3) *“One Branch Offering Nationwide Services” industrial value chain financial services*

The Group closely follow up on internet-based industry transformation trends in line with large clients’ business transformation. The Group took the initiatives to develop online financial products covering payment, settlement and trade finance, and deepened cooperation with key customers in construction, medical care, petroleum and chemical sectors. The Group reinforced business linkage with finance companies to jointly serve those upstream and downstream enterprises of member companies of the group with which those finance companies are associated. As at the end of the Reporting Period, there were more than 2,500 qualified industrial chain networks and more than 30,000 qualified industrial chain companies developed by the domestic branches.

(4) *Cash management businesses*

With respect to the trend of integration of industrial and financial capitals for large-scale enterprise groups, the Group innovatively launched treasury management system services for finance companies. Following the trend of “Internet +”, the Group introduced e-commerce platform service program to further enhance business cooperation between cash management and industrial value chain finance. The Group continued to enrich product line of cash management by strengthening innovation of scenario-based settlement products and services on the basis of successful launching of “bidding Tong” – a financial service platform for bidding. The Group successfully launched “accounts manager service” – a one-stop account management service and enhanced receipts and payments management function of sub-accounts. As at the end of the Reporting Period, the number of corporate group customers of e-channel “Win to Fortune” cash management amounted to nearly 20,000 and the number of related cash management accounts amounted to more than 280,000.

(5) *International settlement and trade finance*

The Group made great efforts to expand international settlement and cross-border trade finance business in order to provide financial support and guarantee for enterprises to “Go Global”. During the Reporting Period, the amount of international settlement processed by domestic branches reached RMB2,306.634 billion, and the amount of international trade financing reached RMB52.892 billion. The Bank fully supported the “Belt and Road Initiatives” strategy and “Go Global” of enterprises through external guarantees and other financing and settlement products. During the Reporting Period, the amount of external guarantees provided by domestic branches reached RMB75.709 billion.

(6) *Investment banking businesses*

The Group has been qualified as an alternative lead underwriters of credit bonds of Central Huijin, and has been selected as the lead underwriter of first round bonds. The Group increased reserves for projects including poverty alleviation debts, start-ups and innovation debts and green debts, and actively promoted pilot run of connectivity of Bond Connect and USD bonds. With great support to the demand for cross-border bond issuance of enterprises, the foreign bonds issued amounted to approximately HKD300 billion, representing a substantial increase as compared to the same period last year. The Group leveraged the advantage of internalization and integration to provide one-stop financial services for enterprises planning initial public offering (IPO) in Hong Kong. The Bank was awarded “2017 Junding Award for Best Overall Bank and Investment Bank in China” by the Securities Times and “2017 International Pioneer Investment Bank” by the International Finance News. Fee income from investment banking reached RMB2.813 billion during the Reporting Period, accounting for 12.21% of the Group’s total fee and commission income. The number of debt financing instruments (excluding local government debt) underwritten by domestic branches as the lead underwriters was 108, and the issuance amount of such instruments reached RMB79.728 billion.

(7) *Asset custody businesses*

The Bank actively drove comprehensive and diversified development of custody business and enhanced precision marketing and service to custody customers with the objective to optimize customer service experience. The Bank also continued to strengthen risk management key links to ensure the safety of assets held in custody. The Group made great efforts in building a talented team specialized in custody to improve the cohesiveness and competitiveness of the team. As at the end of the Reporting Period, assets held in custody of the Bank increased by 9.02% from the beginning of the year to RMB7,642.101 billion.

2. *Personal Banking Businesses*

- During the Reporting Period, from personal banking business sector, the Group's profit before tax increased by 8.63% on a year-on-year basis to RMB14.509 billion, while net fee and commission income increased by 8.06% on a year-on-year basis to RMB10.199 billion. The total number of individual customers in domestic branches increased by 4.99% from the beginning of the year.
- As at the end of the Reporting Period, the balance of personal deposits of the Group increased by 5.44% from the beginning of the year to RMB1,600.136 billion, while the balance of personal loans of the Group increased by 9.02% from the beginning of the year to RMB1,293.177 billion.
- As at the end of the Reporting Period, the balance of personal impaired loans was RMB15.365 billion and the personal impaired loans ratio was 1.19%.

Adhering to the “customer-centered” operation principle, the Group reinforced innovation of products and business model to meet diversified financial demands of customers, and fully promoted the transformation and development of the personal banking business by taking wealth management, consumer finance, credit card and Internet finance as its development engine.

(1) *Personal deposit business*

With innovative development mode of personal deposit business, the Bank adopted relationship manager outbound call system to achieve scientific management of sales and service behavior of relationship managers in outlets across the Bank. The bank conducted precision marketing with focus on high and mid-end customers, new on board customers and new capital. The bank continued to promote business development of personal savings and deposits through optimizing the process of account opening approval procedures and facilitating cross-sell businesses in the customer waiting areas in the outlets. During the Reporting Period, relationship managers in outlets communicated with 3 million individual customers via outbound call system, wealth management products of De Li Bao series sales exceeded RMB150 billion, and deposit products sales exceeded RMB300 billion.

(2) *Personal loans*

In response to market changes and customer demands, the Group implemented a differentiated housing credit policy, actively supporting residents' reasonable demands for self-occupied houses. The Group widely promoted innovation on personal financial asset business and upgraded our overall customer experience. The Group innovatively launched products such as secured mortgage loans, fund custody for second-hand property transactions, and loans categorized as housing mortgage under the mode of performance guarantee insurance, to meet customers' reasonable demands for consumer financing. By promoting service tools at mobile terminals, the Group made customers' application easier and improved the interactive experience. As at the end of the Reporting Period, the balance of personal housing mortgage loans of the Group increased by 8.56% from the beginning of the year to RMB836.185 billion.

(3) *Wealth management business*

Being customers centered, the Group introduced a smart investment advisory system and customized personalized asset allocation schemes to meet different customers' demands for differentiated wealth management. The Group held a private banking forum named "10 years' persistence and resulting achievements" in Hangzhou at which a series of marketing activities for "10th Anniversary of Private Banking" were held. Our market influence was therefore increased. The Group took its internationalization and integration advantages to continuously strengthen our ability to provide private banking customers with global asset allocation. As at the end of the Reporting Period, personal assets under management (AUM) by the Group amounted to RMB2,841.654 billion, representing an increase of 4.97% from the beginning of the year. The number of customers of BoCom Fortune, OTO Fortune and private banking increased by 2.58%, 8.97% and 6.31% respectively from the beginning of the year.

(4) *Bank card businesses*

Credit card businesses

BoCom was the first to launch the innovative “mobile-based credit card” characterized by quick and efficient service, thus attracting wide attention from social media. It succeeded in releasing co-branded cards with IQIYI, Youku, Zuzuche, etc. The Group carried out marketing activities such as Cross-year Weekly Swipe and Catering Super Red Friday, to increase online and offline spending amounts. The combination of innovative launching on “quick loan” service with comprehensive risk pricing implementation and trial runs for new consumer loan financing products have resulted in significant growth for consumer loans. The Group optimized the APP “Go Pay” to meet customers’ needs for credit cards in the era of mobile Internet and customers’ experience in card using was enhanced. The number of users linking credit cards to “Go Pay” increased by 59% from the beginning of the year and the customers’ activeness index increased by 5 percentage points on a year-on-year basis. The Group introduced the latest and the most popular Internet product, “Video Customer Service” which became a pioneered new mode of customer service in the industry.

As at the end of the Reporting Period, the total amount of domestic credit cards in use (including quasi-credit cards) increased by 5.67 million from the beginning of the year to 56.10 million. In the first half of the year, the accumulated consumer expenditure amounted to RMB1,019.539 billion, representing an increase of 15.18% on a year-on-year basis. Credit card overdraft balance amounted to RMB347.61 billion, representing an increase of 12.91% from the beginning of the year. The ratio of impaired credit card overdraft was 1.98%, representing an increase of 0.03 percentage point from the beginning of the year.

Being the first to launch the mobile-based credit card, BoCom achieved breakthrough in innovation of Internet FinTech.

As the Internet era is coming, Internet FinTech has become a crucial measure for traditional banks to realize strategic transformation and to change the competition landscape. On 17 April 2017, the Bank formally launched the mobile-based credit card, thereby initiating the “quick approval, quick utilization and quick loan” mode in the banking sector, which attracted wide attention and received good feedback in the sector.

Credit card users are provided with quick approval service. It takes only 2 steps to use the card, namely card verification and “Go Pay” APP login on mobile phone. Additionally, all services involving credit cards such as account check and repayment are available on “Go Pay”. At the time of card activation, users can link their cards to all kinds of mobile payment modes such as ApplePay and Cloud Quick Pass and enable the QR code payment, thereby realizing consumption by mobile phone in all sorts of shops on and off line. During the Reporting Period,, the number of mobile credit cards for which application materials have been submitted accumulated to 1.42 million and the number of mobile credit cards issued was 1.03 million, of which 730 thousand were issued on the date of application, accounting for 51% of total cards issued. Additionally, 280,000 cards were used on the date of issue, accounting for 38% of cards issued on the date of application. Before the customers received physical cards, their accumulated transaction via virtual cards amounted to RMB450 million, of which RMB80 million was consumed on the date of card issue.

The launch of the mobile-based credit card is the Bank’s bold breakthrough in the field of Internet FinTech. The objective is to embed deeply on the application of FinTech in traditional banking fields, which represents another innovation on the journey to become the best service bank. The Bank will play an active role in enriching the ecological cycle of mobile-based credit card by continuously deepening innovation in the mobile credit card platform, constantly improving efficiency and experience in customers’ card application and activation, building the external cooperation platform based on the mobile credit card, and forming the cross-side Internet effect of Internet platforms.

Debit card business

Based on NFC technology, the Group promoted mobile payment products such as Apple Pay, Huawei Pay, Mi Pay, Samsung Pay, Meizu Pay, Smartisan Pay and HCE, in an all-around way, and such products covered all popular brand mobile phones and could provide customers with safer and more convenient mobile payment experience. Besides, QR code payment system was laid out based on C2C and C2B scenarios as an important supplementary to mobile payment service. The Group ensured long-distance transactions of individual RMB accounts carried out via all kinds of channels were all free of commission. The Group continuously strengthened controls on shops with irregular card-free use payment transactions. This has not only strengthened payment safety but also improved payment convenience and satisfaction of customers.

With accelerated issue and activation of debit cards, the consumption amount remained steady. As at the end of the Reporting Period, the number of domestic Pacific debit cards amounted to 126.52 million, representing a net increase of 6.35 million from the beginning of the year. The accumulated consumption was RMB436.022 billion in the first half of the year, representing a year-on-year increase of 0.81%.

3. *Interbank and Financial Market Businesses*

- At the end of the Reporting Period, the Group's securities investment increased by 5.89% from the beginning of the year to RMB2,385.108 billion. The return rate of securities investment was 3.57%, which remained stable. During the Reporting Period, profit before tax in terms of financial market treasury business was RMB10.72 billion.

In response to the complex domestic and overseas economic environment, the Group continued to actively strengthen interbank customer base, expanded interbank cooperation channels, explored the potential of monetary market, asset management, precious metals, commodities and other businesses. The Group strictly controlled various risks so as to drive the stable development of interbank and market businesses.

(1) Institutional financial services

The Group widely pushed the cooperation with financial factor markets and established an interbank strategic customer division in order to directly run nation-wide main financial markets. During the Reporting Period, the Group was qualified to be the market dealer for Bond Connect and qualified as a global custodian in overseas and a settlement bank in Hong Kong. The Group was also appointed to be a custodian for margin deposits of domestic and overseas customers in Shanghai International Energy Exchange. With respect to the interbank collaboration, the Group entered into interbank platform cooperation agreements with 337 customers, and the reserve deposits for interbank platform and average balance of the custody funds both increased by 26.94% on a year-on-year basis. With the web-based interbank platform going online, the whole process of interbank term deposit business can be processed in an electronic way, including initiation, review, accounting, interest adjustment and deposit receipts. In terms of capital market services, the Group made efforts to increase the quality and efficiency of securities capital settlement service. The Group entered into cooperation agreements on third-party custody with 100 securities companies in total reaching 100% coverage ratio in terms of business cooperation and laying a solid foundation for serving securities customers of the Bank. The Group proactively provided matching services for PB business of securities companies. As at the end of the Reporting Period, the balance of margin deposits of securities companies amounted to RMB81.389 billion, which kept a leading position in the market. With respect to the interbank wealth management, the Group cooperated with 1,234 customers in total in the interbank wealth business, and was awarded "2017 Junding Award for Open Wealth Management Products of Banks in China" by the Securities Times for wealth management products of "Jin Tai Yang" series.

(2) *Money market transactions*

During the Reporting Period, the total volume of Renminbi money market transactions by domestic branches was RMB9.61 trillion, among which RMB7.15 trillion was lent to the financial institutions and RMB2.46 trillion was borrowed from the financial institutions. The total volume of foreign currency money market transaction was USD125.538 billion.

(3) *Investment trading account businesses*

The Group was one of the pioneer banks qualified to be the market dealer to support the quotation of treasury bonds. The Group managed to complete the first transaction across mutual bond markets in Mainland China and Hong Kong (Bond Connect). During the Reporting Period, the transaction volume of domestic operations in respect of Renminbi-denominated bonds reached RMB1.03 trillion. The Group was successfully qualified by China Foreign Exchange Trading System to provide related services on C-Trade trading bridge services. During the Reporting Period, the volume of interbank foreign currency transactions reached USD621.796 billion. The Group widely expanded new businesses and actively explored customers' demands for bond offering, thus further promoting Renminbi-denominated bond offering business. The Group made good new progress in customer-driven trading businesses such as customer driven interest swap and currency swap trading businesses. Aiming at building a global investment bank base, the Group continued to promote the development of its sub-centers focused financial market businesses, including Hong Kong and London sub-centers.

BoCom played an active role in Bond Connect, completing the first transaction in the market

On 16 May 2017, the People's Bank of China and Hong Kong Monetary Authority jointly issued an announcement, agreeing to collaborate in establishing mutual bond market access between Hong Kong and Mainland China (Bond Connect). "Bond Connect", including "Northbound Trading" and "Southbound Trading", is an arrangement that will enable Mainland and overseas investors to trade bonds in the Mainland and Hong Kong bond markets through connection between the Mainland and Hong Kong's Financial Infrastructure Institutions. Northbound Trading refers to that overseas investors from Hong Kong and other countries and regions (overseas investors) invest in the China Interbank Bond Market through mutual access between the Hong Kong and Mainland Financial Infrastructure Institutions in respect of trading, custody, settlement etc. Southbound Trading will be explored in due course. "Bond Connect" is another milestone in opening-up of China's capital market and also an important measure taken by the central government to support Hong Kong's development and financial collaboration between Mainland China and Hong Kong.

On 3 July 2017, the mutual bond market access between Mainland China and Hong Kong was officially launched, and BoCom managed to complete the first transaction upon access granted. So far the Bank has been qualified as a full participating bank in Bond Connect and one of the pioneer banks to be the mark dealer for “Bond Connect” business. Bank of Communications Hong Kong Branch, BoCom Trust, BoCom International are global custodians of Bond Connect, of which Hong Kong Branch is one of the 14 settlement banks in Hong Kong, undertaking currency exchange and settlement for overseas investors in Bond Connect.

The Bank has been stably advancing “BoCom Strategy”, and has gradually shaped its landscape of Asia-Pacific region with focus supported by Europe and America regions. The Bank will fully take the advantage of overseas branches to actively promote “Bond Connect” to overseas institutions and to establish transaction relationship with overseas institutions and to encourage more overseas investors to participate in “Bond Connect” as well as to increase international influence of “Bond Connect”.

(4) *Banking book investments*

The Group analyzed macro-economic situation and monetary policy in order to optimize diversity and duration of its investment portfolio and to maintain stable portfolio returns. At the end of the Reporting Period, the Group’s securities investment increased by 5.89% from the beginning of the year to RMB2,385.108 billion. The return rate of securities investment was 3.57% and remained stable.

(5) *Precious metal business*

During the Reporting Period, the Group was awarded by Shanghai Gold Exchange “Excellent Financial Member”, “Excellent Quoter in Interbank Inquiry Market”, “Outstanding Contributor to Auction Market” and “Outstanding Contributor to Pricing Market of Shanghai Gold”, etc. for the year of 2016 and became one of the three Chinese banks entitled to undertake central clearing transactions for price setting of London Bullion. During the Reporting Period, the domestic branches achieved RMB92.097 billion in terms of volume for precious metal brokerage transactions, and the sales of real precious metals products businesses amounted to RMB936 million. The Bank ranked Top 3 in terms of quotation for interbank gold inquiry business at Shanghai Gold Exchange, maintaining its position as an active bank.

(6) *Asset management business*

The Group accelerated its pace on the innovation of wealth management products and constantly launched various new products in order to meet increasingly diversified investment needs of investors and to accelerate transformation of net worth products. Net worth products with characterized themes such as “New Stock Enhancement for Private Banking” and “Diversified Strategy for Private Banking” were launched so that investors could have more returns. The Group released “Xian Jin Tian Li No. 1”, the first net worth product of open quasi-money fund, which quickly exceeded RMB15 billion in scale within nearly two months launch and maintained fast growth momentum so far. As at the end of the Reporting Period, on-and-off balance sheet wealth management denominated in Renminbi increased by 10.28% from the beginning of the year to nearly RMB1.60 trillion.

4. *“Three-in-one” Network Construction*

- During the Reporting Period, the annualized profit of the Group per person increased year-on-year by 3.13% to RMB854,600. As at the end of the Reporting Period, the deposit per outlet (excluding inclusive outlets) increased by 5.63% from the beginning of the year to RMB1.82 billion.
- As at the end of the Reporting Period, the total number of domestic banking branch outlets decreased by 5 from the beginning of the year to 3,280, of which 25 were newly opened and 30 low-yield ones were closed down.
- As at the end of the Reporting Period, the ratio of self-service bank to traditional branch outlet amounted to 1.30:1. The utilization rate of e-channels increased by 2.36 percentage points from the beginning of the year to 93.78%.
- As at the end of the Reporting Period, the number of relationship managers in domestic branches reached 23,349, accounting for 30.23% of total number of employees of the Bank.

The Group continuously deepened “Three-in-one” network construction with emphasis on physical outlets, e-banking and relationship managers. The Group focused on “model innovation, cost reduction, efficiency enhancement and multiple channels” to create new model of comprehensive channels on intelligent services. The aim is to provide more convenient and better products and services to customers.

(1) *Physical outlets*

The Bank deepened the transformation development of low level outlets. The bank slowed down the establishment of new traditional outlets, promoted the construction of lightweight outlets and enhanced the management and control of outlet business area, thereby reducing the staff of existing outlets. As at the end of the Reporting Period, the number of comprehensive outlets increased by 3 from the beginning of the year to 577. The Bank continued to improve inclusive financial system. As at the end of the Reporting Period, the all-inclusive outlets were increased by 27 from the beginning of the year to 632.

The Bank centrally managed the new outlets opening and old outlets closing. As at the end of the Reporting Period, the total number of domestic outlets decreased by 5 from the beginning of the year to 3,280, of which 25 were newly opened and 30 were closed down due to low yields. The Bank's network covered 239 cities at or above prefecture level, with the coverage ratio at prefecture and municipal-level cities up by 0.90 percentage point from the beginning of the year to 71.56%. In particular, the coverage ratio in West China was 63.06%.

(2) *E-banking*

The Bank put emphasis on the construction of multiple channels platform and continued to improve comprehensive and collaborative management of electronic channel. As at the end of the Reporting Period, the number of e-banking transactions in domestic branches reached 3.16 billion with transaction amounts of RMB113.57 trillion. The utilization rate of e-channels increased by 2.36 percentage points from the beginning of the year to 93.78%.

Self-service banking. The Bank continued to improve the efficiency of self-service banking. As at the end of the Reporting Period, the number of self-service machines in domestic branches was 28,900 and the number of self-service banks was 3,427. The ratio of self-service banks to traditional branches was 1.30:1. The transaction number of self-service banking was 238 million with transaction amounts over RMB1 trillion, representing a year-on-year increase of 2.59%.

Online banking. The Bank constantly optimized functions and interface of online banking. As at the end of the Reporting Period, the number of corporate e-banking customers increased by 6.74% from the beginning of the year, and the number of corporate e-banking transactions increased year-on-year by 23.60% to 508 million. The number of personal e-banking customers increased by 5.25% from the beginning of the year, and the number of personal e-banking transactions (excluding mobile banking transactions) increased year-on-year by 68.25% to 2.268 billion.

Mobile banking. Mobile banking business developed rapidly. As at the end of the Reporting Period, the Bank's total number of registered mobile banking customers exceeded 55,145,700, representing an increase of 9.94% from the beginning of the year. During the Reporting Period, the transaction number of the mobile banking increased year-on-year by 11.54% to 145 million and the transaction amounts were RMB3.86 trillion, representing a year-on-year increase of 19.88%. The Bank improved over 320 mobile banking functions, including newly added functions such as gesture login, funds diagnosis, annuity insurance, foreign currency wealth management, certificates of deposit as the collateral of pledged loans online and online reservation for bank card, thus resulting in great enhancement in the customer experience and operational stability of mobile banking.

(3) *Relationship manager*

The Bank continued to strengthen its relationship manager team, optimized the management mechanism of relationship managers, broadened the room for development for relationship managers and enhanced the education and training for relationship managers. As at the end of the Reporting Period, the number of relationship managers in domestic operations reached 23,349, accounting for 30.23% of total number of employees of the Bank, among which, the number of the corporate relationship managers reached 10,558, and the number of retail relationship managers reached 12,791.

(4) *Customer satisfaction*

Focusing on the target of “building a bank providing the best service in financial industry”, the Bank continued to improve its service procedures, service efficiency and customer experience. By becoming one of the “Top 100 Model units for Civilized and Standardized Services in China's Banking Sector” and building star outlets, the Bank enhanced the customer service level and efficiency and established good brand image. Meanwhile, the Bank strengthened customer right protection and carried out promotion and education activities regarding financial literacy and customer rights protection in the community, campus and enterprise.

5. *Internationalization and Integrated Operation*

(1) *Internationalization strategy*

- During the Reporting Period, net profits of the Group's overseas banking institutions increased by 10.97% on a year-on-year basis to RMB2.973 billion, accounting for 7.63% of the Group's net profits, representing an increase by 0.52 percentage point on a year-on-year basis.
- As at the end of the Reporting Period, the total assets of the Group's overseas banking institutions increased by 16.25% from the beginning of the year to RMB994.999 billion, accounting for 11.14% of the Group's total assets, representing an increase of 0.95 percentage point from the beginning of the year.
- As at the end of the Reporting Period, the impaired loan balances in the Group's overseas banking institutions were RMB1.445 billion, and the impaired loan ratio was 0.32%.

The Group deepened and facilitated the implementation of internationalization strategy by fully taking synergetic advantage out of domestic and overseas linkage. Meanwhile, the Group firmly seized the development opportunity under the “Belt and Road Initiatives” through actively providing services to customers to meet the business needs of countries and regions alongside the “Belt and Road”. Following the “Go Global” of Chinese enterprise, the Group continued to improve the landscape of overseas banking institutions and to enhance the capabilities of cross-border, cross-industry and cross-market services.

Overseas service network

A steady progress was made towards building an expanded overseas service network. As at the end of the Reporting Period, the Group set up 20 overseas subsidiaries, branches and representative offices in Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, Taipei, Toronto, Brisbane, Luxembourg, London, Paris, Roman and Rio de Janeiro with total 65 overseas operating outlets (excluding the representative office). The Bank established agency relationship with 1,591 banks in 142 countries and regions, set up 239 cross-border Renminbi inter-bank accounts for 127 overseas agent banks in 36 countries and regions, and opened 79 foreign currency settlement accounts in 24 currencies with 62 banking institutions in 29 countries and regions.

Domestic and overseas linkage businesses

Building on the principles of “Head Office + branch, domestic branch + overseas branch and branch + subsidiary”, the Group was looking to derive the maximum synergies out of domestic and overseas linkage businesses. The Group actively adhered to the national strategy including “Belt and Road Initiatives” and Renminbi internationalization, and enhanced investments in products, channels, marketing and services, to assist “Go Global” enterprises in improving the cross-broader and cross-market competitiveness. During the Reporting Period, the total transaction amount of the linkage business reached to USD29.657 billion, and the accumulated revenue reached RMB2.146 billion.

Cross-border Renminbi transactions

The Bank seized the opportunity of Renminbi internationalization and enhanced the synergistic effect and innovations of domestic and overseas banking institutions. The aim is to increase the size of cross-border Renminbi settlements. In the first quarter of 2017, 96.57% of cross-border Renminbi transactions were settled through the cross-border interbank payment system (“CIPS”), and business mobility ratio recorded a new high. The Bank’s cross-border Renminbi transactions ranked the first among 28 direct participating banks published by CIPS operation institutions. During the Reporting Period, the transaction amount of the cross-border Renminbi settlements by domestic and overseas banking institutions increased by 33.41% on a year-on-year basis to RMB1,186.596 billion.

Offshore services

The Bank launched innovative products including “offshore global payroll service”, “Baihui Tong”, and “LiAn Tong” in order to acquire overseas low cost capital through multiple channels. With strengthening business structure adjustment, the Bank improved offshore customer structure and continuously enhanced and optimized offshore business. As at the end of the Reporting Period, the total amount of offshore assets reached USD18.19 billion and loan balance reached USD12.594 billion and deposit balance reached USD11.261 billion.

(2) *Integrated operation*

- During the Reporting Period, net profits attributable to the Bank from the controlling subsidiaries (excluding Bank of Communications (UK) Limited, Bank of Communications (Luxembourg) Limited and BBM) amounted to RMB2.093 billion, representing a year-on-year increase of 9.64%, the proportion of which to the overall net profits of the Group increased by 0.30 percentage point to 5.37% on a year-on-year basis.
- As at the end of the Reporting Period, the total assets of the controlling subsidiaries (excluding Bank of Communications (UK) Limited, Bank of Communications (Luxembourg) Limited and BBM) increased by 14.09% from the beginning of the year to RMB290.881 billion, the proportion of which to the total assets of the Group increased by 0.23 percentage point to 3.26% from the beginning of the year.

The Group leveraged comprehensive operating advantages to improve its capability of providing customers with comprehensive service needs. By seizing the market opportunity, the subsidiaries of the Group focused on respective business advantage so as to enhance its market competitiveness and to integrate into overall Group wealth management system. This has resulted in the implementation of comprehensive and integrated strategy of the Group.

- BoCom Leasing continued to maintain its leading development trend and became one of the leading companies in the industry in terms of major operation and management data. Under the fast development of operating lease businesses, BoCom Leasing continued to optimize business structure. During the Reporting Period, the net income of the operating lease accounted for 40%. As at the end of the Reporting Period, the total leasing asset balance amounted to RMB190.316 billion, representing an increase of 14.61% from the beginning of the year.
- BoCom International Trust took full advantage of trust system to actively promote the development of key businesses and innovative businesses including merger and acquisition fund, shantytown transformation fund and asset securitization. BoCom International Trust was rated Level A company in 2016 trust industry rating. As at the end of the Reporting Period, its assets under management increased by 11.71% from the beginning of the year to RMB792.851 billion.

- BoCom Fund saw outstanding performance of several publicly offered mutual funds. Among such funds, BoCom Advanced Manufacturing was awarded “Golden Bull Prize for Five-year Mixed Open-end Fund” and BoCom Advantage was awarded “Golden Bull Prize for Three-year Mixed Open-end Fund”. During the Reporting Period, BoCom Wenjian Fund, BoCom Strategy Fund and BoCom New Growth Fund were ranked the top 1/4 among funds of the same kind. In such funds, BoCom Wenjian Fund ranked No. 5 among 519 funds of the same kind by virtue of return of investments of 26.05%. As at the end of the Reporting Period, its assets under management amounted to RMB495.571 billion (including domestic subsidiaries and Hong Kong subsidiaries).
- BoComm Life Insurance speeded up the development of its businesses transformation, and improved its investment capabilities. During the Reporting Period, the realized original premium income increased by 23.50% on a year-on-year basis to RMB10.885 billion. Under the rapid development of quality businesses, its bancassurance businesses with premium growth increased by 107.36% on a year-on-year basis, with renewal rate of 98.33% for 13 months in a row, reaching a high record level in the industry.
- BoCom International was listed on the main board of the HKEx on 19 May 2017 and became the first brokerage firm listed in Hong Kong owned by Chinese banks. This represented an advanced level in the industry among Mainland large-sized enterprises listed in Hong Kong.
- As BoCom Insurance’s main business, the property insurance business was well developed. Its gross premium growth rate and net compensation rate were better than the Hong Kong interbank market average, with steady development of investment businesses.

After two years of BoCom’s Plan to Strengthen Reform by running pilots for its subsidiaries, the first brokerage firm owned by Chinese bank was listed in Hong Kong

Since the BoCom’s Plan to Strengthen Reform was approved by the State Council in June 2015, the Bank strengthened reform of three key areas, i.e. refining corporate governance mechanism as a large commercial bank, reinforcing operational improvements and promoting transformation, and innovating operating model, in order to implement reform programs steadily. In respect of improving equity structure and optimizing corporate governance mechanism, the Bank selected subsidiaries as pilots, and took the lead to achieve the spin-off listing of BoCom International, a subsidiary company of the Group, in Hong Kong.

Being the first to join the international capital market platform to improve brand value and market influence. BoCom International serves as an integrated platform for securities and related financial service offerings of the Bank in Hong Kong, and is one of the earliest licensed securities firms funded by Chinese investment in Hong Kong. BoCom International issued approximately 734 million new shares in this IPO, and the financing scale reached HKD1.968 billion. BoCom International was listed on the main board of the HKEx on 19 May 2017, becoming the first brokerage firm owned by Chinese banks listed in Hong Kong. With the close and wide attention attracted from the market, the Bank's brand value and market influence were further enhanced.

Becoming an independent listing company through spin-off to optimize operation management and corporate governance mechanism. By means of spin-off listing, BoCom International established a more standard corporate governance mechanism and management mechanism to further improve the transparency of operating management, thus providing comprehensive, professional and integrated financial products and services for customers. As the controlling shareholder, the Bank will perform obligations as a major shareholder in compliance with laws and regulations to ensure the independent operation of BoCom International, and to provide strong support for BoCom International to expand its domestic and overseas businesses.

A good demonstration effect of pilot program to continuously promote the deepening reform of BoCom. Successful listing of BoCom International in Hong Kong after two years' implementation of BoCom's Plan to Strengthen Reform not only has significant effects on the transformation development of BoCom International and the equity value guarantee and appreciation of BoCom Group, but also has good demonstration effect on deepening reform and capital operation of other subsidiaries of the Bank, thereby further promoting the comprehensive and deepening reform of the Bank.

(II) Financial Statements Analysis

I. Analysis on key income statement items

(1) Profit before tax

During the Reporting Period, the Group's profit before tax decreased by RMB1.142 billion, equivalent to a 2.35% decrease on a year-on-year basis, reaching RMB47.355 billion. Profit before tax was mainly derived from net interest income and net fee and commission income.

The table below illustrates selected items which contributed to the Group's profit before tax for the periods indicated:

	<i>(in millions of RMB)</i>	
	For the six months	
	ended 30 June	
	2017	2016
Net interest income	62,708	68,148
Net fee and commission income	21,261	20,964
Impairment losses on loans and advances		
to customers	(14,646)	(14,807)
Profit before tax	47,355	48,497

(2) Net interest income

During the Reporting Period, the Group's net interest income decreased by RMB5.44 billion on a year-on-year basis to RMB62.708 billion, accounting for 60.33% of the Group's net operating income and was a major component of the Group's income.

The table below shows the average daily balances, associated interest income and expenses, and annualized average rate of return or annualized average costs of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated:

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	Annualized			Annualized		
	Average	Interest	average rate	Average	Interest	average rate
	balance	income/ (expense) ⁵	of return (cost) (%)	balance	income/ (expense)	of return (cost) (%)
Assets						
Cash and balances with central banks	957,404	6,685	1.40	934,971	6,969	1.49
Due from banks and other financial institutions	735,912	9,559	2.60	550,912	7,224	2.62
Loans and advances to customers and receivables	4,316,050	97,350	4.51	3,972,290	96,895	4.88
Include: Corporate loans and receivables	2,972,984	62,645	4.21	2,803,016	65,089	4.64
Individual loans	1,207,046	32,184	5.33	1,004,577	29,099	5.79
Discounted bills	136,020	2,521	3.71	164,697	2,707	3.29
Securities investment	2,283,142	40,787	3.57	1,746,290	33,273	3.81
Interest-bearing assets	7,995,137 ³	150,184 ³	3.76	6,919,372 ³	140,225 ³	4.05
Non-interest-bearing assets	426,098			325,501		
Total assets	8,421,235 ³			7,244,873 ³		
Liabilities and Shareholders' Equity						
Due to customers	4,805,978	43,849	1.82	4,626,153	44,989	1.94
Include: Corporate deposits	3,250,046	28,168	1.73	3,141,520	28,887	1.84
Individual deposits	1,555,932	15,681	2.02	1,484,633	16,102	2.17
Due to banks and other financial institutions ⁶	2,390,391	37,323	3.12	1,822,177	25,843	2.84
Debt securities issued and others	642,298	10,501	3.27	321,852	5,381	3.34
Interest-bearing liabilities	7,541,296 ³	87,476 ³	2.32	6,485,091 ³	72,077 ³	2.22
Shareholders' equity and non-interest-bearing liabilities	879,939			759,782		
Total Liabilities and Shareholders' Equity	8,421,235 ³			7,244,873 ³		
Net interest income		62,708			68,148	
Net interest spread¹			1.44 ³			1.83 ³
Net interest margin²			1.57 ³			1.97 ³
Net interest spread¹			1.59 ⁴			1.95 ⁴
Net interest margin²			1.72 ⁴			2.08 ⁴

Notes:

1. This represents the difference between the annualized average rate of return on total average interest-bearing assets and the annualized average cost of total average interest-bearing liabilities.
2. This ratio represents the net interest income to total average interest-bearing assets.
3. This excludes the impact of wealth management products.
4. This excludes the impact of wealth management products and takes into account the tax exemption of the interest income from investments in government bonds.
5. According to requirements of Caishui [2016] No.36 on the Notice on Comprehensive Roll-out of the Business Tax (BT) to Value-Added Tax (“VAT”) Transformation Pilot Program, VAT payable was deducted from the Group’s interest income in the current period and in May and June of the prior year.
6. This includes borrowings from central banks.

During the Reporting Period, the Group’s net interest income decreased by 7.98% on a year-on-year basis. The net interest spread and net interest margin decreased by 39 and 40 basis points on a year-on-year basis to 1.44% and 1.57%, respectively. The net interest spread and net interest margin would have decreased by 33 basis points on a year-on-year basis respectively, in which, the net interest spread and net interest margin in the second quarter both would have increased by 1 basis point had the amount that was derived before implementing the replacement of business tax with VAT been used for calculation.

The table below illustrates the impact of changes in scales and interest rates on the Group’s interest income and interest expenses. The changes are based on the changes in scales and interest rates on interest-bearing assets and interest-bearing liabilities during the period indicated.

(in millions of RMB)

Comparison between January to June 2017 and January to June 2016 Increase/(decrease) due to			
	Amount	Interest rate ^{Note}	Net increase/ (decrease)
Interest-bearing assets			
Cash and balances with central banks	167	(451)	(284)
Due from banks and other financial institutions	2,424	(89)	2,335
Loans and advances to customers and receivables	8,388	(7,933)	455
Securities investment	10,227	(2,713)	7,514
Changes in interest income	21,206	(11,186)	10,020
Interest-bearing liabilities			
Due to customers	1,744	(2,884)	(1,140)
Due to banks and other financial institutions	8,069	3,411	11,480
Debt securities issued and others	5,351	(231)	5,120
Changes in interest expense	15,164	296	15,460
Changes in net interest income	6,042	(11,482)	(5,440)

Note: According to requirements of Caishui [2016] No.36 on the Notice on Comprehensive Roll-out of the Business Tax (BT) to Value-Added Tax (VAT) Transformation Pilot Program, VAT payable was deducted from the Group's interest income in the current period and in May and June of the prior year.

During the Reporting Period, the Group's net interest income decreased by RMB5.44 billion on a year-on-year basis, of which the increase of RMB6.042 billion was due to changes in the average balances of assets and liabilities, while the decrease of RMB11.482 billion was due to changes in the average rate of return and average cost ratio.

① Interest income

During the Reporting Period, the Group's gross interest income increased by RMB10.02 billion or 6.94% on a year-on-year basis to RMB154.381 billion.

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

Interest income from loans and advances to customers and receivables was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers and receivables increased by RMB455 million or 0.47% on a year-on-year basis to RMB97.35 billion, which was largely due to the year-on-year increase in the average balance of loans and advances to customers and receivables by 8.65%.

B. Interest income from securities investment

During the Reporting Period, interest income from securities investment increased by RMB7.514 billion or 22.58% on a year-on-year basis to RMB40.787 billion, which was largely due to the year-on-year increase in the average balance of securities investment by 30.74%.

C. Interest income from balances with central banks

The balances with central banks mainly included balances in statutory reserves and in excess reserves. During the Reporting Period, interest income from balances with central banks decreased by RMB284 million on a year-on-year basis to RMB6.685 billion, which was largely due to the year-on-year decrease in annualized average rate of return of balances with central banks by 9 basis points.

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

The interest income from balances due from banks and other financial institutions increased by RMB2.335 billion or 32.32% on a year-on-year basis to RMB9.559 billion, which was largely due to the year-on-year increase in the average balances due from banks and other financial institutions by 33.58%.

② Interest expenses

During the Reporting Period, the Group's interest expense increased by RMB15.46 billion or 20.29% on a year-on-year basis to RMB91.673 billion.

A. Interest expenses on customer deposits

Customer deposits were the Group's main source of funding. During the Reporting Period, interest expenses on customer deposits decreased by RMB1.14 billion or 2.53% on a year-on-year basis to RMB43.849 billion, accounting for 47.83% of total interest expenses. The decrease in interest expenses on customer deposits was mainly due to a year-on-year decrease in the annualized average rate of cost of customer deposits by 12 basis points.

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

During the Reporting Period, interest expenses on balances due to banks and other financial institutions (including borrowings from central banks) increased by RMB11.48 billion or 44.42% on a year-on-year basis to RMB37.323 billion. This was largely due to the year-on-year increase in the annualized average rate of cost of balances due to banks and other financial institutions (including borrowings from central banks) by 28 basis points, and the year-on-year increase in the average balances due to banks and other financial institutions by 31.18%.

C. Interest expenses on bonds issuance and other interest-bearing liabilities

During the Reporting Period, interest expenses on bonds issuance and other interest-bearing liabilities increased by RMB5.12 billion or 95.15% on a year-on-year basis to RMB10.501 billion. This was mainly due to a year-on-year increase in average balance of bond issuance and other interest bearing liabilities by 99.56%.

(3) *Net fee and commission income*

Net fee and commission income was a major component of the Group's net operating income. During the Reporting Period, the Group continuously improved the quality and efficiency of intermediary business and vigorously facilitated the transformation of its profit-making model and moved towards a business model with diversified revenue streams. During the Reporting Period, the Group's net fee and commission income increased by RMB297 million or 1.42% on a year-on-year basis to RMB21.261 billion, while the net fee and commission income increased by RMB1.029 billion or 4.83% on a year-on-year basis if using the amount that would be derived before implementing the replacement of business tax with VAT. The Bank card business was the main driver of the Group's intermediary businesses.

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

	<i>(in millions of RMB)</i>	
	For the six months	
	ended 30 June	
	2017	2016
Settlement services	1,058	980
Bank cards	7,763	5,630
Investment banking	2,813	3,392
Guarantees and commitments	1,531	1,689
Management services	7,236	6,783
Agency services	2,183	3,395
Others	461	369
Total fee and commission income	23,045	22,238
Less: Fee and commission expenses	(1,784)	(1,274)
Net fee and commission income	21,261	20,964

Fee income from bank card services increased by RMB2.133 billion or 37.89% on a year-on-year basis to RMB7.763 billion. This was mainly due to the increase in card issuance and development of card consumption business.

Fee income from investment banking decreased by RMB579 million or 17.07% on a year-on-year basis to RMB2.813 billion. This was mainly due to the decrease in consultant services.

Fee income from guarantee and commitment services decreased by RMB158 million or 9.35% on a year-on-year basis to RMB1.531 billion. This was mainly due to the slight reduction in the volume of bank acceptance bills.

Fee income from management services increased by RMB453 million or 6.68% on a year-on-year basis to RMB7.236 billion. This was mainly driven by the increase in the fee income from assets custody services.

Fee income from agency services decreased by RMB1.212 billion or 35.70% on a year-on-year basis to RMB2.183 billion. This was mainly driven by the significant decrease in the fee income from insurance agency services.

(4) Operating costs

During the Reporting Period, the Group's operating costs increased by RMB1.845 billion or 7.33% on a year-on-year basis to RMB27.02 billion. The cost-to-income ratio was 26.96%, representing a year-on-year increase of 2.11 percentage points. Had the amount that would be derived before implementing the replacement of business tax with VAT been used, the cost-to-income ratio would have represented a year-on-year increase of 1.29 percentage points.

(5) Impairment losses on loans and advances to customers

During the Reporting Period, the Group's impairment losses on loans and advances to customers decreased by RMB161 million or 1.09% on a year-on-year basis to RMB14.646 billion. The decrease comprised of ① collective assessment increased by RMB161 million on a year-on-year basis to RMB6.268 billion; and ② individual assessment decreased by RMB322 million on a year-on-year basis to RMB8.378 billion. During the Reporting Period, credit cost ratio decreased by 0.07 percentage point on a year-on-year basis to 0.67%.

(6) Income tax

During the Reporting Period, the Group's income tax expenses decreased by RMB2.441 billion or 23.08% on a year-on-year basis to RMB8.133 billion, mainly due to increase in taxfree income such as interest income from government bonds held by the Group.

2. Analysis on Key Balance Sheet Items

(1) Assets

As at the end of the Reporting Period, the Group's total assets were RMB8,930.838 billion, representing an increase of RMB527.672 billion, equivalent to an increase of 6.28% from the beginning of the year.

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

(in millions of RMB unless otherwise stated)

	30 June 2017		31 December 2016	
	Proportion		Proportion	
	Balance	(%)	Balance	(%)
Loans and advances to customers	4,270,542	47.82	4,009,046	47.71
Securities investment	2,385,108	26.71	2,252,392	26.80
Cash and balances with central banks	963,575	10.79	991,435	11.80
Due from banks and other financial institutions	854,775	9.57	715,787	8.52
Total assets	8,930,838		8,403,166	

① Loans and advances to customers

During the Reporting Period, the Group achieved a balanced and steady growth in loans with reasonable control of the amount, direction and pace of credit improvement. As at the end of the Reporting Period, the Group's total loans and advances to customers were RMB4,370.147 billion, representing an increase of RMB267.188 billion or 6.51% from the beginning of the year, among which Renminbi loans from domestic branches increased by RMB199.731 billion or 5.56% from the beginning of the year.

Loans concentration by industry

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

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

(in millions of RMB unless otherwise stated)

	30 June 2017		31 December 2016	
	Balance	Proportion (%)	Balance	Proportion (%)
Mining	108,286	2.48	107,787	2.63
Manufacturing				
– Petroleum and chemical	111,909	2.56	106,514	2.60
– Electronics	83,559	1.91	59,942	1.46
– Steel	38,064	0.87	36,841	0.90
– Machinery	104,751	2.40	118,200	2.88
– Textile and clothing	32,544	0.74	33,714	0.82
– Other manufacturing	227,320	5.21	224,455	5.47
Electricity, gas and water production and supply	157,248	3.60	147,141	3.59
Construction	100,973	2.31	99,487	2.42
Transportation, storage and postal services	518,845	11.88	495,427	12.07
Telecommunication, IT services and software	24,542	0.56	20,594	0.51
Wholesale and retail	323,526	7.40	319,579	7.79
Accommodation and catering	35,570	0.81	34,489	0.84
Finance	111,407	2.55	94,464	2.30
Real estate	189,729	4.34	204,111	4.97
Services	331,002	7.57	300,929	7.33
Water conservancy, environmental and other public facilities	240,172	5.50	188,622	4.60
Education, science, culture and public health	83,482	1.91	80,597	1.96
Others	118,005	2.70	117,290	2.86
Discounted bills	136,036	3.11	126,589	3.09
Total corporate loans	3,076,970	70.41	2,916,772	71.09
Mortgage	836,185	19.14	770,280	18.78
Credit cards	347,610	7.95	307,857	7.50
Others	109,382	2.50	108,050	2.63
Total individual loans	1,293,177	29.59	1,186,187	28.91
Gross amount of loans and advances to customers before impairment allowances	4,370,147	100.00	4,102,959	100.00

As at the end of the Reporting Period, the balances of the Group's corporate loans increased by RMB160.198 billion, or 5.49% from the beginning of the year to RMB3,076.97 billion. The four most concentrated industries were manufacturing, transportation, storage and postal services, services and wholesale and retail business, which altogether accounted for 57.57% of total corporate loans.

As at the end of the Reporting Period, the balances of the Group's individual loans increased by RMB106.99 billion or 9.02% from the beginning of the year to RMB1,293.177 billion. The proportion of individual loans as a percentage to total loans and advances to customers increased by 0.68 percentage point from the beginning of the year to 29.59%.

Loan concentration by borrowers

As at the end of the Reporting Period, the total loans of the largest single borrower of the Group accounted for 2.75% of the Group's net capital, and the total loans of top 10 customers accounted for 13.34% of the Group's net capital, which were in compliance with the regulatory requirements.

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

(in millions of RMB unless otherwise stated)

30 June 2017

	Type of industry	Loan balances	Percentage of total loans and advances (%)
Customer A	Transportation, storage and postal services	20,870	0.49
Customer B	Transportation, storage and postal services	15,438	0.35
Customer C	Transportation, storage and postal services	12,295	0.28
Customer D	Transportation, storage and postal services	9,996	0.23
Customer E	Transportation, storage and postal services	8,080	0.18
Customer F	Transportation, storage and postal services	7,804	0.18
Customer G	Manufacturing – other manufacturing	7,500	0.17
Customer H	Wholesale and retail	6,740	0.15
Customer I	Mining	6,340	0.15
Customer J	Transportation, storage and postal services	6,191	0.14
Total of Top Ten Customers		101,254	2.32

Loan concentration by geographical locations

The Group's credit customers were mainly located in the Yangtze River Delta, the Bohai Rim Economic Zone and the Pearl River Delta. As at the end of the Reporting Period, the proportions of loans and advances to customers in these three regions accounted for 30.95%, 17.18% and 7.80%, respectively, the loan balances increased by 4.08%, 2.36% and 7.03%, respectively from the beginning of the year.

Loan quality

As at the end of the Reporting Period, the impaired loans ratio was 1.51%, representing a decrease of 0.01 percentage point from the beginning of the year. The provision coverage ratio of impaired loans increased by 0.52 percentage point from the beginning of the year to 151.02%, and the provision ratio of impaired loans decreased by 0.01 percentage point from the beginning of the year to 2.28%.

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

(in millions of RMB unless otherwise stated)

	30 June 2017	31 December 2016
Impaired loans	65,953	62,400
Loans overdue by more than 90 days	82,923	86,782
Percentage of impaired loans to gross amount of loans and advances to customers (%)	1.51	1.52

Gross amount of overdue loans

	As at 30 June 2017	As at 31 December 2016
Loans and advances to customers which have been overdue for		
– Within 3 months	19,234	21,401
– Between 3 and 6 months	9,632	13,020
– Between 6 and 12 months	20,010	21,999
– Over 12 months	53,281	51,763
	102,157	108,183

② Securities investment

As at the end of the Reporting Period, the Group's net balance of securities investment increased by RMB132.716 billion or 5.89% from the beginning of the year to RMB2,385.108 billion. Return on securities investment reached 3.57%.

Breakdown of the Group's securities investment

The table below illustrates the breakdown of the Group's securities investment by the Group's intention of holding and by issuers as of the dates indicated:

– By intention of holding:

(in millions of RMB unless otherwise stated)

	30 June 2017		31 December 2016	
	Balance	Proportion	Balance	Proportion
		(%)		(%)
Financial assets at fair value through profit or loss	130,882	5.49	117,168	5.20
Securities investment – loans and receivables	410,429	17.21	385,020	17.09
Securities investment – available-for-sale	393,938	16.52	342,755	15.22
Securities investment – held-to-maturity	1,449,859	60.78	1,407,449	62.49
Total	<u>2,385,108</u>	<u>100.00</u>	<u>2,252,392</u>	<u>100.00</u>

– By issuers:

(in millions of RMB unless otherwise stated)

	30 June 2017		31 December 2016	
	Balance	Proportion	Balance	Proportion
		(%)		(%)
Governments and central banks	1,213,989	50.89	1,132,581	50.28
Public sector entities	38,590	1.62	33,451	1.49
Banks and other financial institutions	701,601	29.42	652,835	28.98
Corporate entities	430,928	18.07	433,525	19.25
Total	<u>2,385,108</u>	<u>100.00</u>	<u>2,252,392</u>	<u>100.00</u>

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Bond names	Face value	Annual interest rate (%)	Maturity date	Impairment allowance
2015 banks and non-bank financial institutions bond	5,910	4.95	19/01/2018	—
2017 banks and non-bank financial institutions bond	5,500	4.20	17/04/2020	—
2015 policy bank bond	5,060	3.74	10/09/2025	—
2014 banks and non-bank financial institutions bond	4,000	5.98	18/08/2029	—
2017 banks and non-bank financial institutions bond	4,000	4.00	09/03/2020	—
2017 banks and non-bank financial institutions bond	4,000	4.20	28/04/2020	—
2016 policy bank bond	3,850	2.79	27/07/2019	—
2016 policy bank bond	3,630	2.72	03/03/2019	—
2016 policy bank bond	3,280	3.33	22/02/2026	—
2013 banks and non-bank financial institutions bond	3,200	4.95	17/06/2023	—

(2) Liabilities

As at the end of the Reporting Period, the Group's total liabilities increased by RMB511.671 billion or 6.58% from the beginning of the year to RMB8,282.43 billion. Among this balance, customer deposits increased by RMB210.105 billion from the beginning of the year, which accounted for 59.63% of total liabilities and represented a decline of 1.22 percentage points from the beginning of the year. Balances due to banks and other financial institutions increased by RMB118.306 billion from the beginning of the year, which accounted for 28.37% of total liabilities and represented a decline of 0.34 percentage point from the beginning of the year.

Customer deposits

Customer deposits are the Group's main source of funding. As at the end of the Reporting Period, the Group's customer deposits balance increased by RMB210.105 billion or 4.44% from the beginning of the year to RMB4,938.694 billion. In terms of the Group's customer structure, the proportion of corporate deposits accounted for 67.53%, representing a decrease of 0.28 percentage point from the beginning of the year. The proportion of individual deposits was 32.40%, representing an increase of 0.31 percentage point from the beginning of the year. In terms of deposit tenure, the proportion of demand deposits decreased by 1.92 percentage points from the beginning of the year to 49.85%, while the proportion of term deposits increased by 1.95 percentage points from the beginning of the year to 50.08%.

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

	<i>(in millions of RMB)</i>	
	30 June 2017	31 December 2016
Corporate deposits	3,335,198	3,206,241
Include: Corporate demand deposits	1,759,908	1,725,948
Corporate time deposits	1,575,290	1,480,293
Individual deposits	1,600,136	1,517,560
Include: Individual demand deposits	702,365	722,225
Individual time deposits	897,771	795,335

3. *Analysis on Key Cash Flow Items*

As at the end of the Reporting Period, the Group's cash and cash equivalents decreased by RMB16.489 billion from the beginning of the year to RMB299.907 billion.

The net cash inflows from operating activities decreased by RMB274.344 billion on a year-on-year basis to RMB46.15 billion, mainly due to the year-on-year decrease in the amount of cash inflows related to financial assets sold under repurchase agreements.

The net cash outflows from investing activities decreased by RMB208.233 billion on a year-on-year basis to RMB91.174 billion, mainly due to the decrease in the amount of cash outflows related to securities investment activities.

The net cash inflows from financing activities increased by RMB24.492 billion on a year-on-year basis to RMB32.446 billion, mainly due to the year-on-year increase in the amount of cash inflows related to the issuance of bonds in the current year.

4. *Segment Analysis*

(1) *Operating results by geographical segments*

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

	<i>(in millions of RMB)</i>			
	For the six months ended 30 June			
	2017		2016	
	Profit	Net	Profit	Net
	before tax	operating	before tax	operating
		income¹		income¹
Northern China	6,958	11,838	6,874	11,351
North Eastern China	1,555	3,896	1,933	3,950
Eastern China	14,936	42,504	14,217	38,561
Central and Southern				
China	11,769	18,728	10,423	17,127
Western China	5,049	8,724	5,576	8,857
Overseas	3,875	5,952	3,505	5,477
Head Office	3,213	11,471	5,969	13,797
Total²	47,355	103,113	48,497	99,120

Notes:

1. Including net interest income, net fee and commission income, net gains arising from trading activities, net gains arising from financial investments, net gains arising from investments in associated and joint venture enterprises, insurance business income and other operating income, net of business tax, city maintenance and construction tax and educational surcharges. (Same applies hereinafter)
2. Including profit attributable to non-controlling interests. (Same applies hereinafter)

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

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

	30 June 2017		<i>(in millions of RMB)</i> 31 December 2016	
	Deposit balances	Loans and advances balances	Deposit balances	Loans and advances balances
Northern China	735,875	580,978	703,472	568,598
North Eastern China	250,317	204,260	250,716	202,216
Eastern China	1,793,036	1,509,812	1,751,799	1,441,942
Central and Southern China	1,130,426	817,350	1,067,991	761,294
Western China	616,077	435,658	593,674	417,904
Overseas	409,746	440,675	358,061	384,396
Head Office	3,217	381,414	2,876	326,609
Total	<u>4,938,694</u>	<u>4,370,147</u>	<u>4,728,589</u>	<u>4,102,959</u>

(3) *Operating results by business segments*

The Group's four main business segments are corporate banking, personal banking, treasury business and other businesses.

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

	<i>(in millions of RMB)</i> For the six months ended 30 June 2017				
	Corporate banking	Personal banking	Treasury business	Other Businesses	Total
Net interest income	31,095	21,175	9,559	879	62,708
– Net external interest income/(expense)	25,129	15,174	21,526	879	62,708
– Net internal interest income/(expense)	5,966	6,001	(11,967)	–	–

(III) Capital Adequacy Ratio

1. *Measurement method*

The Group calculated the capital adequacy ratios pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional) issued by the CBRC and requirements therein. Upon the approval from CBRC, the Group started to use the Advanced Measurement Approach of Capital Management for measurement of capital adequacy ratio. The credit risk was calculated by the internal rating-based approach, the market risk by internal model method, and the operational risk by the standardized approach.

2. *Scope of measurement*

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

3. *Measurement result*

At the end of June 2017, as calculated pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional) issued by the CBRC, the Group had capital adequacy ratio of 13.86%, Tier 1 Capital adequacy ratio of 11.71%, and Core Tier 1 Capital adequacy ratio of 10.62%, which were all in compliance with the regulatory requirements.

(in millions of RMB unless otherwise stated)

Pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional) issued by the CBRC in calculation of relevant ratio^{Note}:

Item	The Group	The Bank
Net Core Tier 1 Capital	581,708	547,596
Net Tier 1 Capital	641,671	607,473
Net Capital	759,091	724,702
Core Tier 1 Capital adequacy ratio (%)	10.62	10.44
Tier 1 Capital adequacy ratio (%)	11.71	11.59
Capital adequacy ratio (%)	13.86	13.82

Note: Pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional), the above calculation excluded BoCom Insurance and BoComm Life Insurance.

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

Item	The Group	The Bank
Core Capital adequacy ratio (%)	10.52	10.47
Capital adequacy ratio (%)	14.13	14.10

4. Risk-weighted assets

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

Item	(in millions of RMB) 30 June 2017
Credit risk-weighted asset	5,003,566
Market risk-weighted asset	135,632
Operational risk-weighted asset	338,795
Additional risk-weighted assets arising from the application of capital floor and calibration	—
Total risk-weighted assets	5,477,993

5. Credit risk exposure

Exposure to default risk covered under the internal rating approach

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

Item	30 June 2017
Corporate risk exposure	3,202,845
Retail risk exposure	1,537,551
Total	4,740,396

Credit risk exposure not covered under the internal rating approach

(in millions of RMB)

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

Item	30 June 2017
On-balance-sheet credit risk	4,901,278
Including: Asset securitization	7,937
Off-balance-sheet credit risk	98,346
Counterparty credit risk	66,433
Total credit risk exposure not covered under the internal rating approach	5,066,057

6. *Market risk capital requirement*

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

(in millions of RMB)

Risk type	Capital requirement
Market risk covered under internal model approach	9,020
Market risk not covered under internal model approach	1,831
Total	10,851

7. *Value at risk (VaR)*

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

(in millions of RMB)

January to June 2017

Item name	Stressed value	
	Value at risk (VaR)	at risk (SVaR)
VaR of market risk as at the end of the Reporting Period	1,330	1,913
Maximum VaR during the Reporting Period	1,516	1,984
Minimum VaR during the Reporting Period	910	1,047
Average VaR during the Reporting Period	1,238	1,519

(IV) Leverage Ratio

The Group calculated the leverage ratio in accordance with the requirements of the Rules on Leverage Ratio of Commercial Banks (Revised) issued by CBRC in January 2015. As at 30 June 2017, the Group's leverage ratio was 6.65%, which complied with the regulatory requirements.

(in millions of RMB unless otherwise stated)

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

Item	30 June 2017	31 March 2017	31 December 2016
Net Tier 1 Capital	641,671	647,014	628,051
Balance of adjusted on-and-off-balance sheet assets	9,653,233	9,500,019	9,155,659
Leverage ratio (%)	6.65	6.81	6.86

(V) Liquidity Coverage Ratio

Pursuant to relevant requirements of the Measures for the Disclosure of the Liquidity Coverage Ratio of Commercial Banks issued by the CBRC, since 2017, Commercial Banks shall disclose the daily average liquidity coverage ratio of each quarter. The daily average liquidity coverage ratio of the Group in the second quarter in 2017 was 109.49% (daily average in a quarter refers to the simple arithmetic mean of daily values within a quarter, the calculation of which is based on 91 daily values), representing a decline of 9.27 percentage points from last quarter, which was mainly due to the increase in the cash outflows arising from unsecured wholesale financing. The details of daily average liquidity coverage ratio in the second quarter are listed below:

(in millions of RMB unless otherwise stated)

Serial Number	Amounts before conversion	Amounts after conversion
The qualified high-quality liquid assets		
1 The qualified high-quality liquid assets		1,274,827
Cash Outflows		
2 Retail deposits, small business deposits, including:	1,522,223	140,895
3 Stable deposits	223,823	11,055
4 Less stable deposits	1,298,400	129,840
5 Unsecured wholesale financing, including:	3,596,660	1,543,197
6 Business relationship deposits (excluding representative business)	2,249,330	559,945
7 Non-business relationship deposits (including all counterparties)	1,341,417	977,339
8 Unsecured debts	5,913	5,913
9 Secured funding		20,032
10 Other items, including:	1,131,629	508,381
11 Cash outflow related to derivatives and other collateral/ pledged assets	469,199	468,868
12 Cash outflow related to loss of funding on asset-backed securities	42	42
13 Committed credit and liquidity facilities	662,388	39,471
14 Other contractual financing obligations	29,589	29,260
15 Contingent funding obligations	1,085,754	25,344
16 Total expected cash outflows		2,267,109
Cash Inflows		
17 Secured lending, including reverse repos and securities borrowing	47,821	43,046
18 Cash inflow related to payment under normal terms of business	793,914	574,944
19 Other cash inflows	495,895	483,848
20 Total expected cash inflows	1,337,630	1,101,838
		Amount after adjustment
21 The qualified high-quality liquid assets		1,274,827
22 Net cash outflow		1,165,271
23 Liquidity Coverage Ratio (%)		109.49

(VI) Risk Management

In the first half of 2017, the Group has continued to refine our comprehensive risk management framework, with particular focuses on “full coverage, whole process, accountability and risk management culture”. The Group has also continued to optimize its credit investment structure and strengthened risk management controls over key areas including credit, market, liquidity, operational, compliance, reputational and geopolitical risk management practices. This has laid a solid foundation and support for the in-depth reform and transformational development strategy of the Group.

1. Risk Appetite

The Board of Directors established the overall risk appetite of “Stability, Balance, Compliance and Innovation” for the Group. During the Reporting Period, the Group adhered to a strong commitment in lawful compliance operation to conscientiously implement external regulatory requirements, actively strengthen risk prevention and control in key areas, thus upholding the bottom line of preventing the occurrence of systematic financial risks. In the first half of 2017, the implementation of the Group’s overall risk appetite was satisfactory. All indicators of the risk tolerance levels and risk limits are stable.

2. Risk Management Framework

The Board of Directors assumes the ultimate responsibility and is responsible for Group’s risk management decision-making. The Group monitored and controlled the bank-wide risk management matters through the Risk Management and Related Party Transactions Control Committee. The Group’s senior management established a “1+3+2” Risk Management Committee, where Comprehensive Risk Management Committee is responsible for implementing the Board of Directors’ risk management strategy and risk appetites. According to the principle of “Going Horizontal to the Edges, Going Vertical to the Bottom, and Covering all Aspects”, Comprehensive Risk Management Committee is responsible for improving the management system, optimizing the working system, standardizing the management policies, and performing evaluations on the effectiveness of risk management function. Three sub-committees were established under the Comprehensive Risk Management Committee, namely Credit Risk Management Committee, Market and Liquidity Risk Management Committee, and Operational Risk Management and Compliance (Anti-Money Laundering) Committee. Two business review committees, namely Credit/Noncredit Review Committee and High-risk Assets Review Committee, were also established to perform their respective duties. Each Tier-1 branch, overseas branch and subsidiary correspondingly established simplified and practical risk management committees in accordance with the above defined framework. To form a unified and coordinated risk management system, members among the Comprehensive Risk Management Committee and other committees as well as committees of the Head Office and branches have ensured the full implementation of risk management requirements through the mechanisms of “Leadership and Execution, Supervision and Reporting” principles.

3. *Risk Management Tools*

The Group has placed great emphasis on the establishment and application of risk management tools, information systems and econometrics modelling. During the Reporting Period, the Group strengthened the ability to control credit risk by the big data mining technique, enhanced monitoring of middle office over market risk, interest rate risk of banking book and liquidity risk. To continuously improve the effectiveness of risk management, the Group has better deployed the use of risk management tools through the enhancement of information systems in relation to business risks management, and strengthened real time control over operating risk, fraud risk and money laundering risk prevention.

The Group has combined new data mining techniques with information consolidation method in order to enhance the controls on risk management of assets. With the integration of big data techniques into conventional ways of risk identification within the businesses, the Group has proactively managed to enhance its risk identification and monitoring approach targeting at customers with expanded scope of businesses, diversified business operations, and innovative new business operational models. Thus, more comprehensive information concerning customers' equity investments, controlling shareholders and guarantees relationships both on and off balance sheet can be identified and closely monitored. As a result, the Group has managed to gain better control and insights into corporate assets value, investment activities, and capital flow as well as counterparties information details. This has led to better risk identification, prevention and monitoring by the Group.

The Group has established a comprehensive system in the implementation of Advanced Measurement Approach of Capital Management covering areas such as policy procedure building, model development and management, data accumulation and specification, system design and implementation, business management and assessment application, independent verification and audit and professional training. With the approval from regulatory authorities, the Group adopted primary internal rating-based approach for enterprise risk exposures, internal rating-based approach for retail risk exposures, internal model-based approach for market risks and standard approach for operation risks to measure capital requirements.

During the Reporting Period, the Bank has continued to optimize the econometrics modelling and management systems covering credit risk, market risk, operational risk, liquidity risk, interest rate risk of banking book and other risks. The Group has consistently implemented operational model in monitoring and analysis and has expanded the implementation scope of advanced approach as well as has carried out the research and development of new econometrics tools. The Group has applied econometric results extensively in relation to acceptance of new customers' criteria, quota management, risk monitoring and control and performance appraisal. The Group has thoroughly assessed the internal capital adequacy with sufficient forecast carried out on the capital adequacy level in order to strengthen capital planning and economic capital management. The Group's operational principle of "managing capital constraint businesses appropriately with a good balance between risk and return" has been further strengthened.

4. *Credit risk management*

Credit risk is one of the major risks encountered by the Bank, mainly attributable to its loan business, treasury business, international business, and direct investment business. The Group adopted stringent management on different procedures, including investigation, disclosure, business review and approval, distribution of fund, duration management, overdue non-performing loan management, all of which reduced the credit risk to an acceptable level and struck a balance between risks and returns.

The Group constantly optimized credit assets structure. The Group developed, issued and implemented the 2017 Bank of Communications Credit and Risk Policy Outline and industry investment guidance, to promote structural reform on the supply side through “de-capacity, de-stocking, de-leverage, cost reduction and weakness strengthening” and to continuously optimize the asset structure. In the first half of 2017, company assets were mainly invested in infrastructures and urban construction. Financing in public utilities and household consumptions kept a higher growth, and loans relating to “agriculture, rural areas and farmers” and small and micro enterprises continued to increase, which continuously decreased the balance of loans and advances to industries with excess capacity.

The Group strengthened the risk management and controls in key areas and remained high risk alert as the uncertainty of external environment was elevated. The Group strengthened its risk monitoring and investigation on the Group’s key customers relating to key risk industries and areas so as to improve the capability of “early identification, early alert, early solving”. The Group placed high priority on monitoring, managing and controlling the clustered risk of corporate business, corporate funds transfer risk, new business risk of small enterprises, credit-like business risk, individual loan risk and credit default risk. The Group continued to deepen the application of the monitoring results in “suspicious drawers” and “bonds with potential risks” to establish risk categorization management mechanism and carry out follow-up evaluation.

The Group enhanced the risk-elimination strategies. Firstly, the Group firmly pushed forward with reducing exposures and strengthening credit enhancements. In the first half of 2017, the Bank accumulatively reduced and enhanced credit exposure by RMB55.76 billion. Secondly, the Group has focused on key branches, key areas and key customers, and implemented the tiered, categorized and hierarchical management and list system management, thus improving management level. Lastly, the Group took various measures at the same time to reduce its non-performing loans and the total non-performing loans were reduced by RMB21.344 billion in the first half of 2017.

The Group achieved the stable improvement in asset quality with the percentage of impaired loans of the Group declined gradually. Both overdue loans and loans overdue by more than 90 days were reduced. At the end of the Reporting Period, the Group's impaired loans ratio decreased by 0.01 percentage point from the beginning of the year, to 1.51%. The balance of overdue loan decreased by RMB6.026 billion or by 0.30 percentage point from the beginning of the year. Loans overdue by more than 90 days decreased by RMB3.859 billion or by 0.22 percentage point from the beginning of the year. At the end of the Reporting Period, the provision coverage ratio of impaired loans increased by 0.52 percentage point from the beginning of the year to 151.02% demonstrating our increased ability to prevent risk.

According to the regulatory requirements stated in the CBRC's Guidance for the Risk-Based Loan Categorization, the Group classified credit assets into 5 categories based on their risk level, namely pass, special mention, sub-standard, doubtful and loss, in which the last three categories are regarded as non-performing loans. Such a categorization system is to gauge an individual's ability to meet his or her debt obligations on credit assets, both principal and interests, before maturity. In relation to corporate credit assets, the Group specified the risk attributes and measurements of the fore-mentioned 5 categories, with reference to internal ratings and provisions for each loans. All of these ensured that various factors impacting the quality of credit assets were considered by the Group, so that the Group could perform risk classification in a prudent manner. For retail credit assets, including credit cards, the Group adopted a loan classification system, which considered both the aging schedule of overdue loans and the types of guarantees provided.

As at the end of the Reporting Period, the Group's balance of non-performing loans was increased by RMB3.553 billion/decreased by 0.01 percentage point from the beginning of the year to RMB65.953 billion/1.51%. As at the end of the Reporting Period, the breakdown of the Group's five categories of loan classified in accordance with the Chinese banking regulatory authorities is as follows:

(in millions of RMB unless otherwise stated)

Categories	30 June 2017		31 December 2016		31 December 2015	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Pass	4,177,762	95.60	3,916,818	95.46	3,547,697	95.32
Special mention	126,432	2.89	123,741	3.02	118,103	3.17
Total performing loan balance	4,304,194	98.49	4,040,559	98.48	3,665,800	98.49
Sub-standard	18,788	0.43	17,513	0.42	22,953	0.62
Doubtful	25,328	0.58	26,950	0.66	22,521	0.61
Loss	21,837	0.50	17,937	0.44	10,732	0.28
Total non-performing loan balance	65,953	1.51	62,400	1.52	56,206	1.51
Total	4,370,147	100.00	4,102,959	100.00	3,722,006	100.00

As at the end of the Reporting Period, the breakdown of the Group's loan migration rates stipulated by the Chinese banking regulatory authorities is as follows:

Loan migration rates (%)	June 2017	2016	2015
Pass	1.06	2.80	2.52
Special mention	13.42	24.60	27.32
Sub-standard	36.26	50.04	32.14
Doubtful	21.51	33.72	21.78

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

5. *Market Risk Management*

Interest rate risk and exchange rate risk, including gold, are the major market risks encountered by the Group. With the establishment of segregation of duties, improvement of policies and procedures, enhancement of measurement systems, monitoring and analysis of market risk management framework in a timely manner, the Group successfully controlled and prevented market risk, and enhanced the level of market risk management. Based on the risk appetite adopted by the Board of Directors, the Group proactively identified, measured, monitored, controlled and reported its market risks, using various methods, such as quota management, risk hedging, and risk transfer. As a result, the Group was able to control its market risk exposure to an acceptable level and maximize its risk-adjusted profits.

During the Reporting Period, the Group kept improving its market risk management system by continuing to optimize market risk management information system, including the establishment of treasury product management system in overseas branches and the development of the valuation models, parameters and market data for new businesses and products. In addition, the risk management models and configurations were constantly updated, in which the newly established models were tested independently and the data quality was reviewed on a regular basis.

The Group continued to improve the application of the results derived from market risk measurement into management's practice. Daily capital transaction positions of the entire bank and the most updated market data were obtained to perform position valuation and sensitivity analysis in a timely manner. In addition, the Group quantified market risk and measured VaR on a daily basis from different perspectives, such as different risk factors and different investment portfolios and products, by using the Historical Simulation Method. The results were also applied to capital measurement using the Internal Model Approach, quota monitoring and management, performance assessment and risk monitoring and analysis. Furthermore, the Group performed reverse testing on a daily basis to verify the accuracy of the VaR model. Regular stress testing and analysis of the risk of investment portfolios under stressed scenarios were conducted. The results revealed that the market risk measurement model was able to timely capture the changes in financial market in a timely manner and objectively reflect market risk encountered by the Group. Meanwhile, the Group closely followed up the changes of both overseas and domestic market risk management. In addition, the Group actively participated in the CBRC's quantitative testing and in-depth analysis of the feasibility and challenges of developing new market risk management systems, as well as provided comments and recommendations in time.

6. *Liquidity Risk Management*

The liquidity management of the Group aimed at identifying, effectively measuring, constantly monitoring and properly controlling the liquidity risk of the Group as a whole and its products, each business line, each business process, and at all levels, ensuring that the Group would carry out its business operations in an orderly manner.

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

7. *Operational Risk Management*

The Group has established a comprehensive management framework for operational risks commensurate with its business nature, scale and product complexity. The objective is to manage and control operational risk through self-assessment on controls, collection of loss data, key risk factors monitoring, and procedures performed over operational risk incidents management.

During the Reporting Period, the Group continued to enhance the level of its operational risk management. The Group re-checked and identified operational risk and control in key business processes across the bank, promoted the utilization of evaluation and monitoring results by operational risk management tool. The Group established and improved tracking mechanism to execute risk-elimination strategies, which has been carried out in different categories at different levels. This has resulted in continuous improvement on internal risk management. The Group carried out special investigation to target any illegal trading activities so as to prevent wide financial risk from spreading. The Group investigated risks associated with individual customers information and deposits business, and further improved and optimized the system process and function based on the investigation findings. Further, the Group standardized business outsourcing management and strengthened the review and evaluation of information technology risk in business outsourcing. The Group performed special risk assessment on information system in overseas branches (subsidiaries), implemented comprehensive emergency drills such as disaster recovery and backup plans on a city-wide basis, re-checked the impact analysis of key businesses, and improved contingency plans and continuity plans of key businesses.

8. *Legal Compliance and Anti-Money Laundering*

The Group has been making ongoing efforts to improve its legal compliance risk management framework, strengthen and improve the legal compliance management mechanism, optimize legal compliance management process and innovate ways to manage legal compliance related matters. The objective is to provide strong legal compliance support and protection in order to enforce group-wide lawful compliance operation.

During the Reporting Period, the Group constantly enhanced the overall quality and efficiency of legal compliance management. Firstly, the Group strengthened the routine tasks including legal compliance review, lawsuit management, authorization management, seal management and management of rules and regulations, to provide legal compliance support for business operation. Secondly, the Group pushed forward special governance against behaviors in violation of laws, rules and regulations, and made special efforts in accordance with the Measures for the Administration of Financial Institutions' Reports on Large-Sum Transactions and Suspicious Transactions and the Administrative Measures on Due Diligence Checks on Tax-related Information of Non-residents' Financial Accounts, so as to strengthen the capability of legal compliance management. Thirdly, the Group innovated ways to take the initiatives in compliance in order to better align legal compliance management with business operation. Fourthly, the Group promoted overseas compliance management, to strictly control overseas compliance risk. Lastly, the Group consolidated the foundation of compliance management to enhance the protection for legal compliance management.

The Group continued to improve the management mechanism in terms of anti-money laundering by improving business process, optimizing business system and anti-money laundering system, strengthening training on anti-money laundering and enhancing money laundering risk screening and customer due diligence, for the purpose of continuous enhancement of the level of anti-money laundering management.

9. *Reputational Risk Management*

The Group continued to improve the reputational risk management framework. The objective is to effectively prevent the risk of negative comments from various stakeholders in the Group's operation, management, any other behaviors or external events, as well as to handle different types of incidents appropriately, which may give rise to reputational risk.

During the Reporting Period, by means of pilot project of reputational risk stress testing and exploration of capital measurement tool for reputational risk, the Group has made phased progress from qualitative evaluation to quantitative analysis of reputational risk. During the Reporting Period, the Group successfully addressed many reputational risk events and maintained overall stable risk situation, through strengthening the identification, warning, assessing and monitoring reputational risks, as well as actively responding to and providing guidance for negative public opinions.

10. *Cross-Industry, Cross-border and Country Risk Management*

The Group continued to improve its cross-industry, cross-border risk management framework with “centralized management, clarified responsibilities, complete and adequate system tools, IT support, risk quantification, and pragmatic consolidation”. It required all subsidiaries and overseas entities, as part of its risk management assessment, to take into account both the Group’s standardized requirements and the respective requirements from local regulatory governing bodies. The objective is to assess and prevent additional risks arising from cross-industry and cross-border operations.

During the Reporting period, the Group continued to strengthen risk management over cross-industry and cross-border businesses. The Group further improved the system and measures for risk management of overseas banking entities. Upholding the concept of “risk control comes first and compliance has priority”, it incorporated overseas branches (subsidiaries), overseas non-banking subsidiaries (including overseas entities established by domestic subsidiaries) and overseas sub-centers of directly operating units into the Group’s comprehensive risk management structure and risk limit management system, carried out unified measurement and monitoring on dimensional business exposures including correlative industries, customers and regions of the Group, regularly assessed overall risks of subsidiaries and overseas branches, and improved development and construction of “531” risk management system for overseas branches.

The Group enhanced the country risk management. With actively participating in and supporting for the “Belt and Road Initiatives”, a national development strategy, the Group incorporated relevant countries and regions into the scale of country risk rating and analysis reporting to continuously monitor control over country risk tolerance, with particular focus on significant country risk events and their impacts. As at the end of the Reporting Period, country-specific (economic units) risk exposure of the Group after risk transfer was RMB589.199 billion, which accounted for 6.60% of total assets of the Group, among which 94.02% were located in countries and regions with low or relatively low country risk level. The country-specific (economic units) overall risks were within control.

The Group did not detect any insider trading that would damage the sustainable operation in respect of regulatory arbitrage, risk transfer, and or transactions without genuine purpose and non-market-based approaches.

(VII) Outlook

In the second half of 2017, macroeconomic and financial environment appear to remain to be complex and uncertain.

On one hand, commercial banks will face great challenges in relation to asset and liability management as market competition becomes more intense with interest rate liberalization and financial informatization continued. Interest rate spread tends to become narrow and credit costs are expected to increase continuously, therefore banks will remain under great pressure to increase net profits. Banks will encounter great challenges relating to asset quality during the period of de-capacity and de-stocking. Furthermore, the ongoing international and domestic financial regulation reform and the increasingly prudent and stringent regulatory policies will set higher requirements for banks' lawful compliance operation.

On the other hand, commercial banks will face new opportunities with the continuous deepening of structural reform on the supply side and the acceleration of financial reform. The development of financial technology will provide more support for the innovation of bank products, businesses and management. The construction of "the Belt and Road Initiatives", Renminbi internationalization and "Go Global" of Chinese enterprises will be helpful for China's banking sector to expand into international market more widely. The transformation and upgrade of economic structure and replacing old drivers of growth with new ones will bring in commercial banks with opportunities of business structure adjustment and differentiated business operation.

In the second half of 2017, the Group will continuously keep a close eye on changes in economic situation, monetary policies, regulatory rules and market circumstances, the Group will be determined and confident to respond and take action as well as seek improvement in stability and continuously improve operating efficiency and competence. The Group will specifically focus on the following: firstly, the Group will actively follow up on major national strategies and support the structural reform on the supply side, the Group will implement differentiated credit policies and widely promote the inclusive finance business so as to further improve its capability and level of serving the real economy. Secondly, the Group will dynamically optimize allocation strategy of assets and liabilities and expand the sources of non-interest income by speeding up transformation and promoting innovation more vigorously, which is to ensure steady profit growth. Thirdly, the Group will deepen reform continuously by accelerating the promotion of a series of reform measures related to divisional structure, personnel and remuneration, assessment and incentive, resource allocation. The Group will increase development potential and cultivate new driving forces for development through reform and innovation. Fourthly, the Group will strive to maintain asset quality at a stable level by sticking to the bottom line of risk and to improve our ability to prevent and mitigate financial risks.

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Profile of Directors

Name	Position	Name	Position
Niu Ximing	Chairman of the Board of Directors and Executive Director	Luo Mingde	Non-executive Director
Peng Chun	Vice Chairman of the Board of Directors, Executive Director and President	Liu Haoyang	Non-executive Director
Peter Wong Tung Shun	Vice Chairman of the Board of Directors and Non-executive Director	Peter Hugh Nolan	Independent Non-executive Director
Yu Yali	Executive Director and Executive Vice President	Chen Zhiwu	Independent Non-executive Director
Hou Weidong	Executive Director and Executive Vice President	Yu Yongshun	Independent Non-executive Director
Wang Taiyin	Non-executive Director	Li Jian	Independent Non-executive Director
Liu Changshun	Non-executive Director	Liu Li	Independent Non-executive Director
Song Guobin	Non-executive Director (designated)	Jason Yeung Chi Wai	Independent Non-executive Director
He Zhaobin	Non-executive Director (designated)	Raymond Woo Chin Wan	Independent Non-executive Director (designated)
Helen Wong Pik Kuen	Non-executive Director	Cai Hongping	Independent Non-executive Director (designated)
Liu Hanxing	Non-executive Director		

Notes:

1. Qualifications for designated Directors were pending for approval by the CBRC.
2. According to the resolutions of 2016 annual general meeting, the term of office of Mr. Liu Changshun as Non-executive Director expired after the approval by the CBRC for the qualification of Mr. He Zhaobin as Non-executive Director, and Mr. Peter Hugh Nolan and Mr. Chen Zhiwu will hold their offices as Independent Non-executive Directors until the date when qualifications of Mr. Raymond Woo Chin Wan and Mr. Cai Hongping as Directors are approved by the CBRC, respectively.

(II) Members of the Board of Supervisors

Name	Position	Name	Position
Song Shuguang	Chairman of the Board of Supervisors	Tang Xinyu	External Supervisor
Gu Huizhong	Shareholder Representative Supervisor	Xia Zhihua	External Supervisor
Zhao Yuguo	Shareholder Representative Supervisor	Chen Qing	Employee Representative Supervisor
Liu Mingxing	Shareholder Representative Supervisor	Du Yarong	Employee Representative Supervisor
Zhang Lili	Shareholder Representative Supervisor	Fan Jun	Employee Representative Supervisor
Wang Xueqing	Shareholder Representative Supervisor	Xu Ming	Employee Representative Supervisor

(III) Profile of Senior Management

Name	Position	Name	Position
Peng Chun	President	Wu Wei	Executive Vice President (designated) and Chief Financial Officer
Yu Yali	Executive Vice President	Du Jianglong	Secretary of the Board of Directors
Shou Meisheng	Commissioner of Commission for Discipline Inspection	Guo Mang	Director of Corporate Banking
Hou Weidong	Executive Vice President	Ng Siu On	HSBC-BoCom Strategic Cooperation Consultant
Shen Rujun	Executive Vice President		

Note: According to the resolution of the 9th meeting of the eighth Board of Directors of the Bank, Mr. Wu Wei was appointed as Executive Vice President and Chief Financial Officer of the Bank, with the qualification as Executive Vice President pending for approval by the CBRC.

(IV) Changes in Directors, Supervisors and Senior Management

Name	Position	Change
Newly elected/appointed		
Song Guobin	Non-executive Director (designated)	Elected at Shareholders' General Meetings
He Zhaobin	Non-executive Director (designated)	Elected at Shareholders' General Meetings
Raymond Woo Chin Wan	Independent Non-executive Director (designated)	Elected at Shareholders' General Meetings
Cai Hongping	Independent Non-executive Director (designated)	Elected at Shareholders' General Meetings
Wang Xueqing	Shareholder Representative Supervisor	Elected at Shareholders' General Meetings
Wu Wei	Executive Vice President (designated) and Chief Financial Officer	Appointed by the Board of Directors
Resigned		
Hu Huating	Non-executive Director	Resigned (due to age)
Yan Hong	Shareholder Representative Supervisor	Resigned (due to work arrangement)
Wang Jiang	Executive Vice President	Resigned (due to work arrangement)
Yang Dongping	Chief Risk Officer	Resigned (due to personal arrangement)

(V) Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Class of shares	Number of shares held at the beginning of the year (Share)	Increase (or decrease) in shareholdings during the Reporting Period (Share)	Number of shares held as at the end of the Reporting Period (Share)	Reason for changes
Niu Ximing	Chairman of the Board of Directors and Executive Director	A share	210,000	–	210,000	–
		H share	180,000	–	180,000	–
Peng Chun	Vice Chairman of the Board of Directors, Executive Director and President	A share	150,000	–	150,000	–
		H share	50,000	–	50,000	–

Name	Position	Class of shares	Number of shares held at the beginning of the year (Share)	Increase (or decrease) in shareholdings during the Reporting Period (Share)	Number of shares held as at the end of the Reporting Period (Share)	Reason for changes
Song Shuguang	Chairman of the Board of Supervisors	A share	130,000	—	130,000	—
Yu Yali	Executive Director and Executive Vice President	H share	50,000	—	50,000	—
		A share	80,000	—	80,000	—
Hou Weidong	Executive Director and Executive Vice President	H share	20,000	—	20,000	—
		A share	80,000	—	80,000	—
Wang Taiyin	Non-executive Director	H share	20,000	—	20,000	—
		A share	80,000	—	80,000	—
Liu Changshun	Non-executive Director	H share	30,000	—	30,000	—
		A share	50,000	—	50,000	—
Chen Qing	Employee Representative Supervisor	H share	30,000	—	30,000	—
		A share	40,000	—	40,000	—
Du Yarong	Employee Representative Supervisor	H share	20,000	—	20,000	—
		A share	60,000	—	60,000	—
Fan Jun	Employee Representative Supervisor	H share	20,000	—	20,000	—
		A share	40,000	—	40,000	—
Xu Ming	Employee Representative Supervisor	H share	20,000	—	20,000	—
		A share	40,000	—	40,000	—
Shou Meisheng	Commissioner of Commission for Discipline Inspection	H share	0	—	0	—
		A share	79,100	—	79,100	—
Shen Rujun	Executive Vice President	H share	20,000	—	20,000	—
		A share	0	—	0	—
Wu Wei	Executive Vice President (designated) and Chief Financial Officer	H share	20,000	—	20,000	—
		A share	46,000	—	46,000	—
Du Jianglong	Secretary of the Board of Directors	H share	20,000	—	20,000	—
		A share	80,000	—	80,000	—
		H share	0	—	0	—

Name	Position	Class of shares	Number of shares held at the beginning of the year (Share)	Increase (or decrease) in shareholdings during the Reporting Period (Share)	Number of shares held as at the end of the Reporting Period (Share)	Reason for changes
Guo Mang	Director of Corporate Banking	A share	50,000	–	50,000	–
		H share	0	–	0	–
Ng Siu On	HSBC-BoCom Strategic Cooperation Consultant	A share	0	–	0	–
		H share	30,000	–	30,000	–
Directors, Supervisors and Senior Management resigned/retired						
Hu Huating	Former Non-executive Director	A share	80,000	–	80,000	–
		H share	30,000	–	30,000	–
Wang Jiang	Former Executive Vice President	A share	0	–	0	–
		H share	30,000	–	30,000	–
Yang Dongping	Former Chief Risk Officer	A share	150,000	–	150,000	–
		H share	20,000	20,000	0	Shares sold in secondary market

Other than as disclosed above, as at the end of the Reporting Period, none of the Bank's Directors, Supervisors or Chief Executive had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be filed to the Bank and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be recorded in the register pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Hong Kong Listing Rules to be filed to the Bank and the HKEx.

VII. SIGNIFICANT EVENTS

(I) Corporate Governance

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

During the Reporting Period, the Board of Directors confirmed that the Bank has fully complied with the code provisions under the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), and had followed most of the recommended best practices contained in the Corporate Governance Code.

(II) Shareholders’ General Meetings

On 22 June 2017, the Bank held 2016 Shareholders’ General Meeting, at which 13 proposals, including, among others, 2016 Work Report of the Board of Directors, 2016 Report of the Board of Supervisors and 2016 Report of Financial Accounts, were reviewed and approved. The resolution announcements for all Shareholders’ General Meetings have been disclosed on the websites of SSE, HKEx and the Bank, and published in China Securities Journal, Shanghai Securities News and Securities Times.

(III) Profit Distribution

1. Implementation of the Profit Distribution Plan of Ordinary Shares during the Reporting Period

The profit distribution plan of the Bank for the year of 2016 was considered and approved at the 2016 Shareholders’ General Meeting of the Bank held on 22 June 2017. Based on the total 74.263 billion ordinary shares issued as at 31 December 2016, a cash dividend of RMB0.2715 (before tax) per share was distributed, totalling RMB20.162 billion. The aforesaid dividends have been paid to holders of A shares and H shares of the Bank on 7 July 2017 and 26 July 2017 respectively.

2. Proposal on Payment of Interim Dividend and Proposal on Conversion of Capital Reserve into Share Capital

The Bank will not distribute an interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2017.

3. Implementation of the Bank’s Cash Dividend Distribution Policy during the Reporting Period

The Bank implemented the cash dividend distribution policy strictly in accordance with the relevant provisions of the Articles of Association.

(IV) Material Litigation and Arbitration

During the Reporting Period, the Group was not involved in any material litigation or arbitration. As at the end of the Reporting Period, the Group was a defendant or third party of certain outstanding litigations/arbitrations with an aggregate amount of approximately RMB1.522 billion. The Group anticipated that the above litigations/arbitrations will not have any significant impact on the Bank's business, financial position or operating performance of the Bank.

(V) Material Contracts and Performance of Obligations Thereunder

1. Material Trust, Sub-contract and Lease

During the Reporting Period, the Group did not enter into any material trust, sub-contract or leasing arrangement in respect of assets of other corporations, nor any trust, sub-contract or leasing arrangement with other corporations in respect of the Group's assets.

2. Material Guarantees

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

3. Other Material Contracts

During the Reporting Period, the Group did not enter into any other material contracts.

(VI) Related Party Transactions

During the Reporting Period, all the transactions between the Group and its related parties were the monetary transactions conducted during the ordinary course of business. No significant related party transaction occurred during the Reporting Period. The Bank renewed the Interbank Transactions Master Agreement with HSBC as approved by the Board of Directors on 28 April 2017, disclosing relevant announcements respectively at websites of SSE, HKEx and the Bank.

Directors, Supervisors and Senior Management of the Bank had outstanding loan balance of RMB701,800 in the Bank as at the end of the Reporting Period.

(VII) Asset Acquisitions, Sales and Merger by Absorption

During the Reporting Period, there was no material purchase or disposal of subsidiaries, associated companies and joint ventures.

(VIII) Asset Collateral

The Group's assets pledged were mainly collaterals under repurchase arrangements and loans from banks and other financial institutions. Other than as disclosed above, there were no other significant assets pledged to be disclosed during the Reporting Period.

(IX) Audit Committee

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

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

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

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

The Bank requires the Directors, Supervisors and Senior Management of the Bank to strictly adhere to the Rules on the Administration of Shares held by Directors, Supervisors and Senior Management Personnel of Listed Companies and the Changes of Such Shares issued by the China Securities Regulatory Commission ("CSRC"), and the Model Code. In addition, the Bank has adopted the Model Code as the code of conduct of the Bank in relation to securities trading by the Directors, Supervisors and Senior Management of the Bank. As at the end of the Reporting Period, the Bank's shares deemed to be beneficially owned by the current Directors, Supervisors and Senior Management of the Bank remain unchanged. All the Directors, Supervisors and Senior Management of the Bank confirmed that they complied with the above rules.

(XII) Appointment of Accounting Firm

With the approval at the 2016 Shareholders' General Meeting, the Bank has continued to appoint PricewaterhouseCoopers Zhong Tian LLP to perform the audit of the financial statements prepared by the Group in accordance with China Accounting Standards and to provide other related professional services, and appoint PricewaterhouseCoopers to perform the audit of the financial statements prepared by the Bank in accordance with IFRS and to provide other related professional services. The term of appointment starts upon the approval on the date of the Bank's 2016 Shareholders' General Meeting, and ceases at the end of day of 2017 Shareholders' General Meeting. The overall remuneration is RMB29.47 million.

(XIII) Share Incentive and Shareholdings of Employees

At present, the Bank has neither share incentive nor employee stock ownership.

(XIV) Disciplinary Actions Against the Listed Company, its Directors, Supervisors, Senior Management, Shareholders with more than 5% Shareholdings, Actual Controllers and Acquirers

During the Reporting Period, neither the Bank, nor any of its Directors, Supervisors or Senior Management was subject to any enforcement measure by, any referral to, or any criminal sanction by judiciary authorities, any investigation, administrative penalty, prohibition from access to market or disqualification by the CSRC, or any material administrative penalty by administrative departments including environmental protection, safety supervision and tax departments, or any public reprimand by the stock exchanges.

(XV) Integrity of the Listed Company, its Controlling Shareholders and Actual Controllers

During the Reporting Period, the Group was free from refusal to implement effective judgements of a court or failure to repay due debts with considerable amount.

(XVI) Significant Subsequent Events

The Bank proposed to set up Bank of Communications (Hong Kong) Limited (“**BoCom HK**”) with a capital contribution of HKD7.9 billion, accounting for 100% of the share capital of BoCom HK. Such investment has been approved by Board of Directors of the Bank and no approval from Shareholders’ General Meeting is required. The Bank proposed to, by means of Bank of Communications (Hong Kong) Limited (Merger) Bill, transfer businesses, assets and legal liabilities relating to the Bank’s retail banking business and private banking business in Hong Kong which are operated by Hong Kong Branch now, to BoCom HK. The Bank of Communications (Hong Kong) Limited (Merger) Bill entered into effect upon release by Chief Executive of the Hong Kong Special Administrative Region on 14 July 2017, such business transfer would come into force on the date designated by the board of directors of BoCom HK, and the balance sheet regarding such business transfer should be the one as at the effective date designated for such business transfer. Such designated date will be published on the Government of the Hong Kong Special Administrative Region Gazette in due course. After such business transfer comes into force, the Bank’s Hong Kong Branch will retain other existing businesses and continue to hold a banking license which enables its operation in Hong Kong.

Save as above events, the Group has no other significant subsequent events.

FINANCIAL STATEMENT

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

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

		Six months ended 30 June	
	Notes	2017	2016
Interest income		154,381	144,361
Interest expense		(91,673)	(76,213)
Net interest income	2	62,708	68,148
Fee and commission income	3	23,045	22,238
Fee and commission expense		(1,784)	(1,274)
Net fee and commission income		21,261	20,964
Net gains arising from trading activities		189	1,095
Net gains arising from financial investments		2,655	520
Share of profit of associates and joint venture		51	38
Insurance business income		10,768	8,764
Other operating income		6,308	4,080
Impairment losses on loans and advances to customers	4	(14,646)	(14,807)
Insurance business expense		(9,862)	(8,161)
Other operating expense		(32,077)	(32,144)
Profit before tax		47,355	48,497
Income tax	5	(8,133)	(10,574)
Net profit for the period		39,222	37,923
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
Changes in fair value recorded in equity		(39)	364
Changes in fair value reclassified from equity to profit or loss		(1,789)	(225)
Net gains/(losses) arising from cash flow hedge			
Changes in fair value recorded in equity		2	(9)
Changes in fair value reclassified from equity to profit or loss		68	—
Translation difference on foreign operations		(583)	754
		(2,341)	884
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on pension benefits		20	(24)
Other comprehensive income for the period		(2,321)	860
Comprehensive income for the period		36,901	38,783

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

		Six months ended 30 June	
	<i>Notes</i>	2017	2016
Net profit attributable to:			
Shareholders of the Bank		38,975	37,661
Non-controlling interests		<u>247</u>	<u>262</u>
		<u>39,222</u>	<u>37,923</u>
Total comprehensive income attributable to:			
Shareholders of the Bank		36,672	38,609
Non-controlling interests		<u>229</u>	<u>174</u>
		<u>36,901</u>	<u>38,783</u>
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)	6	<u><u>0.49</u></u>	<u><u>0.50</u></u>

Unaudited Condensed Consolidated Statement of Financial Position

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

	As at 30 June 2017	As at 31 December 2016
ASSETS		
Cash and balances with central banks	963,575	991,435
Due from banks and other financial institutions	854,775	715,787
Financial assets at fair value through profit or loss	219,803	216,444
Loans and advances to customers	4,270,542	4,009,046
Financial investments – loans and receivables	410,429	385,020
Financial investments – available-for-sale	393,938	342,755
Financial investments – held-to-maturity	1,449,859	1,407,449
Investment in associates and joint venture	3,300	714
Property and equipment	121,666	114,425
Deferred income tax assets	16,331	12,567
Other assets	226,620	207,524
Total assets	8,930,838	8,403,166
LIABILITIES		
Due to banks and other financial institutions	2,349,366	2,231,060
Financial liabilities at fair value through profit or loss	54,854	84,299
Due to customers	4,938,694	4,728,589
Certificates of deposit issued	443,126	318,950
Current tax liabilities	10,155	5,164
Deferred income tax liabilities	175	145
Debt securities issued	260,945	229,515
Other liabilities	225,115	173,037
Total liabilities	8,282,430	7,770,759
EQUITY		
Share capital	74,263	74,263
Preference shares	59,876	59,876
Capital surplus	113,683	113,392
Other reserves	294,872	280,913
Retained earnings	100,556	100,698
Equity attributable to shareholders of the bank	643,250	629,142
Non-controlling interests	5,158	3,265
Total equity	648,408	632,407
Total equity and liabilities	8,930,838	8,403,166

Unaudited Condensed Consolidated Statement of Changes in Equity

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

	Share capital	Preference shares	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Other reserves					Retained earnings <i>Note 8</i>	Attributable to the shareholders of the Bank	Non-controlling interests	Total
							Revaluation reserve for available-financial assets	Cash flow hedge reserve	Translation reserve on foreign operations	Actuarial revaluation reserve	Others				
Balance at 1 January 2017	74,263	59,876	113,392	50,650	139,764	87,732	1,832	(114)	(291)	4	1,336	100,698	629,142	3,265	632,407
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	38,975	38,975	247	39,222
Other comprehensive income	-	-	-	-	-	-	(1,827)	70	(566)	20	-	-	(2,303)	(18)	(2,321)
Total comprehensive income	-	-	-	-	-	-	(1,827)	70	(566)	20	-	38,975	36,672	229	36,901
Capital contribution by non-controlling shareholders	-	-	291	-	-	-	-	-	-	-	-	-	291	1,678	1,969
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	(20,162)	(20,162)	(14)	(20,176)
Dividends paid to preference shareholders	-	-	-	-	-	-	-	-	-	-	-	(2,693)	(2,693)	-	(2,693)
Transfer to reserves	-	-	-	88	4	16,170	-	-	-	-	-	(16,262)	-	-	-
Balance at 30 June 2017	<u>74,263</u>	<u>59,876</u>	<u>113,683</u>	<u>50,738</u>	<u>139,768</u>	<u>103,902</u>	<u>5</u>	<u>(44)</u>	<u>(857)</u>	<u>24</u>	<u>1,336</u>	<u>100,556</u>	<u>643,250</u>	<u>5,158</u>	<u>648,408</u>
Balance at 1 January 2016	74,263	14,924	113,392	44,098	139,764	75,653	1,608	(64)	(1,868)	17	-	73,098	534,885	3,207	538,092
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	37,661	37,661	262	37,923
Other comprehensive income	-	-	-	-	-	-	227	(9)	754	(24)	-	-	948	(88)	860
Total comprehensive income	-	-	-	-	-	-	227	(9)	754	(24)	-	37,661	38,609	174	38,783
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(44)	(44)	(367)	(411)
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	(20,051)	(20,051)	(35)	(20,086)
Dividends paid to preference shareholders	-	-	-	-	-	-	-	-	-	-	-	(884)	(884)	-	(884)
Transfer to reserves	-	-	-	61	-	11,625	-	-	-	-	-	(11,686)	-	-	-
Balance at 30 June 2016	<u>74,263</u>	<u>14,924</u>	<u>113,392</u>	<u>44,159</u>	<u>139,764</u>	<u>87,278</u>	<u>1,835</u>	<u>(73)</u>	<u>(1,114)</u>	<u>(7)</u>	<u>-</u>	<u>78,094</u>	<u>552,515</u>	<u>2,979</u>	<u>555,494</u>

Unaudited Condensed Consolidated Statement of Cash Flows

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

	Six months ended 30 June	
	2017	2016
Cash flows from operating activities:		
Profit before tax:	47,355	48,497
Adjustments for:		
Provision for impairment allowances on loans and advances to customers	14,646	14,807
Provision for impairment of finance lease receivables	159	320
Provision for impairment of financial investments	107	(5)
Provision for/(reversal of) impairment of other receivables	29	30
Provision for impairment allowances on foreclosed assets	1	16
Provision for Insurance contracts reserve	6,895	5,555
Depreciation and amortisation	4,498	3,786
Provision for/(reversal of) outstanding litigation and unsettled obligation	(4)	10
Net gains on disposal of property and equipment	(18)	(12)
Net gains on disposal of foreclosed assets	(1)	—
Interest income from financial investments	(38,983)	(31,162)
Unwind of discount on allowances during the period	(905)	(955)
Fair value (gains)/losses	(39)	1,248
Share of profit of associates and joint venture	(51)	(38)
Net gains arising from financial investments	(2,655)	(520)
Interest expense on debt securities issued	4,735	3,718
Operating cash flows before movements in operating assets and liabilities	35,769	45,295
Net (increase)/decrease in balances with central banks	(6,664)	(28,423)
Net (increase)/decrease in due from banks and other financial institutions	(120,952)	(100,991)
Net increase in financial assets at fair value through profit or loss	(17,685)	(34,690)
Net increase in loans and advances to customers	(275,237)	(270,715)
Net increase in other assets	(18,181)	(35,362)
Net increase in due to banks and other financial institutions	118,306	383,282
Net increase/(decrease) in financial liabilities at fair value through profit or loss	(20,832)	20,004
Net increase in due to customers	339,737	345,448
Net increase in other liabilities	20,549	6,981
Net increase/(decrease) in value-added tax, business tax and surcharge payable	253	(837)
Income tax paid	(8,913)	(9,498)
Net cash flows from operating activities	46,150	320,494

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

Six months ended 30 June

	2017	2016
Cash flows from investing activities:		
Purchase of financial investments	(298,774)	(728,018)
Disposal or redemption of financial investments	176,973	408,715
Dividends received	257	208
Interest received from financial investments	42,146	31,867
Purchase of non-controlling interest	–	(411)
Purchase of intangible assets and other assets	(379)	(298)
Disposal of intangible assets and other assets	6	14
Purchase and construction of property and equipment	(11,829)	(11,552)
Disposal of property and equipment	426	68
Net cash flows from investing activities	(91,174)	(299,407)
Cash flows from financing activities:		
Proceeds on debt securities issued	56,096	9,960
Interest paid on debt securities issued	(1,549)	(348)
Capital contribution by non-controlling interests	1,969	–
Repayment of the principals of debt securities issued	(24,056)	(1,623)
Dividends paid to non-controlling interests	(14)	(35)
Net cash flows from financing activities	32,446	7,954
Effect of exchange rate changes on cash and cash equivalents	(3,911)	1,927
Net (decrease)/increase in cash and cash equivalents	(16,489)	30,968
Cash and cash equivalents at the beginning of the period	316,396	330,435
Cash and cash equivalents at the end of the period	299,907	361,403
Net cash flows from operating activities include:		
Interest received	118,315	114,882
Interest paid	(81,357)	(71,297)

Notes to the Unaudited Condensed Consolidated Financial Statements

1 Basis of preparation and principal accounting policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting issued by the International Accounting Standard Board and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Group adopt the going concern basis in preparing its condensed consolidated interim financial information.

These unaudited condensed consolidated financial statements of the Group should be read in conjunction with the 2016 annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Except as described below, the Group’s accounting policies applied in preparing these unaudited condensed consolidated financial statements are consistent with those policies applied in preparing the financial reports as at 31 December 2016.

New and revised IFRSs effective by 1 January 2017 applied by the Group

Amendments to IAS 7	Statement of cash flows
Amendments to IAS 12	Income tax
Amendments to IFRS 12	IASB Annual Improvements 2014-2016 cycle

Amendments to IFRSs effective for the year ended 31 December 2017 do not have a material impact to the Group.

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

		Effective for annual period beginning on or after
Amendments to IAS 40	Transfer of investment property	1 January 2018
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
Amendments to IAS 28	IASB Annual Improvements 2014-2016 cycle	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IFRIC 23	Uncertainty over income tax	1 January 2019
Amendments to IFRS 2	Share-based payment transactions	1 January 2018
Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 insurance contracts	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Lease	1 January 2019
IFRS 17	Insurance contracts	1 January 2021

IFRS 9, Financial Instrument will take effect on 1 January 2018. As at 30 June 2017, the Group has preliminarily completed the analysis of its business models and contract terms of loans and other financial instruments, and is still analysing the changes to its existing credit exposures, and assessing the potential impact on its financial statements resulting from the adoption of IFRS 9, Financial Instrument and any consequential effects on regulatory capital requirements. Given the nature of the Group's operations, it is expected to have an impact on the classification of financial instruments as well as the calculation, amount and timing of its allowances for impairment losses for financial assets. Implementation of IFRS 9 will also have an impact on the risk management organization, process and key functions, budgeting and performance review, as well as the IT systems. The Group is starting to carry out an assessment of the need for any system modification related to the expected credit loss model, updating financial instruments impairment policies and procedures as well as launching relevant staff training. The Group has not completed its assessment of the full impact of adopting IFRS 9, Financial Instrument and therefore its possible impact on the Bank's operating results and financial position has not yet been quantified.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of RMB13,783 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group expects that, as a lessor, there will be no significant impact on the financial information.

Except for the above mentioned impact of IFRS 9 and IFRS 16, the adoption of the above new IFRSs and amendments to IFRSs issued but not yet effective is not expected to have a material effect on the Group's operating results, financial position or other comprehensive income.

2 Net Interest Income

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2017	2016
Interest income		
Balances with central banks	6,685	6,969
Due from banks and other financial institutions	9,559	7,224
Loans and advances to customers	97,350	96,895
Financial investments	40,787	33,273
	154,381	144,361
Interest expense		
Due to banks and other financial institutions	(37,323)	(25,843)
Due to customers	(43,849)	(44,989)
Debt securities issued	(4,735)	(3,718)
Certificates of deposit issued	(5,766)	(1,663)
	(91,673)	(76,213)
Net interest income	62,708	68,148
Including:		
Interest income on impaired financial assets	905	955
Interest income on financial investments at fair value through profit or loss	1,803	2,112
Interest expense on financial liabilities at fair value through profit or loss	390	258

3 *Fee and Commission Income*

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2017	2016
Settlement service	1,058	980
Bank card business	7,763	5,630
Investment banking	2,813	3,392
Guarantee and commitment	1,531	1,689
Management service	7,236	6,783
Agency service	2,183	3,395
Others	461	369
	23,045	22,238
	Six months ended 30 June	
	2017	2016
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss	755	661
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	1,552	1,308

4 *Impairment Losses on Loans and Advances to Customers*

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2017	2016
Loans and advances to customers		
– Collectively assessed losses provision	6,268	6,107
– Individually assessed losses provision	8,378	8,700
	14,646	14,807

5 *Income Tax*

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2017	2016
Current tax		
– PRC enterprise income tax	10,620	8,874
– Hong Kong profits tax	492	402
– Overseas taxations	178	219
	11,290	9,495
Deferred income tax	(3,157)	1,079
	8,133	10,574

The provision for enterprise income tax in PRC is calculated based on the statutory rate of 25% (2016: 25%) of the assessable income of the Bank and each of the subsidiaries established in PRC. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions, the shortfall arising from the differential in tax rates of overseas branches as compared with the PRC tax rate shall be reported and paid by the PRC head office.

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Group at 25% (2016: 25%). The major reconciliation items are as follows:

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2017	2016
Profit before tax	47,355	48,497
Tax calculated at a tax rate of 25%	11,839	12,124
Effect of different tax rates in other countries (or regions)	33	66
Tax effect of expense not deductible for tax purposes ⁽¹⁾	954	84
Tax effect arising from income not subject to tax ⁽²⁾	(4,798)	(1,738)
Income tax adjustment for prior years	105	38
Income tax expense	8,133	10,574

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

6 *Basic and Diluted Earnings Per Share*

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2017	2016
Net profit attributable to shareholders of the Bank	38,975	37,661
Less: net profit attributable to preference shareholders of the Bank	(2,693)	(884)
Net profit attributable to ordinary shareholders of the Bank	36,282	36,777
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the period	74,263	74,263
Basic and diluted earnings per share (expressed in RMB per share)	0.49	0.50

The Bank issued non-cumulative preference shares on 29 July 2015 and 2 September 2016. For the purpose of calculating basic earnings per share, a cash dividend of RMB2,693 million on non-cumulative preference shares declared for the period was deducted from the amounts attributable to ordinary shareholders of the Bank. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2017, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

7 *Derivative Financial Instruments*

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

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

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

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

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

(in millions of RMB)

As at 30 June 2017	Contractual/ notional amount	Fair values	
		Assets	Liabilities
Foreign exchange and commodity contracts	2,425,078	20,732	(19,329)
Interest rate contracts and others	632,777	2,139	(2,098)
Total amount of derivative instruments recognised	3,057,855	22,871	(21,427)
As at 31 December 2016	Contractual/ notional amount	Fair values	
		Assets	Liabilities
Foreign exchange and commodity contracts	2,102,171	34,546	(32,447)
Interest rate contracts and others	704,429	2,677	(2,152)
Total amount of derivative instruments recognised	2,806,600	37,223	(34,599)

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

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

Notional amounts of derivative financial instruments by original currency:

(in millions of RMB)

	As at 30 June 2017	As at 31 December 2016
RMB	1,378,211	1,305,983
US dollar	1,229,334	1,187,380
HK dollar	214,403	130,261
Others	235,907	182,976
Total	3,057,855	2,806,600

Hedge accounting

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

<i>(in millions of RMB)</i>			
As at 30 June 2017	Contractual/ notional amount	Fair values	
		Assets	Liabilities
Derivative financial instruments designated as hedging instruments in cash flow hedges	27,822	166	(525)
Derivative financial instruments designated as hedging instruments in fair value hedges	63,066	508	(275)
Total	90,888	674	(800)
As at 31 December 2016	Contractual/ notional amount	Fair values	
		Assets	Liabilities
Derivative financial instruments designated as hedging instruments in cash flow hedges	21,103	150	(786)
Derivative financial instruments designated as hedging instruments in fair value hedges	57,004	786	(215)
Total	78,107	936	(1,001)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value arising from changes in interest rates. Part of the purchased interest rate swap contract is designated as hedging instruments. The interest rate swap contract is identical with the corresponding hedged items in terms of interest rate, term and currency. The Group uses regression analysis to evaluate the effectiveness of hedging. After testing, the Group's management considers the hedging relationship for the current year is highly effective. The hedged items include available-for-sale financial assets and loans and advances to customers.

The following table shows the profit and loss effects of the fair value hedges:

	<i>(in millions of RMB)</i>	
	As at 30 June 2017	As at 31 December 2016
Net losses on hedging instruments	(359)	(1,159)
Net gains on hedged items attributable to the hedge risk	296	1,102
Net losses from fair value hedges	<u>(63)</u>	<u>(57)</u>

(b) Cash flow hedge

The Group uses foreign exchange contracts to hedge against exposures to cash flow variability primarily from foreign exchange risks, and uses interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate risks. The hedged items include placement with banks, loans to customers and certificates of deposit issued. The Group mainly uses regression analysis to evaluate the effectiveness of hedging.

For the six months ended 30 June 2017, the Group's profit from the cash flow hedge of RMB2 million (for the year ended 30 June 2016: a net loss of RMB12 million) was recognised in other comprehensive income and the gain and loss arising from the ineffective portion of cash flow hedge was immaterial for the six months ended 30 June 2017. There were no transactions for which cash flow hedge accounting had to be ceased for the six months ended 30 June 2017, as a result of the highly probable cash flows no longer being expected to occur.

8 Dividends

	<i>(in millions of RMB)</i>	
	Six months ended 30 June 2017	2016
Dividends to ordinary shareholders of the Bank	20,162	20,051
Dividends to preference shares holders of the Bank	<u>2,693</u>	<u>884</u>

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (1) Making up cumulative losses from prior years, if any;

- (2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;
- (3) Allocations to statutory general reserves;
- (4) Allocations to the discretionary reserve upon approval by the Annual General Meeting. These funds form part of the shareholders' equity.

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

Pursuant to the proposal raised at the Board meeting on 28 April 2017 and the approval by the Annual General Meeting of Shareholders on 22 June 2017, the Bank appropriated RMB16,116 million to the statutory general reserve. It was also resolved that a cash dividend of RMB0.2715 (before tax) for each ordinary share, with total amount of RMB20,162 million, calculated based on 74,263 million shares outstanding (the par value per share is RMB1) as at 31 December 2016, will be distributed to ordinary shareholders.

Pursuant to the approval by the Board meeting on 28 April 2017, the Bank appropriated overseas preference dividends on 31 July 2017 with a dividend yield of 5% (the actual dividend yield obtained by the preference shareholders), with total amount of USD136 million. The Bank appropriated domestic preference dividends on 7 September 2017 with a dividend yield of 3.9% (the actual dividend yield obtained by the preference shareholders), with total amount of RMB1,755 million.

9 *Financial Guarantees and Credit Related Commitments, other Commitments and Contingent Liabilities*

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group has committed to its customers:

	<i>(in millions of RMB)</i>	
	As at 30 June 2017	As at 31 December 2016
Letters of guarantee	275,318	279,694
Letters of credit commitments	114,389	126,885
Acceptances bills	191,413	231,566
Credit card commitments	678,800	528,199
Loan commitments		
– Under 1 year	19,624	21,590
– 1 year and over	48,291	64,535
	<u>1,327,835</u>	<u>1,252,469</u>

Capital expenditure commitments

	As at 30 June 2017	As at 31 December 2016
Contracted but not provided for	<u>9,701</u>	<u>9,371</u>
	<u>9,701</u>	<u>9,371</u>

Operating lease commitments

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

	<i>(in millions of RMB)</i>	
	As at 30 June 2017	As at 31 December 2016
Within 1 year (inclusive)	4,184	3,962
Beyond 1 year but no more than 2 years (inclusive)	3,065	3,005
Beyond 2 years but no more than 3 years (inclusive)	2,260	2,286
Beyond 3 years but no more than 5 years (inclusive)	2,478	2,548
More than 5 years	<u>1,796</u>	<u>1,792</u>
	<u>13,783</u>	<u>13,593</u>

The Group acts as lessor in operating leases principally through aircraft and vessels leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft and vessel under irrevocable operating leases are as follows:

	<i>(in millions of RMB)</i>	
	As at 30 June 2017	As at 31 December 2016
Within 1 year (inclusive)	8,482	6,295
Beyond 1 year but no more than 2 years (inclusive)	8,448	6,291
Beyond 2 years but no more than 3 years (inclusive)	8,306	6,287
Beyond 3 years but no more than 5 years (inclusive)	15,266	11,958
More than 5 years	34,982	36,525
	75,484	67,356

Commitments on security underwriting and bond acceptance

The Group is entrusted by the MOF to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Group has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 30 June 2017, the principal value of the Treasury Bonds that the Bank had the obligation to buy back amounted to RMB72,151 million (31 December 2016: RMB70,725 million). The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material.

The original maturities of these bonds vary from 1 to 5 years.

As at 30 June 2017, there was no unfulfilled insurance of irrevocable commitment on security underwriting of the Group announced to the public (31 December 2016: Nil).

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. The total outstanding claims against the Group (defendant) by a number of third parties at the end of the periods are summarised as follows:

(in millions of RMB)

	As at 30 June 2017	As at 31 December 2016
Outstanding claims	1,522	1,669
Provision for outstanding litigation	<u>342</u>	<u>348</u>

10 Segmental Analysis

The Group's senior management reviewed the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's operating segments are decided based upon location of the assets, as the Group's branches mainly serve local customers.

The reportable operating segments derive their revenue primarily from the commercial banking services provided to customers and investing activities, including deposits/loans, bills, trade finance, money market placements and takings and securities investments. The operating segments are:

- (1) Northern China – including the following provinces: Beijing, Tianjin, Hebei, Shanxi, and Inner Mongolia;
- (2) North Eastern China – including the following provinces: Liaoning, Jilin, and Heilongjiang;
- (3) Eastern China – including the following provinces: Shanghai (excluding Head Office), Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong;
- (4) Central and Southern China – including the following provinces: Henan, Hunan, Hubei, Guangdong, Guangxi and Hainan;
- (5) Western China – including the following provinces: Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shanxi, Gansu, Qinghai, Ningxia and Xinjiang;
- (6) Head Office;
- (7) Overseas – including overseas subsidiaries and the following branches: Hong Kong, New York, Singapore, Seoul, Tokyo, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, United Kingdom, Toronto, Luxembourg, Brisbane, Taipei, Paris, Rome and Brazil.

There were no changes in the reportable segments during the period.

The revenue from external parties reported to the senior management is measured in a manner consistent with that in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

As the Group's major revenue is derived from interest and the senior management relies primarily on net interest income to assess the performance of the segment, the total interest income and expenses for all reportable segments will be presented on a net basis.

The basis under which the Group's senior management reviews the segment performance is profit before tax. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expenses between the segments.

Operating segment information

(in millions of RMB)

	Six months ended 30 June 2017								
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
External interest income	13,170	4,625	35,217	18,934	10,005	9,839	62,591	-	154,381
External interest expense	(16,039)	(4,396)	(28,308)	(16,417)	(7,250)	(6,606)	(12,657)	-	(91,673)
Inter-segment net Interest income/(expense)	11,597	2,674	13,603	11,015	3,994	(211)	(42,672)	-	-
Net Interest income	8,728	2,903	20,512	13,532	6,749	3,022	7,262	-	62,708
Net fee and commission income	2,362	875	6,806	4,586	1,724	1,503	3,405	-	21,261
Net gains/(losses) arising from trading activities	136	29	560	260	50	506	(1,352)	-	189
Net gains/(losses) arising from financial investments	-	-	369	9	-	210	2,067	-	2,655
Insurance business income	-	-	10,748	-	-	20	-	-	10,768
Share of profit of associates and joint venture	-	-	-	-	-	(6)	57	-	51
Other operating income	716	124	3,804	509	282	709	164	-	6,308
Total operating income	11,942	3,931	42,799	18,896	8,805	5,964	11,603	-	103,940
Impairment losses on loans and advances to customers	(1,564)	(744)	(6,910)	(2,169)	(1,358)	(128)	(1,773)	-	(14,646)
Insurance business expense	-	-	(9,856)	-	-	(6)	-	-	(9,862)
Other operating expense	(3,420)	(1,632)	(11,097)	(4,958)	(2,398)	(1,955)	(6,617)	-	(32,077)
Profit before tax	6,958	1,555	14,936	11,769	5,049	3,875	3,213	-	47,355
Income tax									(8,133)
Net profit for the period									39,222
Depreciation and amortisation	(392)	(194)	(892)	(557)	(320)	(83)	(484)	-	(2,922)
Capital expenditure	(70)	(54)	(11,150)	(239)	(157)	(185)	(558)	-	(12,413)

(in millions of RMB)

	Six months ended 30 June 2016								
	Northern China	North Eastern China	Central and Eastern China	Southern China	Western China	Overseas	Head Office	Eliminations	Total
External interest income	13,400	4,848	34,619	18,866	10,360	7,168	55,100	–	144,361
External interest expense	(15,021)	(4,324)	(25,055)	(14,400)	(6,515)	(4,555)	(6,343)	–	(76,213)
Inter-segment net Interest income/(expense)	10,544	2,578	11,545	8,606	3,314	133	(36,720)	–	–
Net Interest income	8,923	3,102	21,109	13,072	7,159	2,746	12,037	–	68,148
Net fee and commission income	2,458	918	7,449	4,306	1,870	1,040	2,923	–	20,964
Net gains/(losses) arising from trading activities	176	55	504	150	49	811	(650)	–	1,095
Net gains/(losses) arising from financial investments	–	–	326	34	–	160	–	–	520
Insurance business income	–	–	8,741	–	–	23	–	–	8,764
Share of profit of associates and joint venture	–	–	–	–	–	–	38	–	38
Other operating income	391	102	2,007	481	276	707	116	–	4,080
Total operating income	11,948	4,177	40,136	18,043	9,354	5,487	14,464	–	103,609
Impairment losses on loans and advances to customers	(1,449)	(555)	(7,401)	(2,470)	(1,135)	(197)	(1,600)	–	(14,807)
Insurance business expense	–	–	(8,154)	–	–	(7)	–	–	(8,161)
Other operating expense	(3,625)	(1,689)	(10,364)	(5,150)	(2,643)	(1,778)	(6,895)	–	(32,144)
Profit before tax	6,874	1,933	14,217	10,423	5,576	3,505	5,969	–	48,497
Income tax									(10,574)
Net profit for the period									<u>37,923</u>
Depreciation and amortisation	(406)	(222)	(673)	(514)	(334)	(338)	(508)	–	(2,995)
Capital expenditure	(180)	(53)	(10,538)	(337)	(91)	(91)	(561)	–	(11,851)

(in millions of RMB)

As at 30 June 2017									
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
Segment assets	<u>1,235,865</u>	<u>365,153</u>	<u>2,663,306</u>	<u>1,556,279</u>	<u>721,419</u>	<u>931,917</u>	<u>3,987,204</u>	<u>(2,546,636)</u>	<u>8,914,507</u>
Including:									
Investment in associates and joint venture	-	-	8	8	-	85	3,199	-	3,300
Unallocated assets									<u>16,331</u>
Total assets									<u>8,930,838</u>
Segment liabilities	<u>(1,228,446)</u>	<u>(363,632)</u>	<u>(2,594,747)</u>	<u>(1,536,928)</u>	<u>(718,447)</u>	<u>(918,878)</u>	<u>(3,467,813)</u>	<u>2,546,636</u>	<u>(8,282,255)</u>
Unallocated liabilities									<u>(175)</u>
Total liabilities									<u>(8,282,430)</u>

(in millions of RMB)

As at 31 December 2016									
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
Segment assets	<u>1,194,097</u>	<u>362,425</u>	<u>2,570,737</u>	<u>1,396,181</u>	<u>704,971</u>	<u>849,999</u>	<u>3,662,649</u>	<u>(2,350,460)</u>	<u>8,390,599</u>
Including:									
Investment in associates and joint venture	-	-	4	9	-	92	609	-	714
Unallocated assets									<u>12,567</u>
Total assets									<u>8,403,166</u>
Segment liabilities	<u>(1,183,712)</u>	<u>(358,149)</u>	<u>(2,502,201)</u>	<u>(1,375,817)</u>	<u>(697,787)</u>	<u>(833,067)</u>	<u>(3,170,341)</u>	<u>2,350,460</u>	<u>(7,770,614)</u>
Unallocated liabilities									<u>(145)</u>
Total liabilities									<u>(7,770,759)</u>

Business Information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade finance, corporate deposits and remittance. Personal banking mainly comprises individual loans, individual deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. The “Others Business” segment mainly comprises items which cannot be categorised in the above business segments.

The business information of the Group is summarised as follows:

	<i>(in millions of RMB)</i>				
	Six months ended 30 June 2017				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	25,129	15,174	21,526	879	62,708
Inter-segment net interest income/(expense)	5,966	6,001	(11,967)	–	–
Net interest income	31,095	21,175	9,559	879	62,708
Net fee and commission income	9,347	10,199	1,097	618	21,261
Net gains/(losses) arising from trading activities	1,177	64	(1,181)	129	189
Net gains/(losses) arising from financial investments	–	–	2,655	–	2,655
Share of profit of associates	–	–	–	51	51
Insurance business income	–	–	–	10,768	10,768
Other operating income	4,095	1,612	–	601	6,308
Total operating income	45,714	33,050	12,130	13,046	103,940
Impairment losses on loans and advances to customers	(12,896)	(1,750)	–	–	(14,646)
Insurance business expense	–	–	–	(9,862)	(9,862)
Other operating expense					
– Depreciation and amortisation	(880)	(1,843)	(64)	(135)	(2,922)
– Others	(11,387)	(14,948)	(1,346)	(1,474)	(29,155)
Profit before tax	20,551	14,509	10,720	1,575	47,355
Income tax					(8,133)
Net profit for the period					39,222
Depreciation and amortisation	(880)	(1,843)	(64)	(135)	(2,922)
Capital expenditure	(3,734)	(7,831)	(273)	(575)	(12,413)

(in millions of RMB)

	Six months ended 30 June 2016				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	31,294	9,906	26,371	577	68,148
Inter-segment net interest income/(expense)	<u>4,712</u>	<u>10,942</u>	<u>(15,654)</u>	<u>–</u>	<u>–</u>
Net interest income	36,006	20,848	10,717	577	68,148
Net fee and commission income	9,691	9,438	1,136	699	20,964
Net gains/(losses) arising from trading activities	879	9	(123)	330	1,095
Net gains/(losses) arising from financial investments	–	–	520	–	520
Share of profit of associates and joint venture	–	–	–	38	38
Insurance business income	–	–	–	8,764	8,764
Other operating income	<u>2,320</u>	<u>1,380</u>	<u>81</u>	<u>299</u>	<u>4,080</u>
Total operating income	<u>48,896</u>	<u>31,675</u>	<u>12,331</u>	<u>10,707</u>	<u>103,609</u>
Impairment losses on loans and advances to customers	(12,419)	(2,388)	–	–	(14,807)
Insurance business expense	–	–	–	(8,161)	(8,161)
Other operating expense					
– Depreciation and amortisation	(902)	(1,889)	(66)	(138)	(2,995)
– Others	<u>(12,810)</u>	<u>(14,042)</u>	<u>(1,078)</u>	<u>(1,219)</u>	<u>(29,149)</u>
Profit before tax	<u>22,765</u>	<u>13,356</u>	<u>11,187</u>	<u>1,189</u>	<u>48,497</u>
Income tax					<u>(10,574)</u>
Net profit for the period					<u><u>37,923</u></u>
Depreciation and amortisation	(902)	(1,889)	(66)	(138)	(2,995)
Capital expenditure	<u>(3,566)</u>	<u>(7,476)</u>	<u>(260)</u>	<u>(549)</u>	<u>(11,851)</u>

(in millions of RMB)

As at 30 June 2017

	Corporate Banking Business	Personal banking Business	Treasury Business	Other Business	Total
Segment assets	<u>3,176,181</u>	<u>1,360,829</u>	<u>4,313,567</u>	<u>63,930</u>	<u>8,914,507</u>
Including: Investment in associates and joint venture				<u>3,300</u>	<u>3,300</u>
Unallocated assets					<u>16,331</u>
Total assets					8,930,838
Segment liabilities	<u>(3,606,292)</u>	<u>(1,631,120)</u>	<u>(3,002,066)</u>	<u>(42,777)</u>	<u>(8,282,255)</u>
Unallocated liabilities					<u>(175)</u>
Total liabilities					<u>(8,282,430)</u>

As at 31 December 2016

	Corporate Banking Business	Personal banking Business	Treasury Business	Other Business	Total
Segment assets	<u>3,013,048</u>	<u>1,250,572</u>	<u>4,079,056</u>	<u>47,923</u>	<u>8,390,599</u>
Including: Investment in associates and joint venture				<u>714</u>	<u>714</u>
Unallocated assets					<u>12,567</u>
Total assets					8,403,166
Segment liabilities	<u>(3,330,263)</u>	<u>(1,544,633)</u>	<u>(2,882,687)</u>	<u>(13,031)</u>	<u>(7,770,614)</u>
Unallocated liabilities					<u>(145)</u>
Total liabilities					<u>(7,770,759)</u>

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

11 Liquidity risk

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

	<i>(in millions of RMB)</i>								
	On demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue	Undated	Total
As at 30 June 2017									
Assets									
Cash and balances with central banks	164,576	–	112	157	45	–	–	798,685	963,575
Due from banks and other financial institutions	120,382	361,836	99,162	237,420	35,975	–	–	–	854,775
Financial assets at fair value through profit or loss	3,744	8,147	18,413	65,344	59,269	9,641	–	55,245	219,803
Loans and advances to customers	–	441,561	286,596	1,071,804	1,080,136	1,320,398	70,047	–	4,270,542
Financial investments – loans and receivables	–	6,567	26,366	67,313	194,567	115,536	80	–	410,429
Financial investments – available-for-sale	–	5,742	10,023	70,469	249,337	51,833	–	6,534	393,938
Financial investments – held-to-maturity	–	17,475	21,520	130,941	824,721	455,202	–	–	1,449,859
Other assets	28,674	10,495	19,380	30,297	98,940	30,131	1,656	148,344	367,917
Total assets	317,376	851,823	481,572	1,673,745	2,542,990	1,982,741	71,783	1,008,808	8,930,838
Liabilities									
Due to banks and other financial institutions	(353,871)	(511,183)	(496,312)	(737,952)	(236,179)	(13,869)	–	–	(2,349,366)
Financial liabilities at fair value through profit or loss	(600)	(10,128)	(9,802)	(28,122)	(5,934)	(268)	–	–	(54,854)
Due to customers	(2,464,917)	(592,952)	(661,784)	(798,687)	(420,284)	(70)	–	–	(4,938,694)
Other liabilities	(76,791)	(43,933)	(92,098)	(198,715)	(385,992)	(141,987)	–	–	(939,516)
Total liabilities	(2,896,179)	(1,158,196)	(1,259,996)	(1,763,476)	(1,048,389)	(156,194)	–	–	(8,282,430)
Net amount on liquidity gap	(2,578,803)	(306,373)	(778,424)	(89,731)	1,494,601	1,826,547	71,783	1,008,808	648,408

(in millions of RMB)

	On demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2016									
Assets									
Cash and balances with central banks	200,358	392	–	240	152	–	–	790,293	991,435
Due from banks and other financial institutions	102,099	221,024	124,080	246,008	22,576	–	–	–	715,787
Financial assets at fair value through profit or loss	3,976	19,494	30,212	88,122	36,646	19,905	–	18,089	216,444
Loans and advances to customers	–	440,981	269,132	1,057,967	1,009,786	1,172,377	58,803	–	4,009,046
Financial investments – loans and receivables	–	2,595	22,482	90,276	181,348	88,219	100	–	385,020
Financial investments – available-for-sale	–	7,559	10,158	47,116	219,857	49,359	–	8,706	342,755
Financial investments – held-to-maturity	–	2,520	42,785	96,907	802,058	463,179	–	–	1,407,449
Other assets	19,088	9,900	17,159	31,075	89,264	28,290	2,021	138,433	335,230
Total assets	<u>325,521</u>	<u>704,465</u>	<u>516,008</u>	<u>1,657,711</u>	<u>2,361,687</u>	<u>1,821,329</u>	<u>60,924</u>	<u>955,521</u>	<u>8,403,166</u>
Liabilities									
Due to banks and other financial institutions	(363,679)	(501,367)	(349,287)	(755,144)	(247,604)	(13,979)	–	–	(2,231,060)
Financial liabilities at fair value through profit or loss	(492)	(13,268)	(16,668)	(44,328)	(9,374)	(169)	–	–	(84,299)
Due to customers	(2,451,037)	(493,534)	(522,833)	(813,426)	(447,620)	(139)	–	–	(4,728,589)
Other liabilities	(44,750)	(43,985)	(62,039)	(136,437)	(322,358)	(117,242)	–	–	(726,811)
Total liabilities	<u>(2,859,958)</u>	<u>(1,052,154)</u>	<u>(950,827)</u>	<u>(1,749,335)</u>	<u>(1,026,956)</u>	<u>(131,529)</u>	<u>–</u>	<u>–</u>	<u>(7,770,759)</u>
Net amount on liquidity gap	<u>(2,534,437)</u>	<u>(347,689)</u>	<u>(434,819)</u>	<u>(91,624)</u>	<u>1,334,731</u>	<u>1,689,800</u>	<u>60,924</u>	<u>955,521</u>	<u>632,407</u>

12 Non-Adjusting Event after Reporting Period

The Bank of Communications (Hong Kong) Limited (Merger) Ordinance came into force upon the promulgation by the Chief Executive of the Hong Kong on 14 July 2017. The Bank proposes to invest and establish Bank of Communications (Hong Kong) (“**BoCom HK**”), for an investment amount of HK\$7.9 billion, accounting for 100% of the share capital of BoCom HK. Such investment has been approved by Board of Directors of the Bank and no approval is required from General Meeting of the Bank.

Save as above events, the Group has no other significant subsequent events.

IX. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the *HKExnews* website (www.hkexnews.hk), and the Bank's website (www.bankcomm.com). This results announcement is extracted from the 2017 Interim Report prepared in accordance with the IFRSs. The full report will be published on the *HKExnews* website (www.hkexnews.hk), and the Bank's website (www.bankcomm.com) for shareholders' and investors' inspection. The 2017 Interim Report prepared in accordance with the PRC GAAP will be available on the SSE website (www.sse.com.cn) and the Bank's website (www.bankcomm.com). Investors should read the full Interim Report for details of the Interim Results. The Interim Report prepared in accordance with the IFRSs is expected to be dispatched to the holders of H shares in September 2017.

This announcement is prepared in Chinese and English, respectively. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

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

Shanghai, the PRC
24 August 2017

As at the date of this announcement, the Directors of the Bank are Mr. Niu Ximing, Mr. Peng Chun, Mr. Wong Tung Shun, Peter, Ms. Yu Yali, Mr. Hou Weidong, Mr. Wang Taiyin*, Mr. Liu Changshun*, Ms. Wong Pik Kuen, Helen*, Mr. Liu Hanxing*, Mr. Luo Mingde*, Mr. Liu Haoyang*, Mr. Peter Hugh Nolan#, Mr. Chen Zhiwu#, Mr. Yu Yongshun#, Ms. Li Jian#, Mr. Liu Li# and Mr. Yeung Chi Wai, Jason#.*

* *Non-executive Directors*

Independent Non-executive Directors