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SINCE 1908 YOUR WEALTH MANAGEMENT BANK

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

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

2019 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 2019 (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	Stock exchange
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 Shares	BOCOM 15USDPREF	4605	The Stock Exchange of Hong Kong Limited

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II. FINANCIAL HIGHLIGHTS

The Group implemented the *International Financial Reporting Standard 16* (“**IFRS 16**”): *Leases* from 1 January 2019. As permitted by the transitional provisions of IFRS 16, the Group did not restate comparative figures. Any adjustments to the carrying amounts at the date of transition were recognized in the opening retained earnings and other related items in the financial statements. For the related impact, please refer to the announcement and the 2019 Interim Report which will be published on the website of The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) by the Bank.

As at the end of the Reporting Period, key financial data and financial indicators prepared by the Group under International Financial Reporting Standards (the “**IFRSs**”) are as follows:

Key financial data	<i>(in millions of RMB unless otherwise stated)</i>		
	January to June 2019	January to June 2018	Increase/ (decrease) %
Net interest income	70,062	60,658	15.50
Profit before tax	48,959	47,470	3.14
Net profit (attributable to shareholders of the Bank)	42,749	40,771	4.85
Earnings per share (attributable to shareholders of the Bank, in RMB yuan) ⁵	0.54	0.51	5.88
	30 June 2019	31 December 2018	Increase/ (decrease) %
Total assets	9,886,608	9,531,171	3.73
Including: Loans and advances to customers ¹	5,130,612	4,854,228	5.69
Total liabilities	9,162,860	8,825,863	3.82
Including: Due to customers ¹	6,054,728	5,724,489	5.77
Shareholders' equity (attributable to shareholders of the Bank)	716,490	698,405	2.59
Net assets per share (attributable to shareholders of the Bank, in RMB yuan) ²	8.84	8.60	2.79
Net capital ³	831,689	817,549	1.73
Including: Net Core Tier 1 Capital ³	653,117	634,807	2.88
Other Tier 1 Capital ³	60,079	60,025	0.09
Tier 2 Capital ³	118,493	122,717	(3.44)
Risk-weighted assets ³	6,011,424	5,690,542	5.64

Key financial indicators (%)	January to June 2019	January to June 2018	Change (percentage point)
Cost-to-income ratio ⁴	29.05	29.26	(0.21)
Annualized return on average assets	0.89	0.89	–
Annualized return on average shareholders' equity ⁵	12.79	12.99	(0.20)
	30 June 2019	31 December 2018	Change (percentage point)
Non-performing loans ratio	1.47	1.49	(0.02)
Provision coverage of impaired loan	173.53	173.13	0.40
Capital adequacy ratio ³	13.84	14.37	(0.53)
Tier 1 Capital adequacy ratio ³	11.86	12.21	(0.35)
Core Tier 1 Capital adequacy ratio ³	10.86	11.16	(0.30)

Notes:

1. According to *Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018 (Cai Kuai [2018] No. 36)* issued by the Ministry of Finance of the People's Republic of China ("Ministry of Finance"), the interest of financial instruments calculated on the basis of the effective interest rate method should be included in the carrying amounts of corresponding financial instruments and reflected in the related items in the balance sheet. The items of "interest receivables" and "interest payables" should not be presented separately. In the consideration of analysis, "loans and advances to customers" here does not include interest receivable on related loans and advances and "due to customers" does not include interest payable on related deposits.
2. Refers to shareholders' equity attributable to shareholders of the Bank after the deduction of other equity instruments divided by the total issued ordinary shares at the end of the Reporting Period.
3. Calculated pursuant to *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the China Banking and Insurance Regulatory Commission ("CBIRC").
4. Calculated as a percentage of the businesses and management expenses to the operating income net of other business costs, based on data extracted from the financial statement prepared in accordance with China Accounting Standards.
5. Excluding the impact of preference shares.

III. CHANGES IN ORDINARY SHARES AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

(I). Changes in Share Capital of Ordinary Shares

As at the end of the Reporting Period, the Bank 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.

	30 June 2019		Changes (+/-) during the Reporting Period					31 December 2018	
	Number			Conversion				Number	
	of shares	Percentage	Newly	Bonus	from			of shares	Percentage
	(share)	(%)	issued	share	reserves	Others	Sub-total	(share)	(%)
I. Shares subject to sales restrictions	-	-	-	-	-	-	-	-	-
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). Shareholders of Ordinary Shares

As at the end of the Reporting Period, the total number of shareholders of ordinary shares of the Bank was 344,210, of which 309,622 were shareholders of A shares and 34,588 were shareholders of H shares.

Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period¹:

Name of shareholders (Full name)	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	Shares pledged or frozen	Nature of Shareholders
The Ministry of Finance of the People's Republic of China	–	15,148,693,829	20.40	A Share	Nil	The State
HKSCC Nominees Limited ²	5,201,230	4,553,999,999	6.13	H Share	Nil	Foreign legal person
The Hong Kong and Shanghai Banking Corporation Limited ³	–	14,965,489,762	20.15	H Share	Unknown	Foreign legal person
The National Council for Social Security Fund ⁴	–	13,886,417,698	18.70	H Share	Nil	Foreign legal person
China Securities Finance Corporation Limited	(742,627,266)	1,134,886,185	1.53	A Share	Nil	The State
Capital Airport Holding Company	–	1,405,555,555	1.89	H Share	Nil	State-owned legal person
Shanghai Haiyan Investment Management Co., Ltd. ⁵	–	2,222,588,791	2.99	A Share	Nil	State-owned legal person
Wutongshu Investment Platform Co., Ltd.	–	1,246,591,087	1.68	A Share	Nil	State-owned legal person
Yunnan Hehe (Group) Co., Ltd. ⁵	–	808,145,417	1.09	A Share	Nil	State-owned legal person
CITIC Securities Co., Ltd. – Social Security Fund Share Flexible Portfolio ⁵	742,627,266	794,557,920	1.07	A Share	Nil	State-owned legal person
		745,305,404	1.00	A Share	Nil	State-owned legal person
		742,627,266	1.00	A Share	Nil	Others

Notes:

1. The relevant data and information is extracted from the Bank's register of members at the Registrar and Transfer Office.
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 forms of interests filed with the Hong Kong Stock Exchange 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.** HSBC beneficially held 249,218,915 more H shares than shown on the Bank's register of members. The discrepancy is due to a purchase of H shares by HSBC from the secondary market in 2007 and a bonus share issued by the Bank. Those extra shares have been registered under HKSCC Nominees Limited. 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 *Securities and Futures Ordinance* ("SFO") for details of the H shares that deemed to be beneficially owned by HSBC.

4. According to the Bank's register of members, the National Council for Social Security Fund ("SSF") held 1,134,886,185 A shares and 1,405,555,555 H shares of the Bank as at the end of the Reporting Period. According to the information provided by 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 7,651,231,777 H shares of the Bank, of which 7,027,777,777 H shares were registered under HKSCC Nominees Limited and 623,454,000 H shares were indirectly held by certain asset managers (including Hong Kong Stock Connect). In May 2019, the SSF transferred 742,627,266 A shares, representing 1% of total share capital, to the designated account of decrease of shares, "CITIC Securities Co., Ltd. – Social Security Fund Share Flexible Portfolio" (the 10th largest shareholder set out in the table above). **As at the end of the Reporting Period, the SSF held a total of 10,934,300,783 A shares and H shares of the Bank, representing 14.72% of the Bank's total ordinary shares issued.**
5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under *Provisional Measures on Shareholdings Administration of Commercial Banks*. CITIC Securities Co., Ltd. – Social Security Fund Share Flexible Portfolio is the designated account for decrease of shares of the SSF. 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 *Provisional Measures on Shareholdings Administration of Commercial Banks*.

(III). Controlling Shareholders/Actual Controllers

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

(IV). Substantial Shareholders and Holders of Interest or Short Positions Required to be Disclosed under Division 2 and 3 of Part XV of the SFO

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 (excluding 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 shares (%)
Ministry of Finance	Beneficial owner	15,148,693,829 ²	Long position	38.59	20.40
SSF	Beneficial owner	1,134,886,185 ³	Long position	2.89	1.53

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 shares (%)
SSF	Beneficial owner	9,056,787,332 ³	Long position	25.87	12.20
Ministry of Finance	Beneficial owner	4,553,999,999 ²	Long position	13.01	6.13
HSBC Holding plc	Interests of controlled corporations	14,135,636,613 ⁴	Long position	40.37	19.03

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 9,056,787,332 H shares and 1,877,513,451 A shares of the Bank (please refer to the tables and notes in Shareholdings of Top 10 Ordinary Shareholders for details), representing 12.20% and 2.53% of the total ordinary shares issued by the Bank, respectively.

4. HSBC Holding plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. HSBC beneficially held 14,135,636,613 H shares of the Bank. Pursuant to the *SFO*, HSBC Holding plc was deemed to own the interests associated with the 14,135,636,613 H shares held by HSBC.

Save as disclosed above, as at the end of Reporting Period, no person (excluding the Directors, Supervisors and Chief Executive of the Bank) or corporation was recorded in the register required to be kept under Section 336 of the *SFO* as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the *SFO*.

IV. INFORMATION OF PREFERENCE SHARES

(I). Information of Preference Shareholders

As at the end of the Reporting Period, the total number of domestic preference shareholders was 42 and that of overseas preference shareholders was 1.

1. *Shareholdings of Top 10 Domestic Preference Shareholders as at the end of the Reporting Period*

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	Shares pledged or frozen Number of shares	Nature of shareholders
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	-	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

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	Shares pledged or frozen		
						Status of shares	Number of shares	Nature of shareholders
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 – LeYing Series of CITIC Banking Service	-	12,000,000	2.67	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 in 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 top 10 ordinary shareholders, or whether they are parties acting in concert.

2. *Shareholdings of Overseas Preference Shareholders as at the end of the Reporting Period*

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	Shares pledged or frozen Number of shares	Nature of shareholders
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 in 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 top 10 ordinary shareholders, or whether they are parties acting in concert.

(II). Dividend Distribution of Preference Shares

In accordance with the resolution and authorization of the Shareholders' General Meeting, the 26th meeting of the 8th Session of Board of Directors of the Bank was held on 29 April 2019, during which the proposal for the dividend distribution of the overseas preference shares and the dividend distribution of the domestic preference shares was considered and approved.

The total amount of overseas preference shares' dividend distributed by the Bank amounted to USD136,111,111.11, including USD122,500,000 paid to preference shareholders at the after-tax dividend rate of 5% under the terms of issuance of the overseas preference shares. In addition, in accordance with relevant laws and regulations, 10% withholding income tax of USD13,611,111.11 was withheld by the Bank on behalf of overseas preference shareholders. The above dividends were fully settled in cash on 29 July 2019.

The dividend 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 9 September 2019.

Please refer to the announcement published on the Shanghai Stock Exchange (“SSE”) website, the Hong Kong Stock Exchange website and the Bank’s official website for the details of the dividend distribution of preference shares.

(III). Redemption and Conversion of Preference Shares

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

(IV). Restoration and Exercise of Voting Rights

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

(V). Accounting Policy for Preference Shares and Its Rationale

According to *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, and *Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments* issued by the Ministry of Finance, *IFRS 9 – Financial Instruments* and *IAS 32 – Financial Instruments: Presentation* issued by International Accounting Standards Board, as well as terms and conditions of the preference shares issued by the Bank, preference shares issued by the Bank met the requirements to be recognized as equity instruments and the issuance of preference shares was therefore presented as equity instruments.

V. MANAGEMENT DISCUSSION AND ANALYSIS

(I). Businesses Review

During the first half of 2019, the Group actively responded to the changing market and political environment. Under the guidance of the new connotation of development strategy, the Group adhered to the new development concept, insisted on serving the real economy, adhered to the bottom line of risk compliance and accelerated the financial technology empowerment. The Group achieved steady development with good momentum in various businesses. The Group was honored with “Top 500 Global Companies” for eleven consecutive years by *FORTUNE*, ranking No. 150 in terms of operating income, up by 18 ranks as compared with the previous year. The Group ranked No. 11 among global Top 1,000 banks rated in terms of Tier 1 Capital by *The Banker*.

The Group achieved steady growth in earnings and improvement in value creation.

During the Reporting Period, the Group reported net profit (attributed to shareholders of the Bank) of RMB42.749 billion, representing a year-on-year increase of 4.85%. Net operating income was RMB118.314 billion, representing a year-on-year increase of 15.96%. Net operating income increased by RMB18.188 billion more than that of the same period of the previous year, indicating a very remarkable improvement. Net interest income was RMB70.062 billion, representing a year-on-year increase of 15.50%. Net interest income increased by RMB10.079 billion more than that of the same period of the previous year. The Group's interest margin well sustained, with net interest margin of 1.58%, representing an increase of 17 basis points on a year-on-year basis. Under the premise of strictly implementing the charging regulatory requirements, the Group explored the advantages of wealth management and accelerated the transformation of revenue growth. The net fee and commission income increased by 9.16% on a year-on-year basis. The cost-to-income ratio was 29.05%, representing a decrease of 0.21 percentage point on a year-on-year basis, reflecting a continued effect of cost reduction and efficiency improvement.

The Group responded to national strategies and increased the support to entities.

The Group actively responded to the national major strategies and industrial policies and supported the construction of key areas such as the Yangtze River Delta, Beijing-Tianjin-Hebei and Guangdong-Hong Kong-Macao Greater Bay Area. As at the end of the Reporting Period, the balance of loans to customers of the Group (before provision, same below unless otherwise stated) amounted to RMB5,130.612 billion, representing an increase of RMB276.384 billion or 5.69% over the end of the previous year. The Group contributed to the real economy with corporate loans. Corporate loans increased by RMB200.723 billion more than that of the same period of the previous year. The Group also increased support for inclusive finance and private enterprises. As at the end of the Reporting Period, the balance of inclusive small and micro enterprise loans increased by 27.22% or RMB29.434 billion over the end of the previous year. The number of customers of loans to inclusive small and micro enterprises increased by 16.6 thousand over the end of the previous year. The Group achieved progress goal of "Two Increases and Two Controls". Loans to private enterprise¹ increased by 5.95% over the end of the previous year, which was higher than the average growth rate of loans.

¹ Loans to private enterprise include loans to private owned entities and individual operating loans.

The Group enhanced the technology empowerment and deepened the implementation of strategy connotation. The Group continuously deepened the new connotation of “Taking the road of internationalization and integration and building the best wealth management bank”. The Group also enhanced the comprehensive service capabilities across borders, industries and markets. During the Reporting Period, the Prague Branch officially opened. The application for the establishment of the Dubai Branch was approved by the regulatory authorities. The financial service network along the “Belt and Road” was enhanced. The subsidiary BOCOM Wealth Management Co., Ltd. was the first batch to be authorized for operation. The coverage of integrated service was increased. The Group went deep into the area of the wealth management, aiming to enhance value together with customers. During the Reporting Period, agency fees derived from distribution of fund, insurance and treasury bonds increased by 30.99% on a year-on-year basis. The management fee income of asset custody, fund management, sales and management of wealth management products increased by 13.22% on a year-on-year basis. The Group accelerated the intelligent transformation via channels, data and talents. As at the end of the Reporting Period, the number of registered mobile phone banking customers increased by 7.54% over the end of the previous year and the transaction amount during the first half of the year increased by 26.20% on a year-on-year basis. The Group launched one-stop ETC application service to create an online closed-loop experience for customers. The Group launched three major projects of Fintech Management Trainees, 10 Thousand Fintech Talent Plan and the Empowerment Transformation of Existing Talent, providing talent support for the Group’s digital and intelligent transformation.

The foundation of the risk control was solid and the asset quality was stable. The Group adhered to prudent and stable risk appetite and the bottom line of systemic regional risk. The major asset-quality indicators were stable. The defense of risk control was continuously enhanced. As at the end of the Reporting Period, the Group’s non-performing loans ratio, overdue loan ratio and provision coverage of impaired loans continued to achieve “Two Decreases and One Increase”. The non-performing loans ratio was 1.47%, decreasing by 0.02 percentage point over the end of the previous year; the overdue loan ratio decreased by 0.02 percentage point over the end of the previous year; the provision coverage of impaired loans increased by 0.4 percentage point over the end of the previous year to 173.53%. The market risk and liquidity risk are generally under control, which met regulatory requirements. The Group created a matrix-based risk prevention and control system, deepened the integration of the case prevention and the comprehensive risk management system and carried out the “5+N” specialized case prevention and control.

1. Corporate banking businesses

- During the Reporting Period, the Group's profit before tax from corporate banking businesses was RMB23.290 billion, of which net interest income was RMB36.090 billion and net fee and commission income was RMB8.704 billion.
- As at the end of the Reporting Period, the balance of corporate deposits of the Group increased by 4.19% over the end of the previous year to RMB4,109.438 billion. The balance of corporate loans increased by 8.01% over the end of the previous year to RMB3,476.395 billion.
- As at the end of the Reporting Period, the balance of non-performing loan of the Group was RMB56.776 billion and the non-performing loans ratio was 1.63%.

The Group continued to enhance the ability to serve the real economy and satisfied the full range of customers' financing needs by product portfolios such as credit, bonds, funds, leasing, trust, asset management, insurance and investment. The Group continued to strengthen the core businesses and characteristic businesses such as industrial chain finance, cash management, investment banking, cross-border finance, asset custody. The Group established a good market image and promoted the high-quality development of corporate banking businesses.

(1) Corporate and institutional businesses

The Group grasped the opportunity of information construction of the national government service platform and obtained newly registered corporate customers from the source. The Group improved customer experience and enhanced the quality and efficiency of customer development in key processes such as account opening and credit approval. The Group also focused on mobile internet, scenario application and industrial application, strengthened online channel construction and provided more convenient and efficient financial services. Corporate online banking and mobile banking customers are growing rapidly. The Group promoted special projects of "Hundreds of Core Customers and Industrial Chain" and "System Digging", increased the promotion of innovation businesses and enhanced the close cooperation with customers. As at the end of the Reporting Period, the total number of corporate customers of domestic branches increased by 11.70% over the end of the previous year. The number of newly-opened accounts increased by 117.82% on a year-on-year basis.

(2) *Inclusive finance businesses*

The Group deepened the reform of the Inclusive Finance Development Committee and actively developed inclusive financial services for small and micro enterprises, “Agriculture, Rural Areas and Farmers”, poverty alleviation and “Mass Entrepreneurship and Innovation”. The Group established a specialized service system for inclusive finance to effectively solve the problem of “Difficult Financing and Expensive Financing” in key areas and key customer groups. As at the end of the Reporting Period, the balance of loans of inclusive small and micro enterprises and the number of customers increased by RMB29.434 billion and 16,623 over the end of the previous year respectively, representing an increase of 27.22% and 18.97% respectively. The amount of non-performing loans decreased by RMB744 million over the end of the previous year. The non-performing loans ratio decreased by 1.69 percentage points over the end of the previous year. The average price of newly issued small and micro enterprise loans decreased by 58 basis points over the previous year. The progress target of “Two increases and two controls” was achieved. The balance of inclusive agriculture-related loans increased by RMB7.390 billion or 39.11% over the end of the previous year. The balance of loans on targeted financial poverty alleviation increased by RMB1.013 billion to RMB27.334 billion over the end of the previous year.

(3) *Industrial value chain financial businesses*

The Group focused on the core enterprises to build an “Online + Offline” integrated industrial chain financial ecosystem for the whole industrial chain. The Group enhanced the promotion of industrial chain finance in key industries such as construction, automobile, medical, modern agriculture and petroleum with key products such as “Express Bill Discounting”, “Express Receivable Collector”, “Express Pay” and “Intelligent Automobile Finance”. The Group continued to promote the optimization and development of online financing products such as online acceptance, online discounting, online factoring and accounts receivable chain businesses. As at the end of the Reporting Period, the total accumulated number of industrial chain networks of domestic branches exceeded 3,500 and the balance of key products of industrial value chain financing increased by 49.92% to nearly RMB180.0 billion over the end of the previous year.

(4) *Cash management businesses*

The Group continuously promoted the iteration of cash management products and innovation of service scenarios and launched products such as BoCom Intelligent Financial Service Platform, Enterprise Online Trading, E-pay and BoCom Pay. The Group provided global cash management services including offshore funds pool, cross-border two-way fund pool and centralized receipt and payment. Customer service and customer experience were actively enhanced at the same time. As at the end of the Reporting Period, the number of group customers of the online “Win to Fortune” cash management exceeded 26 thousand, including more than 720 thousand cash management accounts, of which the accumulated number of customers of BoCom Intelligent Financial Service Platform reached 806. The Group successively won the “China’s Best Service Provider – Cash Management” by The Asset.

(5) *International settlement and trade financing businesses*

The Group actively promoted international settlement and cross-border trade financing businesses and provided financial support and guarantee for the national “Belt and Road” construction and “Going Global” of Chinese enterprises through financing and settlement products such as external guarantees. The Group took actions to stabilize foreign trade development and assisted in stable quality enhancement of foreign trade. During the Reporting Period, the international payments reached RMB955.760 billion, the amount of international trade financing reached RMB59.941 billion and the amount of external guarantee of domestic branches reached RMB21.843 billion.

(6) *Investment banking businesses*

The Group actively supported the demand for bond issuance across borders. The amount of overseas bond issuance was nearly USD36.1 billion. The Group promoted major overseas debt programs including the RMB5.0 billion offshore treasury bonds of Ministry of Finance and RMB30.0 billion offshore central bank bills of the People’s Bank of China. The Group completed major projects including Central Huijin Investment Ltd.’s medium-term notes of RMB20.0 billion, financial bonds of Hangzhou Bank of RMB10.0 billion and financial bond of Great Wall Asset Management of RMB30.0 billion. The Group comprehensively promoted asset securitization businesses. The total underwriting amount of full-scale asset securitization (including credit-asset-backed securities and asset-backed notes) ranked fourth in the banking system. The Group successfully issued two personal housing mortgage asset-

backed securities of RMB15.097 billion in total. During the Reporting Period, the fee income of investment banking reached RMB2.632 billion, accounting for 10.50% of the Group's total fee and commission income. The domestic branches accumulatively underwrote 231 different bonds (excluding local treasury bonds). The underwriting amount (excluding local treasury bonds) was RMB141.616 billion, representing a year-on-year increase of 6.65%. The Group was awarded "Top 10 Investment Bank Innovation Award in 2019" by The Banker, "Best Securitization Trading Award" by Asian Currency, "Asia Pacific Most Innovative Trading Award" by The Asset and other awards.

(7) *Asset custody businesses*

The Group actively carried out pension financial services and grasped the strategic opportunities for centralized bidding for local occupational annuities custody. The Group participated in the pilot innovation businesses of certificate deposit in capital market and obtained the qualification of CDR depository bank. The Group promoted the public fund custody businesses by remaining market-oriented and customer-oriented, moving forward in the asset management service chain from the back to the front and jointly developing products and expanding businesses with asset management institutions. As at the end of the Reporting Period, the assets under custody of the Bank increased by 2.12% to RMB9,102.283 billion over the end of the previous year.

Laid out in key areas to accelerate the integrated development in the Yangtze River Delta

Since the introduction of the national strategy for the integrated development of the Yangtze River Delta, the Bank, as the sole large scale state-owned commercial bank with its head office in Shanghai, actively responded to national policy requirements, integrated and optimized resources and channels within the Group and enhanced the regional integrated operation capability of the Yangtze River Delta. The Group focused on popular areas such as free trade zone, science and technology, financial and factor markets. The Group continued to explore serving the regional real economy and made unremitting efforts to improve the customer experience, and achieved satisfying results.

Creating business characteristics

— Established an integrated mechanism. In order to promote the integrated operation of the Yangtze River Delta more efficiently, the Bank coordinated the resources among 7 branches in the area, Head Office, branches and subsidiaries and established strategic leadership teams for the integration of Yangtze River Delta Region. The Bank set up the Yangtze River Delta Regional Integration Strategy Promotion Office as the business promotion organization. The relatively sound system and mechanism ensured the Bank's smooth and efficient operation of all kinds of work of the Yangtze River Delta integrated operation during the first half of the year. As at the end of the Reporting Period, the average daily balance of Renminbi corporate deposits of branches in the Yangtze River Delta increased by RMB58.5 billion over the previous year, representing a year-on-year increase of 69% more than that of the same period of the previous year, contributing 38.7% of the total incremental loan, up 4.2 percentage points. The Renminbi substantive corporate loans increased by RMB35.6 billion over the end of the previous year, representing a year-on-year increase of 336% more than that of the same period of the previous year, contributing 24.9% of the total incremental loan, up 9.6 percentage points.

— Deeply cultivated the businesses of the Free Trade Zone. During the first half of the year, the Bank actively integrated the Free Trade Zone businesses and accounted for unit business and the offshore businesses in separate books. The Bank identified its businesses characteristics and enhanced the market influence. In April, the Bank signed a comprehensive strategic cooperation agreement with the Shanghai Pudong New Area People's Government and held the unveiling ceremony of the Free Trade Zone Financial Innovation Joint Lab. At the same time, the Bank successfully held a free trade zone innovation business promotion conference in Shanghai. As at the end of the Reporting Period, the accumulated number of Shanghai FTU opened by customers was 2,207, increasing by 800 or 56.86% over the end of the previous year. The net number of accounts was 1,816, representing an increase of 748 or 70.04% over the end of the previous year. The Shanghai FTU settlement volume of domestic and foreign currency was RMB35.481 billion in total, increasing by 54.99% on a year-on-year basis. The Free Trade Zone businesses achieved rapid development.

— Focused on the technology and innovation driven inclusive businesses. Supporting the development of technology and innovation driven inclusive businesses was one of the key areas of the Yangtze River Delta's integrated business strategy of the Bank. During the first half of the year, the Bank formulated the technology financial service plan throughout the life cycle for science and technology enterprises and successfully held the press release conference. In addition, the Group's subsidiary, BoCom International, has established the technology and innovation equity investment fund to provide integrated financial services covering "Investment + Loans + IPO Sponsorship + Merger and Acquisition Financing + Wealth Management". Currently, the Bank has implemented nearly 40 technology financial projects in the Yangtze River Delta region, expanded science and technology small and micro enterprises in a cluster project system to achieve full coverage of branches in the Yangtze River Delta region.

— Targeted the financial factor market. The Yangtze River Delta region is one of the most active regions in the domestic financial and factor market. The Bank seized opportunities actively for business development and extensively carried out inter-bank coordination. In May, the Bank jointly hosted the 16th Shanghai Derivatives Energy Forum with the Shanghai Futures Exchange and the Shanghai International Energy Exchange Center. In June, the Bank also held the Shanghai Yangtze River Delta Regional Banking Cooperation Seminar in Shanghai, which significantly improved the Bank's influence within the industry.

— Expanded regional key projects. According to the three-year plan for the integration of the Yangtze River Delta, the Bank has undertaken 39 key customers and 86 key projects. As at the end of the Reporting Period, 7 branches in the region have established cooperative relationships with 33 key customers and built up connections with 25 key projects, among which Hangzhou-Huangshan High-speed Railway, Jiaxing LNG Storage and Transportation Station, Taicang Port, Zhoushan International Petroleum Storage and Transportation Base have been financed, with a total amount of RMB1.4 billion.

The future development direction

The Bank continues to rely on the integrated system and mechanism within the Group, takes the integration advantages and information advantages of the Head Office in Shanghai and uses Shanghai as an engine to further promote the integration of the Yangtze River Delta region. The Bank explores and optimizes talent sharing and benefit sharing mechanisms, strengthens express channels for regional businesses, product innovation and construction and improves the response speed and service level of key customers and key projects in the Yangtze River Delta region. By accelerating the business layout of key areas such as the Free Trade Zone, Science and Technology, Financial and Factor Markets, the Bank will continuously enhance the brand advantage in the Bank's coordinated development.

2. *Personal banking businesses*

- During the Reporting Period, the Group's profit before tax from personal banking businesses sector was RMB15.137 billion. Among them, the net interest income was RMB29.976 billion, and net fee and commission income was RMB13.217 billion;
- As at the end of the Reporting Period, the balance of personal deposits of the Group increased by 9.30% over the end of the previous year to RMB1,941.732 billion. The balance of personal loans of the Group increased by 1.14% over the end of the previous year to RMB1,654.217 billion. The total number of individual customers in domestic branches increased by 0.80% over the end of the previous year.
- As at the end of the Reporting Period, the balance of personal non-performing loans was RMB18.732 billion and the personal non-performing loans ratio was 1.13%.

The Group adhered to the "Customer-centric" business philosophy, focused on wealth management, constantly enriched the content of "Your Wealth Management Bank", strengthened technology empowerment, provided customers with comprehensive services with all-round, high efficiency and excellent experience, and promoted the high-quality development of personal financial services.

(1) *Personal deposits and loans businesses*

The Group accelerated the innovation and development of liability businesses, enriched the types of local and foreign currency savings deposit products, promoted products such as individual large deposit certificates and promoted the steady development of personal deposit businesses.

The Group strictly implemented the national macro-control policies, supported resident's reasonable demand of housing for personal use and implemented differentiated management of mortgage loans. The Group optimized the process of "Benefit Loan", relied on Fintech and data analysis and application to expand the customer base and enhance the intelligent risk control capability. As at the end of the Reporting Period, the Group's personal housing mortgage loan balance increased by 5.97% to RMB1,067.683 billion over the end of the previous year. The balance of "Benefit Loan" increased by RMB2.267 billion to RMB9.141 billion over the end of the previous year.

(2) *Wealth management businesses*

The Group actively promoted the integration of emerging technologies and wealth management expertise. Based on the application of big data analysis, the mobile banking online released the PLUS function of fixed fund investment, to provide customers with services including intelligent fixed investment plan, profit and loss reminder and quantitative selection of outperforming funds. The Group actively adapted to the trend of online customer transactions, continued to expand customer service with mobile banking live broadcast, one-on-one video, instant messaging and smart outbound calls. The scale of family wealth management businesses, private banking account businesses, agency trust and insurance businesses continued to grow, further enhancing the professional service capabilities of private banking.

As at the end of the Reporting Period, the individual financial assets under management (AUM) increased by 7.25% to RMB3,279.297 billion over the end of the previous year. The number of qualified customers of BOCOM FORTUNE, OTO FORTUNE and private banking increased by 2.09%, 9.29% and 12.48% respectively over the end of the previous year. The customers of wealth management with assets above RMB50 thousand per day in a quarter increased by 5.84% over the end of the previous year.

(3) Bank card businesses

The customer base of credit card businesses was gradually optimized. The proportion of mobile payment transactions during the first half of the year increased by 3 percentage points on a year-on-year basis. The Group actively responded to changes in the external market situation. Through various controls during pre-loan and disbursement stages, the Group proactively strengthened the balance of credit card business development and risk management and improved the collection efficiency and asset preservation ability. The Group also built and improved the intelligent marketing system and intelligent risk control platform to improve the human-machine collaboration capacity based on artificial intelligence. The Group optimized the platform of “Go Pay” APP and increased the size and activity of the APP customers. As at the end of the Reporting Period, the number of credit cards of domestic branches (including quasi-credit cards) reached 71.47 million. The accumulated consumption during the first half of the year reached RMB1,423.507 billion. The balance of corporate credit card overdrafts of the Group reached RMB454.677 billion and the credit card overdraft non-performing ratio was 2.49%.

Debit card businesses continued to promote the “Customer campaign of scan code payment” and the debit card function of password-free and signature-free with small amount payment. The Group also promoted “Security Pay” electronic debit card and “No Worry Card” featured value-added services in order to provide customers with safe and convenient payment service. As at the end of the Reporting Period, the number of issued Pacific Debit Cards of domestic branches reached 147.05 million, representing a net increase of 4.52 million over the end of the previous year. The accumulated consumption during the Reporting Period increased by 0.55% on a year-on-year basis with the same caliber to RMB1,141.3 billion.

(4) Service and consumer protection

The Group insisted on building the “Best bank with full channel service”, optimized the service of the front, middle and back offices and business processes, improved the efficiency of service and business processing. As at the end of the Reporting Period, the proportion of outlets with extra-long queues² decreased by 8.27 percentage points over the end of the previous year. Based on protecting the legitimate rights and interests of consumers, the Group implemented full process management, and was awarded the A-level bank in the 2018 People’s Bank of China Consumer Protection Rating.

² The long queue refers to the waiting time of more than 30 minutes, the proportion of the long queues = the number of outlets with daily average persons in the long queue exceeding 3 persons/the total number of outlets.

3. *Inter-bank and financial market treasury businesses*

- During the Reporting Period, the Group's profit before tax of financial market treasury businesses was RMB8.610 billion, of which net interest income was RMB2.869 billion and net fee and commission income was RMB59 million.
- As at the end of the Reporting Period, the Group's financial investments amounted to RMB2,989.602 billion, representing an increase of 5.94% over the end of the previous year. During the Reporting Period, the securities investment yield increased 2 basis points on a year-on-year basis to 3.58%.

The Group took full advantage of the characteristics of inter-bank and financial market businesses, complemented the advantages of traditional banking businesses by providing services such as investment transactions, asset management, settlement and clearing, and agency services. The Group would better satisfy the diversified financial service needs including the investment and financing of real economy, wealth management and risk mitigation.

(1) Inter-bank businesses

The Group deepened the business cooperation of financial factor market and served the construction of financial infrastructure. Supporting the construction of Renminbi-denominated products such as Shanghai gold futures and Shanghai crude oil futures and expanding the global influence of Renminbi-denominated products, the Group was in the leading position in the Shanghai International Energy Center's crude oil futures deposit market. The Group assisted Shanghai Clearing House for the clearing of over-the-counter derivative transactions. The scale of Renminbi interest rate swap agent clearing and other major businesses ranked top in the market. The Group was awarded the "Excellent Member of Clearing" and the "Excellent Member of Settlement" by Shanghai Clearing House. During the Reporting Period, the average balance of financial factor market deposits increased by 11.13% to RMB191.7 billion over the previous year.

The Group strengthened the construction of inter-bank platforms. As at the end of the Reporting Period, there were 1,028 cooperative corporate customers on inter-bank platforms, representing an increase of 144 over the end of the previous year. There were 873 cooperative corporate customers on inter-bank asset management platforms, representing an increase of 151 over the end of the previous year. The Group actively conducted the “Rural Credit Cooperatives Project” and supported financial services of “Agriculture, Rural areas and Farmers” and remote areas through inter-bank cooperation. As at the end of the Reporting Period, the Group signed cooperation agreements with 21 provincial-level rural credit unions. As the first pilot commercial banks, the Group initiated local bond counter businesses in places such as Sichuan, Zhejiang and Beijing. The Group provided investment products with profitability, liquidity and stability to local residents and small-and-medium institutions.

The Group supported the construction of multi-level capital markets. During the Reporting Period, the Group cooperated with all domestic securities companies with securities brokerage qualifications to carry out third-party depository business cooperation. The number of customers for transactions with securities and future trading companies increased by 456.6 thousand over the end of the previous year. The balance of the deposit pledged as collateral of futures trading companies reached RMB99.0 billion, maintaining a market leading position. The average balance of low-cost liabilities of securities and future trading companies increased by RMB31.6 billion over the previous year.

(2) *Financial market businesses*

The Group actively performed the role of a market maker in “Bond Connect” businesses and introduced foreign investors. During the Reporting Period, 128 “Bond Connect” transactions were completed, amounting to RMB10.233 billion. The Group actively developed the Renminbi bond lending businesses and signed master agreements for Renminbi bond lending businesses with 122 institutions. During the Reporting Period, the trading volume of Renminbi bonds of domestic branches reached RMB2.38 trillion. The foreign exchange transaction volume in the inter-bank foreign exchange market reached USD942.856 billion. The accumulated Renminbi currency market transactions amount of domestic branches reached RMB19.22 trillion. The accumulated transaction amount of the foreign currency market reached USD344.810 billion.

The Group arranged different product positions quarterly, optimized the structure of bond and rationally optimized the duration of portfolio. As at the end of the Reporting Period, the Group's financial investment reached RMB2,989.602 billion, representing an increase of 5.94% over the end of the previous year. During the Reporting Period, the securities investment yield was 3.58%, representing a year-on-year increase of 2 basis points.

(3) *Asset management businesses*

The off-balance-sheet asset management businesses steadily developed. Product innovation and upgrades were stable and sound. The Group established net-value product portfolio focusing on products of cash management, medium-and-long-term conventional open-ended and close-ended wealth management products and featured by "Fixed income +" themed net-value products. During the Reporting Period, the average balance of net-value asset management products increased by RMB82.638 billion over the previous year, the proportion of which on off-balance sheet asset management increased by 8.52 percentage points to 24.04% over the previous year. As at the end of the Reporting Period, the balance of off-balance sheet asset management products reached RMB818.366 billion, representing an increase of 6.33% over the end of the previous year.

(4) *Precious metal businesses*

The Group was the first batch of silver futures market makers on the Shanghai Futures Exchange and became one of the two commercial bank market makers of silver futures. During the Reporting Period, the domestic branches achieved RMB72.605 billion in terms of volume of precious metal brokerage transactions. The sales volume of physical precious metal products amounted to RMB618 million. The accumulated volume of self-operated gold trading amounted to 4,206.22 tons, ranking Top 3 in Shanghai Gold Exchange in terms of self-operated gold trading and actively participating in trading. The Group won 11 prizes including the first prize of "Excellent Financial Members" for the year of 2018 by Shanghai Gold Exchange. The Group was awarded other prizes including "Special Contribution Award to Market Dealer" for the year of 2018 by Shanghai Futures Exchange, for the contribution in the promotion of the financial factor market serving the real economy.

4. *“Online and Offline” network construction*

- During the Reporting Period, the profit per capita of the Group amounted to RMB989.3 thousand, representing an increase of 7.50% on a year-on-year basis. As at the end of the Reporting Period, the average deposit per outlet (excluding all-inclusive outlets) increased by 5.83% over the end of the previous year to RMB2.269 billion.
- During the Reporting Period, the total number of e-channels transactions in domestic banks reached 3.578 billion and the transaction amount reached RMB124.76 trillion. As at the end of the Reporting Period, the diversion rate of e-channels increased by 0.71 percentage point over the end of the previous year to 97.30%.
- As at the end of the Reporting Period, the total amount of domestic banking outlets decreased by 65 over the end of the previous year to 3,176, of which 11 were newly opened and 76 low-yield outlets were integrated.

The Group adhered to the direction of “online-based, mobile-first, offline integrated operation, mobile services and online and offline coordinated development” and created multi-channel contacts of “Online + Offline”, “Inside + Outside the Bank”, “Manual + Automatic service”, “In front of + Behind the Counter”. The Group continuously improved the channel’s ability of attracting customers, comprehensive services and management to provide new momentum for deepening reform and transformation development.

(1) Online network construction

Mobile banking. The Group improved online financial service capabilities in consideration of user experience. The Group launched new functions such as online revenue and expenditure accounting books, credit card repayment to other banks and fixed investment PLUS. The Group also launched innovative products in enterprise mobile banking such as E-pay (receipt and payment with QR code), online foreign exchange settlement and sales. The Group launched mobile banking App, “Go Pay” App and one-stop ETC application service, and created an online closed-loop experience for customers. The number of audience of BoCom live broadcasters increased rapidly. During the Reporting Period, more than 130 programs were released and the number of audience increased by 412.99% on a year-on-year basis. As at the end of the Reporting Period, the Bank’s mobile banking registered customers exceeded 79.73 million, representing an increase of 7.54% over the end of the previous year. During the Reporting Period, the number of mobile banking transactions reached 244 million, representing a year-on-year increase of 41.04%. The transaction amount increased by 26.20% to RMB6.60 trillion on a year-on-year basis.

Online banking. The Group built a financial mobile service platform namely “E-finance”, strengthened the optimization and innovation of online settlement products in mobile services and scenario applications and enriched the customer service channels. During the Reporting Period, the number of corporate online banking users increased by 188.6 thousand over the end of the previous year. The Group continued to improve personal online banking service. The Group was the first in the industry to launch over-the-screen payment service. In order to provide a more convenient online trading platform for customers, the Group also continued to optimize experience of services such as asset management products purchase and online loans. As at the end of the Reporting Period, the number of personal online banking customers increased by 4.91% over the end of the previous year. The number of personal online banking transactions (excluding mobile banking) increased by 11.86% to 2.679 billion on a year-on-year basis.

(2) *Offline network construction*

Physical outlets. The Group continued to optimize the network layout, maintain the offline layout advantages of the Bank, namely high coverage, multi-contact and excellent service. The Group also promoted the construction of intelligent outlets by integrating the intelligent machines and functions of outlets and creating an intelligent coordinated service model of outlets. The Group accelerated the reform and innovation, strengthened the construction of “One leader team, two staff teams” and improved the comprehensive operation and mobile service capabilities of outlets. As at the end of the Reporting Period, the total number of domestic banking institutions’ outlets decreased by 65 to 3,176 over the end of the previous year, of which 11 were newly opened and 76 low-yield outlets were integrated. The Group’s network covered 242 cities at or above prefecture level, with the coverage ratio at prefecture and municipal-level cities at 72.46%, representing an increase of 0.90 percentage point over the end of the previous year. The coverage ratio in Western China was 43.51%.

Self-service banking. The Group continued to increase the integration of inefficient self-service channels, reduce the cost of self-service channels, and improve overall business performance. As at the end of the Reporting Period, the total number of self-service devices in domestic branches reached 19.3 thousand and the total number of self-service banks was 1,992. During the Reporting Period, the number of self-service banking transactions reached 133 million and the amount of self-service banking transactions reached RMB1.52 trillion.

Relationship Manager. The Group further strengthened the construction of relationship manager team, increased resource incentives, optimized authorization process, improved the training system and promoted the comprehensive development of customer managers across sections. As at the end of the Reporting Period, the total number of relationship managers in domestic branches reached 21,876, accounting for 29.11%. The number of corporate relationship managers reached 10,166 and the number of retail relationship managers reached 11,710.

Strengthen Technology Empowerment and Create Core Business Competitiveness of the Bank

The Bank actively embraced the transformation of Fintech. Based on intelligent transformation project (“New 531” project), the Group continued to increase investment in science and technology, strengthen the talent team building of Fintech, build digital and intelligent banks, improve core competitiveness and value creation and provide customers with high-quality services.

During 2019, the “New 531” project adhered to the philosophy of “Impress the Market, Impress the Customer, and Impress the User” and the overall framework of “1+2+5+N”. The Group promoted the implementation of 32 projects in areas including customer experience, business development, framework transformation, management improvement, and burden reduction and efficiency improvement. Some projects achieved progress and started to serve corporate customers. In the aspect of “1” technical framework, the Group achieved key breakthroughs in the dual-core heterogeneous project, migrated the debit card data of 17 provincial branches to the open platform, established the core framework system of “centralization + distribution”, successfully moved high-frequency transactions such as online payment from the host platform to the open platform, and comprehensively improved the ability to cope with the peak of customer transactions such as “Double 11” promotion. In the aspect of “2” supporting platforms, the Group built and deployed security operation centers, implemented situation-aware sandboxie, threat intelligence and other functions to provide effective security guarantee for customers. The Group could provide targeted service via big data analysis by maintaining asset catalog of external data and corporate data on the Group’s data management and utilization platform. In the aspect of “5” applications, the cloud banking based on the WeChat open platform has been promoted in 11 branches, with accumulated 770 thousand users and a sales amount of wealth management products of RMB101 million. BoCom

Intelligent Financial Service Platform launched internet financial management products in more than 10 industries including property, pharmaceuticals and pension. There were nearly 200 corporate customers using these products online, achieving good market results. The Group built a life-cycle financial service platform named BoCom Live without Worry for the real estate industry and launched services including Repair without Worry, Change without Worry, Rent without Worry and Purchase without Worry. The intelligent risk control application system built a 360-degree overall view of risk portraits of customers and guaranteed customers' financial security. The cutting-edge technologies such as unified image recognition and unified biometrics recognition were successfully applied in corporate mobile banking and handheld devices. The Group provided efficient and convenient services including "Quick Sign" and "Benefit Loan".

Meanwhile, the Bank continued to increase investment in information construction and strengthen the talent team building of Fintech. First, designated funds will be allocated for the "New 531" project, and investment in key areas of the project will be increased. The total investment in information construction will gradually increase to 10% of the operating expenses of the year. Second, the Group launched the "Three Major Projects" for the Fintech talent team. The Group launched the "10 thousand Fintech Talents Plan", focusing on recruiting talents in IT research and development, big data management, analysis and mining, risk monitoring, system network and information security. The Group also promoted the "Fintech Management Trainees" project, positioned high-end talents in the Fintech and adopted the "Targeted recruitment + Targeted training" approach to directly participate in major technological innovation projects at the Head Office level, business sector level, department and branch level. The Group implemented the "Empowerment and Transformation of Stock Talents" project, improved the scientific and technological level and transformation ability of the stock talents, strengthened the training, communication and position transfer of talents at different levels in order to improve their abilities.

5. *Internationalization and integrated operation*

(1) *Internationalization strategy*

- During the Reporting Period, net profit of the Group's overseas banking institutions increased by 48.02% on a year-on-year basis to RMB3.560 billion, accounting for 8.33% of the Group's total net profit, representing an increase by 2.43 percentage points 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 4.60% over the end of the previous year to RMB1,118,414 million, accounting for 11.31% of the Group's total assets, representing an increase of 0.09 percentage point over the end of the previous year.
- As at the end of the Reporting Period, the non-performing loan balances of the Group's overseas banking institutions was RMB681 million, and the non-performing loans ratio was 0.18%.

The Group actively adapted the “Belt and Road” Strategy and “Go Global” of Chinese-funded enterprises, continuously improved the layout of global institutions and provided cross-border integrated services. With the objective of serving the real economy, the Group consistently optimized the structure of overseas banking businesses, enhanced the financial service abilities across borders, industries and markets and promoted high-quality development of internationalization.

Overseas service network

The landscape of overseas service network made a steady progress. The Prague branch of Czech was opened on 20 May. Toronto branch of Canada and the Johannesburg branch of South Africa are actively preparing for set-up. At the end of the Reporting Period, the Group established 23 overseas subsidiaries, branches and representative offices in 17 countries and regions, namely Hong Kong Branch/Bank of Communications (Hong Kong) Co., Ltd., New York Branch, Tokyo Branch, Singapore Branch, Seoul Branch, Frankfurt Branch, Macau Branch, Ho Chi Minh City Branch, San Francisco Branch, Sydney Branch, Taipei Branch, London Branch/Bank of Communications (UK) Limited, Bank of Communications (Luxembourg) Limited/Luxembourg Branch, Brisbane Branch, Bank of Communications (Luxembourg) S.A. Paris Branch, Bank of Communications (Luxembourg) S.A. Rome Branch, Bank of Communications (Brazil) Co., Ltd., Melbourne Branch, Prague Branch and Toronto Representative Office, with a total of 67 overseas business outlets (excluding representative offices). The Group established agency relationships with 1,126 banks in 132 countries and regions, set up 239 cross-border Renminbi inter-bank accounts for 120 overseas Renminbi participating banks in 33 countries and regions, and opened 81 foreign currency settlement accounts in 26 major currencies with 62 banks in 31 countries and regions.

Domestic and overseas synergetic businesses

The Group took advantages of domestic and overseas synergetic cooperation, actively promoted the implementation of regional strategies for innovation, and expanded the financing channels and reduce financing costs for corporations. The Group closely cooperated with policy financial institutions, strengthened cross-border projects, shared customer information resources, enhanced projects of cross-border synergetic service, and steadily promoted the cross-border investment and financing businesses of “Going Global” enterprises.

Cross-border Renminbi transactions

The Group promoted financial communication among Guangdong-Hong Kong-Macao Greater Bay Area. The Group was the Chinese-funded bank whose overseas branch completed China's first Renminbi cross-border financing businesses under the real estate. The Group supported the development of private enterprises, strengthened the cooperation with cross-border inter-bank payment clearing limited liability companies, supported Renminbi cross-border payment, and assisted in the construction of Shanghai International Financial Center. During the Reporting Period, domestic branches exchanged Renminbi capital across borders with 106 countries and regions, including 40 countries and regions along the "Belt and Road". The cross-border Renminbi settlement of domestic and overseas banking institutions reached RMB996.7 billion.

Offshore services

The Group actively promoted the internationalization strategy. All indicators maintained a steady growth trend. During the Reporting Period, the net operating income from offshore increased by 10.72% on a year-on-year basis to USD116.2155 million. The net income of offshore intermediary businesses increased by 7.9% on a year-on-year basis to USD66.7684 million. As at the end of the Reporting Period, the total amount of offshore assets was RMB131.925 billion. The loan balance was RMB77.668 billion and deposit balance was RMB89.360 billion.

(2) *Integrated operation*

- During the Reporting Period, net profit attributable to shareholders of the Bank from controlling subsidiaries (excluding Bank of Communications (UK) Co., Ltd., Bank of Communications (Luxembourg) Co., Ltd., Bank of Communications (Brazil) Co., Ltd. and Bank of Communications (Hong Kong) Co., Ltd., same applies hereinafter) amounted to RMB2.806 billion, representing a year-on-year increase of 14.48%, the proportion of which to the Group's net profit increased by 0.55 percentage point to 6.56% on a year-on-year basis.
- As at the end of the Reporting Period, the total assets of the controlling subsidiaries increased by 10.36% over the end of the previous year to RMB405.892 billion, the proportion of which to the total assets of the Group increased by 0.25 percentage point to 4.11% over the end of the previous year.

The Group focused on the goal of “creating common value and providing the best service”, established a development pattern based on commercial banking businesses with cooperation of businesses including trust, financial leasing, asset management, insurance, investment banking and debt-to-equity swap. The efficiency of the Group’s integrated operations constantly enhanced.

Bank of Communications Financial Leasing Co., Ltd. adhered to the development strategy of “professional, internationalization, differentiation and characteristics” and continuously promoted aviation and shipping businesses. The assets of 236 aircrafts and 401 ships amounted to RMB141.594 billion, accounting for 59.63% of the total leasing assets. As at the end of the Reporting Period, the balance of assets increased by 7.51% over the end of the previous year to RMB249.144 billion.

Bank of Communications International Trust Co., Ltd. adhered to the origin and actively developed businesses including active management, asset securitization and family trusts. As at the end of the Reporting Period, the assets under management increased by 0.98% over the end of the previous year to RMB891.255 billion. Net profit (attributable to shareholders of the parent company) increased by 18.22% on a year-on-year basis to RMB532 million. During the year, the issuance of publicly-funded credit ABS was RMB48.8 billion, ranking second in the industry. It was rated as Class A by Trust Industry Association for four consecutive years.

Bank of Communications Schroder Fund Management Co., Ltd. had outstanding performance in various public funds. Multiple funds including BoCom Schroder Growth 30, BoCom Economy New Driver and BoCom Dividend Optimization had remarkable performance during the first half of the year, ranking top 10% of the industry. As at the end of the Reporting Period, assets under management amounted to RMB446.2 billion (including its two subsidiaries). During the Reporting Period, it was awarded the “Golden Bull Fund Management Company” by *China Securities Journal*, and the “2018 Top Ten Star Fund Companies” and “Star Fund Company with Five-Year Continuous Return” by *Securities Times*.

BoCommlife Insurance Company Ltd. actively improved investment capabilities and enhanced investment management mechanisms. During the Reporting Period, total assets exceeded RMB48.0 billion, representing an increase of 19% over the end of the previous year. Original premium income increased by 91% on a year-on-year basis to RMB8.8 billion. Regular premium of new insurance increased by 80% on a year-on-year basis. Business structure was optimized. The 13-month renewal rate of insurance with bank as agent exceeded 95%. The regular premium businesses achieved high quality.

China BoCom Insurance Co., Ltd. was committed to building the Group's global professional service platform of the general insurance and firmly promoted the high quality of underwriting services. During the Reporting Period, the net loss ratio of insurance businesses was 28.44%, outperforming the market average.

Bank of Communications Financial Assets Investment Co., Ltd. mainly operated in debt-to-equity business. It increased transaction volume, expanded business, enhanced quality and served the real economy. It completed the first "Unlisted, Non-public" corporate-bond-to-preference-share transaction and the first market-oriented debt-to-equity swap project of a private enterprise. As at the end of the Reporting Period, a total of 35 projects were put into operation, with a total amount of RMB20.564 billion, including capital of RMB20.071 billion from designated capital reserve reduction.

BOCOM Wealth Management Co., Ltd. Assists the Group in Building the "Best Wealth Management Bank"

On 4 January 2019, the CBIRC approved the establishment of BOCOM Wealth Management Co., Ltd. (referred to as "BOCOM Wealth Management"). According to the regulatory requirements, the Group actively carried out pre-operating work and obtained the approval from the CBIRC on 28 May. On 13 June, BOCOM Wealth Management held the unveiling ceremony at the Shanghai Lujiazui Forum. BOCOM Wealth Management became one of the authorized wealth management subsidiaries of the banks.

BOCOM Wealth Management has established a sound corporate governance structure and an organizational structure with the segregation of front and middle stage as well as the segregation of investment and transaction. The first product "No. 1 BOCOM Wealth Management Wenxiang Opening once in One Year" was launched successfully. The product was sold online and offline through all channels with good publicity and market response. In two days, all product quotas and additional quotas were sold out, with a total of RMB3.5 billion, impressing the market and the industry. Only three products in the industry formally completed the regulatory declaration in the name of subsidiaries and obtained registration codes for sale, of which this product became the first compliant product.

BOCOM Wealth Management will build the first batch of products in the near future around the six themes including cash management, inclusive finance, commercial pension, science and technology investment, Shanghai factor market linkage and integration development of Yangtze River Delta to promote the brand of “BOCOM Wealth Management” and enhance the market influence. BOCOM Wealth Management will also launch the Yangtze River Delta Integrated Development Index to promote the development of the real economy in the Yangtze River Delta region. In the future, BOCOM Wealth Management will fully exercise the advantages of the wealth management subsidiary in the aspects of asset, product, channel, investment and research as well as risk control, innovate and forge ahead, proactively implement the requirements of compliance management and risk controls, strengthen technology empowerment, improve core competencies and facilitate the Group’s construction of the “Best Wealth Management Bank”.

(II). Financial Statement Analysis

I. Analysis on Key Income Statement Items

(1) Profit before tax

During the Reporting Period, the Group’s profit before tax increased by RMB1.489 billion on a year-on-year basis, representing an increase of 3.14% to RMB48.959 billion. Profit before tax was mainly derived from net interest income and net fee and commission income.

The table below illustrates the selected items from the income statement of the Group during the periods indicated:

	<i>(in millions of RMB)</i>	
	For the six months	
	ended 30 June	
	2019	2018
Net interest income	70,062	60,658
Net non-interest income	48,252	41,375
Including: Net fee and commission income	23,122	21,182
Net operating income	118,314	102,033
Credit impairment loss	(21,544)	(16,663)
Other asset impairment losses	(6)	(3)
Insurance business expenses	(7,878)	(3,723)
Other operating costs	(39,927)	(34,174)
Including: Operating costs	(32,705)	(28,573)
Profit before tax	48,959	47,470
Income tax expense	(5,811)	(6,476)
Net Profit	43,148	40,994

(2) *Net interest income*

During the Reporting Period, the Group's net interest income increased by RMB9.404 billion on a year-on-year basis to RMB70.062 billion, accounting for 59.22% of the net operating income, which 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 ratio of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated:

<i>(in millions of RMB unless otherwise stated)</i>						
	For the six months ended 30 June 2019			For the six months ended 30 June 2018		
	Average balance	Interest income/ (expense)	Annualized average rate of return (cost) (%)	Average balance	Interest income/ (expense)	Annualized average rate of return (cost) (%)
Assets						
Cash and balances with central banks	828,368	5,958	1.45	938,141	6,785	1.46
Due from banks and other financial institutions	808,954	12,419	3.10	831,837	12,868	3.12
Loans and advances to customers and receivables	4,872,256	119,865	4.96	4,602,049	109,686	4.81
Including: Corporate loans and receivables	3,070,718	71,326	4.68	2,998,226	66,890	4.50
Individual loans	1,595,479	44,866	5.67	1,460,221	39,316	5.43
Discounted bills	206,059	3,673	3.59	143,602	3,480	4.89
Investment securities	2,459,873	43,620	3.58	2,333,251	41,207	3.56
Interest-bearing assets	8,969,451	181,862	4.09	8,705,278	170,546	3.95
Non-interest-bearing assets	812,686			652,648		
Total assets	9,782,137			9,357,926		
Liabilities and Shareholders' Equity						
Due to customers	5,927,890	70,047	2.38	5,681,819	63,620	2.26
Including: Corporate deposits	4,031,516	46,949	2.35	3,902,427	42,465	2.19
Individual deposits	1,896,374	23,098	2.46	1,779,392	21,155	2.40
Due to banks and other financial institutions	1,967,523	28,772	2.95	2,124,818	35,401	3.36
Debt securities issued and others	730,836	12,981	3.58	553,702	10,867	3.96
Interest-bearing liabilities	8,626,249	111,800	2.61	8,360,339	109,888	2.65
Shareholders' equity and non-interest-bearing liabilities	1,155,888			997,587		
Total Liabilities and Shareholders' Equity	9,782,137			9,357,926		
Net interest income		70,062			60,658	
Net interest spread¹			1.48			1.30
Net interest margin²			1.58			1.41
Net interest spread^{1,3}			1.67			1.46
Net interest margin^{2,3}			1.76			1.57

Note:

1. Represented the difference between the annualized average rate of return on total average interest-bearing assets and the annualized average cost ratio of total average interest-bearing liabilities.
2. Represented the annualized net interest income to total average interest-bearing assets.
3. Taken into account the tax exemption on the interest income from bonds.

During the Reporting Period, the Group's net interest income increased by 15.50% on a year-on-year basis. The net interest spread increased by 18 basis points on a year-on-year basis to 1.48%. The net interest margin increased by 17 basis points on a year-to-year basis to 1.58%. The net interest spread and net interest margin in the second quarter decreased by 2 basis points and 3 basis points respectively as compared with those in the first quarter.

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 periods indicated.

<i>(in millions of RMB)</i>			
Comparison between January to June 2019 and January to June 2018			
	Increase/(Decrease) due to		
	Amount	Interest rate	Net increase/(decrease)
Interest-bearing assets			
Cash and balances with central banks	(795)	(32)	(827)
Due from banks and other financial institutions	(354)	(95)	(449)
Loans and advances to customers	6,445	3,734	10,179
Investment securities	2,235	178	2,413
Changes in interest income	7,531	3,785	11,316
Interest-bearing liabilities			
Due to customers	2,758	3,669	6,427
Due to banks and other financial institutions	(2,621)	(4,008)	(6,629)
Debt securities issued and others	3,478	(1,364)	2,114
Changes in interest expense	3,615	(1,703)	1,912
Changes in net interest income	3,916	5,488	9,404

During the Reporting Period, the Group's net interest income increased by RMB9.404 billion on a year-on-year basis, of which the increase of RMB3.916 billion was due to changes in the average balances of assets and liabilities and the increase of RMB5.488 billion was due to changes in the annualized average rate of return and annualized average cost ratio.

① Interest income

During the Reporting Period, the Group's interest income increased by RMB11.316 billion or 6.64% on a year-on-year basis to RMB181.862 billion.

A. Interest income from loans and advances to customers

Interest income from loans and advances to customers was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers increased by RMB10.179 billion or 9.28% on a year-on-year basis to RMB119.865 billion, which was largely due to the impact on the average balance of loans and advances to customers increasing by 5.87% on a year-on-year basis and the average rate of return increasing by 15 basis points on a year-on-year basis.

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by RMB2.413 billion or 5.86% on a year-on-year basis to RMB43.620 billion, which was largely due to the year-on-year increase of 5.43% in the average balance of investment securities.

C. Interest income from cash and 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 cash and balances with central banks decreased by RMB0.827 billion or 12.19% on a year-on-year basis to RMB5.958 billion, which was largely due to the year-on-year basis decrease of 11.70% in the average balances of cash and balances with central banks.

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

During the Reporting Period, the interest income from balances due from banks and other financial institutions decreased by RMB0.449 billion or 3.49% on a year-on-year basis to RMB12.419 billion, which was largely due to the year-on-year decrease of 2.75% in the average balances due from banks and other financial institutions.

② Interest expenses

During the Reporting Period, the Group's interest expenses increased by RMB1.912 billion or 1.74% on a year-on-year basis to RMB111.800 billion.

A. Interest expenses on due to customers

Due to customers were the Group's main source of funding. During the Reporting Period, interest expenses on due to customers increased by RMB6.427 billion or 10.10% on a year-on-year basis to RMB70.047 billion, accounting for 62.65% of total interest expenses. The increase in interest expenses of due to customers was largely due to a year-on-year increase of 4.33% in average balances of customer deposits and a year-on-year increase of 12 basis points in the annualized average rate of cost of due to customers.

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 decreased by RMB6.629 billion or 18.73% on a year-on-year basis to RMB28.772 billion, which was largely due to a year-on-year basis decrease of 41 basis points in the annualized average rate of cost of balances due to banks and other financial institutions and a year-on-year decrease of 7.40% in average balances of deposits.

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

During the Reporting Period, interest expenses on debt securities issued and other interest-bearing liabilities increased by RMB2.114 billion or 19.45% on a year-on-year basis to RMB12.981 billion, which was largely due to a year-on-year increase of 31.99% in average balance of debt securities issued and other interest-bearing liabilities.

(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 continued facilitating the transformation of its profit-making mode and moved towards a business model with diversified revenue streams. During the Reporting Period, the Group's net fee and commission income increased by RMB1.940 billion or 9.16% on a year-on-year basis to RMB23.122 billion. Bank cards and management services were the main drivers of the Group's net fee and commission income.

The table below illustrates the breakdown 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	
	2019	2018
Bank cards	10,213	9,301
Management services	7,372	6,511
Investment banking	2,632	2,470
Agency services	2,274	1,736
Guarantee and commitment	1,437	1,400
Settlement services	1,024	1,170
Others	118	158
Total fee and commission income	25,070	22,746
Less: fee and commission expenses	(1,948)	(1,564)
Net fee and commission income	23,122	21,182

Fee income from bank card services increased by RMB0.912 billion or 9.81% on a year-on-year basis to RMB10.213 billion, mainly due to an increase of card consumption businesses.

Fee income from management services increased by RMB0.861 billion or 13.22% on a year-on-year basis to RMB7.372 billion, mainly due to the increase in the income of personal wealth management investment products.

Fee income from investment banking increased by RMB0.162 billion or 6.56% on a year-on-year basis to RMB2.632 billion, mainly due to an increase in consulting services.

Fee income from agency services increased by RMB0.538 billion or 30.99% on a year-on-year basis to RMB2.274 billion, mainly due to an increase in the fee income from insurance brokerage services.

Fee income from settlement services decreased by RMB0.146 billion or 12.48% to RMB1.024 billion.

(4) *Credit impairment losses*

During the Reporting Period, the Group's impairment losses on credit was RMB21.544 billion, including that the credit impairment losses on loans increased by RMB4.923 billion or 28.69% on a year-on-year basis to RMB22.085 billion. During the Reporting Period, credit cost ratio of the Group increased by 0.19 percentage point on a year-on-year basis to 0.82%.

(5) *Operating cost*

During the Reporting Period, the Group's operating costs increased by RMB4.132 billion or 14.46% on a year-on-year basis to RMB32.705 billion. The Group's cost-to-income ratio was 29.05%, representing a year-on-year decrease of 0.21 percentage point. If grossed up the tax exemption impact of income, e.g. bond interests, the cost-income will decrease by around 2 percentage points compared with 29.05%.

The table below illustrates the breakdown of the Group's operating costs for the periods indicated:

	<i>(in millions of RMB)</i>	
	For the six months ended 30 June 2019	
	2019	2018
Staff costs and welfare	13,570	12,967
Operating expenses	15,101	12,810
Depreciation and amortization	4,034	2,796
Total operating costs	32,705	28,573

(6) *Income tax*

During the Reporting Period, the Group's income tax expenses decreased by RMB0.665 billion or 10.27% on a year-on-year basis to RMB5.811 billion. The effective tax rate of 11.87% was lower than the statutory tax rate of 25%, which was mainly due to the tax exemption on interest income from treasury bonds and local treasury bonds held by the Group, as promulgated in relevant tax provisions.

2. *Analysis on Key Balance Sheet Items*

(1) *Assets*

As at the end of the Reporting Period, the Group's total assets increased by RMB355.437 billion or 3.73% over the end of the previous year to RMB9,886.608 billion.

The table below illustrates the balances (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 2019		31 December 2018	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers	5,013,630	50.71	4,742,372	49.76
Financial investments	2,989,602	30.24	2,821,909	29.61
Cash and balances with central banks	802,956	8.12	840,171	8.81
Lendings to banks and other financial institutions	786,782	7.96	848,067	8.90
Others	293,638	2.97	278,652	2.92
Total assets	9,886,608	100.00	9,531,171	100.00

① *Loans and advances to customers*

During the Reporting Period, the Group achieved a balanced and steady growth in loans with reasonably controlling of the amount, direction and pace of credit. As at the end of the Reporting Period, the Group's total loans and advances to customers increased by RMB276.384 billion or 5.69% over the end of the previous year to RMB5,130.612 billion, among which the Renminbi loans from domestic branches increased by RMB222.719 billion or 5.26% over the end of the previous year.

Loans concentration by industry

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

(in millions of RMB unless otherwise stated)

	30 June 2019		31 December 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Mining	117,501	2.29	119,091	2.45
Manufacturing	612,185	11.93	581,412	11.98
– Petroleum and chemical	111,967	2.18	104,806	2.16
– Electronics	117,573	2.29	95,858	1.97
– Steel	32,773	0.64	33,241	0.68
– Machinery	94,733	1.85	93,828	1.93
– Textile and clothing	28,823	0.56	29,146	0.60
– Other manufacturing	226,316	4.41	224,533	4.64
Electricity, gas and water production and supply	205,487	4.01	186,117	3.83
Construction	154,961	3.02	114,577	2.36
Transportation, storage and postal services	590,007	11.49	573,151	11.82
Telecommunication, IT services and software	34,324	0.67	28,682	0.59
Wholesale and retail	241,410	4.71	246,706	5.08
Accommodation and catering	35,702	0.70	34,486	0.71
Finance	109,974	2.14	98,342	2.03
Real estate	247,113	4.82	216,536	4.46
Services	448,900	8.75	413,716	8.52
Water conservancy, environmental and other public utilities	273,767	5.34	263,235	5.42
Education, science, culture and public health	89,985	1.75	89,436	1.84
Others	93,031	1.81	96,428	1.99
Discounted bills	222,048	4.33	156,686	3.23
Total corporate loans	3,476,395	67.76	3,218,601	66.31
Total individual loans	1,654,217	32.24	1,635,627	33.69
Total customer loans	5,130,612	100.00	4,854,228	100.00

As at the end of the Reporting Period, the balance of the Group's corporate loans increase by RMB257.794 billion or 8.01% over the end of the previous year to RMB3,476.395 billion. Among them, the four most concentrated industries were manufacturing, transportation, storage and postal services, services and water conservancy, environmental and other public utilities, which accounted for 55.37% of total corporate loans.

As at the end of the Reporting Period, the balance of the Group's individual loans increased by RMB18.590 billion or 1.14% over the end of the previous year to RMB1,654.217 billion. The proportion of personal loans to total loans and advances to customers decreased by 1.45 percentage points over the end of the previous year to 32.24%.

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 4.48% of the Group's net capital, and the total loans of Top 10 customers accounted for 20.06% of the Group's net capital. The table below illustrates the loan balances to the Top 10 single borrowers of the Group as at the date indicated:

(in millions of RMB unless otherwise stated)
30 June 2019

	Type of industry	Loan balances	Percentage of total loans and advances (%)
Customer A	Manufacturing – Electronics	37,284	0.74
Customer B	Transportation, storage and postal services	35,363	0.69
Customer C	Electricity, gas and water production and supply	28,800	0.56
Customer D	Transportation, storage and postal services	12,302	0.24
Customer E	Transportation, storage and postal services	10,895	0.21
Customer F	Construction	10,000	0.19
Customer G	Services	9,850	0.19
Customer H	Transportation, storage and postal services	8,786	0.17
Customer I	Transportation, storage and postal services	6,834	0.13
Customer J	Transportation, storage and postal services	6,764	0.13
Total of Top 10 Customers		166,878	3.25

Loan concentration by geography

The Group's credit customers were mainly located in the Yangtze River Delta, Bohai Rim Economic Zone and Pearl River Delta. As at the end of the Reporting Period, the proportion of loans and advances to customers in these three regions accounted for 36.78%, 15.88% and 8.33% respectively, and the loan balances for the above three regions increased by 3.75%, 3.44% and 12.31% respectively over the end of the previous year.

Loan quality

As at the end of the Reporting Period, the non-performing loans ratio decreased by 0.02 percentage point over the end of the previous year to 1.47%. The provision coverage of impaired loans increased by 0.40 percentage point over the end of the previous year to 173.53%.

The table below illustrates certain information on the Group's non-performing loans and overdue loans for more than 90 days on the dates indicated:

	<i>(in millions of RMB unless otherwise stated)</i>	
	30 June 2019	31 December 2018
Non-performing loans	75,508	72,512
Overdue loans for more than 90 days	65,267	63,321
Percentage of non-performing loans to gross amount of loans and advances to customers (%)	1.47	1.49

② Financial investments

As at the end of the Reporting Period, the Group's net balance of financial investments increased by RMB167.693 billion or 5.94% over the end of the previous year to RMB2,989.602 billion.

The table below illustrates the breakdown of the Group's financial investments by nature and by the presentation basis of financial statements as of the dates indicated:

– The Breakdown of investments by nature

	<i>(in millions of RMB)</i>	
	30 June 2019	31 December 2018
Bonds	2,467,846	2,369,521
Equity instruments and others	521,756	452,388
Total	<u>2,989,602</u>	<u>2,821,909</u>

– The breakdown of investments by the presentation basis of financial statements

	<i>(in millions of RMB unless otherwise stated)</i>			
	30 June 2019		31 December 2018	
	Balance	Proportion	Balance	Proportion
		(%)		(%)
Financial investments at fair value through profit and loss	449,304	15.03	376,386	13.34
Financial investments at amortized cost	1,978,430	66.18	2,000,505	70.89
Financial investments at fair value through other comprehensive income	561,868	18.79	445,018	15.77
Total	<u>2,989,602</u>	<u>100.00</u>	<u>2,821,909</u>	<u>100.00</u>

As at the end of the Reporting Period, the balance of the Group's bond investments increased by RMB98.325 billion or 4.15% over the end of the previous year to RMB2,467.846 billion. Under the current market environment with large credit differentiation, the Group's investment securities will be mainly based on local bonds and treasury bonds in terms of bond types. The Group will appropriately invest in products such as credit bonds of key enterprise customers and high-rated corporations. The Group will better support private enterprises and pay close attention to the risk of default in the duration. The Group will continue to strengthen the research and judgment in macroeconomic policy, optimize the structure of remaining bond investment, properly control the duration of bond portfolios and guard against long-term interest rate risks.

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

(in millions of RMB unless otherwise stated)

	30 June 2019		31 December 2018	
	Balance	Proportion (%)	Balance	Proportion (%)
Government and central banks	1,654,446	67.04	1,511,839	63.81
Public sector entities	34,001	1.38	34,651	1.46
Banks and other financial institutions	655,806	26.57	696,168	29.38
Corporate entities	123,593	5.01	126,863	5.35
Total	2,467,846	100.00	2,369,521	100.00

As at the end of the Reporting Period, financial bonds held by the Group amounted to RMB655.806 billion, including policy bank bonds of RMB291.595 billion and banks and non-bank financial institutions bonds of RMB364.211 billion, which accounted for 44.46% and 55.54% of the total bonds, respectively.

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Serial Number	Bond name	Face value	Annual interest	Maturity date	Impairment allowance
			rate (%)		
1	2018 policy bank bonds	6,900	4.99	24/01/2023	1.27
2	2018 policy bank bonds	6,510	4.82	24/01/2021	1.17
3	2017 policy bank bonds	6,330	4.39	08/09/2027	1.11
4	2017 policy bank bonds	5,690	4.44	09/11/2022	1.02
5	2015 policy bank bonds	5,653	3.74	10/09/2025	0.95
6	2018 policy bank bonds	5,341	4.98	12/01/2025	0.99
7	2018 policy bank bonds	4,500	4.83	22/01/2021	0.81
8	2018 policy bank bonds	4,480	4.53	07/02/2020	0.80
9	2018 policy bank bonds	4,400	4.97	29/01/2023	0.81
10	2016 policy bank bonds	3,864	2.79	27/07/2019	0.70

(2) *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities increased by RMB336.997 billion or 3.82% over the end of the previous year to RMB9,162.860 billion. Among them, due to customers increased by RMB330.239 billion or 5.77% over the end of the previous year, which accounted for 66.08% of total liabilities and represented an increase of 1.22 percentage points over the end of the previous year. Balance of due to banks and other financial institutions decreased by RMB209.774 billion or 9.70% over the end of the previous year, which accounted for 21.31% of total liabilities and represented a decrease of 3.19 percentage points over the end of the previous year.

Due to customers

Due to customers were the Group's primary source of funding. As at the end of the Reporting Period, the Group's due to customer balance increased by RMB330.239 billion or 5.77% over the end of the previous year to RMB6,054.728 billion. In terms of the Group's customer structure, the proportion of corporate deposits was 67.87%, representing a decrease of 1.03 percentage points over the end of the previous year. The proportion of individual deposits was 32.07%, representing an increase of 1.04 percentage points over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits decreased by 0.67 percentage point over the end of the previous year to 41.89%, while the proportion of time deposits increased by 0.68 percentage point over the end of the previous year to 58.05%.

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

	<i>(in millions of RMB)</i>	
	30 June 2019	31 December 2018
Corporate deposits	4,109,438	3,944,098
Including: Corporate demand deposits	1,822,126	1,748,857
Corporate time deposits	2,287,312	2,195,241
Individual deposits	1,941,732	1,776,488
Including: Individual demand deposits	714,387	687,393
Individual time deposits	1,227,345	1,089,095

3. *Analysis on Key Cash Flow Items*

As at the end of the Reporting Period, the Group's cash and cash equivalents decreased by RMB62.191 billion over the end of the previous year to RMB181.301 billion.

The net cash inflows from operating activities decreased by RMB73.262 billion on a year-on-year basis to RMB2.945 billion, which mainly resulted from a year-on-year increase of net cash outflows from loans and advances and loans to banks and other financial institutions.

The net cash outflows from investing activities increased by RMB9.288 billion on a year-on-year basis to RMB79.088 billion, which was mainly due to a year-on-year increase in net cash outflows related to asset purchase and construction activities.

The net cash inflows from financing activities decreased by RMB0.976 billion on a year-on-year basis to RMB13.816 billion, which mainly resulted from a year-on-year decrease of cash inflow from capital absorbed by the subsidiaries.

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			
	2019		2018	
	Profit before tax	Net operating income¹	Profit before tax	Net operating income¹
Northern China	7,127	11,607	8,113	10,688
North Eastern China	(547)	3,447	(1,535)	3,439
Eastern China	18,043	46,882	15,970	36,987
Central and Southern China	13,241	21,025	12,541	18,651
Western China	4,947	9,332	3,830	8,342
Overseas	4,850	7,321	3,551	5,952
Head Office	1,298	18,700	5,000	17,974
Total²	48,959	118,314	47,470	102,033

Notes:

1. Including net interest income, net fee and commission income, net gains arising from trading activities, net gains arising from financial investment, net investment income of associates and joint ventures, insurance business income and other operating income. 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 2019		<i>(in millions of RMB)</i> 31 December 2018	
	Deposit balances	Loans and advances balances	Deposit balances	Loans and advances balances
Northern China	1,025,701	650,053	994,799	619,891
North Eastern China	302,620	206,241	301,526	205,989
Eastern China	2,165,927	1,815,856	2,040,424	1,710,884
Central and Southern China	1,423,522	1,034,907	1,292,776	941,511
Western China	693,217	509,681	652,735	480,670
Overseas	426,390	380,033	424,431	355,681
Head Office	17,351	533,841	17,798	539,602
Total	<u>6,054,728</u>	<u>5,130,612</u>	<u>5,724,489</u>	<u>4,854,228</u>

(3) *Operating results by business segments*

The Group's four main business segments were corporate banking, personal banking, treasury businesses and other businesses. The corporate banking segment was the largest source of profit for the Group, accounting for 47.57% of the Group's profit before tax.

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

(in millions of RMB)

	For the six months ended 30 June			
	2019		2018	
	Profit before tax	Net operating income	Profit before tax	Net operating income
Corporate banking	23,290	51,730	25,517	48,681
Personal banking	15,137	44,460	11,127	35,556
Treasury businesses	8,610	9,817	9,005	10,493
Other businesses	1,922	12,307	1,821	7,303
Total	48,959	118,314	47,470	102,033

5. *Capital Adequacy Ratio*

(1) Measurement method of the capital adequacy ratio

The Group calculated the capital adequacy ratios pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC and the relevant requirements. Since the adoption of the Advanced Approach of Capital Management upon the first approval from the CBIRC in 2014, the Bank steadily implemented and applied it in accordance with the regulatory requirements. Pursuant to the *Administrative Measures for the Capital of Commercial Bank (Trial Implementation)*, the Bank met the conditions of completing the parallel period. Upon the approval of the CBIRC, the Bank ended the Advanced Approach of Capital Management parallel period and expanded the application scope.

According to the implementation scope of the Advanced Approach of Capital Management approved by the CBIRC, the credit risk which met the regulatory requirements was assessed by the internal rating-based approach, the market risk by the internal model approach, and the operational risk by the standardized approach. The credit risk not covered by the internal rating-based approach was assessed by the weighted approach. The market risk not covered by the internal rating-based approach was assessed by the standardized approach. The operation risk not covered by the standardized approach was assessed by the basic-indicator approach. During the Reporting Period, the CBIRC approved the internal rating-based approach used by the Group's domestic and overseas branches (subsidiaries) financial institutions, and the internal rating-based approach for credit exposures used by overseas branches (subsidiaries) and Bank of Communications Financial Leasing Co., Ltd.

(2) *Measurement scope of capital adequacy ratio*

The calculation of capital adequacy ratio included the Group's domestic and overseas branches and subsidiaries of those financial institutions (excluding insurance companies).

(3) *Measurement result of capital adequacy ratio*

As at the end of the Reporting Period, pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC, the Group's capital adequacy ratio, Tier 1 capital adequacy ratio and core Tier 1 capital adequacy ratio were 13.84%, 11.86%, and 10.86% respectively, all of which met the regulatory requirements.

Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC

Item	<i>(in millions of RMB unless otherwise stated)</i>	
	The Group	The Bank
Net core Tier 1 Capital	653,117	573,694
Net Tier 1 capital	713,196	633,570
Net capital	831,689	748,594
Core Tier 1 capital adequacy ratio (%)	10.86	10.37
Tier 1 capital adequacy ratio (%)	11.86	11.45
Capital adequacy ratio (%)	13.84	13.53

Note: Pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)*, the above calculation excluded China BoCom Insurance Co., Ltd. and BoCommLife Insurance Company Limited.

(4) *Risk-weighted assets*

The table below states the Group's risk weighted assets in accordance with the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)*. The credit risk-weighted assets which met the regulatory requirements was assessed by the internal rating-based approach, the market risk-weighted assets by the internal model approach, the operational risk-weighted assets by the standardized approach. The credit risk-weighted assets not covered by the internal rating-based approach was assessed by the weighted approach. The market risk-weighted assets not covered by the internal rating-based approach was assessed by the standardized approach. The operation risk-weighted assets not covered by the standardized approach was assessed by the basic-indicator approach.

<i>(in millions of RMB)</i>	
Item	30 June 2019
Credit risk-weighted assets	5,494,906
Market risk-weighted assets	181,886
Operational risk-weighted assets	334,632
Additional risk-weighted assets due to use of capital floor	—
Total risk-weighted assets	6,011,424

(5) *Credit risk exposure*

① Exposure to risk under the internal rating-based approach

Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC and relevant requirements

<i>(in millions of RMB)</i>	
Item	30 June 2019
Corporate risk exposure	3,808,730
Financial institution risk exposure	1,141,221
Retail risk exposure	1,996,255
Total	6,946,206

② Credit risk exposure not covered under the internal rating-based approach

Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC and relevant requirements

<i>(in millions of RMB)</i>	
Item	30 June 2019
On-balance sheet credit risk	3,768,231
Including: Asset securitization	23,203
Off-balance sheet credit risk	41,249
Counterparty credit risk	83,591
Total credit risk exposure not covered under the internal rating approach	3,893,071

(6) *Market risk capital requirement*

The Group's market risk capital requirement was assessed using internal model approach and for those market risk not covered by internal model approach, the Group assessed via standardized approach. The table below states the market risk capital requirements of the Group.

<i>(in millions of RMB)</i>	
Risk type	Capital requirement
Market risk under internal model approach	9,865
Market risk not covered under internal model approach	4,686
Total	14,551

(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 with a one-tailed 99% confidence interval.

	<i>(in millions of RMB)</i>	
	January to June 2019	
	Value at risk (VaR)	Stressed value at risk (sVaR)
Item name		
VaR of market risk as at the end of the Reporting Period	1,054	1,799
Maximum VaR during the Reporting Period	1,509	1,913
Minimum VaR during the Reporting Period	1,020	1,613
Average VaR during the Reporting Period	1,126	1,788

6. *Leverage Ratio*

The Group calculated the leverage ratio pursuant to the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* issued by the CBIRC. As at the end of the Reporting Period, the Group's leverage ratio was 6.73%, which met the regulatory requirements.

Calculated in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* (2015, No.1) issued by the CBIRC and relevant requirements

	<i>(in millions of RMB unless otherwise stated)</i>			
			31	30
	30 June	31 March	December	September
Item	2019	2019	2018	2018
Net Tier 1 Capital	713,196	715,124	694,832	679,152
Balance of adjusted on-and off-balance sheet assets	10,594,418	10,490,765	10,242,926	10,095,931
Leverage ratio (%)	6.73	6.82	6.78	6.73

7. *Liquidity Coverage Ratio*

The liquidity coverage ratio is the ratio of qualified high-quality liquid assets to net cash outflows in the following 30 days. The aim is to ensure that commercial banks have sufficient qualified and high-quality liquid assets to meet the liquidity needs of at least 30 days in the future by settling these assets under the liquidity stress scenarios subject to regulatory requirements. The Group's qualified high-quality liquid assets mainly include cash, reserves that can be withdrawn from the central bank under stress scenarios and bonds that meet the definition of primary and secondary assets in the *Administrative Measures for Liquidity Risk Management of Commercial Banks*. According to the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, commercial banks with an asset scale not less than RMB200 billion should always meet the minimum regulatory standards with a liquidity coverage ratio not less than 100%.

The daily average liquidity coverage ratio of the Group during the second quarter of 2019 was 125.62% (the daily average within the quarter is the arithmetic average of daily data of the quarter, the number of average of daily data is 91). The ratio increased by 4.31 percentage points over the last quarter mainly due to decrease in net cash outflows.

8. *Net Stable Funding Ratio*

The net stable funding ratio is the ratio of available stable funds to the required stable funds. The aim is to ensure that commercial banks have sufficient sources of stable fund to meet the demand for stable funds from all types of assets and off-balance sheet exposures. The available stable funds refer to the sum of the products of the book value of various capital and liability items of commercial banks and their corresponding available stable fund coefficients. The required stable funds refer to the sum of the products of the book value of various asset items of commercial banks and the corresponding required stable fund coefficients of the off-balance sheet risk exposure. According to the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, commercial banks with an asset scale not less than RMB200 billion should always meet the minimum regulatory standards with a net stable funding ratio not less than 100%.

The Group's net stable funding ratio during the fourth quarter of 2018 was 114.00%. The net stable funding ratio during the first quarter of 2019 was 114.75%, representing an increase of 0.75 percentage point over the previous quarter. This was mainly due to the increase in deposits from retail and small business customers. The net stable funding ratio during the second quarter of 2019 was 113.40%, representing a decrease of 1.35 percentage points over the previous quarter. This was mainly due to the increase in loans and securities.

9. *Others*

1. During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures in the Group.
2. The Group's assets pledged were mainly collateral under repurchase agreements and loans from banks and other financial institutions. Save as disclosed above, there were no other significant assets pledged to be disclosed during the Reporting Period.

(III). BUSINESS INNOVATION AND NEW PRODUCTS

1. Improve business innovation mechanisms

First, the Bank formulated *The Innovation Index Evaluation Method of Provincial Branches* in 2019 to evaluate and announce each branch's innovation index, which was based on the innovation benefits, innovation efficiency and innovation ability of each branch, straightforwardly showing the innovation level of each branch. Second, aiming at the three stages in the management of innovative product during the lifecycle, namely, the construction stage, the promotion stage and the outcome stage, the Bank increased input of resources, stimulated new energy and developed new drivers. Third, the Bank set up an innovation incubation fund to support extensive incubation of Fintech innovation projects and organized activities such as innovation incubation competitions. Fourth, aiming at new technologies such as big data, artificial intelligence, internet of things, wearable devices and block chain, the Bank built an innovation laboratory, collected innovative experimental projects from all over the Bank and selected high-quality project teams to into the laboratory.

2. Corporate Banking Business Innovation

(1) Cash management businesses

To optimize industry segmentation solutions and improve the comprehensive service level of receipt, payment and settlement, the Bank made every effort to promote the establishment of intelligent ecological construction and scenario application innovation of cash management and launched Intelligent Financial Service Platform, Enterprise Online Trading Platform, E-pay, BoCom Pay and other key products. The Bank created the global cash management service plan, launched the convenient service mode of one-click connection between banks and enterprises, provided integrated global cash management services for onshore and offshore, domestic and overseas businesses to expand the scope of global cash management services. The Bank also focused on the improvement of customer service experience of cash management by building professional support teams of headquarters and branches, strengthening the online and green channel service operation and maintenance support ability, transforming and outputting the advantages of IT technology and professional experience service.

(2) Investment banking businesses

The Bank gave full play to the advantages of overseas bond underwriting and helped the People's Bank of China issue one-month and six-month central bank bills for the first time, totaling RMB30.0 billion. By offering active support to the financing of private enterprises, the Bank successfully set up two Credit Risk Mitigation Warrant (CRMW) under the bond financing support tools of private enterprises. The Bank also successfully held the first road show of series activities such as "BoCom Investment Bank Into the City".

(3) *Inclusive financial businesses*

In order to improve the product system, on the basis of optimizing the functions of existing online products, the Bank adopted the combination of “online evaluation credit approval + offline standardization verification investigation” to develop and launch product of “Online Mortgage Loan”. As at the end of the Reporting Period, 1,579 customers got the loan and the loan balance was RMB1.6 billion. The Bank innovated tripartite cooperation model, cooperated with China Ping An Insurance (Group) Co., Ltd. and China Pacific Insurance (Group) Co., Ltd. to explore “Premium Loans”. The Bank also cooperated with China National Investment & Guaranty Co., Ltd. to explore “Guaranteeing upon Loan”. Additionally, the Bank innovated the remote service model for small and micro customers, set up the outbound team based on customer’s hierarchical classification, initially formed a outbound team of 30 persons and coordinated online outbound calls and offline outlets. During the first half of the year, the total number of outbound calls was 390 thousand and successfully developed 22 thousand potential customers, 1,753 households were transferred to the branch for approval. The actual amount of credit granted was RMB14.05 billion and the withdrawal amount was RMB5.11 billion.

(4) *Asset custody businesses*

The Bank actively carried out pension financial services and successfully entered the list of professional annuity custodians in 15 provinces and cities. The Bank actively participated in the pilot innovation businesses of depository receipts in capital market and obtained the qualification of CDR depository banks.

3. *Personal financial business innovation*

(1) *Credit card businesses*

The Bank built an intelligent marketing system and launched three functions of active intelligent marketing, APP intelligent marketing and business intelligence marketing, gradually setting up an automated and intelligent marketing decision-making model and a customer-centric integrated business model. The Bank strengthened human-computer collaboration based on artificial intelligence and independently developed and upgraded the intelligent robot Athena 2.0. As at the end of the Reporting Period, the average daily production capacity of one silent seat supplemented with intelligent robots was equivalent to 10 telephone seats. The solution rate of intelligent seats increased by 5.5 percentage points over the end of the previous year to 40.5%.

The Bank relied on technology platforms including uniform rules engine and data middle platform to establish a full coverage risk data mart by sharing a risk monitoring and reporting system and a new generation of risk control decision engine, which formed a comprehensive and unified risk management system to further enhance the ability of anti-fraud with pre-warning and in-event warning. The deferred fraud rate of application dropped by 0.24 basis point annually in June compared with those in May.

The Bank continued to explore series of theme credit cards such as Y-POWER Youth and its campus version and launched the “Burning” cards combined with the 100th anniversary of the “Youth Day”. Meanwhile, the Bank launched two city cards in Chongqing and Suzhou to fill the gap in the local market.

(2) *Wealth management businesses*

The Bank focused on the diversified wealth management needs of customers and innovatively launched products such as “Hui Tian Xi” US dollar deposits, large certificate of pension deposit and pension wealth management products. The Bank continued to enrich the net worth of wealth management products system and added products such as “OTO Wenxiang” and “OTO Ruixiang”, launched the new function of Scheduled Investment in “Funding PLUS”, integrated big data quantification technology with professional wealth management capabilities and helped customers reduce risk of timing and improved the success rate of investment through disciplinary investment.

The Bank also focused on the experience of customers’ foreign exchange services. The Bank introduced value-added services such as visas, overseas study and tourism according to the needs of overseas travel and overseas study. The Bank integrated foreign currency deposits with wealth management, foreign exchange settlement, cross-border remittance, deposit certificates and information services as well as various types of financial services such as trading products to create a one-stop cross-border financial service system.

(3) *Online service*

The Bank continued to expand the functions of mobile banking, launched new functions such as online income and expenditure account, and money saving plan 2.0 to improve the construction of life and cross-border scenarios. As at the end of the Reporting Period, the number of mobile banking registered customers reached 79.7373 million, representing an increase of 7.54% over the end of the previous year. The number of mobile banking transactions reached 244 million, representing an increase of 41.04% on a year-on-year basis.

During the Reporting Period, as the first mobile banking live broadcast platform in the industry, the Bank's "BoCom Live Broadcast" platform focused on investment and financial education, key product introduction, preferential welfare information, guidance for study abroad and one-stop financial services. The platform planned, produced and broadcasted a series of live programs. The number of people watching increased by 413.4% on a year-on-year basis to 344 thousand. In the "2019 Digital Marketing Competition of Banking Industry" hosted by China Financial Certification Center, "BoCom Live Broadcast" won the gold prize for creative communications.

The Bank constantly innovated personalized service model. The Bank launched the ETC online application function and added a personal homepage module in mobile banking. Employees can customize the recommended activities, products, functions, poster backgrounds and share them with one click, which establish a "never off-line" marketing model with all staff. The Bank continuously optimized long-tail customer service to make them one of the important sources of high-end customers by relying on financial technology and the two-wheel drive of "Finance + Data" as well as synergies of two-line services of offline channels.

4. *Business innovation in inter-bank and financial markets*

(1) *Asset management businesses*

The Bank accelerated the transformation of net worth in two ways. One is to consolidate and expand cash management products. The other is strengthening the characteristics of the theme product investment, continuously enriching the product's term characteristics, investment strategies and product functions and actively expanding the product distribution target. During the Reporting Period, the Group successfully launched 13 net-value products including OTO Ruixiang Bond Stable 1901 Themed Fund, OTO Ruixiang Bond Intesified 1902 Themed Fund, OTO Wenxiang Series opening once in 6 months, OTO Wenxiang Series opening once in one year, Private Banking Xinxiang Series opening once in one year, OTO Hengxiang Series and Pension Net-value product. The net value product system covered cash management, regular open, fixed-term closed and subject-type regular open products and took the lead in completing the whole product system layout in the industry.

(2) *Precious metal businesses*

The Bank obtained the qualification of the first batch of silver futures market makers on the Shanghai Futures Exchange and became one of the two commercial bank market makers of Silver Futures.

(IV). Risk Management

During the first half of 2019, the Group took “Full coverage, Differentiation, Specialization, Intelligence and Accountability” as its goal, deepened the reform of risk credit management, improved the comprehensive risk management framework. As at the end of the Reporting Period, the main asset quality indicators were stable and non-performing loans ratio decreased by two basis points over the beginning of the year and the provision coverage of impaired loans increased slightly over the beginning of the year.

1. Risk Appetite

The Group adhered to the bottom line of compliance, insisted on the prudential style of risk management, conscientiously implemented external regulatory requirements, actively served the real economy, strictly controlled all kinds of risks, constantly and comprehensively deepened the reform and prevented the occurrence of systematic risks. During the first half of 2019, the overall implementation of risk appetite was satisfactory.

2. Risk Management Framework

The Board of Directors of the Group assumes the ultimate responsibility and serves the highest function of decision-making for the Group’s risk management and control of the Group’s risk management through its Risk Management and Related Party Transaction Control Committee. The Senior Management established a “1+4+2” Risk Management Committee, where four sub-committees were established under Comprehensive Risk Management Committee, namely Credit Risk Management Committee, Market and Liquidity Risk Management Committee, Operational Risk Management and Compliance (Anti-Money Laundering) Committee. Two business review committees, namely Credit and Investment Review and High-risk Asset Review Committee were also established and performed their respective duties.

Each provincial branch, overseas branch, subsidiary and directly operating institutions correspondingly established simplified and practical Risk Management Committees referring to the aforementioned framework. In addition to the Plenary Meeting of the Comprehensive Risk Management Committee, the provincial branches also set up the meetings of the Comprehensive Risk Management Committee as the main carrier for the leader team and staff team members to research on preventing systematic regional risks and making decisions on risk management significant events of their own units.

The Group ensured the full implementation of risk management requirements through the mechanism of “Leadership and Execution, Supervision and Reporting” between Risk Management Committee and sub-committees and between committees of Head Office and branches, forming a unified and coordinated risk management.

3. *Risk Management Tool*

The Group emphasized importance on the establishment and application of risk management tools, information systems and econometric models. The Group used financial technology to assist risk management. The Group also actively explored the application of big data, artificial intelligence, cloud computing and graph computing in the field of risk management, initiated the construction of the Group’s risk data application in ecological system and created a unified risk monitoring system covering the entire Group.

The Group established a complete system in implementation of Advanced Measurement Approach of Capital Management covering areas such as policy procedure building, module developing and management, data accumulation and normalization, 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 a primary internal rating-based approach for enterprise risk exposures, internal rating-based approach for retail risk exposures, internal model-based approach for market risk and standardized approach for operational risk to measure capital requirements. In 2018, the Group was approved by the China Banking Regulatory Commission to end the parallel phase of advanced capital management methods and expand the scope of implementation.

4. *Credit Risk Management*

Credit risk is one of the major risks encountered by the Group. The Group adopted stringent management on different procedures, including guidance for loan disbursement investigation, reporting, business review and approval, distribution of fund, duration management and overdue non-performing loan management, all of which reduced the credit risk to an acceptable level and achieved a balance between risks and returns.

The Group was determined to implement the decisions strategy of the central government and the State Council. In response to State’s policies and market fluctuations, the Group issued and dynamically updated an outline regarding the risk of credit authorization policy and guidelines on industrial or regional direction, promoted financial services to the real economy and constantly optimized credit assets structure. During the first half of 2019, the company’s loan investment structure was in line with the macroeconomic operation characteristics and the Bank’s policy requirements.

The Group deepened the reform of risk credit management. The Group optimized processes of application, approval, the post-loan management and post-investment management, full process management, and system support to improve the efficiency of credit management. The Group also improved the risk monitoring system, strengthened the unified management of risk measurement and built a unified risk management system for the Group as a whole.

The Group emphasized on risk management in key areas and conducted risk investigations on key areas such as Sino-US trade friction, real estate industry, pharmaceutical manufacturing and chemical industry. The Group focused on key institutions to implement key controls. The Group also established a continuous monitoring mechanism for major projects and key customers to achieve risk mitigation in advance.

The Group put efforts on risks mitigation. The Group implemented the accountability for the disposals and preservation of major projects and actively dealt with such disposals. During the first half of the year, the total amount of non-performing loans decreased by RMB27.38 billion.

According to the regulatory requirements stated in the *Guidance for the Risk-based Loan Categorization* issued by CBIRC, the Group classified credit assets into five categories, namely pass, special mention, sub-standard, doubtful and loss, based on their risk level, in which the last three categories are regarded as non-performing loans. The nature of the categories refers to the possibility of timely and full repayment of the principal and interest of credit assets. In relation to corporate credit assets, the Group specified the risk attributes and measurements of the aforementioned five categories, with reference to internal ratings and provisions for each loan. All of these ensured that various factors affecting 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 RMB75.508 billion and the non-performing loans ratio was 1.47%, representing an increase of RMB2.996 billion or 0.02 percentage point decrease over the end of the previous year. The breakdown of the Group's five categories of loan classification stipulated by the Chinese banking regulatory authorities is as follows:

Categories	<i>(in millions of RMB unless otherwise stated)</i>					
	30 June 2019		31 December 2018		31 December 2017	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Pass loan	4,935,926	96.21	4,662,605	96.06	4,378,840	95.62
Special mention loan	119,178	2.32	119,111	2.45	131,910	2.88
Total performing loan balance	5,055,104	98.53	4,781,716	98.51	4,510,750	98.50
Sub-standard loan	14,643	0.29	13,711	0.28	18,723	0.41
Doubtful loan	42,278	0.82	38,456	0.79	24,865	0.54
Loss loan	18,587	0.36	20,345	0.42	24,918	0.55
Total non-performing loan balance	75,508	1.47	72,512	1.49	68,506	1.50
Total	5,130,612	100.00	4,854,228	100.00	4,579,256	100

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

Loan migration rates(%)	First half year of 2019	2018	2017
Pass loan	0.90	1.85	2.09
Special mention loan	16.81	30.01	21.62
Sub-standard loan	40.89	88.62	53.59
Doubtful loan	8.19	15.36	26.86

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

5. **Market Risk Management**

Market risk was the risk of loss of on-and off-balance sheet businesses due to adverse changes in market prices (such as interest rates, exchange rates, commodity prices and stock prices). Interest rate risk and exchange rate risk (including gold) are the major market risks encountered by the Group.

The Group used an internal model method for exchange rate risk and the general interest rate risk of trading accounts and a standardized method of measurement for market risks not covered by the internal model method. The internal model method used historical simulation to measure the value at risk (VaR) and the stress value at risk (SVaR), with a historical observation period of 1 year, a holding period of 10 working days and a one-tailed confidence interval of 99%.

The Group controlled and prevented market risks and improved the level of market risk management by establishing and optimizing the segregation of duties, clear system processes, improving measurement systems and timely monitoring and analyzing. The objective of market risk management was to proactively identify, measure, monitor, control and report market risk according to the risk appetite determined by the Board of Directors, to control market risk within an affordable range through a variety of methods and means such as quota management, risk hedging and risk transfer and to maximize risk-adjusted returns on this basis.

During the Reporting Period, the Group continued to improve the market risk management system, undertook the advantages of information technology in market risk management, improved the level of management automation, strengthened the risk management of overseas banks, continuously optimized the market risk management information system, continuously promoted the construction of large middle-end system of market risk and set the valuation model of new business products, parameters and market data. The Group also optimized market risk management models and configurations, independently validated new configuration models and conducted regular data quality checks.

The Group continued to promote the application of the results derived from market risk measurement into management's practice. Daily capital transaction positions of the whole Bank and the most updated market data were obtained to perform position valuation and sensitivity analysis in a timely manner. In addition, using the historical simulation method, 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. The results were also applied to capital measurement using the internal model-based 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 capture the changes in financial market in a timely manner and objectively reflected market risk encountered by the Group. Meanwhile, the Group closely followed new developments in risk monitoring of domestic and foreign markets, actively participated in the quantitative measurement organized by the CBIRC, provided feedback and suggestions in a timely manner.

6. *Liquidity Risk Management*

The governance structure of the Group's liquidity risk management includes decision-making body composed of the Board of Directors and its Risk Management and Related Transaction Control Committee, senior management and its Market and Liquidity Risk Management Committee, supervisory body composed of the Supervisory Board and the Audit Oversight Board, executive body composed of the Asset and Liabilities Management Department, the Financial Markets Business Centre, the Risk Management Department, the Operation Management Department, various branches, various subsidiary bodies and various business administrations of head office.

The Group's liquidity risk management objective was to establish and improve the liquidity risk management system and to effectively identify, measure, monitor and control the liquidity risk of the legal person and group level, subsidiary bodies, branches and lines of businesses, ensuring that liquidity needs could be met at a reasonable cost in a timely manner.

The Group annually determined liquidity risk appetite based on factors such as business strategy, business characteristics, financial strength, financing capabilities, overall risk appetite and market impact. According to the liquidity risk appetite, the Group developed liquidity risk management strategies, policies and procedures in written forms. Liquidity risk management strategies and policies covered businesses both on-and off-balance sheet, as well as all business units, branches and affiliates within and outside the country that might have a significant impact on liquidity risk. The strategies and policies also included liquidity risk management in normal and stressful situations.

During the Reporting Period, the Group actively implemented the requirements of the *Administrative Measures on Liquidity Risk Management of Commercial Banks* issued by CBIRC, continued to carry out the consolidation and promotion of liquidity risk management, and effectively balanced safety, liquidity and profitability.

During the Reporting Period, the businesses of the Group were developed in a coordinative manner under a stable liquidity risk condition, with satisfactory liquidity indicators under regulatory requirements such as liquidity coverage ratio, liquidity ratio, and net stable funding ratio. In accordance with regulatory policy requirements and the need for deepening reform across the Bank, the Group further strengthened the on-and off-balance sheet liquidity risk management by estimating, measuring and analyzing cash flows, coordinating financing and liquidity management of high quality asset, continuously monitoring and ensuring liquidity security during daytime and liquidity limits were under control and performed regular liquidity risk stress tests by considering the inter relationship of different risks and liquidity risk and the impact of market liquidity risk on bank's liquidity risk. The test result showed that the Bank's liquidity risks under various pressure scenarios were under control.

7. *Operational Risk Management*

The Group developed comprehensive operational risk management system dealing with the nature, scale and product complexity of the whole Banks businesses. The Group also ensured and standardized the procedure of self-assessment on operational risk and control, lost data collection, key risk indicators inspection and operational risk management.

During the Reporting Period, the Group strengthened operational risk management. The Group improved the operational risk management system and risk assessment mechanism and conducted operational risk and control assessment for key processes. The Group also established a domestic and overseas integrated business continuity management system and extended the coverage of the outsourcing risk assessment mechanism to the whole Group.

8. *Legal Compliance and Anti-Money Laundering*

During the Reporting Period, the Group effectively conducted different legal compliance, continued to improve the long-term mechanism of overseas compliance, continuously strengthened the Group's consolidation management of legal compliance risk, actively promoted the construction of legal compliance system and continued to strengthen the law and compliance implementation.

The Group practiced risk-based anti-money laundering management requirements, improved internal control system of anti-money laundering, emphasized all employees' anti-money laundering job responsibilities, optimized anti-money laundering system functions, promoted intelligent projects, enhanced anti-money laundering technical support and capacity.

9. *Reputation Risk*

The Group established and improved the reputation risk management framework. Negative comments from various stakeholders regarding the Group's operation, management, any other behaviors or external events were well managed. Situations regarding reputation risk were appropriately handled.

The Group continued to improve reputation risk management system and mechanism. The Group intensified the identification, warning, assessment and monitoring of reputation risk, tracked and monitored the occurrence and changes of reputation risk factors in real time and promptly adjusted corresponding strategy and measures. During the Reporting Period, negative public comments were well responded. Reputation risk was under control. No event occurred regarding significant reputation risk.

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

The Group established cross-industry and cross-border risk management system with "Centralized Management, Clear Task Allocation, Complete and Adequate System Tools, IT Support, Quantitative Risk, and Consolidation of Substantially Controlled Entities". The Group promoted all subsidiaries and overseas institutions to prevent risks arising from cross-industry and cross-border operations under both the Group's standardized requirements and the respective requirements from local regulatory governing bodies.

During the Reporting Period, the Group strengthened the assessment and disposal of cross-border credit risks. The Group also strengthened consolidation management, improved procedures and measures, developed management systems and strictly managed affiliated institutions. The Group strengthened the management of country risk and focused on improving risk management and controls for high-risk and relatively high-risk countries.

The Group did not note any insider trading that could damage the sustainable operation in respect of regulatory arbitrage, risk transfer or transactions without genuine purposes or not at market price transactions.

11. *Management of Large Exposure Risk*

The Group conscientiously implemented the requirements of the CBIRC on management of large exposure risk, emphasized the importance on the management of large exposure risk, formulated relevant policies, improved management structure and clearly defined requirements. During the Reporting Period, the Group's large exposure risk indicators met the regulatory requirements.

(V). Outlook

During the second half of 2019, the external situation remains complex and evolving. The uncertainty of Sino-US trade friction increases. However, China is still at the window of strategic opportunities. Macroeconomic situation sustains long-term development with good momentum along with new economy driver. Overall, opportunities and challenges exist alongside in the banking industry.

On one hand, China's economy is in the vital stage of transforming the development mode, optimizing the economic structure and transforming the growth momentum. The supply-side structural reform achieved solid progress. The real economy are deeply integrated with internet, big data and artificial intelligence. Policies such as the pilot reform of financial services of free trade zones, private enterprises and small and micro enterprises are implemented and achieve progressive result. On the other hand, banking industry faces with greater challenges in stable development and risk mitigation. Challenges include the complicated and severe external environment, the pains of domestic economic transformation and upgrading, the emerging structural contradictions in high-quality development, the considerable amount of difficulties in the real economy and the shortcomings of the people's livelihood.

During the second half of 2019, under the landscape of development strategy and the requirement of high-quality development, the Group will continue to actively seize opportunities, explore key areas closely related to the needs of the real economy and people's aspiration to live a better life. The Group will develop the service capabilities according to the new economy form and the new financial environment. The Group will focus on the following areas. First, to strengthen the research and judgement of situation and policy research and seize the opportunity to promote development, the Group will strengthen the research and early estimation of risks and opportunities, improve policy flexibility and coordination, encourage business units to adapt to local conditions and enhance the ability to develop distinctive features. Second, to enhance the ability of asset allocation and serve the real economy in a better way, the Group will identify and respond to the actual needs of the real economy, strengthen abilities in response to strategies of key regions, support the high-quality development of private enterprises, inclusive enterprises, small and macro enterprises and the manufacturing industry. The Group will also take the advantages of internationalization and integration, and enhance the service capabilities in new fields and new forms. Third, to continuously promote technology empowerment and enhance comprehensive customer service capabilities, the Group will build scenario application, system and platform for customers. The Group will obtain new customers via scenario application and attract customer via online service. The Group will also enhance the innovation of products, deepen data management and strengthen support. Fourth, to deepen the reform of credit risk management and risk mitigation. The Group will reinforce the responsibility for non-performing assets disposal, strengthen credit risk control, accelerate the construction of online operation and risk management capabilities of inclusive businesses and safeguard the bottom line of case prevention and compliance.

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I). Members of Board of Directors

As at the date of this announcement, the members of the Board of Director of the Bank are as below:

Name	Position	Name	Position
Ren Deqi	Vice Chairman of the Board of Director, Executive Director and President	Liu Haoyang	Non-executive Director
Hou Weidong	Executive Director and Executive Vice President	Li Jian	Independent Non-executive Director
Wang Taiyin	Non-executive Director	Liu Li	Independent Non-executive Director
Song Guobin	Non-executive Director	Jason Yeung Chi Wai	Independent Non-executive Director
He Zhaobin	Non-executive Director	Raymond Woo Chin Wan	Independent Non-executive Director
Chen Shaozong	Non-executive Director (designated)	Cai Haoyi	Independent Non-executive Director
Song Hongjun	Non-executive Director	Shi Lei	Independent Non-executive Director (designated)
Chen Junkui	Non-executive Director		

Notes:

1. The qualifications of the designated Directors are pending for approval of the CBIRC.
2. Mr. Wu Wei has no longer served as the Executive Director, Executive Vice President and Chief Financial Officer of the Bank since 22 August 2019.
3. Ms. Helen Wong Pik Kuen has no longer served as the Non-executive Director since 15 August 2019.

(II). Members of the Board of Supervisors

As at the date of this announcement, the members of the Board of Supervisors of the Bank are as below:

Name	Position	Name	Position
Feng Xiaodong	Shareholder Supervisor	Chen Hanwen	External Supervisor
Wang Xueqing	Shareholder Supervisor	Chen Qing	Employee Supervisor
Tang Xinyu	External Supervisor	Du Yarong	Employee Supervisor
Xia Zhihua	External Supervisor	Guan Xingshe	Employee Supervisor
Li Yao	External Supervisor	Wang Xuewu	Employee Supervisor

(III). Senior Management

As at the date of this announcement, the members of the Senior Management of the Bank are as below:

Name	Position	Name	Position
Ren Deqi	President	Gu Sheng	Secretary of the Board of Directors
Hou Weidong	Executive Vice President	Xu Han	Chief Business Officer (Retail and Private Business Sector)
Yin Jiuyong	Executive Vice President (designated)	Tu Hong	Chief Business Officer (Inter-bank and Market Business Sector)
Lyu Jiajin	Executive Vice President	Ng Siu On	BoCom-HSBC Strategic Cooperation Consultant
Guo Mang	Executive Vice President		

Notes:

1. Mr. Yin Jiuyong was elected as the Executive Vice President of the Bank in accordance with the resolution at the 2nd meeting of the 9th Session of the Board of Directors of the Bank. His qualification is pending for approval of the CBIRC.
2. Mr. Wu Wei has no longer served as the Executive Vice President and Chief Financial Officer of the Bank since 22 August 2019.

(IV). Changes in Directors, Supervisors and Senior Management

Newly Appointed/Elected		
Name	New Position	Change
Chen Shaozong (designated)	Non-executive Director	Elected at General Meeting
Song Hongjun	Non-executive Director	Elected at General Meeting
Chen Junkui	Non-executive Director	Elected at General Meeting
Shi Lei (designated)	Independent Non-executive Director	Elected at General Meeting
Feng Xiaodong	Shareholder Supervisor	Elected at General Meeting
Chen Hanwen	External Supervisor	Elected at General Meeting
Wang Xuewu	Employee Supervisor	Elected at the Employee Representative Meeting
Yin Jiuyong (designated)	Executive Vice President	Appointed by the Board of Directors
Lyu Jiajin	Executive Vice President	Appointed by the Board of Directors
Resigned/Retired		
Name	Ex-position	Change
Peng Chun	Ex-Chairman of the Board of Directors and Ex-Executive Director	Resigned (due to job arrangement)
Peter Wong Tung Shun	Ex-Vice Chairman of the Board of Directors and Ex-Non-executive Director	Retired (due to election of new session of the Board of Directors)
Wu Wei	Ex-Executive Director, Ex-Vice President and, Ex-Chief Financial Officer	Resigned (due to job arrangement)
Helen Wong Pik Kuen	Ex- Non-executive Director	Resigned (due to personal reason)
Liu Hanxing	Ex-Non-executive Director	Retired (due to election of new session of the Board of Directors)
Luo Mingde	Ex-Non-executive Director	Retired (due to election of new session of the Board of Directors)
Yu Yongshun	Ex-Independent Non-executive Director	Retired (due to election of new session of the Board of Directors)
Song Shuguang	Ex-Chairman of the Board of Supervisors	Resigned (due to job arrangement)
Gu Huizhong	Ex-Shareholder Supervisor	Retired (due to election of new session of the Board of Supervisors)
Zhao Yuguo	Ex-Shareholder Supervisor	Retired (due to election of new session of the Board of Supervisors)

Resigned/Retired Name	Ex-position	Change
Liu Mingxing	Ex-Shareholder Supervisor	Retired (due to election of new session of the Board of Supervisors)
Zhang Lili	Ex-Shareholder Supervisor	Retired (due to election of new session of the Board of Supervisors)
Xu Ming	Ex-Employee Supervisor	Retired (due to election of new session of the Board of Supervisors)
Fu Wanjun	Ex-Chief Business Officer (Corporate and Institutional Business Sector)	Resigned (due to job arrangement)

(V). Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Changes of shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason of share change
Ren Deqi	Vice Chairman of the Board of Directors, Executive Director and President	A Share	–	–	–	–
		H Share	100,000	–	100,000	–
Hou Weidong	Executive Director and Executive Vice President	A Share	80,000	–	80,000	–
		H Share	20,000	–	20,000	–
Wang Taiyin	Non-executive Director	A Share	80,000	–	80,000	–
		H Share	50,000	–	50,000	–
Song Guobin	Non-executive Director	A Share	20,000	–	20,000	–
		H Share	–	–	–	–
He Zhaobin	Non-executive Director	A Share	20,000	–	20,000	–
		H Share	–	–	–	–
Chen Shaozong (designated)	Non-executive Director	A Share	–	–	–	–
		H Share	49,357	–	49,357	–
Chen Qing	Employee Supervisor	A Share	40,000	–	40,000	–
		H Share	20,000	–	20,000	–
Du Yarong	Employee Supervisor	A Share	60,000	–	60,000	–
		H Share	20,000	–	20,000	–

Name	Position	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Changes of shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason of share change
Wang Xuewu	Employee Supervisor	A Share	25,000	–	25,000	–
		H Share	–	–	–	–
Guo Mang	Executive Vice President	A Share	50,000	–	50,000	–
		H Share	–	–	–	–
Gu Sheng	Secretary of the Board of Directors	A Share	66,100	–	66,100	–
		H Share	21,000	–	21,000	–
Xu Han	Chief Business Officer (Retail and Private Business Sector)	A Share	50,000	–	50,000	–
		H Share	30,000	–	30,000	–
Tu Hong	Chief Business Officer (Inter-bank and Market Business Sector)	A Share	–	–	–	–
		H Share	50,000	–	50,000	–
Ng Siu On	BoCom-HSBC Strategic Cooperation Consultant	A Share	–	–	–	–
		H Share	30,000	–	30,000	–
Directors, Supervisors and Senior Management Resigned/Retired						
Peng Chun	Ex-Chairman of the Board of Directors and Ex-Executive Director	A Share	250,000	–	250,000	–
		H Share	50,000	–	50,000	–
Wu Wei	Ex-Executive Director, Ex-Executive Vice President and Ex-Chief Financial Officer	A Share	96,000	–	96,000	–
		H Share	20,000	–	20,000	–
Song Shuguang	Ex-Chairman of the Board of Supervisors	A Share	130,000	–	130,000	–
		H Share	50,000	–	50,000	–
Xu Ming	Ex-Employee Representative Supervisor	A Share	70,000	–	70,000	–
		H Share	–	–	–	–
Fu Wanjun	Ex-Chief Business Officer (Corporate and Institutional Business Sector)	A Share	71,300	–	71,300	–
		H Share	–	–	–	–

Additionally, Mr. Chen Shaozong, the designated Director of the Bank, held 98 shares of H shares of Bank of Communications International Holdings Limited. Save 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 Hong Kong stock Exchange pursuant to Divisions 7 and 8 of Part XV of the *SFO*, or which were required to be recorded in the register as kept pursuant to Section 352 of the *SFO*, or which were required, pursuant to the *Model Code* to be filed to the Bank and the Hong Kong Stock Exchange.

VII. SIGNIFICANT EVENTS

(I). Corporate Governance

The Bank strictly complied with *Company Law*, *Securities Law*, *Commercial Bank Law* and other relevant laws, regulations and rules. The Bank actively explored the corporate governance model of large commercial banks with Chinese characteristics. The Bank consistently enhanced the level of corporate governance in order to protect the rights of both domestic and foreign investors as well as relevant stakeholders.

In compliance with the *Corporate Governance Code* in Appendix 14 of the Hong Kong Listing Rules, as for Code A.2.1, on 9 April 2019, due to job arrangement of national finance, Mr. Peng Chun resigned as the Chairman of the Board of Directors and Executive Director of the Bank and Chairman of the Strategy Committee of the Board of Directors (Inclusive Finance Development Committee). During the transitional period of Mr. Peng's resignation, Mr. Ren Deqi, Vice Chairman of the Board of Directors, Executive Director and President of the Bank, took over the duties of the Chairman of the Board of Directors and Chairman of the Strategy Committee of the Board of Directors (Inclusive Financial Development Committee). As for Code A.5.1, prior to the approval by the CBIRC of the newly designated Mr. Shi Lei as an Independent Non-executive Director of the Bank, the number of Independent Non-executive Directors in the Board of Directors' Remuneration Committee does not account for the majority. On 15 August 2019, after the resignation of Ms. Helen Wong Pik Kuen as a Non-executive Director of the Bank and a member of the Board of Directors' Remuneration Committee, the Board of Directors' Personnel Remuneration Committee consisted of one Non-executive Director and two Independent Non-executive Directors, which was in accordance with Rule 3.25 of the Hong Kong Listing Rules and Code A.5.1 of the *Code of Corporate Governance*. Save as disclosed above, the Board of Directors confirmed that the Bank fully complied with the principles and provisions under the *Code of Corporate Governance* as set out in Appendix 14 of the Hong Kong Listing Rules, and adhered to majority of the recommended best practices as set out in the *Code of Corporate Governance* during the Reporting Period.

(II). Shareholder's General Meeting

On 4 January 2019, the Bank held the 2019 First Extraordinary General Meeting, that reviewed and approved 5 proposals including the election of Mr. Wu Wei as an Executive Director, the issuance of Tier 2 capital bonds, the remuneration plan of the Directors of 2017, the remuneration plan of the Supervisors of 2017, and amendments to the *Authorization to the Board of Directors by the General Meeting*.

On 20 May 2019, the Bank held the 2019 Second Extraordinary General Meeting, that reviewed and approved the proposal in respect of the issuance of write-down undated capital bonds.

On 21 June 2019, the Bank held the 2018 Annual General Meeting, the 2019 First Class A Shareholders' Meeting and 2019 First Class H Shareholders' Meeting. During the 2018 Annual General Meeting, 12 proposals were reviewed and approved, including the 2018 Report of the Board of Directors, the 2018 Report of the Board of Supervisors, the 2018 Financial Report and the appointment and re-election of Directors. The 2019 First Class A Shareholders' Meeting and 2019 First Class H Shareholders' Meeting both reviewed and approved the proposal of the extension of the effective and authorized period of the resolutions of the public issuance of A share convertible corporate bonds.

The resolution announcements for all Shareholders' General Meetings have been disclosed on the websites of SSE, Hong Kong Stock Exchange and the Bank, and are published via media designated by the Chinese Securities Regulatory Commission ("CSRC").

(III). Profit Distribution

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

Pursuant to 2018 Profit Distribution Plan approved at the 2018 Annual General Meeting on 21 June 2019, a cash dividend of RMB0.30 (before tax) for each share, totaling RMB22.279 billion, calculated based on the total share capital of ordinary shares of RMB74.263 billion as at 31 December 2018 was approved. The aforementioned dividends were distributed to shareholders of A share and shareholders of H share on 9 July 2019 and 25 July 2019 respectively.

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

The Bank did not distribute an interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2019.

3. Execution of the Bank's Cash Dividend Distribution Policy during the Reporting Period

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

(IV). Commitment

The Bank's 2017 Annual General Meeting of Shareholders reviewed and approved the *Proposal in Relation to the Remedial Measures and Dilution of the Public Issuance of A Share Convertible Corporate Bonds by Bank of Communications Co., Ltd.* and promised to strengthen the management of raised funds, give full play to the benefits raised funds could bring, improve the capital constraint mechanism, enhance the efficiency of capital allocation, optimize the asset structure, promote the transformation of business development model, focus on shareholder return and implement a consistent and stable profit distribution policy to remedy that the financial indicators such as the earnings per share may decrease because of the public offering of convertible bond. Meanwhile, according to the relevant regulations of the CSRC, the Directors and Senior Management of the Bank also made a commitment regarding the remedies. During the commitment period, the Bank and its Directors and Senior Management strictly fulfilled their commitments.

(V). Material Litigation and Arbitration

During the Reporting Period, the Bank did not involve in any material litigation and arbitration. As at the end of the Reporting Period, the amount of pending litigation, where the Group was the defendant or third party, was approximately RMB4.263 billion. The Bank is of the view that these litigations will not have any material negative effect on the financial position of the Bank.

(VI). Punishment

During the Reporting Period, neither the Bank, nor any of its Directors, Supervisors or Senior Management was subject to any investigation by competent authorities, any enforcement measures by judiciary authorities or discipline inspection departments, any transferring to the judiciary authorities for criminal responsibilities, any investigation or administrative penalty by the CSRC, any prohibition from access to market or disqualification, any material administrative penalty by administrative departments including environmental, safety supervision and tax departments and any other administrative departments or any situations of denouncement by the stock exchanges.

(VII). Integrity

During the Reporting Period, the Group did not exist the situations either of refusing the execution of court orders nor unsettling significant due debts.

(VIII). 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.

(IX). Material Contracts and Performance of Obligations Thereunder

1. Material Trust, Sub-Contract and Lease

During the Reporting Period, the Bank did not hold in trust to a material extent or entered into any material sub-contract or leasing arrangement in respect of assets of other corporations, no other corporation held in trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Group's assets.

2. *Material Guarantees*

The provision of guarantees was one of the off-balance sheet transactions carried out by the Bank during the ordinary course of business. During the Reporting Period, the Bank 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 Bank did not enter into any other material contracts.

(X). Environmental Information

Please refer to the 2019 Interim Report published on the website of the Hong Kong Stock Exchange website for the details of the Bank's performance of environmental responsibilities during the Reporting Period.

(XI). Audit Committee

The setup of Audit Committee of the Bank strictly complied with Hong Kong Listing Rules. The Audit Committee is mainly responsible for proposing the appointments, change or removal of the Group's auditors, monitoring the Group's internal audit system and implementation, acting as the communication channels between the Group's internal and external auditors, reviewing the Bank's financial information and disclosure, examining the Group's accounting policies, financial position and financial reporting procedures, and monitoring the implementation of the Group's internal controls. As at the date of this announcement, the Audit Committee under the Board of Directors comprised 7 members, including Mr. Liu Li, Mr. Wang Taiyin, Mr. He Zhaobin, Mr. Chen Junkui, Ms. Li Jian, Mr. Jason Yeung Chi Wai and Mr. Raymond Woo Chin Wan. Mr. Liu Li, an Independent Non-executive Director, served as the Chairman of the Audit Committee. The Audit Committee and Senior Management reviewed the Bank's accounting policies and practices and discussed issues relating to internal controls and financial reporting including reviewing this announcement.

(XII). Purchase, Sale or Repurchase of Listed Securities of the Bank

During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, sold or repurchased any listed securities of the Bank.

(XIII). Securities Transactions by Directors, Supervisors and Senior Management

The Bank required that the Directors, Supervisors and Senior Management of the Bank should 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 CSRC and *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in the Appendix 10 of the Hong Kong Listing Rules. The Bank adopted a set of codes of conduct for securities trading by the Directors and Supervisors no less stringent than the standards set out in the above rules. During the Reporting Period, all the Directors, Supervisors and Senior Management of the Bank confirmed that the securities transactions conducted by them are in compliance with the above rules.

(XIV). Appointment of Accounting Firm

With the approval at the 2018 Annual 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, the internal control and other related professional services and appoint PricewaterhouseCoopers to perform the audit of the financial statements prepared by the Bank in accordance with IFRSs and to provide other related professional services. The term of appointment starts upon the approval on the date of the Bank's 2018 Annual General Meeting, and ceases at the end of day of 2019 Annual General Meeting. The overall remuneration is RMB34.445 million.

(XV). Other Significant Events

1. In January 2019, the Bank's 2019 First Extraordinary General Meeting reviewed and approved the issuance of qualified write-down Tier 2 capital bonds with an aggregate amount of no more than RMB80.0 billion. The resolution of the issuance plan is effective from the date of approval by the shareholders' meeting to 31 December 2020. Approved by the regulatory authorities, the Bank has successfully issued RMB40.0 billion of Tier 2 capital bonds in the national inter-bank bond market. For related details, please refer to the announcements of the Bank published on the website of the SSE and the website of the Hong Kong Stock Exchange on 4 January, 24 June, 4 July and 16 August 2019.

2. In March 2019, the Board of Directors of the Bank reviewed and approved the issuance of ordinary financial bonds with a total amount of no more than RMB90.0 billion. For related details, please refer to the announcements of the Bank published on the website of the SSE and the website of the Hong Kong Stock Exchange on 29 March 2019.
3. In March 2019, the Board of Directors of the Bank reviewed and approved to inject capital of no more than RMB5.5 billion to BOCOM Leasing, a wholly-owned subsidiary of the Bank. Meanwhile, the Board of Directors of the Bank approved BOCOM Leasing to inject capital of no more than RMB5.5 billion to BOCOM Aviation and Shipping, a wholly-owned subsidiary of BOCOM Leasing. The above matter is subject to the approval of the relevant regulatory authorities. For related details, please refer to the announcements of the Bank published on the website of the SSE and the website of the Hong Kong Stock Exchange on 29 March 2019.
4. In April 2019, the Bank received letter from the SSF, the substantial shareholder of the Bank, that the SSF plans to sell not exceeding 1,485,254,533 A Shares in aggregate, not exceeding 2% of the total current issued ordinary shares of the Bank, within the coming six-month period by way of call auction or block trade transfer. Currently, the SSF has not yet reduced any of its shares in the Bank. For related details, please refer to the announcements of the Bank published on the website of the SSE and the website of the Hong Kong Stock Exchange on 2 April and 24 July 2019.
5. In May 2019, the 2019 Second Extraordinary General Meeting of the Bank reviewed and approved the proposal in respect of the issuance of write-down undated capital bonds with a total amount of no more than RMB40.0 billion or equivalent in foreign currency. For related details, please refer to the announcements of the Bank published on the website of the SSE and the website of the Hong Kong Stock Exchange on 20 May and 19 July 2019.
6. In June 2019, the Bank's wholly-owned subsidiary, BOCOM Wealth Management Co., Ltd. officially commenced operation. The company has a registered capital of RMB8.0 billion and is mainly engaged in issuance of publicly-offered asset management products, issuance of privately-offered asset management products, asset management advisory and consulting services. For related details, please refer to the announcements of the Bank published on the website of the SSE and the website of the Hong Kong Stock Exchange on 31 May 2018, 7 January, 29 May and 13 June 2019.

7. In June 2019, the 2018 Annual General Meeting, the 2019 First Class A Shareholders' Meeting and 2019 First Class H Shareholders' Meeting reviewed and approved the proposal of the extension of the effective and authorized period of the resolutions of the public issuance of A share convertible corporate bonds. For related details, please refer to the announcements of the Bank published on the website of the SSE and the website of the Hong Kong Stock Exchange on 21 June 2019.

(XVI). Significant Events after the Reporting Period

With the approval from the regulatory authorities, the Bank successfully issued RMB40.0 billion of Tier-2 capital bonds in the national inter-bank bond market. The bookkeeping record of the Tier-2 capital bonds was filed on 14 August 2019. The issuance was completed on 16 August 2019 with a total issuance of RMB40.0 billion with two types. The first type was the Tier-2 capital bonds with 10-year fixed rate. The issuer has the right of redemption with pre-conditions at the end of the fifth year. Such issuance was RMB30.0 billion with coupon rate of 4.10%. The second type was the Tier-2 capital bonds with 15-year fixed rate. The issuer has the right of redemption with preconditions at the end of the tenth year. The issuance was RMB10.0 billion with coupon rate of 4.49%.

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

VIII. FINANCIAL REPORTS

Unaudited Interim 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	
	2019	2018
Interest income	181,862	170,546
Interest expense	(111,800)	(109,888)
Net interest income	70,062	60,658
Fee and commission income	25,070	22,746
Fee and commission expense	(1,948)	(1,564)
Net fee and commission income	23,122	21,182
Net gains arising from trading activities	8,289	8,273
Net gains arising from financial investments	328	17
<i>Including: Net gains on derecognition of financial assets measured at amortised cost</i>	87	17
Share of profits of associates and joint ventures	292	140
Insurance business income	8,311	4,122
Other operating income	7,910	7,641
Credit impairment losses	(21,544)	(16,663)
Other assets impairment losses	(6)	(3)
Insurance business expense	(7,878)	(3,723)
Other operating expenses	(39,927)	(34,174)
Profit before tax	48,959	47,470
Income tax	(5,811)	(6,476)
Net profit for the period	43,148	40,994

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

Six months ended 30 June

2019

2018

Other comprehensive income

Items that may be reclassified subsequently to profit or loss:

Loans and advances to customers at FVOCI

<i>Net gains recorded in equity</i>	(901)	182
<i>Net gains reclassified from equity to profit or loss</i>	–	–

Debt instruments at FVOCI

<i>Net gains recorded in equity</i>	1,741	1,276
<i>Net gains reclassified from equity to profit or loss</i>	(181)	4

Effective portion of gains or losses on hedging instruments in a cash flow hedge

<i>Changes in fair value recorded in equity</i>	110	94
<i>Changes in fair value reclassified from equity to profit or loss</i>	(171)	(59)

Others

Translation difference on foreign operations

755 1,836

Items that will not be reclassified subsequently to profit or loss:

Net gains on equity investments designated at FVOCI

Actuarial gains/(losses) on pension benefits

Changes in fair value attributable to changes in the credit risk of financial liability designated at FVPL

931 1,988

Comprehensive income for the period

44,079 42,982

Net profit attributable to:

Shareholders of the Bank

Non-controlling interests

43,148 40,994

Total comprehensive income attributable to:

Shareholders of the Bank

Non-controlling interests

44,079 42,982

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

0.54 0.51

Unaudited Interim Condensed Consolidated Statement of Financial Position

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

	As at 30 June 2019	As at 31 December 2018
ASSETS		
Cash and balances with central banks	802,956	840,171
Due from and placements with banks and other financial institutions	786,782	848,067
Derivative financial assets	19,676	30,730
Loans and advances to customers	5,013,630	4,742,372
Financial investments at FVPL	449,304	376,386
Financial investments at amortised cost	1,978,430	2,000,505
Financial investments at FVOCI	561,868	445,018
Investments in associates and joint ventures	4,384	3,653
Property and equipment	165,727	153,286
Deferred income tax assets	23,125	21,975
Other assets	80,726	69,008
Total assets	9,886,608	9,531,171
LIABILITIES		
Due to and placements from banks and other financial institutions	1,952,519	2,162,293
Financial liabilities at FVPL	28,465	23,109
Derivative financial liabilities	23,956	28,105
Due to customers	6,135,448	5,793,324
Certificates of deposits issued	489,167	366,753
Current tax liabilities	5,798	2,279
Deferred income tax liabilities	670	598
Debt securities issued	337,972	317,688
Other liabilities	188,865	131,714
Total liabilities	9,162,860	8,825,863
EQUITY		
Share capital	74,263	74,263
Preference shares	59,876	59,876
Capital surplus	113,663	113,663
Other reserves	325,323	321,442
Retained earnings	143,365	129,161
Equity attributable to shareholders of the Bank	716,490	698,405
Non-controlling interests	7,258	6,903
Total equity	723,748	705,308
Total equity and liabilities	9,886,608	9,531,171

Unaudited Interim 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		Translation reserve on foreign operations	Actuarial changes reserve	Others	Retained earnings	Attributable to the shareholders of the Bank	Non-controlling interests	Total
							Revaluation reserve for financial assets at FVOCI	Revaluation reserve for the changes in credit risk of the financial liabilities measured at FVPL							
Balance at 31 December 2018	74,263	59,876	113,663	64,516	139,796	114,281	1,397	(20)	24	93	10	1,345	129,161	698,405	705,308
Impact of adoption of IFRS 16	-	-	-	-	-	-	-	-	-	-	-	-	(616)	(616)	(623)
Balance at 1 January 2019 (restated)	74,263	59,876	113,663	64,516	139,796	114,281	1,397	(20)	24	93	10	1,345	128,545	697,789	704,685
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	42,749	42,749	43,148
Other comprehensive income	-	-	-	-	-	-	754	74	(61)	116	3	16	-	902	931
Total comprehensive income	-	-	-	-	-	-	754	74	(61)	116	3	16	42,749	43,651	44,079
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	(22,279)	(22,279)	(22,345)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	(2,671)	(2,671)	(2,671)
Transfer to reserves	-	-	-	110	19	2,850	-	-	-	-	-	-	(2,979)	-	-
Balance at 30 June 2019	74,263	59,876	113,663	64,626	139,815	117,131	2,151	54	(37)	209	13	1,361	143,365	716,490	723,748
Balance at 31 December 2017	74,263	59,876	113,663	57,461	139,767	104,470	(2,365)	N.A.	7	(1,875)	35	1,327	124,514	671,143	676,271
Impact of adoption of IFRS 9	-	-	-	-	-	-	1,891	(6)	-	-	-	-	(28,257)	(26,372)	(26,426)
Balance at 1 January 2018 (restated)	74,263	59,876	113,663	57,461	139,767	104,470	(474)	(6)	7	(1,875)	35	1,327	96,257	644,771	649,845
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	40,771	40,771	40,994
Other comprehensive income	-	-	-	-	-	-	1,566	6	35	355	(15)	(5)	-	1,942	1,988
Total comprehensive income	-	-	-	-	-	-	1,566	6	35	355	(15)	(5)	40,771	42,713	42,982
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	1,125	1,125
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	(21,209)	(21,209)	(21,268)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	(2,618)	(2,618)	(2,618)
Transfer to reserves	-	-	-	102	24	9,158	-	-	-	-	-	-	(9,284)	-	-
Transferred from other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)	(5)
Balance at 30 June 2018	74,263	59,876	113,663	57,563	139,791	113,628	1,092	-	42	(1,520)	20	1,322	103,913	663,653	670,061

Unaudited Interim Condensed Consolidated Statement of Cash Flows

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

	Six months ended 30 June 2019	2018
Cash flows from operating activities:		
Net profit before tax:	48,959	47,470
Adjustments for:		
Provision for/(reversal of) ECL allowance	21,544	16,663
Provision for/(reversal of) other assets impairment losses	6	3
Provision for/(reversal of) insurance contracts reserve	5,807	(1,379)
Depreciation and amortisation	6,758	4,958
Provision for/(reversal of) outstanding litigation and unsettled obligation	180	(12)
Net profit on the disposal of fixed and foreclosed assets	(132)	(11)
Interest income from financial investments	(43,620)	(41,207)
Unwind of discount on allowances during the period	(728)	(927)
Fair value losses/(gains)	1,258	(5,052)
Share of profit of associates and joint ventures	(292)	(140)
Net gains arising from financial investments	(328)	(17)
Interest expense on debt securities issued	5,783	5,494
Operating cash flows before movements in operating assets and liabilities	45,195	25,843
Net decrease in mandatory reserve deposits	6,191	37,371
Net decrease in due from and placements with banks and other financial institutions	28,733	53,491
Net increase in financial investments at FVPL	(53,576)	(41,753)
Net increase in loans and advances to customers	(294,368)	(244,317)
Net (increase)/decrease in other assets	(7,327)	2,732
Net decrease in due to and placements from banks and other financial institutions	(192,977)	(113,390)
Net increase/(decrease) in financial liabilities at FVPL	2,250	(5,404)
Net increase in due to customers and certificates of deposit issued	456,798	355,885
Net increase in other liabilities	15,786	13,064
Net increase in value-added tax and surcharges payable	669	802
Income tax paid	(4,429)	(8,117)
Net cash flows from operating activities	2,945	76,207

Unaudited Interim Condensed Consolidated Statement of Cash Flows (Continued)

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

Six months ended 30 June
2019 **2018**

Cash flows from investing activities:

Purchase of financial investments	(435,027)	(527,983)
Disposal or redemption of financial investments	329,261	427,821
Dividends received	353	109
Interest received from financial investments	43,824	42,136
Acquisition of intangible assets and other assets	(490)	(204)
Disposal of intangible assets and other assets	214	112
Purchase and construction of property and equipment	(18,964)	(11,981)
Disposal of property and equipment	1,741	190

Net cash flows from investing activities **(79,088)** (69,800)

Cash flows from financing activities:

Cash received on debt securities issued	27,182	21,056
Cash payments for distribution of dividends, profits or interest expenses	(2,949)	(1,310)
Repayment of principals of debt securities issued	(10,408)	(4,895)
Dividends paid to non-controlling interests	(9)	(59)

Net cash flows from financing activities **13,816** 14,792

Effect of exchange rate changes on cash and cash equivalents

136 931

Net (decrease)/increase in cash and cash equivalents

(62,191) 22,130

Cash and cash equivalents at the beginning of the period

243,492 228,919

Cash and cash equivalents at the end of the period

181,301 251,049

Net cash flows from operating activities include:

Interest received	140,703	125,667
Interest paid	(110,951)	(98,254)

1. Basis of preparation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting issued by the International Accounting Standard Board.

The Group adopted the going concern basis in preparing its interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements of the Group should be read in conjunction with the 2018 annual consolidated financial statements.

Taxes on income in 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 interim condensed consolidated financial statements are consistent with those policies applied in preparing the 2018 annual consolidated financial statements.

1.1 Changes in accounting policies

IFRS 16

IFRS 16 was officially issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The new standards improve the identification, breakdown and merger of leases and require lessees to recognise leases in balance sheet. For lessees, the new leasing standards will recognise substantially all the leases in balance sheet as the classification of operating leases and financial leases has been removed. According to new standards, the entity is required to recognise the right-of-use assets and leasing liabilities, and exemptions are applicable to short-term and low-value leases only. Meanwhile, the new standards also improve the accounting treatment of the lessee on subsequent measurement and leasing changes. The new standards have not undergone substantial changes in the accounting of lessors.

The Group has adopted the standards for annual periods beginning on or after 1 January 2019 and used the simple transition methods stated in the standards without restating the comparative amount for the year before the first adoption. On the first day of implementation, the Group measured the leasing liabilities on the basis of the present value of the remaining lease payment at the interest rate of the lessee’s incremental borrowing for the first day of implementation and the right-of-use assets for the stock leases using the new standards as from the beginning of the lease period. For short-term and low-value leases, the Group is subject to the recognition exemptions.

The major impacts of adopting the new standards on the financial statements are as follows:

Consolidated balance sheet

1 January 2019	Before restatement	Restated amount	After restatement
Other assets	69,008	6,423	75,431
Other liabilities	131,714	7,046	138,760
Retained earnings	129,161	(616)	128,545
Non-controlling interests	<u>6,903</u>	<u>(7)</u>	<u>6,896</u>

On 1 January 2019, the group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases.

Reconciliation is as below:

	The Group
Operating lease commitments disclosed as at 31 December 2018	12,345
Discounted using the lessee’s incremental borrowing rate of the date of initial application	7,674
Less: short-term or low-value leases recognised on a straight-line basis as expense	<u>(630)</u>
Lease liabilities recognised as at 1 January 2019	<u><u>7,044</u></u>

The Group's leasing activities and accounting treatment

Lease refers to a contract in which the lessor transfers the right of use of the assets to the lessee for a certain period of time to obtain the consideration.

As Lessee

The Group recognises the right-of-use asset on the start date of the lease term and recognises the lease liability at the present value of the remaining lease payments. The lease payments include fixed payments and payments to be made in the case that it is reasonably determined that the purchase option will be exercised or the lease option will be terminated. The variable rent determined based on a certain portion of sales is not included in the lease payments and is recognised in profit or loss when incurred.

The Group's right-of-use assets include leased properties, venues, parking lots, advertising spaces, vehicles and equipment. The right-of-use asset is initially measured at cost, which includes the initial measurement of the lease liability, the lease payments already paid on or before the lease start date, the initial direct costs etc., and deducts any lease incentives. The asset is depreciated over the remaining useful life of the leased asset if Group could reasonably determine the ownership of the leased asset at the expiration of the lease term; if it is not possible to reasonably determine whether the ownership of the leased asset can be obtained at the expiration of the lease term, the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. When the recoverable value is lower than the book value of the right-of-use asset, the Group reduces its book value to the recoverable value.

As for the short-term leases with a lease term less than 12 months and low-value asset leases with a lower value of individual assets, the Group will not recognise the right-of-use assets or lease liabilities, and the relevant rental expenses are recognised in the profit and loss or in the related assets costs on the straight-line basis for each period of the lease term.

As Lessor

When the Group lease out its own buildings and properties, equipment and transportation vehicles, the rental income arising from operating leases is recognised on the straight-line basis over the lease term. Variable rent determined based on a certain proportion of sales will be recognised by the Group in rental income when incurred.

Amendments to IFRS 9

On 12 October 2017, the IASB issued amendments to IFRS 9 – Prepayment Features with Negative Compensation and Modifications of Financial Liabilities. These amendments permit more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets. These amendments also clarify the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability.

Amendments to IAS 19

On 7 February 2018, the IASB issued amendments to the guidance in IAS 19 – Employee Benefits, in connection with accounting for plan amendments, curtailments and settlements. The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change, and any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling. The entities should separately recognise any changes in the asset ceiling through other comprehensive income.

Amendments to IAS 28

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28.

IFRIC 23

The IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

Annual Improvements to IFRS Standards 2015-2017 Cycle

The Annual Improvements to IFRS Standards 2015-2017 Cycle include a number of amendments to various IFRSs, including the amendments to IFRS 3 – Business Combinations, the amendments to IFRS 11 – Joint Arrangements, the amendments to IAS 12 – Income Taxes, the amendments to IAS 23 – Borrowing Costs.

Except the above-mentioned impact of IFRS 16, the adoption of the new IFRSs and amendments to IFRSs above does not have a material effect on the Group's operating results, financial position or other comprehensive income.

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

		Effective for annual period beginning on or after
Amendments to IFRS 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.
IFRS 17	Insurance Contracts	1 January 2021

Amendments to IFRS 10 and IAS 28

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

IFRS 17

IFRS 17 – Insurance Contracts was issued in May 2017 as a replacement for IFRS 4. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability weighted cash flows, an explicit risk adjustment, and a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The Group has not completed its assessment of the impact on the Group’s operating results and financial position of adopting IFRS 17.

Except for the above-mentioned impact of IFRS 17, 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	
	2019	2018
Interest income		
Loans and advances to customers	119,865	109,686
Financial investments	43,620	41,207
Due from and placements with banks and other financial institutions	12,419	12,868
Balances with central banks	5,958	6,785
	181,862	170,546
Interest expense		
Due to customers	(70,047)	(63,620)
Due to and placements from banks and other financial institutions	(28,772)	(35,401)
Certificates of deposits issued	(7,198)	(5,373)
Debt securities issued	(5,783)	(5,494)
	(111,800)	(109,888)
Net interest income	70,062	60,658
Including:		
Interest income on impaired financial assets	728	927

3 Fee and commission income

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2019	2018
Bank cards	10,213	9,301
Management services	7,372	6,511
Investment banking	2,632	2,470
Agency services	2,274	1,736
Guarantee and commitment	1,437	1,400
Settlement services	1,024	1,170
Others	118	158
	<u>25,070</u>	<u>22,746</u>
	Six months ended 30 June	
	2019	2018
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 FVPL	665	513
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	<u>1,778</u>	<u>1,716</u>

4 Credit impairment losses/other assets impairment losses

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2019	2018
Credit impairment losses on due from and placements with banks and other financial institutions	(122)	(33)
Credit impairment losses on loans and advances at amortised cost	22,673	17,429
Credit impairment losses on loans and advances carried at FVOCI	(588)	(267)
Credit impairment losses on guarantee and commitment	(997)	(1,960)
Credit impairment losses on financial investments at amortised cost	(38)	(45)
Credit impairment losses on financial investments at FVOCI	(104)	246
ECL of other receivables	678	363
Credit impairment losses on interest receivables of loans and advances to customers at amortised cost	(30)	1,094
Others	72	(164)
	<u>21,544</u>	<u>16,663</u>

Other Assets Impairment Losses

	Six months ended 30 June	
	2019	2018
Impairment losses on foreclosed assets	<u>6</u>	<u>3</u>

5 Income tax

	<i>(in millions of RMB)</i> Six months ended 30 June	
	2019	2018
Current tax		
– PRC enterprise income tax	7,128	6,632
– Hong Kong profits tax	569	485
– Overseas taxations	251	296
	<u>7,948</u>	<u>7,413</u>
Deferred income tax	<u>(2,137)</u>	<u>(937)</u>
	<u>5,811</u>	<u>6,476</u>

The provision for enterprise income tax in PRC is calculated based on the statutory rate of 25% (2018: 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% (2018: 25%). The major reconciliation items are as follows:

	Six months ended 30 June	
	2019	2018
Profit before tax	<u>48,959</u>	<u>47,470</u>
Tax calculated at a tax rate of 25%	12,240	11,868
Effect of different tax rates in other countries (or regions)	86	(4)
Tax effect of expense not deductible for tax purposes	649	1,209
Tax effect arising from income not subject to tax (1)	(7,595)	(5,821)
Income tax adjustment for prior years	<u>431</u>	<u>(776)</u>
Income tax expense	<u>5,811</u>	<u>6,476</u>

- (1) The income not subject to tax is mainly comprised of interest income generated from Chinese treasury bonds and fund investment income.

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.

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2019	2018
Net profit attributable to shareholders of the Bank	42,749	40,771
Less: Net profit attributable to preference shareholders of the Bank	(2,671)	(2,618)
Net profit attributable to ordinary shareholders of the Bank	40,078	38,153
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)	0.54	0.51

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 RMB2,671 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 2019, 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 currency at a predetermined price or to receive an interest payment based on a variable interest rate and pay at 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 may 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.

		<i>(in millions of RMB)</i>	
	Contractual/ Notional Amount	Fair value Assets	Liabilities
As at 30 June 2019			
Foreign exchange and commodity contracts	2,379,581	15,602	(18,529)
Interest rate contracts and others	2,078,944	4,074	(5,427)
Total amount of derivative instruments recognised	4,458,525	19,676	(23,956)
	Contractual/ Notional Amount	Fair value Assets	Liabilities
As at 31 December 2018			
Foreign exchange and commodity contracts	2,541,252	26,441	(25,640)
Interest rate contracts and others	831,692	4,289	(2,465)
Total amount of derivative instruments recognised	3,372,944	30,730	(28,105)

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:

	<i>(in millions of RMB)</i>	
	As at 30 June 2019	As at 31 December 2018
RMB	2,855,768	1,785,452
USD	1,251,118	1,384,347
HKD	200,643	129,328
Others	150,996	73,817
Total	<u>4,458,525</u>	<u>3,372,944</u>

Hedge accounting

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

As at 30 June 2019	Contractual/ notional Amount	Fair values	
		Assets	Liabilities
Derivative financial instruments designated as hedging instruments in fair value hedges	101,591	174	(1,996)
Derivative financial instruments designated as hedging instruments in cash flow hedges	25,394	199	(108)
Total	<u>126,985</u>	<u>373</u>	<u>(2,104)</u>

As at 31 December 2018	Contractual/ notional Amount	Fair values	
		Assets	Liabilities
Derivative financial instruments designated as hedging instruments in fair value hedges	71,133	1,122	(353)
Derivative financial instruments designated as hedging instruments in cash flow hedges	<u>26,935</u>	<u>479</u>	<u>(201)</u>
Total	<u>98,068</u>	<u>1,601</u>	<u>(554)</u>

(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 placements from banks, financial investments at FVOCI, deposits from other banks, loans and advances to customers, certificates of deposit issued and placements with and loans to banks.

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

	Six months ended 30 June	
	2019	2018
Net gains/(losses) from fair value hedges:		
Hedging instruments	(2,580)	884
Hedged items attributable to the hedge risk	<u>2,598</u>	<u>(918)</u>
Net gains from fair value hedges	<u>18</u>	<u>(34)</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 financial investments at FVOCI, placements from banks, placements with and loans to banks, loans and advances 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 2019, the Group's profit from the hedge instrument of RMB156 million (for the six months ended 30 June 2018: a net profit of RMB126 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 period. There were no transactions for which cash flow hedge accounting had to be ceased for the six months ended 30 June 2019, 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	
	2019	2018
Dividends to ordinary shareholders of the Bank	22,279	21,209
Dividends to preference shareholders of the Bank	<u>2,671</u>	<u>2,618</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 reserve;
- (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 approval by the Board meeting on 29 April 2019, the Bank appropriated overseas preference dividends on 29 July 2019 with a dividend yield of 5% (the actual dividend yield obtained by the preference shareholders) with total amount of USD136 million. Since 7 September 2019 is not a working day, the dividend payment day defers to 9 September 2019. The Bank will appropriate domestic preference dividends on 9 September 2019 with a dividend yield of 3.9% (the actual dividend yield obtained by the preference shareholders), with total amount of RMB1,755 million.

Pursuant to the approval by the Annual General Meeting of Shareholders on 21 June 2019, the Bank appropriated RMB2,738 million to the statutory general reserve. It was also resolved that a cash dividend of RMB0.30 (before tax) for each ordinary share, with total amount of RMB22,279 million, calculated based on 74,263 million shares outstanding (the par value per share is RMB1) as at 31 December 2018, will be distributed to ordinary shareholders.

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 2019	As at 31 December 2018
Letters of guarantee	271,120	268,097
Letters of credit commitments	146,916	141,137
Acceptance bills	238,066	228,550
Credit card commitments	718,801	759,994
Loan commitments		
– Under 1 year	18,761	12,709
– 1 year and above	40,256	45,731
	<u>1,433,920</u>	<u>1,456,218</u>

Capital expenditure commitments

	As at 30 June 2019	As at 31 December 2018
Contracted but not provided for	<u>61,201</u>	<u>66,968</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:

(in millions of RMB)

	As at 31 December 2018
Within 1 year (inclusive)	3,918
Beyond 1 year but no more than 2 years (inclusive)	2,772
Beyond 2 years but no more than 3 years (inclusive)	1,908
Beyond 3 years but no more than 5 years (inclusive)	2,215
More than 5 years	<u>1,532</u>
	<u><u>12,345</u></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:

	As at 30 June 2019	As at 31 December 2018
Within 1 year (inclusive)	13,366	11,204
Beyond 1 year but no more than 2 years (inclusive)	13,057	11,045
Beyond 2 years but no more than 3 years (inclusive)	12,640	10,768
Beyond 3 years but no more than 5 years (inclusive)	24,033	20,983
More than 5 years	<u>49,465</u>	<u>59,827</u>
	<u><u>112,561</u></u>	<u><u>113,827</u></u>

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 2019, the principal value of the Treasury Bonds that the Group had the obligation to buy back amounted to RMB80,368 million (31 December 2018: RMB74,423 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 2019, there was no unfulfilled insurance of irrevocable commitment on security underwriting of the Group announced to the public (31 December 2018: 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 period/year are summarised as follows:

	<i>(in millions of RMB)</i>	
	As at	As at
	30 June	31 December
	2019	2018
Outstanding claims	4,263	3,242
Provision for outstanding litigation	1,161	982

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 Beijing, Tianjin, Hebei, Shanxi, and Inner Mongolia;
- (2) North Eastern China – including Liaoning, Jilin, and Heilongjiang;
- (3) Eastern China – including Shanghai (excluding Head Office), Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong;
- (4) Central and Southern China – including Henan, Hunan, Hubei, Guangdong, Guangxi and Hainan;
- (5) Western China – including Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, 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, Brazil, Melbourne, Prague and other overseas affiliates.

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

The revenue from external parties reported to the senior management is measured in a manner consistent with that in the 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 on 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 2019								
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
External interest income	14,691	4,528	42,140	24,189	11,763	16,709	67,842	-	181,862
External interest expense	(14,898)	(4,397)	(29,413)	(16,677)	(7,619)	(12,124)	(26,672)	-	(111,800)
Inter-segment net interest income/(expense)	8,823	2,406	11,971	8,305	3,020	(58)	(34,467)	-	-
Net interest income	8,616	2,537	24,698	15,817	7,164	4,527	6,703	-	70,062
Fee and commission income	2,437	813	7,502	4,708	1,829	1,691	6,090	-	25,070
Fee and commission expense	(19)	(8)	(726)	(45)	(12)	(152)	(986)	-	(1,948)
Net fee and commission income	2,418	805	6,776	4,663	1,817	1,539	5,104	-	23,122
Net gains arising from trading activities	182	23	1,126	282	62	15	6,599	-	8,289
Net gains arising from financial investments	-	-	40	-	-	259	29	-	328
Insurance business income	-	-	8,291	-	-	20	-	-	8,311
Share of profit of associates and joint ventures	-	-	-	-	-	99	193	-	292
Other operating income	391	82	5,951	263	289	862	72	-	7,910
Total operating income – net	11,607	3,447	46,882	21,025	9,332	7,321	18,700	-	118,314
Credit impairment losses	(809)	(2,254)	(7,400)	(2,086)	(1,288)	99	(7,806)	-	(21,544)
Other assets impairment losses	-	(1)	5	(10)	-	-	-	-	(6)
Insurance business expense	-	-	(7,872)	-	-	(6)	-	-	(7,878)
Other operating expense	(3,671)	(1,739)	(13,572)	(5,688)	(3,097)	(2,564)	(9,596)	-	(39,927)
Profit before tax	7,127	(547)	18,043	13,241	4,947	4,850	1,298	-	48,959
Income tax									(5,811)
Net profit for the period									43,148
Depreciation and amortisation	(539)	(212)	(1,151)	(789)	(438)	(285)	(620)	-	(4,034)
Capital expenditure	(47)	(27)	(18,859)	(152)	(74)	(73)	(193)	-	(19,425)

	Six months ended 30 June 2018								Total
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	
External interest income	14,271	4,793	38,493	21,246	10,619	12,711	68,413	–	170,546
External interest expense	(16,577)	(4,736)	(30,231)	(17,034)	(7,488)	(9,689)	(24,133)	–	(109,888)
Inter-segment net interest income/(expense)	10,151	2,412	12,284	9,728	3,215	2	(37,792)	–	–
Net interest income	7,845	2,469	20,546	13,940	6,346	3,024	6,488	–	60,658
Fee and commission income	2,244	846	7,532	4,336	1,721	1,700	4,367	–	22,746
Fee and commission expense	(146)	(32)	(854)	(167)	(96)	(178)	(91)	–	(1,564)
Net fee and commission income	2,098	814	6,678	4,169	1,625	1,522	4,276	–	21,182
Net gains arising from trading activities	146	33	754	194	76	690	6,380	–	8,273
Net gains/(losses) arising from financial investments	–	–	22	–	–	4	(9)	–	17
Insurance business income	–	–	4,106	–	–	16	–	–	4,122
Share of profit of associates and joint ventures	–	–	–	–	–	13	127	–	140
Other operating income	599	123	4,881	348	295	683	712	–	7,641
Total operating income – net	10,688	3,439	36,987	18,651	8,342	5,952	17,974	–	102,033
Credit impairment losses	816	(3,392)	(5,560)	(1,091)	(2,164)	(276)	(4,996)	–	(16,663)
Other assets impairment losses	–	–	(1)	–	–	(2)	–	–	(3)
Insurance business expense	–	–	(3,718)	–	–	(5)	–	–	(3,723)
Other operating expense	(3,391)	(1,582)	(11,738)	(5,019)	(2,348)	(2,118)	(7,978)	–	(34,174)
Profit before tax	8,113	(1,535)	15,970	12,541	3,830	3,551	5,000	–	47,470
Income tax									(6,476)
Net profit for the period									40,994
Depreciation and amortisation	(372)	(170)	(818)	(523)	(297)	(114)	(502)	–	(2,796)
Capital expenditure	(22)	(20)	(11,451)	(114)	(121)	(192)	(275)	–	(12,195)

As at 30 June 2019									
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
Segment assets	<u>1,163,007</u>	<u>355,952</u>	<u>2,851,510</u>	<u>1,566,735</u>	<u>727,453</u>	<u>1,063,300</u>	<u>4,220,242</u>	<u>(2,084,716)</u>	<u>9,863,483</u>
Including:									
Investments in associates and joint ventures	-	-	4	6	-	391	3,983	-	4,384
Unallocated assets									<u>23,125</u>
Total assets									<u>9,886,608</u>
Segment liabilities	<u>(1,155,850)</u>	<u>(356,987)</u>	<u>(2,727,689)</u>	<u>(1,542,874)</u>	<u>(723,893)</u>	<u>(1,032,483)</u>	<u>(3,707,130)</u>	<u>2,084,716</u>	<u>(9,162,190)</u>
Unallocated liabilities									<u>(670)</u>
Total liabilities									<u>(9,162,860)</u>

As at 31 December 2018									
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
Segment assets	<u>1,157,867</u>	<u>339,827</u>	<u>2,669,816</u>	<u>1,434,255</u>	<u>688,096</u>	<u>1,006,195</u>	<u>4,224,506</u>	<u>(2,011,366)</u>	<u>9,509,196</u>
Including:									
Investments in associates and joint ventures	-	-	4	7	-	67	3,575	-	3,653
Unallocated assets									<u>21,975</u>
Total assets									<u>9,531,171</u>
Segment liabilities	<u>(1,140,638)</u>	<u>(342,636)</u>	<u>(2,534,865)</u>	<u>(1,399,199)</u>	<u>(681,169)</u>	<u>(991,077)</u>	<u>(3,747,047)</u>	<u>2,011,366</u>	<u>(8,825,265)</u>
Unallocated liabilities									<u>(598)</u>
Total liabilities									<u>(8,825,863)</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:

	(in millions of RMB)				
	Six months ended 30 June 2019				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	25,603	22,114	21,218	1,127	70,062
Inter-segment net interest income/(expense)	10,487	7,862	(18,349)	–	–
Net interest income	36,090	29,976	2,869	1,127	70,062
Net fee and commission income	8,704	13,217	59	1,142	23,122
Net gains/(losses) arising from trading activities	774	(1)	6,561	955	8,289
Net gains arising from financial investments	–	–	328	–	328
Share of profit of associates and joint ventures	–	–	–	292	292
Insurance business income	–	–	–	8,311	8,311
Other operating income	6,162	1,268	–	480	7,910
Total operating income – net	51,730	44,460	9,817	12,307	118,314
Credit impairment losses	(12,450)	(9,333)	263	(24)	(21,544)
Other assets impairment losses	–	–	–	(6)	(6)
Insurance business expense	–	–	–	(7,878)	(7,878)
Other operating expense					
– Depreciation and amortisation	(1,214)	(2,544)	(89)	(187)	(4,034)
– Others	(14,776)	(17,446)	(1,381)	(2,290)	(35,893)
Profit before tax	23,290	15,137	8,610	1,922	48,959
Income tax					(5,811)
Net profit for the period					43,148
Depreciation and amortisation	(1,214)	(2,544)	(89)	(187)	(4,034)
Capital expenditure	(5,844)	(12,255)	(426)	(900)	(19,425)

	Six months ended 30 June 2018				Total
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	
External net interest income	24,885	18,487	16,198	1,088	60,658
Inter-segment net interest income/(expense)	<u>8,685</u>	<u>4,129</u>	<u>(12,814)</u>	<u>–</u>	<u>–</u>
Net interest income	33,570	22,616	3,384	1,088	60,658
Net fee and commission income	8,416	11,341	59	1,366	21,182
Net gains/(losses) arising from trading activities	1,548	(11)	7,032	(296)	8,273
Net gains arising from financial investments	–	–	17	–	17
Share of profit of associates and joint ventures	–	–	–	140	140
Insurance business income	–	–	–	4,122	4,122
Other operating income	<u>5,147</u>	<u>1,610</u>	<u>1</u>	<u>883</u>	<u>7,641</u>
Total operating income – net	<u>48,681</u>	<u>35,556</u>	<u>10,493</u>	<u>7,303</u>	<u>102,033</u>
Credit impairment losses	(10,281)	(6,215)	(162)	(5)	(16,663)
Other assets impairment losses	–	–	–	(3)	(3)
Insurance business expense	–	–	–	(3,723)	(3,723)
Other operating expense					
– Depreciation and amortisation	(1,708)	(3,581)	(125)	(263)	(5,677)
– Others	<u>(11,175)</u>	<u>(14,633)</u>	<u>(1,201)</u>	<u>(1,488)</u>	<u>(28,497)</u>
Profit before tax	<u>25,517</u>	<u>11,127</u>	<u>9,005</u>	<u>1,821</u>	<u>47,470</u>
Income tax					<u>(6,476)</u>
Net profit for the period					<u>40,994</u>
Depreciation and amortisation	(842)	(1,764)	(61)	(129)	(2,796)
Capital expenditure	<u>(3,668)</u>	<u>(7,694)</u>	<u>(268)</u>	<u>(565)</u>	<u>(12,195)</u>

As at 30 June 2019					
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	<u>3,439,644</u>	<u>1,744,021</u>	<u>4,589,963</u>	<u>89,855</u>	<u>9,863,483</u>
Including:					
Investments in associates and joint ventures	–	–	–	4,384	4,384
Unallocated assets					<u>23,125</u>
Total assets					<u>9,886,608</u>
Segment liabilities	<u>(4,445,891)</u>	<u>(1,975,188)</u>	<u>(2,682,135)</u>	<u>(58,976)</u>	<u>(9,162,190)</u>
Unallocated assets					<u>(670)</u>
Total liabilities					<u>(9,162,860)</u>

As at 31 December 2018					
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	<u>3,181,294</u>	<u>1,721,526</u>	<u>4,529,647</u>	<u>76,729</u>	<u>9,509,196</u>
Including:					
Investments in associates and joint ventures	–	–	–	3,653	3,653
Unallocated assets					<u>21,975</u>
Total assets					<u>9,531,171</u>
Segment liabilities	<u>(4,247,625)</u>	<u>(1,806,316)</u>	<u>(2,742,362)</u>	<u>(28,962)</u>	<u>(8,825,265)</u>
Unallocated assets					<u>(598)</u>
Total liabilities					<u>(8,825,863)</u>

There were no significant transactions with a single external customer that the Group mainly relied 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 2019									
Assets									
Cash and balances with central banks	98,407	–	310	–	–	–	–	704,239	802,956
Due from and placements with banks and other financial institutions	77,823	177,884	95,855	290,380	133,256	11,584	–	–	786,782
Derivative financial assets	–	4,617	2,696	8,352	2,958	1,053	–	–	19,676
Financial investments at FVPL	5,089	8,471	11,338	48,838	42,453	43,603	458	289,054	449,304
Loans and advances to customers	–	698,389	325,143	1,206,740	1,115,048	1,628,789	39,521	–	5,013,630
Financial investments at FVOCI	–	42,304	26,595	94,398	323,238	66,822	–	8,511	561,868
Financial investments at amortised cost	–	28,673	44,965	218,229	1,152,449	533,352	762	–	1,978,430
Other assets	59,654	–	18	7,569	19,871	3,571	891	182,388	273,962
Total assets	240,973	960,338	506,920	1,874,506	2,789,273	2,288,774	41,632	1,184,192	9,886,608
Liabilities									
Due to and placements from banks and other financial institutions	(467,799)	(367,660)	(313,592)	(738,876)	(41,866)	(22,726)	–	–	(1,952,519)
Financial liabilities at FVPL	(885)	(2,869)	(5,494)	(8,183)	(11,034)	–	–	–	(28,465)
Derivative financial liabilities	–	(4,340)	(2,645)	(11,255)	(4,218)	(1,498)	–	–	(23,956)
Due to customers	(2,545,033)	(652,504)	(681,432)	(1,268,883)	(967,606)	(19,990)	–	–	(6,135,448)
Other liabilities	(67,124)	(87,965)	(75,108)	(405,489)	(235,904)	(150,882)	–	–	(1,022,472)
Total liabilities	(3,080,841)	(1,115,338)	(1,078,271)	(2,432,686)	(1,260,628)	(195,096)	–	–	(9,162,860)
Net amount on liquidity gap	(2,839,868)	(155,000)	(571,351)	(558,180)	1,528,645	2,093,678	41,632	1,184,192	723,748

(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 2018									
Assets									
Cash and balances with central banks	126,424	–	371	–	–	–	–	713,376	840,171
Due from and placements with banks and other financial institutions	93,420	330,936	67,073	207,595	143,572	5,471	–	–	848,067
Derivative financial assets	–	5,601	6,887	13,831	2,859	1,552	–	–	30,730
Financial investments at FVPL	8,232	7,253	9,786	47,586	58,183	50,050	458	194,838	376,386
Loans and advances to customers	–	664,962	257,043	1,191,035	1,088,301	1,514,178	26,853	–	4,742,372
Financial investments at FVOCI	–	13,348	27,707	106,691	232,364	57,520	–	7,388	445,018
Financial investments at amortised cost	–	38,084	52,330	227,158	1,187,867	494,466	600	–	2,000,505
Other assets	54,240	–	165	499	21,311	1,309	781	169,617	247,922
Total assets	<u>282,316</u>	<u>1,060,184</u>	<u>421,362</u>	<u>1,794,395</u>	<u>2,734,457</u>	<u>2,124,546</u>	<u>28,692</u>	<u>1,085,219</u>	<u>9,531,171</u>
Liabilities									
Due to and placements from banks and other financial institutions	(438,924)	(354,689)	(329,637)	(966,127)	(46,308)	(26,608)	–	–	(2,162,293)
Financial liabilities at FVPL	(865)	(2,968)	(5,801)	(5,978)	(7,497)	–	–	–	(23,109)
Derivative financial liabilities	–	(5,036)	(6,199)	(14,435)	(2,199)	(236)	–	–	(28,105)
Due to customers	(2,442,774)	(554,332)	(397,452)	(1,649,194)	(674,006)	(75,566)	–	–	(5,793,324)
Other liabilities	(50,084)	(53,268)	(118,200)	(238,444)	(214,200)	(144,836)	–	–	(819,032)
Total liabilities	<u>(2,932,647)</u>	<u>(970,293)</u>	<u>(857,289)</u>	<u>(2,874,178)</u>	<u>(944,210)</u>	<u>(247,246)</u>	<u>–</u>	<u>–</u>	<u>(8,825,863)</u>
Net amount on liquidity gap	<u>(2,650,331)</u>	<u>89,891</u>	<u>(435,927)</u>	<u>(1,079,783)</u>	<u>1,790,247</u>	<u>1,877,300</u>	<u>28,692</u>	<u>1,085,219</u>	<u>705,308</u>

12 Non-Adjusting Event After Reporting Period

In August 2019, the Bank issued two tier 2 capital bonds with the face value of RMB30 billion due 2029 and RMB10 billion due 2034, the Bank has an option to redeem them at the end of 2024 and 2029 respectively.

IX. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be simultaneously published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com. This results announcement is extracted from the 2019 Interim Report prepared in accordance with the IFRSs. The full report will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com for the reference of shareholders and investors. The 2019 Interim Report prepared in accordance with China Accounting Standard for Business Enterprises will be simultaneously published on the website of the SSE at www.sse.com.cn, as well as the website of the Bank at www.bankcomm.com. Investors should read together with the full Interim Report to understand the details of interim result announcement. The Interim Report prepared in accordance with the IFRSs will be distributed to the shareholders of H shares in September 2019.

This results 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.
Ren Deqi
Vice Chairman of the Board of Directors

Shanghai, the PRC
27 August 2019

The Directors of the Bank as at the date of this announcement are Mr. Ren Deqi, Mr. Hou Weidong, Mr. Wang Taiyin, Mr. Song Guobin*, Mr. He Zhaobin*, Mr. Song Hongjun*, Mr. Chen Junkui*, Mr. Liu Haoyang*, Ms. Li Jian#, Mr. Liu Li#, Mr. Jason Yeung Chi Wai#, Mr. Raymond Woo Chin Wan# and Mr. Cai Haoyi#.*

* *Non-executive Director*

Independent Non-executive Director