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

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

2016 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 2016 (the “**Reporting Period**”), which has been prepared in accordance with the International Accounting Standard (“IAS”) 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

A Share

Stock Name	Bank of Communications
Stock Code	601328
Listing Venue	Shanghai Stock Exchange

H Share

Stock Name	BANKCOMM
Stock Code	03328
Listing Venue	The Stock Exchange of Hong Kong Limited

Overseas Preference Share

Stock Name	BOCOM 15USDPREF
Stock Code	4605
Listing Venue	The Stock Exchange of Hong Kong Limited

Company Secretary	Du Jianglong
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II. FINANCIAL HIGHLIGHTS

(I) Major Financial Data and Financial Indicators

As at 30 June 2016, major financial data and financial indicators prepared by the Group in accordance with International Financial Reporting Standards (the “IFRS”) are as follows:

	<i>(in millions of RMB unless otherwise stated)</i>		
Major financial data	January to June 2016	January to June 2015	Increase/ (decrease) (%)
Net interest income	68,148	71,059	(4.10)
Profit before tax	48,497	48,289	0.43
Net profit (attributable to shareholders of the parent company)	37,661	37,324	0.90
Earnings per share (attributable to shareholders of the parent company, in RMB yuan)	0.50	0.50	–
	30 June 2016	31 December 2015	Increase/ (decrease) (%)
Total assets	7,956,322	7,155,362	11.19
Include: Loans and advances to customers	3,983,756	3,722,006	7.03
Total liabilities	7,400,828	6,617,270	11.84
Include: Due to customers	4,734,627	4,484,814	5.57
Shareholders’ equity attributable to shareholders of the parent company	552,515	534,885	3.30
Net assets per share attributable to shareholders of the parent company, in RMB yuan ¹	7.24	7.00	3.43
Net Capital ²	646,318	627,862	2.94
Include: Net Core Tier 1 capital ²	535,616	518,487	3.30
Other Tier 1 capital ²	14,953	14,943	0.07
Tier 2 capital ²	95,749	94,432	1.39
Risk-weighted assets ²	4,905,041	4,653,723	5.40

Major financial indicator (%)	January to	January to	Changes
	June 2016	June 2015	(Percentage point)
Cost-to-income ratio ³	25.61	25.87	(0.26)
Annualised return on average assets	1.00	1.12	(0.12)
Annualised return on average shareholders' equity	14.08	15.55	(1.47)
	30 June 2016	31 December 2015	Changes (Percentage point)
Impaired loans ratio	1.54	1.51	0.03
Provision coverage of impaired loans	150.45	155.57	(5.12)
Capital adequacy ratio ²	13.18	13.49	(0.31)
Tier 1 Capital adequacy ratio ²	11.22	11.46	(0.24)
Core Tier 1 Capital adequacy ratio ²	10.92	11.14	(0.22)

Note:

1. Refers to shareholder's equity attributable to shareholders of the parent company after the deduction of other equity instruments against the total issued ordinary shares as at the end of the period.
2. Calculated pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional) issued by the China Banking Regulatory Commission ("CBRC").
3. Refers to business and administrative expenses against the total of various net incomes.

(II) Credit Rating in the Last Three Years

	First half of 2016	2015	2014
Standard & Poor's	A-/A2/Negative	A-/A2/Stable	A-/A2/Stable
Moody's	A2/P-1/Negative	A2/P-1/Stable	A2/P-1/Stable
Fitch	A/F1/Stable	A/F1/Stable	A/F1/Stable

Note: The rating format is "rating of long-term foreign currency deposit"/"rating of short-term foreign currency deposit"/"rating outlook".

III. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

(I) Changes in share capital

As at 30 June 2016, the total issued ordinary shares of the Bank were 74,262,726,645, 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 shares not subject to sales restrictions.

	31 December 2015		Changes (+/-) during the Reporting Period					30 June 2016	
	Number of shares (share)	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from the surplus reserve	Others	Sub-total	Number of shares (share)	Percentage (%)
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. RMB ordinary shares	39,250,864,015	52.85	-	-	-	-	-	39,250,864,015	52.85
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	35,011,862,630	47.15	-	-	-	-	-	35,011,862,630	47.15
III. Total	74,262,726,645	100.00	-	-	-	-	-	74,262,726,645	100.00

(II) Shareholdings of the shareholders (According to the Bank's register of members maintained at its share registrars)

As at the end of the Reporting Period, the total number of shareholders of ordinary shares of the Bank was 432,346, of which 394,115 were holders of A shares and 38,231 were holders of H shares.

Shareholdings of the Top 10 Shareholders

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Number of shares held subject to sales restrictions (share)	Number of shares pledged or frozen ¹	Nature of shareholder
Ministry of Finance	–	19,702,693,828	26.53	–	Nil	State
HKSCC Nominees Limited ²	422,587	14,943,587,650	20.12	–	Unknown	Foreign legal person
The Hong Kong and Shanghai Banking Corporation Limited ³	–	13,886,417,698	18.70	–	Nil	Foreign legal person
The National Council for Social Security Fund ⁴	–	3,283,069,006	4.42	–	Nil	State
China Securities Finance Corporation Limited	573,236,991	2,050,446,886	2.76	–	Nil	State-owned legal person
Capital Airports Holding Company	–	1,246,591,087	1.68	–	Nil	State-owned legal person
Shanghai Haiyan Investment Management Co., Ltd.	–	808,145,417	1.09	–	Nil	State-owned legal person
Wutongshu Investment Platform Co., Ltd.	–	794,557,920	1.07	–	Nil	State-owned legal person
China FAW Group Corporation	–	663,941,711	0.89	–	Nil	State-owned legal person
Yunnan Hongta Group Co., Ltd.	–	658,467,013	0.89	–	Nil	State-owned legal person

Note:

1. Unless otherwise stated, the Bank is not aware of any connected relationship among the above shareholders, or whether they are parties acting in concert as defined in the Measures for the Administration of the Takeover of Listed Companies.
2. The aggregate number of shares held by the nominee, HKSCC Nominees Limited, represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at 30 June 2016.
3. According to the Bank's register of members, the Hong Kong and Shanghai Banking Corporation Limited (the "HSBC") held 13,886,417,698 H shares of the Bank as at 30 June 2016. In addition, according to the disclosure of interests forms filed with the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") by HSBC Holdings plc, HSBC beneficially held 14,135,636,613 H shares of the Bank as at 30 June 2016, representing 19.03% of the Bank's total issued ordinary shares. Please refer to Substantial

shareholders and holders of interest or short positions required to be disclosed under Divisions 2 and 3 of Part XV of the Hong Kong Securities and Future Ordinance (the “SFO”) for details of the H shares that deemed to be beneficially owned by HSBC.

4. According to the information provided by the National Council for Social Security Fund (the “SSF”) to the Bank, as at 30 June 2016, other than the shareholdings recorded in the register of members of the Bank, SSF held additional 7,027,777,777 H shares of the Bank, representing 9.46% of the Bank’s total issued ordinary shares, which had been registered under HKSCC Nominees Limited. As at 30 June 2016, SSF held a total of 10,310,846,783 A shares and H shares of the Bank, representing 13.88% of the Bank’s total issued ordinary shares.

(III) Controlling shareholders/actual controllers

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

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

(IV) Substantial shareholders and holders of interests or short positions required to be disclosed under Divisions 2 and 3 of Part XV of the SFO

As at 30 June 2016, to the knowledge of the Directors, supervisors and chief executive of the Bank, the substantial shareholders and other persons (other than the Directors, supervisors and chief executive of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

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

Name of substantial shareholders	Capacity	Number of H shares (share)	Nature of interest ¹	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued ordinary shares (%)
SSF	Beneficial owner	8,433,333,332	Long position	24.09	11.36
Ministry of Finance	Beneficial owner	4,553,999,999 ²	Long position	13.01	6.13
HSBC	Beneficial owner	14,135,636,613	Long position	40.37	19.03
	Interest of controlled corporations	2,674,232 ³	Long position	0.01	0.004
	Total:	<u>14,138,310,845</u>		<u>40.38</u>	<u>19.04</u>
HSBC Finance (Netherlands)	Interest of controlled corporations	14,138,310,845 ⁴	Long position	40.38	19.04
HSBC Bank plc	Beneficial owner	9,012,000	Long position	0.03	0.01
	Interest of controlled corporations	63,250 ⁵	Long position	0.0002	0.0001
	Total:	<u>9,075,250</u>		<u>0.03</u>	<u>0.01</u>
HSBC Holdings plc	Interest of controlled corporations	14,147,386,095 ⁶	Long position	40.41	19.05

Note:

1. Long positions held other than through equity derivatives.
2. To the knowledge of the Bank, as at 30 June 2016, 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 issued ordinary shares of the Bank, respectively.
3. HSBC holds 62.14% equity interest in Hang Seng Bank Limited. Pursuant to the SFO, HSBC is deemed to be interested in the Bank's H shares held by Hang Seng Bank Limited.

Hang Seng Bank Limited is deemed to be interested in the 2,674,232 H shares held by its wholly-owned subsidiaries. Such 2,674,232 H shares represent the aggregate of the 2,581,887 H shares directly held by Hang Seng Bank Trustee International Limited and 92,345 H shares directly held by Hang Seng Bank (Trustee) Limited.

4. HSBC is wholly owned by HSBC Asia Holdings BV and HSBC Asia Holdings BV is, in turn wholly owned by HSBC Asia Holdings (UK) Limited which is wholly owned by HSBC Holdings BV. Furthermore, HSBC Holdings BV is wholly owned by HSBC Finance (Netherlands). Pursuant to the SFO, each of HSBC Asia Holdings BV, HSBC Asia Holdings (UK) Limited, HSBC Holdings BV and HSBC Finance (Netherlands) is deemed to be interested in the 14,138,310,845 H shares held by HSBC.
5. HSBC Trustee (C.I.) Limited holds 63,250 H shares. HSBC Trustee (C.I.) Limited is wholly owned by HSBC Private Bank (C.I.) Limited, which is wholly owned by HSBC Private Banking Holdings (Suisse) SA. Furthermore, HSBC Private Banking Holdings (Suisse) SA is wholly owned by HSBC Europe (Netherlands) BV, which is in turn owned as to 94.90% by HSBC Bank plc. Pursuant to the SFO, each of HSBC Private Bank (C.I.) Limited, HSBC Private Banking Holdings (Suisse) SA, HSBC Europe (Netherlands) BV and HSBC Bank plc is deemed to be interested in the 63,250 H shares held by HSBC Trustee (C.I.) Limited.
6. Both HSBC Finance (Netherlands) and HSBC Bank plc are wholly owned by HSBC Holdings plc. Pursuant to Note 3, Note 4 and Note 5, and the SFO, HSBC Holdings plc is deemed to be interested in the 14,138,310,845 H shares held by HSBC and the 9,075,250 H shares held by HSBC Bank plc.

Save as disclosed above, as at 30 June 2016, 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. ISSUANCE OF PREFERENCE SHARES

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

As approved under Yin Jian Fu [2015] No. 419 issued by the CBRC and under Zheng Jian Xu Ke [2015] No. 1646 issued by the China Securities Regulatory Commission (the “CSRC”), on 29 July 2015, the Bank completed the non-public issuance of overseas preference shares totalling USD2.45 billion. The overseas preference shares, with par value of RMB100 per share and issue price of USD20 per share, were all subscribed for in US dollars. Based on the average exchange rate of Renminbi against the US dollars on 29 July 2015 published by the China Foreign Exchange Trade System, the issuance of overseas preference shares has raised total proceeds of approximately RMB14.982 billion. After deduction of commission and issuance expenses, the issuance of overseas preference shares has raised net proceeds of approximately RMB14.924 billion, which were all used to replenish Other Tier-1 Capital of the Bank so as to increase the capital adequacy ratio.

Code of preference share	Abbreviation of preference share	Issuance date	Issue price (USD per share)	Nominal dividend yield (%)	Number of shares issued (share)	Total amount of shares issued (USD)	Listing date	Number of shares approved for trading (share)
4605	BOCOM 15USD_PREF	29/07/2015	20	5.00	122,500,000	2,450,000,000	30/07/2015	122,500,000

On 10 December 2015, the Bank received Approval on the Issuance of Domestic Preference shares by Bank of Communications Co., Ltd. (Yin Jian Fu [2015] No. 660) issued by CBRC, and on 22 June 2016, the Bank received Approval on the Private Placement of Preference Shares by Bank of Communications Co., Ltd. (Zheng Jian Xu Ke [2016] No. 1312) issued by CSRC, pursuant to which the Bank is permitted to conduct a private placement of no more than 450 million domestic preference shares. Currently, relevant work regarding the non-public issuance of domestic preference shares is still in progress.

(II) Preference Shareholders

1. Total number of preference shareholders

Total number of preference shareholders as at the end of the Reporting Period 1

2. Top 10 Preference Shareholders as at the end of the Reporting Period

Unit: Share

Name of shareholders (full name)	Shareholdings of the Top 10 Preference Shareholders			Class of shares held	Number of shares pledged or frozen		Nature of shareholder
	Increase/decrease in shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)		Status of shares	Number of shares	
DB Nominees (Hong Kong) Limited	-	122,500,000	100	Overseas Preference Share	Unknown	-	Foreign legal person

Note:

- Shareholdings of preference shareholders are counted according to the Bank's register members of preference shareholders.

2. DB Nominees (Hong Kong) Limited, as a trustee, holds 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 30 June 2016.
3. The Bank is not aware of any existence of any connected relationship among the above shareholders and top 10 ordinary shareholders, or whether they are parties acting in concert.

(III) Dividends Distribution of Preference Shares

On 28 April 2016, the 20th Meeting of the Seventh Session of the Board of Directors approved the Bank's plan for the first-time dividend distribution of overseas preference shares. The total dividends in respect of overseas preference shares paid by the Bank for this time were USD136,111,111, including the actual payment of USD122,500,000 to preference shareholders at the (after-tax) dividend rate (i.e., 5%) agreed under the issuance clauses of overseas preference shares, and the income tax withholding of USD13,611,111 at the tax rate of 10% in accordance with relevant laws and regulations, which was borne by the Bank. Above dividends were fully paid in cash on 29 July 2016.

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

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

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

During the Reporting Period, the Bank had no recovery of voting rights for preference shares.

(VI) Accounting Policy for Preference Shares and Its Rationale

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

V. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Business Review

In the first half of 2016, facing the complicated economic and financial situation, the Group adhered to the “BoCom Strategy”, actively adjusted to the “New Normal” to persistently serve the real economy, stimulated operating vitality through innovation and fostered transformation development through deepened reform, and realised stable improvement in scale and efficiency. As at the end of the Reporting Period, the Group’s total assets increased by 11.19% from the beginning of the year to RMB7,956.322 billion. During the Reporting Period, the net profit increased by 0.90% on a year-on-year basis to RMB37.661 billion.

Business performance remained stable and progressive with actively serving the real economy. In response to the important national strategic deployments of the State, the Group proactively enlarged social financing scale to improve the capability of serving the real economy. As at the end of the Reporting Period, its balance of loans to customers (before impairment allowances, the same below unless otherwise specified) increased by 7.03% from the beginning of the year to RMB3,983.756 billion, of which balance of loans to transportation, storage and postal service sector increased by 10.99% from the beginning of the year, balance of loans to water conservancy, environmental and other public utilities increased by 18.27% from the beginning of the year and the balance of personal housing mortgage loans increased by 13.79% from the beginning of the year. The Group promoted the significant optimisation of deposit structure by actively developing low cost liabilities. As at the end of the Reporting Period, the balance of customer deposits increased by 5.57% from the beginning of the year to RMB4,734.627 billion, among which the balance of demand deposits increased by 14.42% from the beginning of the year and the proportion of demand deposits increased by 3.79 percentage points from the beginning of the year to 49.02%.

Operation efficiency continually improved with profit structure optimisation. During the Reporting Period, the Group’s net operating income increased by 6.65% on a year-on-year basis to RMB103.609 billion, among which, net fee and commission income was RMB20.964 billion, representing a year-on-year increase of 8.14%; the proportion of fee and commission income increased by 0.27 percentage point on a year-on-year basis to 20.23%. The Group has improved the operating efficiency by reducing the operating costs to maximise its profits. Its cost-to-income ratio was 25.61%, representing a year-on-year decrease of 0.26 percentage point; the deposit per outlet (excluding community branch outlets) increased by 5.75% from the beginning of the year to RMB1.709 billion; the profit per capita (annualised) of the Group increased on a year-on-year basis by 0.63% to RMB828,700; and the diversion rate of e-channels increased by 2.29 percentage points from the beginning of the year to 90.42%.

Asset quality remained stable while achieving progresses with intensified risk management and control. The Group continued to improve the risk management system of “Full Coverage, Whole Process, Responsibility Accountability and Risk Management Culture”, enhance the risk prevention and mitigation capabilities to keep asset quality stable. As at the end of the Reporting Period, the impaired loans ratio was 1.54%, representing an increase of 0.03 percentage point from the beginning of the year. The provision coverage ratio of impaired loans was 150.45%, which met the relevant regulatory requirements. The Group closely followed the requirements of the state’s structural reform on the supply side to strengthen the management and control over risks of overcapacity industry and the risk investigation in key areas. The Group strived to refine its loans and guarantee business by reducing high risk loans and obtaining sufficient buffer and facilitate asset restructuring, and strengthened collection of non-performing loans. During the Reporting Period, it reduced non-performing loans on balance sheet over RMB36.0 billion. The cost of collaterals added by means of restructuring and so on was RMB2.8 billion.

Accelerating the advance of “BoCom Strategy” to manifest the features of wealth management. The pace of internationalisation and integration was sped up, achieving greater profitability for the Group. Net profits of overseas banking entities for the year achieved a year-on-year growth of 29.67%, and accounted for 7.11% of the Group’s net profit, representing an increase of 1.57 percentage points on a year-on-year basis. The net profits attributable to the parent company from the subsidiaries represented a year-on-year increase of 22.77%, the proportion of which to the net profit of the Group increased by 0.90 percentage point to 5.07% on a year-on-year basis. The Group further revealed features of wealth management operation by expanding and intensifying wealth management business, transactional business, innovative business and agency business. As at the end of the Reporting Period, assets under custody increased by 10.29% from the beginning of the year to RMB6,152.467 billion, retail financial asset under management (“AUM”) increased by 6.55% from the beginning of the year to RMB2,612.526 billion, and the on-and-off balance sheet wealth management denominated in Renminbi increased by 5.31% to over RMB1.5 trillion.

Remarkable achievements in deepening reform to promote transformation with “two engines of divisions and branches”. In the past one year since the implementation of BoCom’s Plan to Strengthen Reformation, the Bank promoted the internal operating mechanism and operating model innovation boldly and resolutely, with a view to entering into a new stage of transformation development in an all-around way. The Bank reformed the structure in front offices to enhance its cross-border, cross-industry and cross-market integrated financial service operating capability. It promoted reformation of remuneration distribution mechanism, established professional manager system and improved appraisal review system, and carried out pricing assessment for all staff and all products to efficiently spur the operating vitality. The Bank promoted the transformation of “Trinity” outlet operating mode and reform and development of branches managed by provinces to enhance services provided to the society. Moreover, the Bank innovated the operating of

divisional structure to preliminary shape the transformation development pattern of “two engines of divisions and branches”. During the Reporting Period, top 6 profit making centres of divisional structure had a year-on-year increase of pre-provision profits before tax of 33.14%.

Market influence constantly increased with brand image shaped effectively. In 2016, the Group was honoured in FORTUNE’s “Top 500 Global Companies” for eight consecutive years, and ranked No. 153 in terms of revenue, up by 37 ranks as compared with the previous year. The Group ranked No. 13 among the global top 1,000 banks in terms of Tier 1 Capital rated by The Banker, up by 4 ranks as compared with the previous year and ranked top 20 among global banks in three consecutive years. The Group ranked No. 1 in China Retail Banking Satisfaction Study for three years in a row.

1. Corporate banking business

- During the Reporting Period, the Group’s profit before tax from corporate banking business decreased by 26.39% on a year-on-year basis to RMB21.312 billion; net fee and commission income decreased by 10.84% on a year-on-year basis to RMB9.703 billion; the total number of corporate customers of domestic branches increased by 4.7% from the beginning of the year.
- As at the end of the Reporting Period, the Group’s corporate deposit balance increased by 6.85% from the beginning of the year to RMB3,237.924 billion; corporate loan balance increased by 6.12% from the beginning of the year to RMB2,895.748 billion.
- As at the end of the Reporting Period, the Group’s corporate impaired loan balance increased by 7.35% from the beginning of the year to RMB47.541 billion; the impaired loans ratio increased by 0.02 percentage point from the beginning of the year to 1.64%.

The Group constantly served the real economy, gave full play to the advantages of international and integrated operation, and actively adhered to major national strategies and local major projects. While improving cross-border, cross-industry and cross-market service capabilities, it comprehensively reinforced the full exposure prevention to promote the stable and healthy development of corporate financial business.

(1) *Corporate and institutional business*

Been supportive to key national strategies such as “Belt and Road Initiatives”, “Coordinated Development of the Beijing, Tianjin and Hebei region”, etc., the Group has established and improved the business coordinated mechanism between domestic and overseas branches as well as between the Group and the subsidiaries, strengthened the linkage between the diversified financing channels. The Group also fostered the business cooperation with governments, social capital providers and other market players. The Group has signed the Strategic Cooperation Framework Agreement for the Period of 13th Five Year Plan with several provincial and municipal governments. The Group participated in China’s government-enterprise investment cooperation fund approved by the State Council and established by the Ministry of Finance. The Group was granted licence for charge agency on penalty for violating traffic rules and tuition fees for the customers from schools. The brand new social security and financial service system platform was built and the WeChat Platform was successfully launched. The Group actively explored and promoted innovation products, such as “land reserve financing”, “venture loan”, etc. And the syndicated loan business of the Group was awarded “Outstanding Contribution Award” by the China Banking Association.

(2) *Micro, small and medium enterprises (MSMEs) business*

The Group enhanced the co-operation with its client with third-party platforms, such as Medical E-commerce, Enterprise Credit Report System, Cross-Border E-commerce, etc., which integrated and also expanded the customer resource of small enterprises. Focusing on the encouraged industry for the enhancement of livelihood security, science, education, culture and public health as well as the consumption upgrading, the Group actively expanded the characteristic industrial customer base. It also reinforced the innovation in service and products. At present, the “POS loans” business based on “Jiayitong” customers had been put into use in 17 branches and “Wo Yi Loans” products started its promotion. As at the end of the Reporting Period, the domestic banks’ balance of loans to SMEs that met the qualification of four national ministries and commissions increased by RMB30.333 billion from the beginning of the year to RMB654.791 billion.

(3) *“One Branch Offering Nationwide Service” industrial value chain financial service*

Through continually building the brand of “Express Receivable Collector” and “Express Bill Discounting”, researching and developing innovative functions such as E-bank signing of bill discount contract and bill discount withdrawals, and integrating and optimising the service processes and schemes for industries such as hospital, real estate and financial companies as well as for key customers, the Bank enriched its product features, enhanced its service efficiency, and effectively promoted the joint development of SMEs and customers without loans. By seizing industrial development opportunities such as traditional enterprise transformation, medical procurement reform and Internet e-commerce, the Bank designed and launched fast and efficient electronic supply chain financing solutions in industries such as medicine and petroleum. In addition, the Bank successfully put the “Smart Distributor Platform” into use on multiple vehicle industrial chain networks. As at the end of the Reporting Period, there were more than 2,000 qualified industrial chain networks and more than 24,000 qualified industrial chain companies being developed by the domestic branches.

(4) *Cash management business*

The Bank accelerated innovation of global cash management business, put cross-border bi-directional Renminbi cash pool into use, and completed cross-border bi-directional transfer of Renminbi and foreign currency cash, making the query function more efficient. Directed by customer experience, the Bank greatly improved customer service efficiency and enriched product line of cash management by strengthening innovative connectivity between notes pool and products such as “Express Receivable Collector” and “Express Bill Discounting”, optimising functions of products such as “secondary accounts”, “Bidding Pass” and “Reimbursement Pass” and putting the management module of collaterals for corporate financing into use. As at the end of the Reporting Period, the number of corporate customers of e-channel “Win to Fortune” cash management was more than 17,000 and the cash management accounts was more than 180,000. The Bank was awarded “2016 Best Cash Management Bank” by The Asset.

(5) *International settlement and trade financing*

The Bank gave great impetus to combine cross-border settlement and trade financing products to provide personalised and globalised investment and financing services to enterprises. During the Reporting Period, the amount of international settlement processed by domestic branches reached RMB1,960.684 billion, and the amount of international trade financing reached RMB57.131 billion. The Bank fully supports the “Belt and Road Initiatives” strategy and “Go Global” of enterprises through overseas loans under domestic guarantees and various kinds of letters of guarantee. During the Reporting Period, the amount of external guarantees provided by domestic branches reached RMB90.461 billion, and the volume of international factoring processed by domestic branches increased on a year-on-year basis by 25.89% to RMB5.257 billion.

(6) *Investment banking business*

Seizing the opportunity of launch of shelf offering system, the Bank actively snatched market share and successfully marketed a number of key shelf offering projects. The Bank optimised the business mode of industry fund and promoted the application of governmental purchase service in industry fund. The Bank strengthened its cooperation with high-quality customers and proactively promoted business innovation such as USD-denominated direct investment, local treasury bond bridging financing and private securitisation of beneficiary rights of governmental purchase/procurement projects. Fee income from investment banking reached RMB3.392 billion during the Reporting Period, accounting for 15.25% of the Group’s total fee and commission income. The number of debt financing instruments (excluding local government debt) underwritten by domestic branches as lead underwriters increased by 11% on a year-on-year basis to 144, and the issuance amount of such instruments reached RMB179.9 billion.

(7) *Asset custody business*

The Bank strengthened the Group’s business linkage, drove comprehensive and diversified development of custody business by relying on business chain and fund chain and focusing on key products such as bond fund (public offering), fund asset management products with principals guaranteed by the Group, and products related to asset management of securities companies. In addition, the Bank launched business such as custody trust of property rights and actively scaled up the custody of products such as QDII, national pension reserve fund, enterprise annuity and pension funds. As at the end of the Reporting Period, assets under custody of the Bank increased by 10.29% from the beginning of the year to RMB6,152.467 billion.

2. *Personal banking business*

- During the Reporting Period, from personal banking business sector, the Group's profit before tax increased by 88.38% on a year-on-year basis to RMB12.710 billion; net fee and commission income increased by 36.19% on a year-on-year basis to RMB9.973 billion; the total number of individual customers in domestic branches increased by 4.92% from the beginning of the year.
- As at the end of the Reporting Period, the balance of personal deposits of the Group increased by 2.94% from the beginning of the year to RMB1,493.218 billion, and the proportion of personal deposits decreased by 0.80 percentage point from the beginning of the year to 31.54%. The balance of personal loans of the Group increased by 9.53% from the beginning of the year to RMB1,088.008 billion, and the proportion of personal loans increased by 0.62 percentage point from the beginning of the year to 27.31%.
- As at the end of the Reporting Period, the balance of personal impaired loans of the Group increased by 15.95% from the beginning of the year to RMB13.823 billion; the personal impaired loans ratio increased by 0.07 percentage point from the beginning of the year to 1.27%.

Adhering to the “customer-centred” principle, the Group strived to develop saving deposits, personal assets and wealth management business, actively built top-class mobile banking and continued to enhance the influence of its service brand with AUM as the lead, effective customer as the basis and cross sales as the starting point, so as to comprehensively promote the transformation development of personal financial business.

(1) *Personal deposit and loan*

The Group actively developed saving deposits and promoted the increase of new customers and new funds. The Group strengthened the sales of certificates of deposit and open on-balance sheet wealth management products, actively reduced the scale of high-cost deposits amount and promoted the reasonable optimisation of the deposit structure. The Group optimised the retail asset business process, accelerated the efficiency in core loops such as application for credit cards, examination and approval and registration for lending as well as vigorously developed mortgage business. As at the end of the Reporting Period, the balance of the housing mortgage loans of the Group increased by RMB83.354 billion from the beginning of the year to RMB687.711 billion, with a growth rate of 13.79%.

(2) *Personal wealth management business*

Taking the “10th Anniversary of OTO Fortune” as an opportunity, the Group carried out the brand-new image design for the OTO Fortune brand and took the innovative theme of customers’ wealth management demands in three life stages (i.e. getting married, educating a child and enjoying the later life) as the pointcut, showing benefit of the wealth appreciation to a household in different stages. The Group carried out media propaganda of the thanksgiving campaign for 10th anniversary of OTO Fortune, focusing on broadcasting publicity VCR for 10th anniversary of OTO Fortune via mainstream media websites and mobile media such as iQiyi, Letv, Sohu TV and Youku Tudou. The video had around 600 thousand views averagely per week, reflecting a remarkable publicity effect. The Group continued to build the characteristics of traditional Chinese medicine health care. During the Reporting Period, the Group carried out the campaign of OTO Fortune health care of famous doctors of traditional Chinese medicine in 10 branches.

As at the end of the Reporting Period, retail AUM by the Group amounted to RMB2,612.526 billion, representing an increase of 6.55% from the beginning of the year. The number of BoCom fortune customers and OTO Fortune customers increased by 7.62% and 12.74%, respectively from the beginning of the year. The total number of private banking customers increased by 13.74% as compared to the beginning of the year.

(3) *Bank card business*

Credit card business

The Group continued to carry out credit card brand marketing activities such as “Weekly Swipe”, “Super Red Friday” and “Catering Super Red Season” and received positive market response. The Group launched payment products such as Apple pay, Samsung pay, Huawei pay, HCE, P2P money transfer and payment via scanning QR code in succession, which constantly enriched the payment methods and functions. It launched innovative products such as “angel loan” and “cash instalment” to vigorously develop the consumption credits business. The Group optimised the customer approval policy and reinforced anti-fraud and exceptional transaction monitoring, keeping the balance between the risk and revenue.

As at the end of the Reporting Period, the total amount of domestic credit cards in use (including quasi-credit cards) increased by 3.99 million from the beginning of the year to 47.14 million. In the first half of the year, the accumulated expenditure amounted to RMB885.2 billion, representing an increase of 24.75% on a year-on-year basis. Credit card overdraft balance amounted to RMB288.072 billion, representing an increase of 6.09% from the beginning of the year while the impairment over credit card overdraft was 2.14%, representing an increase of 0.32 percentage point from the beginning of the year.

Debit card business

The Group actively carried out the promotional activities for on-line and off-line debit card consumption to enhance customers' activeness and drive increase in consumption of bank card. Focusing on personal settlement account and mobile payment, the Group carried out product innovation to enable customers from other banks to open II personal bank accounts on mobile bank and "Go Pay", building a quick on-line channel to gain market share. In addition, the Group launched NFC payment products such as Apple pay and mobile QR payment products such as QR code mobile payment. This enhanced the convenience in payment and the customers' experience in card swiping. As at the end of the Reporting Period, the number of domestic Pacific debit cards amounted to 113.83 million, representing a net increase of 5.67 million from the beginning of the year. The accumulated spending was RMB432.5 billion in the first half of the year, representing a year-on-year increase of 7.77%.

3. *Interbank and treasury business*

- During the Reporting Period, the Group's net operating income from treasury business increased by 9.07% on a year-on-year basis to RMB14.597 billion.
- During the Reporting Period, the Group's profit before tax in terms of treasury business increased by 15.84% on a year-on-year basis to RMB13.453 billion.

Being active in response to a series of challenges in the macro market, the Group continued to strengthen its research and assessment over the macro environment at home and abroad, accurately seized the market opportunity, dug up the value of monetary market, wealth and asset management and other businesses, enhanced product innovation and expanded interbank cooperation channels to drive the comprehensive development of interbank and market business.

(1) *Institutional financial service*

The Group entered into strategic cooperation agreements with Zhengzhou Commodity Exchange, China Securities Depository and Clearing Company Limited and Agricultural Development Bank of China successively. It strengthened business cooperation with financial factor markets such as Shanghai Clearing House Co., Ltd. and Shanghai Gold Exchange, becoming one of the first batch of agent banks conducting agent clearing business for standard bond forward of Shanghai Clearing House Co., Ltd. The Group proactively explored the business cooperation with multilateral international financial institutions such as New Development Bank BRICS and Asian Infrastructure Investment Bank and has established cooperation relationship with New Development Bank BRICS in sectors of opening accounts, deposits from other banks, fund settlement and interbank credit.

With respect to interbank collaboration, the Group entered into interbank platform contracts with 314 banks and took leading positions in aspects of third party depository business under interbank collaboration, third party depository financing and securities lending function under interbank collaboration and bank-futures trading company transfer under interbank collaboration. The Group actively promoted “rural credit union projects” and entered into cooperation agreements with 21 provincial rural credit unions. Moreover, the Group actively explored cooperative customers in cross-border interbank payment system (“CIPS”) businesses. As a result, interbank wealth management was accelerated, revenue from interbank wealth management business increased by 45.74% year on year, number of interbank wealth management customers increased by 50.08% from the beginning of the year and the balance of wealth management custody business from other banks increased by 96.58% from the beginning of the year. In terms of collaborations with securities companies and futures trading companies, the Group seized the opportunity of rapid development of Prime Broke (“PB”) business of security companies and provided a whole set of matching services of accounts, depository and appreciation. The balance of margin deposits of futures trading companies increased by 18.58% from the beginning of the year, ranking first in terms of scale of deposits.

(2) *Money market transactions*

The Group accurately predicted the fund requirements and allocated funds timely through open market to strengthen the liquidity management. The Group adjusted the tenure structure, diversified funds usage and enhanced funds utilisation efficiency. During the Reporting Period, the total volume of Renminbi money market transactions by domestic branches was RMB6.82 trillion, among which RMB4.33 trillion was lent to financial institutions and RMB2.49 trillion was borrowed from financial institutions. The total volume of foreign currency money market transaction was USD91.9 billion.

(3) *Trading account business*

The Group actively expanded emerging businesses such as Renminbi bond lending and Renminbi interest rate swap, agent settlement and funds transactions. The Group promoted the development of divisions by accelerating the development of transaction sub-centre in Hong Kong while exploring to set up transaction sub-centre in London. During the Reporting Period, the transaction volume of domestic branches in respect of Renminbi-denominated bonds reached RMB1.35 trillion and the volume of interbank market exchange foreign transactions reached USD515.199 billion. The Group became one of the pioneer banks for direct exchange of Renminbi for South African Rand and Renminbi for KRW in the interbank foreign exchange market.

(4) *Banking book investments*

With respect to the external environment where market returns were low and volatile and risk of enterprises' default increasingly rose up, the Group strengthened researches on macro-economic situation and monetary policy, and moderately adjusted portfolio duration, so as to maintain portfolio returns. As at the end of the Reporting Period, the Group's investment in securities amounted to RMB1,958.488 billion, representing an increase of 20.11% from the beginning of the year. The securities investment yield was 3.81%, representing a year-on-year decrease of 37 basis points.

(5) *Precious metal business*

The Group became one of the pioneer banks qualified to quote in formal gold inquiry market as approved by Shanghai Gold Exchange, maintaining the forefront position in the market. As the first batch of "Shanghai Gold" pricing members of Shanghai Gold Exchange to carry out quotation and proprietary transaction, the Group concluded the first centralised pricing transaction through membership agency system. The Group successfully completed the

first bonds deposits transaction in the international board of Shanghai Gold Exchange. The Group officially joined gold pricing mechanism of LMBA and became the fourth Chinese-funded bank in joining the mechanism. During the Reporting Period, the domestic branches achieved RMB81.153 billion in terms of volume for precious metal brokerage transactions, representing an increase of 18.53% from the prior year; the sales of real precious metals business amounted to RMB1.064 billion; the accumulated transaction volume of proprietary gold trading accounted to 2,757.76 tons, representing a year-on-year increase of 141.28%. The Bank maintained an active role in the market.

(6) *Asset management business*

Through constant efforts in asset management business, during the Reporting Period, the Bank totally launched 5,107 wealth management products and raised funds of RMB11,775.6 billion, representing a year-on-year increase of 17.99%. As at the end of the Reporting Period, the on-and-off-balance sheet wealth management products denominated in Renminbi amounted to RMB1,534.74 billion, increasing by 5.31% from the beginning of the year, and the income of intermediary business increased by 16.64% on a year-on-year basis. With the continuous enhancement of influence of asset management brand, the Bank was awarded “2016 Best Wealth Management Institute” and “2016 Best China Innovation Bank Wealth Management Products” by Securities Times.

4. *“Trinity” network construction*

- During the Reporting Period, the annualised profit per capita of the Group increased year-on-year by 0.63% to RMB828.7 thousand. As at the end of the Reporting Period, the deposit per outlet (excluding all-inclusive outlets) increased by 5.75% from the beginning of the year to RMB1.709 billion.
- As at the end of the Reporting Period, the total amount of domestic banking branch outlets increased by 73 from the beginning of the year to 3,214, of which 76 were newly opened and 3 low-yield ones were closed down.
- As at the end of the Reporting Period, the ratio of self-service bank to traditional branch outlet amounted to 1.37:1. The diversion rate of e-channels increased by 2.29 percentage points from the beginning of the year to 90.42%.
- As at the end of the Reporting Period, the number of relationship managers in domestic branches increased year-on-year by 1.79% to 22,545.

The Group continuously deepened “Trinity” network construction, accelerated the building of omni-channel resource integration and new synergistic platform to explore and create intelligent services and new management model. The Group accelerated innovation of E-channels and products such as mobile banking, WeChat banking, online banking and self-service banking. On the basis of relationship manager team construction, the Bank continued to increase the proportion of number and abilities of relationship managers, to further enhance the construction and development of “trinity” service channel which comprises of physical outlets, e-banking and relationship manager.

(1) *Physical outlets*

The Bank further deepened the transformative development of grass-root institutions, carried out in-situ modification or relocation and adjustment of existing outlets in various ways, launched pilot run of outlet service mode innovation, focused on integration of outlet functional layout, and continuously improved the outlet products comprehensiveness and business contribution. The Bank continuously carried forward classification construction of grass-root outlets in the following two aspects. On one hand, the Bank constantly carried forward the construction of comprehensive outlets. As at the end of the Reporting Period, the number of comprehensive outlets increased by 56 from the beginning of the year to 571, where the number of comprehensive flagship outlets increased by 40 from the beginning of the year. On the other hand, the Bank actively promoted new establishment and reconstruction of all-inclusive outlets and continued to improve all-inclusive financial system. As at the end of the Reporting Period, 499 all-inclusive branches were opened for business.

As at the end of the Reporting Period, the total number of domestic outlets increased by 73 from the beginning of the year to 3,214, of which 76 were newly opened and 3 were closed down due to their low yields. The Bank’s network covered 236 cities at or above prefecture level, with the coverage ratio at prefecture and municipal-level cities up 0.30 percentage point from the beginning of the year to 70.66%. In particular, the coverage ratio in West China was 43.51%.

(2) *E-banking*

The Bank accelerated the development of Internet financial business centre and continued to optimise electronic channel services. As at the end of the Reporting Period, the number of e-banking transactions in domestic branches exceeded 2.186 billion with the transaction amount exceeding RMB108.47 trillion. The diversion rate of e-channels was up 2.29 percentage points from the beginning of the year to 90.42%.

Self-service banking. The Bank made thorough efforts to improve the efficiency of self-service banking. During the Reporting Period, the number of self-service machine increased by 307 to more than 31,000 in total and the number of self-service bank was 3,765 in total. The ratio of self-service bank to traditional branch outlet reached 1.37:1. The transaction number of self-service banking was 292 million and the transaction amount was over RMB1 trillion, representing a year-on-year increase of 23.97%. 813 Intelligent Teller Machines (iTM) have been promoted across the Bank.

Online banking. The Bank optimised functions and interface of online banking to constantly improve customer experience. As at the end of the Reporting Period, the number of corporate e-banking customers increased by 6.37% from the beginning of the year, and the number of corporate e-banking transactions increased year-on-year by 83.23% to 411 million. The number of personal E-banking customers increased by 5.88% from the beginning of the year, and the number of personal E-banking transactions (excluding mobile banking transactions) increased year-on-year by nearly 60% to 1.348 billion.

Mobile banking. The Bank officially launched version 3.0 of mobile banking, which optimised the functions and process experience, to provide customers with services via integrated information platform. As at the end of Reporting Period, the Bank's total number of mobile banking customers increased by 12.08% from the beginning of the year. The number of the mobile banking transactions increased year-on-year by 26% to 130 million. The total transaction amounts made via mobile banking increased year-on-year by nearly 150% to RMB3.22 trillion.

(3) *Relationship manager*

The Bank continued to build its relationship manager teams. As at the end of the Reporting Period, the number of relationship managers in domestic branches increased year-on-year by 1.79% to 22,545 in total, among which, the number of the corporate relationship managers was 10,010 while the number of retail relationship managers was 12,535. The Bank improved the appraisal and distribution mode, strengthened incentive and restrictive mechanism, enhanced training of relationship managers, and improved their abilities to perform duties.

(4) *Customer service*

The Bank is committed to becoming the best service bank by constantly pushing forward service innovation, actively participating in the selection of Top 1,000 model units for civilised and standardised service in China's banking sector organised by the China Banking Association, and further

enhancing customer rights protection, which further increased influence of its service brand. The Bank ranked No. 1 in 2016 China Retail Banking Satisfaction Study (RBSS) organised by J.D.POWER for the third year in a row.

5. *Internationalisation and Universal Operation*

(1) *Internationalisation strategy*

- During the Reporting Period, net profits of the Group's overseas banking entities increased by 29.67% on a year-on-year basis to RMB2.679 billion, accounting for 7.11% of the Group's net profits, which increased by 1.57 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 entities increased by 6.09% from the beginning of the year to RMB743.907 billion, accounting for 9.35% of the Group's total assets, representing a decrease of 0.45 percentage point from the beginning of the year.
- As at the end of the Reporting Period, the balance of the impaired loans balance in the Group's overseas banking entities increased by 12.50% from the beginning of the year to RMB279 million, and the impaired loan ratio increased by 0.01 percentage point from the beginning of the year to 0.08%.

The Group focused on driving the implementation of internationalisation strategy by improving the layout of overseas service network, giving full play to the advantages of its global service network and licenses, and increasing its all-round financial service ability based on financial innovation and key products.

Overseas service network

The layout of overseas service network was promoted steadily. As at the end of the Reporting Period, the Group had set up 14 branches or subsidiaries and 1 representative office in Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, London, Sydney, San Francisco, Taipei, Toronto, Brisbane and Luxembourg with total 56 overseas operating outlets (excluding the representative office). The Bank established agency relationship with 1,620 banks in over 142 countries and regions, set up 238 cross-border Renminbi inter-bank accounts for 127 overseas agent banks in 33 countries and regions, and opened 72 foreign currency settlement accounts in 19 currencies with 55 banking institutions in over 24 countries and regions.

The synergetic business of domestic and overseas

Centring on the national strategy of “Belt and Road Initiatives” and “Go Global”, the Bank grasped the hot spots of foreign investment and cooperation, provided enterprises with mid-and-long term financing service with domestic and overseas synergy, and constantly increased its cross-border, cross-industry and cross-market operating service ability. During the Reporting Period, the total transaction amount of the synergetic business was USD25.397 billion, and its accumulated revenue reached RMB2.491 billion.

Cross-border Renminbi transaction

The Bank expanded businesses such as cross-border direct Renminbi investment, cross-border bi-directional Renminbi cash pool and cross-border financing, to enlarge the scale of cross-border Renminbi settlement of capital items. Giving play to the advantage of internationalisation, the Bank cooperated with Korea Securities Depository (KSD) and HKSCC to develop “China-Korea Zhai Shi Tong” project, to promote interconnection between infrastructures of Chinese and Korean bond markets. The Bank constantly improved its ability to manage global risks and conducted cross-border Renminbi business in compliance with laws and regulations. During the Reporting Period, the transaction amount of the cross-border Renminbi settlement by domestic and overseas banking institutions increased by 32.10% on a year-on-year basis to RMB889.448 billion.

Offshore services

The Bank vigorously promoted the onshore and offshore synergetic mechanism and expanded businesses including cross-border syndicated loan, financing to merger and acquisition, bond investment and cross-border wealth management, to broaden the sources of revenue. As at the end of the Reporting Period, the total amount of offshore assets increased by 21.21% from the beginning of the year to USD15.472 billion, loan balance increased by 41.55% from the beginning of the year to USD10.159 billion, and deposit balance increased by 11.29% from the beginning of the year to USD10.558 billion.

(2) *Universal operation*

- During the Reporting Period, net profits attributable to the parent company from the holding subsidiaries (excluding Bank of Communications (UK) Limited and Bank of Communications (Luxembourg) Limited) amounted to RMB1.909 billion, representing a year-on-year increase of 22.77%, the proportion of which to the net profit of the Group increased by 0.90 percentage point to 5.07% on a year-on-year basis.
- As at the end of the Reporting Period, the total assets of the holding subsidiaries (excluding Bank of Communications (UK) Limited and Bank of Communications (Luxembourg) Limited) increased by 17.50% from the beginning of the year to RMB244.117 billion, the proportion of which to the total assets of the Group increased by 0.17 percentage point to 3.07% from the beginning of the year.

Relying on the synergistic model of “Sector + Segment + Subsidiary”, the Group vigorously improved the three core capabilities of its subsidiaries, which are development, synergy, and competitiveness, building three key features of its subsidiaries which are high volume business, aviation and air-cargo finance, and wealth management. In addition, the Group deepened strategic synergy and sharpened the edge in the corresponding industries, in order to strengthen cross-border, cross-industry and cross-market operating ability and service capabilities. While achieving fast development of main businesses with constantly improved market status, the subsidiaries actively played the role of being the innovative bodies and fully integrated in the Group’s overall compositions.

- BoCOM Leasing continued to optimise business structure and promote internationalisation development of aviation and air-cargo business. As at the end of the Reporting Period, the leasing asset balance increased by 11.99% from the beginning of the year to RMB156.329 billion. BoCOM Leasing is one of the leading companies in domestic financial lease industry in terms of asset size, investment amount and asset quality.
- BoCOM International Trust continued to develop its core businesses including PPP, industrial investment fund and asset securitisation. During the Reporting Period, it successfully issued the first batch of asset securitisation products issued by city commercial bank and rural commercial bank. As at the end of the Reporting Period, its AUM increased by 18.80% from the beginning of the year to RMB586.169 billion.

- BoCOM Fund saw outstanding performance of several publicly offered funds, among which BoCOM Zhizao and BoCOM Xinchengzhang are top one-sixth of funds among its peers. As at the end of the Reporting Period, its AUM increased by 5.24% from the beginning of the year to RMB456.871 billion. Domestic subsidiaries engaged in asset management integrated into the Group’s wealth management strategy system to provide comprehensive asset management across primary and secondary markets. As at the end of the Reporting Period, the AUM reached RMB308.154 billion.
- BoCommlife Insurance actively integrated within the Group’s business system, and its bancassurance business took a great leap forward. During the Reporting Period, the realised original premium income increased by 180.61% on a year-on-year basis to RMB8.814 billion. It continued to be rated Level A company in the regulatory category rating by the China Insurance Regulatory Commission.
- BoCOM International accelerated business development, with increasingly diversified investment banking business. During the Reporting Period, it completed 18 investment projects, with a year-on-year increase of 20%.
- With steady development, BoCOM Insurance’s gross premium growth rate and net compensation rate were better than the Hong Kong interbank market average, with investment performance significantly outperforming the market performance.
- Rural banks achieved a steady growth in their business, and actively supported the development of local economy. As at the end of the Reporting Period, total assets of the four rural banks increased by 3.62% from the beginning of the year to RMB7.982 billion.

(II) Financial Statements Analysis

1. Analysis on Major Income Statement Items

(1) Profit before tax

During the Reporting Period, the Group’s profit before tax increased by RMB208 million, equivalent to a 0.43% increase on a year-on-year basis, reaching RMB48.497 billion. Profit before tax was mainly derived from net interest income and net fee and commission income.

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

(in millions of RMB)

	For the six months ended	
	30 June	
	2016	2015
Net interest income	68,148	71,059
Net fee and commission income	20,964	19,386
Impairment losses on loans and advances to customers	(14,807)	(11,454)
Profit before tax	48,497	48,289

(2) *Net interest income*

During the Reporting Period, the Group's net interest income decreased by RMB2.911 billion on a year-on-year basis to RMB68.148 billion, accounting for 65.77% of the Group's net operating income and was a major component of the Group's income.

The table below shows the average daily balances, associated interest income and expenses, and annualised average yield or annualised average cost of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated:

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	Average balance	Interest income/ expense) ⁵	Annualised average yield/ cost) (%)	Average balance	Interest income/ expense)	Annualised average yield/ cost) (%)
ASSETS						
Balances with central banks	934,971	6,969	1.49	874,830	6,565	1.50
Due from banks and other financial institutions	550,912	7,224	2.62	636,419	11,021	3.46
Loans and advances to customers and receivables	3,972,290	96,895	4.88	3,640,072	109,081	5.99
Include: Corporate loans and receivables	2,803,016	65,089	4.64	2,619,488	76,869	5.87
Individual loans	1,004,577	29,099	5.79	901,034	29,849	6.63
Discount bills	164,697	2,707	3.29	119,550	2,363	3.95
Investment securities	1,746,290	33,273	3.81	1,226,081	25,616	4.18
Interest-bearing assets	6,919,372 ³	140,225 ³	4.05	6,271,004 ³	150,590 ³	4.80
Non-interest-bearing assets	325,501			299,415		
Total assets	7,244,873³			6,570,419³		
Liabilities and Shareholders' Equity						
Due to customers	4,626,153	44,989	1.94	4,245,883	50,350	2.37
Include: Corporate deposits	3,141,520	28,887	1.84	2,834,823	32,868	2.32
Individual deposits	1,484,633	16,102	2.17	1,411,060	17,482	2.48
Due to banks and other financial institutions	1,822,177	25,843	2.84	1,552,866	27,189	3.50
Debt securities issued and others	321,852	5,381	3.34	193,191	3,685	3.81
Interest-bearing liabilities	6,485,091 ³	72,077 ³	2.22	5,885,542 ³	79,531 ³	2.70
Shareholders' equity and non-interest bearing liabilities	759,782			684,877		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,244,873³			6,570,419³		
Net interest income		68,148			71,059	
Net interest spread ¹			1.83 ³			2.10 ³
Net interest margin ²			1.97 ³			2.27 ³
Net interest spread ¹			1.95 ⁴			2.16 ⁴
Net interest margin ²			2.08 ⁴			2.33 ⁴

Notes:

1. This represents the difference between the annualised average yield on total average interest-bearing assets and the annualised average cost of total average interest-bearing liabilities.
2. This ratio represents the net interest income to total average interest-bearing assets.
3. This excludes the impact of wealth management products.
4. This excludes the impact of wealth management products and takes into account the tax exemption on the interest income from investments in government bonds.
5. According to requirements of Notice on the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36), VAT payable was deducted from the Group's interest income in the current period.

During the Reporting Period, the Group's net interest income decreased by 4.10% on a year-on-year basis. The net interest spread and net interest margin decreased by 27 and 30 basis points on a year-on-year basis to 1.83% and 1.97%, respectively. In which, the net interest spread and net interest margin in the second quarter decreased by 8 and 7 basis points as compared with the first quarter, respectively. If removing the effect of "Replacing Business Tax with VAT", the net interest spread and net interest margin decreased by 21 and 24 basis points on a year-on-year basis to 1.89% and 2.03% respectively, in which, the net interest spread and net interest margin in the second quarter both increased by 4 basis points as compared with the first quarter.

The table below illustrates the impact of changes in balances and interest rates on the Group's interest income and interest expense. The changes are based on the changes in average daily balance and interest rates on interest-bearing assets and interest-bearing liabilities during the periods indicated.

(in millions of RMB)

	Comparison between January to June 2016 and January to June 2015 Increase/(decrease) due to		
	Balance	Interest rate^{Note}	Net increase/ (decrease)
Interest-bearing assets			
Balances with central banks	451	(47)	404
Due from banks and other financial institutions	(1,479)	(2,318)	(3,797)
Loans and advances to customers and receivables	9,950	(22,136)	(12,186)
Investment securities	10,872	(3,215)	7,657
Changes in interest income	19,794	(27,716)	(7,922)
Interest-bearing liabilities			
Due to customers	4,506	(9,867)	(5,361)
Due to banks and other financial institutions	4,713	(6,059)	(1,346)
Debt securities issued and others	2,451	(755)	1,696
Changes in interest expense	11,670	(16,681)	(5,011)
Changes in net interest income	8,124	(11,035)	(2,911)

Note: According to requirements of Notice on the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36), VAT payable was deducted from the Group's interest income in the current period; the deduction amounts are included in "interest" item.

During the Reporting Period, the Group's net interest income decreased by RMB2.911 billion on a year-on-year basis, of which the increase of RMB8.124 billion was due to changes in the average balances of assets and liabilities, while the decrease of RMB11.035 billion was due to changes in the average rate of return and average cost ratio.

① Interest income

During the Reporting Period, the Group's gross interest income decreased by RMB7.922 billion or 5.20% on a year-on-year basis to RMB144.361 billion.

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

Interest income from loans and advances to customers and receivables was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers and receivables decreased by RMB12.186 billion or 11.17% on a year-on-year basis to RMB96.895 billion, largely due to the decrease in the annualised average yield of loans and advances to customers and receivables on a year-on-year basis by 111 basis points.

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by RMB7.657 billion or 29.89% on a year-on-year basis to RMB33.273 billion. This was largely due to the year-on-year increase in the average balance of investment securities by 42.43%.

C. Interest income from balances with the central bank

The balances with the central bank mainly included balances in statutory reserves and in excess reserves. During the Reporting Period, interest income from balances with the central bank increased by RMB404 million to RMB6.969 billion. The growth of the average interest income balances with the central bank was primarily due to the year-on-year increase in average customer deposits by 6.87%.

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

Interest income from balances due from banks and other financial institutions decreased by RMB3.797 billion or 34.45% on a year-on-year basis to RMB7.224 billion. This was largely due to the year-on-year decrease in the annualised average yield due from banks and other financial institutions by 84 basis points, and a year-on-year decrease in the average balance by 13.44%.

② Interest expense

During the Reporting Period, the Group's interest expense decreased by RMB5.011 billion or 6.17% on a year-on-year basis to RMB76.213 billion.

A. Interest expense on balances due to customers

Customer deposits were the Group's main source of funding. During the Reporting Period, interest expense on customer deposits decreased by RMB5.361 billion or 10.65% on a year-on-year basis to RMB44.989 billion, accounting for 59.03% of total interest expense. The decrease in interest expense on customer deposits was mainly due to a year-on-year decrease in the annualised average yield of customer deposits by 43 basis points.

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

During the Reporting Period, interest expense on balances due to banks and other financial institutions decreased by RMB1.346 billion or 4.95% on a year-on-year basis to RMB25.843 billion. This was largely due to the year-on-year decrease in the annualised average yield of balances due to banks and other financial institutions by 66 basis points.

C. Interest expense on bond issuance and others

During the Reporting Period, interest expense on bond issuance and other interest-bearing liabilities increased by RMB1.696 billion or 46.02% on a year-on-year basis to RMB5.381 billion. This was mainly due to a year-on-year increase in average balance of bond issuance and others by 66.60%.

(3) *Net fee and commission income*

Net fee and commission income was a major component of the Group's net operating income. During the Reporting Period, the Group continuously improved the quality and efficiency of intermediary business development and vigorously promoted the transformation of its profit-making model and moved towards a business model with diversified revenue streams. During the Reporting Period, the Group's net fee and commission income increased by RMB1.578 billion or 8.14% on a year-on-year basis to RMB20.964 billion. Agency service and management service were the main drivers of the Group's intermediary businesses.

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

(in millions of RMB)

	For the six months ended	
	30 June	
	2016	2015
Settlement service and bank cards	6,610	7,249
Investment banking	3,392	4,686
Guarantee and commitment	1,689	2,109
Management service	6,783	5,028
Agency service	3,395	1,568
Others	369	332
Total fee and commission income	22,238	20,972
Less: Fee and commission expense	(1,274)	(1,586)
Net fee and commission income	20,964	19,386

Fee income from settlement service and bank card services decreased by RMB639 million or 8.82% on a year-on-year basis to RMB6.61 billion. This was largely due to the Group's active response to the requirements of national policies, reducing the settlement service fees, thus resulting in the decrease in fee income from settlement service.

Fee income from investment banking decreased by RMB1.294 billion or 27.61% on a year-on-year basis to RMB3.392 billion. This was mainly due to the decrease in consultant service.

Fee income from guarantee and commitment services decreased by RMB420 million or 19.91% on a year-on-year basis to RMB1.689 billion. This was mainly due to the slow growth of global economy and decline in guarantee and commitment services, including letter of guarantee.

Fee income from management services increased by RMB1.755 billion or 34.90% on a year-on-year basis to RMB6.783 billion. This was mainly driven by the increase in the fee income from assets management and agency wealth management services.

Fee income from agency services increased by RMB1.827 billion or 116.52% on a year-on-year basis to RMB3.395 billion. This was mainly driven by the significant increase in the fee income from insurance agency services.

(4) *Operating costs*

During the Reporting Period, the Group's operating cost increased by RMB1.422 billion or 5.72% on a year-on-year basis to RMB26.277 billion, while its cost-to-income ratio was 25.61%, representing a year-on-year decrease of 0.26 percentage point.

(5) *Impairment losses on loans and advances to customers*

During the Reporting Period, the Group's impairment losses on loans and advances to customers increased by RMB3.353 billion or 29.27% on a year-on-year basis to RMB14.807 billion. The increase comprised of ① collective assessment decreased by RMB570 million on a year-on-year basis to RMB6.107 billion; and ② individual assessment increased by RMB3.923 billion on a year-on-year basis to RMB8.70 billion. During the Reporting Period, credit cost ratio increased by 0.12 percentage point on a year-on-year basis to 0.74%.

(6) *Income tax*

During the Reporting Period, the Group's interest expense decreased by RMB209 million or 1.94% on a year-on-year basis to RMB10.574 billion. The effective tax rate of 21.80% is lower than the statutory tax rate of 25%, which is mainly due to the tax exemption on interest income from government bonds held by the Group, as promulgated in relevant tax provisions.

The table below illustrates the Group's current tax and deferred tax for the periods indicated:

	<i>(in millions of RMB)</i>	
	For the six months ended	
	30 June	
	2016	2015
Current tax	9,495	10,724
Deferred tax	1,079	59

2. Analysis on Major Balance Sheet Items

(1) Assets

As at the end of the Reporting Period, the Group's total assets were RMB7,956.322 billion, representing an increase of RMB800.960 billion, equivalent to an increase of 11.19% from the beginning of the year.

The table below illustrates the outstanding balances (after impairment allowances) of the principal 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 2016		31 December 2015	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers	3,891,431	48.91	3,634,568	50.80
Investment securities	1,958,488	24.62	1,630,559	22.79
Cash and balances with central banks	1,040,308	13.08	920,228	12.86
Due from banks and other financial institutions	651,493	8.19	611,191	8.54
TOTAL ASSETS	7,956,322		7,155,362	

① Loans and advances to customers

During the Reporting Period, the Group reasonably controlled the amount, direction and pace of credit advancement, and achieved a balanced and steady growth in loans. As at the end of the Reporting Period, the Group's total loans and advances to customers were RMB3,983.756 billion, representing an increase of RMB261.750 billion or 7.03% from the beginning of the year, among which the increase in Renminbi loans from domestic branches increased by RMB222.060 billion or 6.75% from the beginning of the year.

Loans concentration by industry

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

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

(in millions of RMB unless otherwise stated)

	30 June 2016		31 December 2015	
	Balance	Proportion (%)	Balance	Proportion (%)
Mining	106,484	2.67	101,647	2.73
Manufacturing				
– Petroleum and chemical	119,708	3.00	125,952	3.38
– Electronics	72,962	1.83	75,424	2.03
– Steel	35,967	0.90	36,879	0.99
– Machinery	122,811	3.08	105,187	2.83
– Textile and clothing	35,870	0.90	40,680	1.09
– Other manufacturing	234,898	5.90	238,027	6.40
Electricity, gas and water production and supply	141,451	3.55	138,256	3.71
Construction	105,027	2.64	109,893	2.95
Transportation, storage and postal service	464,006	11.65	418,057	11.23
Telecommunications, IT services and software	19,083	0.48	13,413	0.36
Wholesale and retail	292,775	7.35	333,903	8.97
Accommodation and catering	36,471	0.92	35,070	0.94
Financial institutions	101,665	2.55	50,832	1.37
Real estate	223,805	5.62	227,061	6.10
Services	295,503	7.42	262,750	7.06
Water conservancy, environmental and other public utilities	156,183	3.92	132,061	3.55
Education, science, culture and public health	80,733	2.03	71,731	1.93
Others	112,429	2.82	94,420	2.53
Discounted bills	137,917	3.46	117,444	3.16
Total corporate loans	2,895,748	72.69	2,728,687	73.31
Mortgage	687,711	17.26	604,357	16.24
Credit card	288,072	7.23	271,542	7.30
Others	112,225	2.82	117,420	3.15
Total individual loans	1,088,008	27.31	993,319	26.69
Gross amount of loans and advances to customers before impairment allowances	3,983,756	100.00	3,722,006	100.00

As at the end of the Reporting Period, the balances of the Group's corporate loans increased by RMB167.061 billion, or 6.12% from the beginning of the year to RMB2,895.748 billion. The four most concentrated industries were manufacturing, transportation, storage and postal service, services and wholesale and retail business, which accounted for 57.83% of total corporate loans.

As at the end of the Reporting Period, the balances of the Group's individual loans increased by RMB94.689 billion or 9.53% from the beginning of the year to RMB1,088.008 billion. The proportion of personal loans as a percentage to total loans and advances to customers increased by 0.62 percentage point from the beginning of the year to 27.31%.

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 1.85% of the Group's net capital, and the total loans of top 10 customers accounted for 12.74% of the Group's net capital, which were in compliance with the regulatory requirements.

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

(in millions of RMB unless otherwise stated)

30 June 2016

	Type of industry	Loan balances	Percentage of total loans and advance (%)
Customer A	Transportation, storage and postal service	11,967	0.30
Customer B	Transportation, storage and postal service	10,901	0.27
Customer C	Transportation, storage and postal service	10,191	0.26
Customer D	Transportation, storage and postal service	8,646	0.22
Customer E	Services	7,600	0.19
Customer F	Others	7,598	0.19
Customer G	Manufacturing – other manufacturing	7,000	0.18
Customer H	Transportation, storage and postal service	6,326	0.16
Customer I	Transportation, storage and postal service	6,106	0.15
Customer J	Transportation, storage and postal service	6,024	0.15
	Total of Top Ten Customers	82,359	2.07

Loan concentration by geographical locations

The Group's credit customers are mainly located in the Yangtze River Delta, the Bohai Rim Economic Zone and the Pearl River Delta. As at the end of the Reporting Period, the proportion of loans and advances to customers in these three regions accounted for 33.16%, 18.23% and 7.83%, respectively, among which, the loan balance in the Yangtze River Delta, the Bohai Rim Economic Zone and the Pearl River Delta increased by 8.37%, 3.37% and 9.65%, respectively from the beginning of the year.

Loan quality

As at the end of the Reporting Period, the impaired loans ratio was 1.54%, representing an increase of 0.03 percentage point from the beginning of the year. The provision coverage ratio of impaired loans decreased by 5.12 percentage points from the beginning of the year to 150.45%, and the provision ratio of impaired loans decreased by 0.03 percentage point from the beginning of the year to 2.32%.

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

(in millions of RMB unless otherwise stated)

	30 June 2016	31 December 2015
Impaired loans	61,364	56,206
Loans overdue by more than 90 days	85,381	91,423
Percentage of impaired loans to gross amount of loans and advances to customers (%)	1.54	1.51

② Investment securities

As at the end of the Reporting Period, the Group's net balance of investment securities increased by RMB327.929 billion or 20.11% from the beginning of the year to RMB1,958.488 billion. Return on investment securities reached a relatively satisfactory level of 3.81%, benefiting from the Group's reasonable allocation and continuous optimisation of the investment structure.

Distribution of the Group's investment securities

The table below illustrates the distribution of the Group's investment securities by financial asset classification based on the Group's intention of holding and by type of issuers as of the dates indicated:

– By financial asset classification for the purpose of holding:

(in millions of RMB unless otherwise stated)

	30 June 2016		31 December 2015	
	Balance	Proportion (%)	Balance	Proportion (%)
Financial assets at fair value through profit or loss	116,316	5.94	108,458	6.65
Investment securities – loans and receivables	341,771	17.45	323,679	19.85
Investment securities – available-for-sale	295,075	15.07	264,739	16.24
Investment securities – held-to-maturity	1,205,326	61.54	933,683	57.26
Total	<u>1,958,488</u>	<u>100.00</u>	<u>1,630,559</u>	<u>100.00</u>

– By type of issuers:

(in millions of RMB unless otherwise stated)

	30 June 2016		31 December 2015	
	Balance	Proportion (%)	Balance	Proportion (%)
Governments and central banks	936,274	47.81	662,337	40.62
Public sector entities	22,975	1.17	21,939	1.35
Banks and other financial institutions	576,633	29.44	496,184	30.43
Corporate entities	422,606	21.58	450,099	27.60
Total	<u>1,958,488</u>	<u>100.00</u>	<u>1,630,559</u>	<u>100.00</u>

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Bond names	Face value	Annual interest rate (%)	Maturity date	Impairment allowance
2015 banks and non-bank financial institutions bond	5,910	4.95	19/01/2018	–
2015 policy bank bond	5,060	3.74	10/09/2025	–
2011 banks and non-bank financial institutions bond	5,000	5.50	26/10/2021	–
2014 banks and non-bank financial institutions bond	4,000	5.98	18/08/2029	–
2012 banks and non-bank financial institutions bond	3,800	4.70	29/06/2022	–
2012 banks and non-bank financial institutions bond	3,500	4.30	14/02/2017	–
2013 banks and non-bank financial institutions bond	3,200	4.95	17/06/2023	–
2015 banks and non-bank financial institutions bond	3,000	4.01	30/07/2018	–
2015 banks and non-bank financial institutions bond	3,000	4.21	30/07/2020	–
2012 banks and non-bank financial institutions bond	3,000	4.20	28/02/2017	–

(2) *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities increased by RMB783.558 billion or 11.84% from the beginning of the year to RMB7,400.828 billion. Among this balance, customer deposits increased by RMB249.813 billion from the beginning of the year, which accounted for 63.97% of total liabilities, 3.80 percentage points decrease from the beginning of the year. Balance due to banks and other financial institutions increased by RMB383.282 billion from the beginning of the year, which accounted for 27.36% of total liabilities and represented an increase of 2.56 percentage points from the beginning of the year.

Customer deposits

Customer deposits is the Group's main source of funding. As at the end of the Reporting Period, the Group's customer deposits balance has increased by RMB249.813 billion or 5.57% from the beginning of the year to RMB4,734.627 billion. In terms of the Group's customer structure, the proportion of corporate customer deposit accounted for 68.39%, representing an increase of 0.81 percentage point from the beginning of the year. The proportion of individual deposits was 31.54%, representing a decrease of 0.80 percentage point from the beginning of the year. In terms of deposit tenure, the proportion of demand deposits increased by 3.79 percentage points from the beginning of the year to 49.02%, while the proportion of time deposits decreased by 3.78 percentage points from the beginning of the year to 50.91%.

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

	<i>(in millions of RMB)</i>	
	30 June 2016	31 December 2015
Corporate deposits	3,237,924	3,030,408
Include: Corporate demand deposits	1,643,946	1,433,773
Corporate time deposits	1,593,978	1,596,635
Individual deposits	1,493,218	1,450,607
Include: Individual demand deposits	677,040	594,704
Individual time deposits	816,178	855,903

3. *Analysis on major cash flow items*

As at the end of the Reporting Period, the Group's cash and cash equivalents increased by RMB30.968 billion from the beginning of the year to RMB361.403 billion.

The net cash inflows from operating activities decreased by RMB129.945 billion on a year-on-year basis to RMB226.002 billion, mainly due to the year-on-year decrease in the amount of cash inflows related to customer deposits.

The net cash outflows from investing activities increased by RMB127.020 billion on a year-on-year basis to RMB299.406 billion, mainly due to the increase in net cash outflows related to securities investment activities.

The net cash inflows from financing activities increased by RMB105.785 billion on a year-on-year basis to RMB102.445 billion, mainly due to the year-on-year increase in the cash inflow related to the issuance of bonds and certificates of deposits during current year.

4. *Segment analysis*

(1) *Operating results by geographical segments*

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

(in millions of RMB)

	For the six months ended 30 June			
	2016		2015	
	Profit before tax	Net operating income¹	Profit before tax	Net operating income¹
Northern China	6,244	11,318	6,301	11,751
North Eastern China	1,902	4,146	1,943	4,087
Eastern China	12,879	38,799	12,588	33,016
Central and Southern China	10,124	17,744	10,730	17,254
Western China	5,964	9,742	6,396	9,508
Overseas	3,504	5,485	3,195	4,727
Head Office	7,880	16,375	7,136	16,803
Total ²	<u>48,497</u>	<u>103,609</u>	<u>48,289</u>	<u>97,146</u>

Note:

1. Includes net interest income, net fee and commission income, dividend income, net gains/(losses) arising from trading activities, net gains/(losses) arising from de-recognition of financial investments, insurance business income, share of results of associates and other operating income.

2. Including profit attributable to non-controlling interest.

(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 2016		<i>(in millions of RMB)</i> 31 December 2015	
	Deposit balances	Loans and advances balances	Deposit balances	Loans and advances balances
Northern China	687,739	557,012	707,804	544,823
North Eastern China	267,468	196,156	264,203	190,285
Eastern China	1,735,544	1,394,855	1,639,756	1,299,000
Central and Southern China	1,092,575	746,001	964,427	687,517
Western China	624,598	410,184	556,443	382,623
Overseas	324,100	353,544	349,764	326,400
Head Office	2,603	326,004	2,417	291,358
Total	4,734,627	3,983,756	4,484,814	3,722,006

(3) *Operating results by business segments*

The Group's four main business segments are corporate banking, personal banking, treasury business and other business. The corporate banking segment was the primary source of profit for the Group, accounting for 51.20% of the Group's net interest income.

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

	<i>(in millions of RMB)</i> For the six months ended 30 June 2016				Total
	Corporate banking	Personal banking	Treasury business	Other businesses	
Net interest income	34,890	19,666	13,015	577	68,148
– Net external interest income/(expense)	30,178	8,724	28,669	577	68,148
– Net internal interest income/(expense)	4,712	10,942	(15,654)	–	–

(III) Capital Adequacy Ratio

1. *Measurement method*

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

2. *Scope of measurement*

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

3. *Measurement result*

At the end of June 2016, as calculated pursuant to the Administrative Measures for the Capital Reported of Commercial Banks (Provisional) issued by the CBRC, the Group has capital adequacy ratio of 13.18%, Tier 1 Capital adequacy ratio of 11.22%, and Core Tier 1 Capital adequacy ratio of 10.92%, which are all in compliance with the regulatory requirements.

(in millions of RMB unless otherwise stated)

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

Item	The Group	The Bank
Net Core Tier 1 Capital	535,616	508,726
Net Tier 1 Capital	550,569	523,650
Net Capital	646,318	619,214
Core Tier 1 Capital adequacy ratio (%)	10.92	10.77
Tier 1 Capital adequacy ratio (%)	11.22	11.09
Capital adequacy ratio (%)	13.18	13.11

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

Item	The Group	The Bank
Core Capital Adequacy Ratio (%)	10.63	10.59
Capital adequacy ratio (%)	13.42	13.31

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

4. Risk-weighted asset

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

Item	<i>(in millions of RMB)</i> 30 June 2016
Credit risk-weighted asset	4,489,350
Market risk-weighted asset	92,130
Operational risk-weighted asset	323,561
Additional risk-weighted assets arising from capital application floor and calibration	—
Total risk-weighted asset	4,905,041

5. *Credit risk exposure*

Exposure to default risk covered under the internal rating approach

(in millions of RMB)

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

Item	30 June 2016
Corporate risk exposure	3,123,087
Retail risk exposure	<u>1,261,475</u>
Total	<u><u>4,384,562</u></u>

Credit risk exposure not covered under the internal rating approach

(in millions of RMB)

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

Item	30 June 2016
On-balance-sheet credit risk	4,294,479
Including: Asset securitisation	6,230
Off-balance-sheet credit risk	138,200
Counterparty credit risk	47,556
Total credit risk exposure not covered under the internal rating approach	4,480,235

6. *Market risk capital requirement*

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

	<i>(in millions of RMB)</i>
Risk type	Capital requirement
Market risk covered under internal model approach	5,942
Market risk not covered under internal model approach	<u>1,428</u>
Total	<u><u>7,370</u></u>

7. *Value at risk (VaR)*

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

	<i>(in millions of RMB)</i>	
	January to June 2016	
Item name	Value at risk (VaR)	Stressed value at risk (SVaR)
VaR of market risk as at Reporting Period end	675	1,120
Max. VaR during the Reporting Period	1,510	2,056
Min. VaR during the Reporting Period	449	598
Average VaR during the Reporting Period	868	1,374

(IV) Information on Leverage Ratio

The Group calculated the leverage ratio in accordance with the requirement of the Leverage Ratio Rules for Commercial Banks (Revised) issued by CBRC in January 2015. On 30 June 2016, the Group's leverage ratio was 6.30%, which complied with the regulatory requirements.

(in millions of RMB unless otherwise stated)

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

Item	30 June 2016	31 March 2016	31 December 2015
Net Tier 1 Capital	550,569	551,948	533,430
Balance of adjusted on-and-off-balance sheet items	8,739,883	8,199,075	7,956,127
Leverage ratio (%)	6.30	6.73	6.70

(V) Liquidity Coverage Ratio

The Group calculates the liquidity coverage ratio pursuant to Rules on Liquidity Risk Management of Commercial Banks (Provisional) and relative statistics system. The monthly average liquidity coverage ratio of the Group in the second quarter in 2016 was 112.50%, an increase of 1% from the first quarter of 2016, which was mainly due to the effect of increase in qualified high-quality liquid assets. The ratios at each month end within the second quarter were in compliance with the regulatory requirements, and were stable as a whole. The qualified high-quality liquid assets mainly include securities issued or guaranteed by sovereignties with zero risk weighting, issued by public sectors with 20% risk weighting and usable central reserve with central banks available under stressed situation. The details of average monthly liquidity coverage ratio in the second quarter of 2016 are listed below:

<i>(in millions of RMB unless otherwise stated)</i>		
SN	Amount before conversion	Amount after conversion
The qualified high-quality liquid assets		
1		1,238,964
Cash Outflow		
2	1,421,850	122,931
3	382,328	18,979
4	1,039,522	103,952
5	3,290,783	1,292,403
6		
7	2,259,552	562,748
8		
9	1,027,936	726,360
10	3,295	3,295
11		
12	575	11,687
13	575,152	36,851
14		
15	1,772	1,772
16		
17	575	575
18	572,805	34,504
19	11,937	7,098
20	1,017,567	23,994
21		1,494,964
Cash Inflow		
22	50,557	44,208
23	674,621	411,258
24	21,123	11,784
25	746,301	467,250
26		
27		Amount after adjustment
28		1,155,788
29		1,027,714
30		112.50

(VI) Risk Management

In the first half of 2016, the Group continually focused on “Full Coverage, Whole Process, Risk Management Culture and Responsibility Accountability System”, improved the risk management system, optimised credit investment structure, strengthened management and control over key fields, enhanced credit risk monitoring, deepened risk management over market and liquidity, operation, compliance, reputation and country, and thus provided strong and firm support for the reform, innovation, transformation and development of the Group.

1. Risk appetite

The Board of Directors established “Stability, Balance, Compliance and Innovation” as the overall risk appetite of the Group.

During the Reporting Period, the Group adhered to its concept on compliance operation, so as to comply with the external regulatory requirements and strengthen the internal policies and relevant controls. The Group constantly enhanced its risk management to support its business development strategy and controlled the risks of transformation and innovation effectively. The Group insisted pursuing a stable and balanced development, maintaining a dynamic balance between risk and return to achieve a balanced development among business scale, quality and profitability. In the first half of 2016, the implementation of the Group’s overall risk appetite was overallly satisfactory. All indicators of the risk tolerance levels and risk limits were stable.

2. Risk management framework

The Board of Directors assumes the ultimate responsibility and is authorised for decision-making for the Bank’s risk management. The Bank monitored and controlled the bank-wide risk management matters through the Risk Management and Related Party Transactions Control Committee. The Bank’s senior management established a “1+3+2” Risk Management Committee, i.e., the Comprehensive Risk Management Committee, under which three sub-committees had been established, namely the Credit Risk Management Committee, the Market and Liquidity Risk Management Committee, and the Operational Risk Management and Compliance (Anti-Money Laundering) Committee. Two business review committees, namely the Credit/Non-credit Review Committee and the High-risk Assets Review Committee had also been established. Each tier-1 branch, overseas branch and subsidiary correspondingly established simplified and practical risk management committees referring to the above mentioned framework. The Bank ensured the full implementation of risk management requirements through the mechanism of “Leadership and Execution, Supervision and Reporting” between the Risk Management Committee and sub-committees, and among committees of the Head Office and branches, forming a unified and coordinated risk management system.

3. *Risk management tool*

The Group acknowledged the importance of risk management tools, information systems and econometric models. During the Reporting Period, the Group strengthened the ability to control credit risk by the big data mining technique, optimised its risk monitoring mode proactively, and monitored information such as enterprises' asset value, investing activities, cash flow and counter-parties from all directions in real-time, in order to achieve effective identification, positioning and warning of risks. Furthermore, the Group enhanced monitoring of middle office over market risk, interest rate risk and liquidity risk, improved the role of risk management tool in business management, and strengthened real time control over operating risk, fraud risk and money laundering risk through information system so as to continuously improve the effectiveness of risk management. The Group also continued to optimise the econometric models and management systems which covered credit risk, market risk, operational risk, liquidity risk, interest rate risk and other risks. The Group has been consistently monitoring, analysing and optimising its operation model, so as to upgrade its advanced methods and the research and development of new measures. The Group has applied econometric results extensively in customer access, quota management, risk monitoring and control as well as performance appraisal.

4. *Credit risk management*

Credit risk is one of the major risks which the Group is facing, mainly attributable to its loan business, treasury business, international business, on-balance-sheet wealth management and direct investment business. The Group adopted stringent requirements on the management focus in investment guidance, investigation and reporting, business review and approval, fund distribution, duration management, overdue non-performing loans management and other aspects, so that the Group controlled the credit risk within acceptable range to achieve a balance between risk and return.

The optimisation of credit assets structure is driven by the principles set out in the credit underwriting policy. The Group developed, issued and implemented the 2016 Bank of Communications Credit and Risk Policy Outline and industry investment guidance to provide effective service for economic growth of entities and the implementation requirements of structural reform. The investment appetite in the first half of 2016 was aligned with the operation and demand characteristics of the current macro-economy, which continuously decreased the loan balance in industries with excess capacity under limit management and control.

The Group strengthened the risk management and control in key areas. It strengthened the risk monitoring of group customers and evaluated the closeness and suitability between the Bank and customers based on the development strategy and business sector layout. The Group focused on risk management over bills business, developed and issued guiding opinions on risk management and control over bills business, innovated risk monitoring method of bills business and organised operation units to carry out authenticity investigation into trade background of suspicious bills. The Group also carried out risk investigation into industries with excess capacity, focused on key customers and took targeted risk management and control measures. Besides, the Group investigated investment risk of enterprise bonds, enhanced negative information monitoring of bond issuers and evaluated and analysed risks of bond portfolio.

The Group focused on mitigating risks and releasing pressure on credit asset quality. Firstly, the Group firmly pushed forward with reducing exposures and strengthening credit enhancements. In the first half of 2016, the Bank cumulatively reduced credit exposure by RMB51.34 billion, and enhanced credit exposure of RMB13.59 billion. Secondly, focusing on improving asset coverage, the Group reduced the potential losses by strengthening guarantee and reducing risk exposures. Lastly, the Group simultaneously took various measures to reduce non-performing loans, the non-performing loans were reduced by RMB36 billion in the first half of 2016.

According to the regulatory requirements as stipulated in the Guidelines on Risk-Based Loan Classification issued by the CBRC and the level of risk, the Group implemented a five-category system on credit assets that includes pass, special mention, sub-standard, doubtful and loss, of which, the latter three categories, namely sub-standard, doubtful and loss are regarded as non-performing loan categories, which are based on the judgement on the possibility of repayment on principal and interest in a timely manner. For corporate credit assets, based on the core regulatory definition, the Bank has referenced its internal assessment and individual impairment to define detailed risk attributes and measurement standards of the five categories. The Bank also ensured that sufficient consideration is given to the various factors affecting the quality of credit assets and prudent practices are carried out in risk classification. For retail credit assets (including credit cards), the Bank has adopted a five-category system based on the ageing of overdue status and type of guarantees provided.

As at the end of June 2016, the Group's balance of non-performing loans was RMB61.364 billion/1.54%, increased by RMB5.158 billion/0.03 percentage point from the beginning of the year. The breakdown of the Group's five categories of loan classification stipulated by the Chinese banking regulatory authorities were as follows:

(in millions of RMB unless otherwise stated)

Categories	30 June 2016		31 December 2015		31 December 2014	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Pass	3,800,125	95.39	3,547,697	95.32	3,296,815	96.07
Special mention	122,267	3.07	118,103	3.17	91,903	2.68
Total performing loan balance	3,922,392	98.46	3,665,800	98.49	3,388,718	98.75
Sub-standard	23,697	0.59	22,953	0.62	16,103	0.47
Doubtful	22,297	0.56	22,521	0.61	18,680	0.54
Loss	15,370	0.39	10,732	0.28	8,234	0.24
Total non-performing loan balance	61,364	1.54	56,206	1.51	43,017	1.25
Total	3,983,756	100.00	3,722,006	100.00	3,431,735	100.00

As at the end of June 2016, the breakdown of the Group's migration rate stipulated by the Chinese banking regulatory authorities were as follows:

Downward migration rates (%)	January to		
	June 2016	2015	2014
Pass	1.52	2.52	2.59
Special mention	17.93	27.32	24.43
Sub-standard	31.09	32.14	52.64
Doubtful	28.26	21.78	18.90

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

5. *Market risk management*

The market risks to which the Bank is primarily exposed to included interest rate risk and foreign exchange risk (gold included).

The Bank established and improved a market risk management framework with clarified segregation of duties, sound policies and procedures, enhanced measurement system, timely analysis and monitoring of market risk management system, in order to control and prevent market risks, and to enhance the level

of market risk management. Based on the risk appetite adopted by the Board of Directors, the Bank proactively identified, measured, monitored, controlled and reported its market risks using a variety of methods such as management of limits, risk hedging, and risk transfer, to control its exposure to market risk within the acceptable range, thereby maximising risk-adjusted profits.

In the Reporting Period, the Bank further improved its market risk management framework by continuing to optimise the market risk management information system, including modifying the administrative measures on market risk limits, developing the valuation models, parameters, and market data for new businesses and new products, carrying out independent verification on the new models, optimising market risk management models and allocation, and reviewing data quality on a regular basis.

The Bank continued to improve the application of the results from market risk measurement into management's practice. The Bank was able to obtain the daily capital transaction positions of the entire bank and the most updated market data to perform position valuation and sensitivity analysis in a timely manner, quantify market risks and measure (VaR) on a daily basis from different perspectives such as different risk factors, different investment portfolios and products, using the historical simulation method, and it was also applied to capital measurement using the internal model, monitoring of limits, performance assessment, risk monitoring and analysis. The Bank performed reverse testing on a daily basis to verify the accuracy of the VaR model and regular stress testing to analyse the risk situation of the investment portfolios under stressed scenarios. The results reveal that the market risk measurement model is able to timely capture the financial market changes and objectively reflect market risks which the Bank encounters.

The Bank actively responded to market changes. It carried out studies on various hot topics such as the increase in interest rate and currency appreciation of US dollars, the marketisation of Renminbi interest rate and exchange rate, and Brexit, to provide comments and suggestions as references for management's decision making. Meanwhile, the Bank closely followed the new trend of governance over market risk both domestically and internationally. It actively got involved in CBRC's quantitative testing and performed in-depth analysis of the feasibility and challenges of the implementation of new market risk regulatory developments, in order to obtain timely feedback on the Bank's comments and recommendations.

6. *Liquidity risk management and control*

The Bank's liquidity management aims to fully identify, effectively measure, continuously monitor, and appropriately control the liquidity risks of the entire bank and its products, business lines, business processes, and entities at all layers, in order to carry out the business operations in an orderly manner.

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

7. *Operational risk management*

The Group endures operational risks as they are inevitable, and it requires large-scale investments in order to manage the operational risks effectively. The Group emphasized the reasonable control of the investment cost and opportunity cost of the operational risk management.

The Group has established a comprehensive management framework for operational risks which is appropriate for its business nature, scale and product complexity to manage and regulate operational risks as well as self-assessment on controls, collection of loss data, key risk factors monitoring, and procedures over the management of operational risk incidents.

During the Reporting Period, the Group continued to enhance the level of its operational risk management. The Group re-checked and identified operational risks and controls of key business processes, and has been promoting the utilisation of operational risk management tool of direct forces. The Group strengthened management and control over illegal fund raising risks. It developed and issued opinions on management and control over illegal fund raising risks, performed special investigation on monitoring of account funds, and continuously monitored and promptly eliminated illegal fund raising risks. The Group investigated risks of several businesses such as personal pledged loan and financing of bills pool, and further improved the system process and optimised the system function based on the investigation. Besides, the Group standardised business outsourcing management and strengthened the review and evaluation of information technology risk in business outsourcing. The Group evaluated catastrophic risks, and clarified and improved contingency plans and continuity plans of key businesses.

8. *Legal compliance and anti-money laundering*

The Group has been striving to continually improve its legal compliance risk management framework, strengthening and improving the legal compliance management mechanism, innovating ways and enriching tools to manage legal and compliance matters, and promoting the integration management and control of legal compliance risk so that to provide strong legal compliance support and protection for deepened reform.

During the Reporting Period, the Group constantly enhanced the overall quality and efficiency of legal compliance management. Firstly, the Group strengthened the monitoring of overseas compliance risk. The Group properly responded to overseas regulatory inspection, investigated business in high risk nation and steadily implementing “Prudential standards”. Secondly, the Group effectively managed and controlled the seal risks. The Group promoted electronic seal management, comprehensively optimised seal system, sorted out seals, and established a list of person in charge of seal management and special reporting system for seal risk cases. Lastly, the Group provided support and safeguard for legal compliance. The Group focused on handling risk events in key projects, innovative businesses and major lawsuits. It also strengthened the management of rules and regulations and re-examined the rules and regulations comprehensively.

The Group continued to improve the management effectiveness in terms of anti-money laundering by carrying out centralised processing, inspection and acceptance work on suspicious trades in the Bank and strengthening the management of identity information of individual customers and the risk management and control over high-risk businesses.

9. *Reputational risk management*

The Group continued to improve the reputational risk management framework to effectively prevent the risk of negative comments from various stakeholders in the Group’s operation, management, any other behaviours or external events, and to handle different types of incidents giving rise to reputational risk appropriately.

During the Reporting Period, the Group paid close attention to strengthen the recognition, warning, assessment and monitoring of reputational risks, aimed to track and monitor the appearance and changes of the reputational risk factors in real time, and promptly adjusted corresponding strategy and measures to make sure that negative public opinions were actively responded and the reputational risk was under control.

10. Cross-industry, cross-border and country risk management

The Group continued to improve its cross-industry, cross-border, risk management framework with “centralised management, clarified responsibilities, complete and adequate system tools, IT support, quantified risks, and pragmatic consolidation”. It promoted all subsidiaries and overseas entities to take into account both the Group’s standardised requirements and the respective requirements from local regulatory governing bodies while performing risk management in order to prevent additional risks arising from cross-industry and cross-border operations.

During the Reporting period, the Group continued to strengthen risk management over cross-industry and cross-border business. The Group regularly assessed overall risks of subsidiaries and overseas branches by incorporating them into the Group’s comprehensive risk management structure and risk limit management system and carrying out unified measurement and monitoring on dimensional business exposures including correlative industries, customers and regions of the Group.

The Group enhanced the country risk management. In response to the “Belt and Road Initiatives”, a state development strategy, the Group involved relevant countries and regions into the scale of country risk assessment to continuously intensify control over country risk tolerance. As at the end of June 2016, country-specific (economic units) risk exposure of the Group after risk transfer was RMB530.540 billion, which accounted for 6.67% of total assets of the Group, among which 47.47% were located in Hong Kong region. The country-specific (economic units) risks were controllable.

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

(VII) Outlook

In the second half of 2016, macroeconomic and financial environment will remain complex and uncertain. Affected by insufficient demands for effective financing and the lack of high-quality asset resources, banks are facing relatively high pressure to generate profits. Real economy operation is facing greater risks, which will speed up the exposure of various risks and bring severe challenges to the banks’ risk management. The ongoing international and domestic financial regulation reform and the increasingly prudent and stringent regulatory policies have set higher requirements for banks’ operation in compliance with laws and regulations. Meanwhile, earnings coexists with risks, and opportunities with challenges. The reinforcement in industry integration and reorganisation during “de-capacity” process has brought new opportunities for banks’ asset allocation. With industrial restructuring, there is a good momentum of development in fields relating to consumption and people’s livelihood, and the future development

potential in consumer finance is extensive. In addition, the implementation of strategy of “Belt and Road Initiatives” and “Go Global”, as well as Renminbi internationalisation, have also brought new development room for the banks’ international business and overseas business.

In the second half of 2016, keeping a close eye on changes in economic situation, monetary policies, regulatory rules and market circumstances, the Group will be determined and confident to respond, take action, seek improvement in stability, and continuously improve operating efficiency and competence. We will focus on the followings. The first is to actively serve the real economy. We will discover development opportunities by effectively following the state’s structural reform on the supply side, accelerate the cultivation of new momentum of development, reform and improve our traditional comparative advantages. The second is to continuously push forward reform and innovation. We will promote the optimisation of the organisational structure and process of front-stage module, deepen divisional and quasi-divisional structure reformation, and further improve the assessment and resources allocation mechanism. The third is to optimise allocation of assets and liabilities and keep level of credit spreads stable. With a view to widen profit margins, we will increase source of non-interest income by speeding up transformation and promoting innovation more vigorously. The fourth is to prevent and control risks strictly. We will improve the risk management structure of institutions directly controlled by Head Office and enhance risk prevention and mitigation capabilities to keep asset quality stable. The fifth is to continuously optimise “531” system. We will promote the application of the “531” system in overseas branches and subsidiaries in an orderly manner, so as to build a uniform product promotion platform, where domestic and overseas businesses are linked, all modules are combined with one another and information is shared among subsidiaries.

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Members of the Board of Directors

Name	Position	Name	Position
Niu Ximing	Chairman of the Board of Directors and Executive Director	Liu Haoyang	Non-executive Director (designate)
Peng Chun	Vice Chairman of the Board of Directors, Executive Director and President	Peter Hugh Nolan	Independent Non-executive Director
Yu Yali	Executive Director and Executive Vice President	Chen Zhiwu	Independent Non-executive Director
Hou Weidong	Executive Director, Executive Vice President and Chief Information Officer	Choi Yiu Kwan	Independent Non-executive Director
Hu Huating	Non-executive Director	Yu Yongshun	Independent Non-executive Director
Wang Taiyin	Non-executive Director	Li Jian	Independent Non-executive Director
Liu Changshun	Non-executive Director	Liu Li	Independent Non-executive Director
Peter Wong Tung Shun	Vice Chairman of the Board of Directors (designate), Non-executive Director	Jason Yeung Chi Wai	Independent Non-executive Director (designate)
Helen Wong Pik Kuen	Non-executive Director	Danny Quah	Independent Non-executive Director (designate)
Liu Hanxing	Non-executive Director (designate)	Wang Neng	Independent Non-executive Director (designate)
Luo Mingde	Non-executive Director (designate)		

Note:

1. Qualifications for designate directors were pending for approval by CBRC.
2. According to the resolutions of 2015 annual general meeting, the term of office of Mr. Choi Yiu Kwan, Mr. Peter Hugh Nolan and Mr. Chen Zhiwu, the independent non-executive Directors of the Seventh Session of the Board of Directors, will expire on the date when qualifications of Mr. Jason Yeung Chi Wai, Mr. Danny Quah and Mr. Wang Neng are approved by CBRC, so as to comply with the regulations on the proportion of number of independent non-executive directors.

(II) Members of the Supervisory Committee

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

(III) Senior Management

Name	Position	Name	Position
Peng Chun	President	Wang Jiang	Executive Vice President
Yu Yali	Executive Vice President	Du Jianglong	Secretary of the Board of Directors
Shou Meisheng	Secretary of Commission for Discipline Inspection	Lv Benxian	Director of Corporate Banking Business
Hou Weidong	Executive Vice President and Chief Information Officer	Wu Wei	Chief Financial Officer
Yang Dongping	Chief Risk Officer	Ng Siu On	HSBC-BoCom Strategic Cooperation Consultant
Shen Rujun	Executive Vice President		

Note: Mr. Shou Meisheng no longer held a concurrent post as Executive Vice President of the Bank since July 2016.

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

Name	Position	Change
Peter Wong Tung Shun	Vice Chairman of the Board of Directors	Elected
Helen Wong Pik Kuen	Non-executive Director	Elected
Liu Hanxing	Non-executive Director	Elected
Luo Mingde	Non-executive Director	Elected
Liu Haoyang	Non-executive Director	Elected
Jason Yeung Chi Wai	Independent Non-executive Director	Elected
Danny Quah	Independent Non-executive Director	Elected
Wang Neng	Independent Non-executive Director	Elected
Zhao Yuguo	Shareholder Representative Supervisor	Elected
Liu Mingxing	Shareholder Representative Supervisor	Elected
Zhang Lili	Shareholder Representative Supervisor	Elected
Xia Zhihua	External Supervisor	Elected
Xu Ming	Employee Representative Supervisor	Elected
Ma Qiang	Non-executive Director	Retired (due to election of new session of the Board of Directors)
Zhang Yuxia	Non-executive Director	Retired (due to election of new session of the Board of Directors)
Lu Jiahui	External Supervisor	Retired (due to election of new session of the Supervisory Committee)
Teng Tieqi	Shareholder Representative Supervisor	Retired (due to election of new session of the Supervisory Committee)
Dong Wenhua	Shareholder Representative Supervisor	Retired (due to election of new session of the Supervisory Committee)
Li Jin	Shareholder Representative Supervisor	Retired (due to election of new session of the Supervisory Committee)
Gao Zhongyuan	Shareholder Representative Supervisor	Retired (due to election of new session of the Supervisory Committee)
Shuai Shi	Employee Representative Supervisor	Retired (due to election of new session of the Supervisory Committee)

Note:

1. As considered and approved at the 20th Meeting of the Seventh Session of the Board of Directors, Mr. Peter Wong Tung Shun was elected as vice chairman of the Board of Directors, while his qualification was pending for approval by CBRC.

2. As considered and approved at the 2015 annual general meeting of the Bank, Ms. Helen Wong Pik Kuen, Mr. Liu Hanxing, Mr. Luo Mingde and Mr. Liu Haoyang were elected as the non-executive Directors and Mr. Jason Yeung Chi Wai, Mr. Danny Quah and Mr. Wang Neng as the independent non-executive Directors. As at the date of this announcement, the qualification of Ms. Helen Wong Pik Kuen has been approved by the CBRC, while the qualifications of the other above-mentioned elected Directors were pending for approval by CBRC.
3. As considered and approved at the 2015 annual general meeting of the Bank, Mr. Zhao Yuguo, Mr. Liu Mingxing and Ms. Zhang Lili were elected as the shareholder representative supervisors of the Bank, and Ms. Xia Zhihua as external supervisor of the Bank. In the general meeting of employee representatives, Mr. Xu Ming was elected as an employee representative supervisor of the Bank.
4. Upon the end of 2015 annual general meeting of the Bank, Mr. Ma Qiang and Ms. Zhang Yuxia retired as the non-executive Directors of the Bank; Mr. Lu Jiahui retired as the external supervisor of the Bank; Mr. Teng Tieqi, Mr. Dong Wenhua, Mr. Li Jin and Mr. Gao Zhongyuan retired as shareholder representative supervisors of the Bank; Mr. Shuai Shi retired as the employee representative supervisor of the Bank.

(V) Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Class of shares	Number of shares held at the beginning of the year (Share)	Increase (or decrease) in shareholdings during the Reporting Period (Share)	Number of shares held as at the end of the Reporting Period (Share)	Reason for changes
Mr. Niu Ximing	Chairman and Executive Director	A share	210,000	-	210,000	-
		H share	310,000	-	310,000	-
Peng Chun	Vice Chairman, Executive Director and President	A share	150,000	-	150,000	-
		H share	50,000	-	50,000	-
Song Shuguang	Chairman of the Supervisory Committee	A share	130,000	-	130,000	-
		H share	50,000	-	50,000	-
Yu Yali	Executive Director and Executive Vice President	A share	80,000	-	80,000	-
		H share	20,000	-	20,000	-
Hou Weidong	Executive Director, Executive Vice President and Chief Information Officer	A share	80,000	-	80,000	-
		H share	20,000	-	20,000	-
Hu Huating	Non-executive Director	A share	80,000	-	80,000	-
		H share	30,000	-	30,000	-

Name	Position	Class of shares	Number of shares held at the beginning of the year (Share)	Increase (or decrease) in shareholdings during the Reporting Period (Share)	Number of shares held as at the end of the Reporting Period (Share)	Reason for changes
Wang Taiyin	Non-executive Director	A share	80,000	–	80,000	–
		H share	30,000	–	30,000	–
Liu Changshun	Non-executive Director	A share	50,000	–	50,000	–
		H share	30,000	–	30,000	–
Shou Meisheng	Secretary of Commission for Discipline Inspection	A share	79,100	–	79,100	–
		H share	20,000	–	20,000	–
Yang Dongping	Chief Risk Officer	A share	150,000	–	150,000	–
		H share	20,000	–	20,000	–
Shen Rujun	Executive Vice President	A share	0	–	0	–
		H share	20,000	–	20,000	–
Wang Jiang	Executive Vice President	A share	0	–	0	–
		H share	30,000	–	30,000	–
Du Jianglong	Secretary of the Board of Directors	A share	80,000	–	80,000	–
		H share	20,000	–	20,000	–
Lv Benxian	Director of Corporate Banking Business	A share	80,000	–	80,000	–
		H share	40,000	–	40,000	–
Wu Wei	Chief Financial Officer	A share	46,000	–	46,000	–
		H share	20,000	–	20,000	–
Ng Siu On	HSBC-BoCom Strategic Cooperation Consultant	A share	0	–	0	–
		H share	30,000	–	30,000	–
Chen Qing	Employee Representative Supervisor	A share	40,000	–	40,000	–
		H share	20,000	–	20,000	–
Du Yarong	Employee Representative Supervisor	A share	60,000	–	60,000	–

Name	Position	Class of shares	Number of shares held at the beginning of the year (Share)	Increase (or decrease) in shareholdings during the Reporting Period (Share)	Number of shares held as at the end of the Reporting Period (Share)	Reason for changes
Fan Jun	Employee Representative Supervisor	H share	20,000	-	20,000	-
		A share	40,000	-	40,000	-
Xu Ming	Employee Representative Supervisor	H share	20,000	-	20,000	-
		A share	0	40,000	40,000	Purchased from secondary market
Shuai Shi	Former Employee Representative Supervisor	H share	180,000	-	180,000	-
		A share	40,600	-	40,600	-
		H share	31,000	-	31,000	-

Note: In the Bank's general meeting of Employee Representatives, Mr. Xu Ming was elected as an employee representative supervisor of the Bank, with effect from the date of 2015 annual general meeting of the Bank. On the date of 2015 annual general meeting of the Bank, Mr. Shuai Shi retired as the employee representative supervisor of the Bank.

Save as disclosed above, as at 30 June 2016, 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 notified 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 for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 of the Hong Kong Listing Rules ("Mode Code") to be notified to the Bank and the Hong Kong Stock Exchange.

VII. SIGNIFICANT EVENTS

(I) Profit distribution

1 Implementation of the Profit Distribution Plan during the Reporting Period

The profit distribution plan of the Bank for the year of 2015 was considered and approved at the 2015 annual general meeting of the Bank held on 27 June 2016. Based on the total issued shares of 74.263 billion common shares as at 31 December 2015, a cash dividend of RMB0.27 (before tax) per share was distributed, totalling RMB20.051 billion. The aforesaid final dividends have been paid to holders of H shares of the Bank and holders of A Shares of the Bank on 29 July 2016 and 13 July 2016, respectively.

On 28 April 2016, the 20th Meeting of the Seventh Session of the Board of Directors approved the Bank's plan for the first-time dividend distribution of overseas preference shares. The total dividends in respect of overseas preference shares paid by the Bank for this time were USD136,111,111, including the actual payment of USD122,500,000 to preference shareholders at the (after-tax) dividend rate (i.e., 5%) agreed under the issuance clauses of overseas preference shares, and the income tax withholding of USD13,611,111 at the tax rate of 10% in accordance with relevant laws and regulations, which was borne by the Bank. Above dividends were fully paid in cash on 29 July 2016.

2 Proposal on payment of semi-annual dividend and proposal on conversion of capital reserve into share capital

The Bank will not distribute an interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2016.

3 Implementation of the Bank's cash dividend distribution policy during the Reporting Period

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

(II) Shareholdings in other companies

1. Holdings of equity interest in other listed companies

(Unless otherwise stated, in RMB)

Stock code	Stock short name	Initial investment amount	Shareholding as at the beginning of the Reporting Period (%)	Shareholding as at the end of the Reporting Period (%)	Book value as at the end of the Reporting Period	Gains/(losses) during the Reporting Period	Changes in owners' equity during the Reporting Period	Accounting items	Source of shares
400061	CHANGYOU5	434,579,719.46	5.83	3.95	611,971,298.76	-	(180,224,557.24)	Financial investments – available-for-sale	Foreclosed assets
400062	ERZHONG5	701,956,676.49	5.79	5.44	398,085,075.00	-	54,404,960.25	Financial investments – available-for-sale	Foreclosed assets
00354	Chinasoft International Ltd.	72,552,120.00	1.26	1.16	64,527,585.00	-	(2,704,260.00)	Financial investments – available-for-sale	Equity investment
V	Visa Inc.	6,066,233.02	-	-	45,768,663.04	-	(1,575,438.08)	Financial investments – available-for-sale	Equity investment
600068	GEZHOUBA	17,784,002.74	0.14	0.14	37,830,005.82	-	(13,325,002.05)	Financial investments – available-for-sale	Foreclosed assets
600066	YUTONG BUS	12,185,581.64	0.03	0.03	12,897,739.80	(309,119.73)	-	Financial assets at fair value through profit or loss	Equity investment
601939	CCB	11,668,984.37	-	-	11,738,960.00	836,870.07	-	Financial assets at fair value through profit or loss	Equity investment
000568	Luzhou Laojiao	7,643,743.26	-	0.02	8,910,000.00	671,082.00	578,385.74	Financial assets at fair value through profit or loss/ Financial investments – available-for-sale	Equity investment
000002	Vanke A	3,818,250.18	-	-	6,636,727.09	-	-	Financial assets at fair value through profit or loss	Equity investment
002408	Qixiang Tengda	6,391,549.23	-	0.06	6,039,000.00	142,775.53	(352,549.23)	Financial investments – available-for-sale	Equity investment
000043	AVIC Real Estate	5,847,502.95	-	0.01	5,775,000.00	-	(72,502.95)	Financial investments – available-for-sale	Equity investment
600663	Lujiazui	6,366,589.78	-	0.01	5,687,500.00	353,691.95	(679,089.78)	Financial investments – available-for-sale	Equity investment
600109	Sinolink Securities	5,548,485.83	-	0.01	5,661,600.00	(6,655.10)	113,114.17	Financial investments – available-for-sale	Equity investment
600115	China Eastern Airlines	5,098,045.44	-	0.01	5,288,000.00	225,046.21	189,954.56	Financial investments – available-for-sale	Equity investment
	Others	97,845,087.43			100,877,467.49	(2,892,336.39)	3,645,960.62		
	Total	1,395,352,571.82			1,327,694,622.00	(978,645.46)	(140,001,023.99)		

2. Holdings of equity interest in unlisted financial institutions

(Unless otherwise stated, in RMB)

Name of institution	Initial investment amount	Shareholding as	Shareholding as at the end of the Reporting Period (%)	Book value as at the end of the Reporting Period	Gains/(losses) during the Reporting Period	Changes in owners' equity during the Reporting Period	Accounting items	Source of shares
		at the beginning of the Reporting Period (%)						
Bank of Tibet Co., Ltd.	300,000,000.00	10.60	10.60	561,133,054.33	38,172,960.00	-	Investments in associates	Equity investment
Jiangsu Changshu Rural Commercial Bank Co., Ltd.	489,500,000.00	10.00	10.00	489,500,000.00	-	-	Financial investments - available-for-sale	Equity investment
Bank of Hainan	408,000,000.00	10.00	10.00	408,000,000.00	-	-	Financial investments - available-for-sale	Equity investment
China UnionPay Co., Ltd.	146,250,000.00	3.90	3.90	146,250,000.00	-	-	Financial investments - available-for-sale	Equity investment
China National Aviation Fuel Finance Corporation	120,000,000.00	10.00	10.00	120,000,000.00	-	-	Financial investments - available-for-sale	Equity investment
Shaanxi Coal and Chemical Industry Group Finance Corporation	100,000,000.00	10.00	10.00	100,000,000.00	-	-	Financial investments - available-for-sale	Equity investment
Shanghai Sinopharm M&A Equity Investment Fund Partnership	16,000,000.00	1.96	1.96	16,000,000.00	-	-	Financial investments - available-for-sale	Equity investment
Shanghai Chengding Xin Yangzi Investment Partnership	15,000,000.00	2.49	2.49	15,000,000.00	-	-	Financial investments - available-for-sale	Equity investment
Hunan Yangtze River Economic Zone Industrial Fund Management Co., Ltd.	8,000,000.00	-	4.00	8,000,000.00	-	-	Financial investments - available-for-sale	Equity investment
Shanghai Jinxiang Investment Management Co., Ltd.	4,900,000.00	-	49.00	4,900,000.00	-	-	Investments in associates	Equity investment
Henan Civil Aviation Industrial Fund Management Co., Ltd.	3,000,000.00	-	30.00	3,000,000.00	-	-	Investments in associates	Equity investment
Guangxi Guangtou Jiaoyin Equity Investment Fund Management Centre (Limited Partnership)	1,000,000.00	-	0.03	1,000,000.00	-	-	Financial investments - available-for-sale	Equity investment
Hangzhou Toufa Jiaoyin Investment Management Co., Ltd.	490,000.00	49.00	49.00	490,000.00	-	-	Investments in associates	Equity investment
Hangzhou Dongyuan Investment Management Co., Ltd.	180,000.00	18.00	18.00	408,153.52	228,153.52	-	Investments in associates	Equity investment
Total	1,612,320,000.00			1,873,681,207.85	38,401,113.52	-		

3. *Use of proceeds*

The Bank conducted a private placement of preference shares of USD2.45 billion in the overseas market in July 2015, the proceeds from which, less issuance expenses, were used to replenish Other Tier-1 Capital of the Bank and increase capital adequacy ratio, so as to support sustainable development of business.

(III) Material litigation and arbitration and issues questioned by the media generally

During the Reporting Period, the Group had not been involved in any material litigation and arbitration, or issues questioned by the media generally. As at the end of the Reporting Period, the Bank was a defendant or third party of certain outstanding litigations/arbitrations with an aggregate amount of approximately RMB1.587 billion¹. The Bank anticipated that the above litigations/arbitrations will not have any significant impact on the business, financial position or operating performance of the Group.

(IV) Material contracts and performance of obligations thereunder

1. *Material trust, sub-contract and leasing matters*

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

2. *Material guarantees*

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

3. *Other material contracts*

During the Reporting Period, the Group had not entered into any other material contracts.

¹ The above statistical data does not cover oversea branches.

(V) Related party transactions

During the Reporting Period, all the transactions between the Group and its related parties were ordinary course of business at arms-length. No significant related party transactions occurred during the Reporting Period.

Directors, supervisors and senior management of the Bank had outstanding loan balance of RMB4 million in the Bank as at the end of the Reporting Period.

(VI) Asset acquisitions, sales and merger by absorption

On 19 May 2015, the Bank entered into a share transfer agreement and commitment letters related thereto with the controlling family shareholders of BBM. For further information about the acquisition of equity interest in BBM, please refer to the Announcement of BoCom on Acquisition of Shares of BBM published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange, as well as the Bank's official website.

(VII) Asset pledged

Part of the Bank's assets are used as collaterals related to repurchase transactions with other banks and other financial institutions, short-position business, and member qualifications of local stock exchanges. Saved as stated, during the Reporting Period, the Bank has no other significant pledged assets which are required to be disclosed.

(VIII) Audit Committee

The Bank has established an Audit Committee under the Board of Directors in accordance with the requirements of the Hong Kong Listing Rules. The main responsibilities of the Audit Committee are to propose the appointment, rotation or termination of the external auditors, to oversee the Bank's internal control policies and its implementation, to communicate between internal and external auditors, to examine and approve financial reports and related disclosures, to examine accounting policies, financial situation and financial reporting process, and examine the operating effectiveness of the Bank's internal control policy. As at the end of the Reporting Period, the six members of the Audit Committee are Mr. Liu Li, Mr. Wang Taiyin, Mr. Liu Changshun, Mr. Choi Yiu Kwan, Mr. Yu Yongshun, and Ms. Li Jian, with Mr. Liu Li, an independent non-executive Director, being the Chairman. The Audit Committee and senior management of the Bank reviewed the Bank's accounting policies and practices and discussed on issues relating to internal controls and financial reporting, and also reviewed the interim report.

(IX) Purchase, sale or redemption of the Bank's shares

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

(X) Securities transactions by Directors, Supervisors and Senior Management

The Bank requires the Directors, supervisors and senior management of the Bank to strictly adhere to the Rules on the Administration of Shares held by Directors, Supervisors and Senior Management Personnel of Listed Companies and the Changes of Such Shares issued by the CSRC, and the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules. In addition, the Bank has adopted the Model Code as the code of conduct of the Bank in relation to securities trading by the Directors, supervisors and senior management of the Bank. The Bank has made specific enquiries of all the Directors, supervisors and senior management of the Bank and all of them confirmed that they had complied with the above-mentioned rules during the Reporting Period.

(XI) Appointment of accounting firm

With the approval at the 2015 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 and to provide other related professional services, and appoint PricewaterhouseCoopers to perform the audit of the financial statements prepared by the Bank in accordance with IFRS and to provide other related professional services. The term of appointment starts upon the approval on the date of the Bank's 2015 annual general meeting, and ceases at the date of 2016 annual general meeting. The overall remuneration is RMB28.88 million.

(XII) Compliance with the Corporate Governance Code under the Hong Kong Listing Rules

During the Reporting Period, the Bank complied with the code provisions contained in the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. Details are stated in the Bank's 2016 interim report.

(XIII) Major Events after the Reporting Period

On 25 August 2016, the Board of Directors approved the proposed application for quotation and open transfer of the shares of Xinjiang Shihezi BoCOM Rural Bank Ltd., a subsidiary of the Bank, on the National Equities Exchange and Quotations. The proposed quotation does not involve any issue of new shares by Xinjiang Shihezi BoCOM Rural Bank Ltd., the shareholding structure of which will remain unchanged immediately upon the completion of the proposed quotation. The implementation of the proposed quotation will be subject to, among other things, approvals from the Hong Kong Stock Exchange and the National Equities Exchange and Quotations Co. Ltd. For detailed information, please refer to the announcements of the Bank published on the websites of Shanghai Stock Exchange, the Hong Kong Stock Exchange, and the official website of the Bank on 25 August 2016.

On 25 August 2016, the Board of Directors approved the proposed listing of BOCOM international Holdings Company Limited on main board of the Hong Kong Stock Exchange, pursuant to which the shares to be issued by BOCOM international Holdings Company Limited under the initial public offering will not exceed 28% of the total shares after the offering (after exercise of over-allotment option), and the specific time for the offering is subject to the conditions of overseas capital market, the approval progress and other conditions. The overseas listing arrangement is subject to the approval of shareholders of the Bank and relevant regulatory authorities. Upon completion of the initial public offering, the Bank will continue to be the absolute controlling shareholder of BOCOM international Holdings Company Limited, and BOCOM international Holdings Company Limited will continue to be a subsidiary of the Bank. For detailed information, please refer to the announcements of the Bank published on the websites of Shanghai Stock Exchange, the Hong Kong Stock Exchange, and the official website of the Bank on 25 August 2016.

VII. FINANCIAL REPORTS

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

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

	Notes	Six months ended 30 June 2016	2015
Interest income		144,361	152,283
Interest expense		(76,213)	(81,224)
Net interest income	2	68,148	71,059
Fee and commission income	3	22,238	20,972
Fee and commission expense		(1,274)	(1,586)
Net fee and commission income		20,964	19,386
Net gains/(losses) arising from trading activities		1,095	(336)
Net gains arising from financial investments		520	944
Share of profit of associates		38	43
Insurance business income		8,764	3,028
Other operating income		4,080	3,022
Impairment losses on loans and advances to customers	4	(14,807)	(11,454)
Insurance business expense		(8,161)	(3,576)
Other operating expenses		(32,144)	(33,827)
Profit before tax		48,497	48,289
Income tax	5	(10,574)	(10,783)
Net profit for the period		37,923	37,506
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
Changes in fair value recorded in equity		364	490
Changes in fair value reclassified from equity to profit or loss		(225)	58
Net gains/(losses) arising from cash flow hedge		(9)	(5)
Translation difference on foreign operations		754	(36)
		884	507
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on pension benefits		(24)	19
Other comprehensive income for the period		860	526
Comprehensive income for the period		38,783	38,032

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

	<i>Notes</i>	Six months ended 30 June	
		2016	2015
Net profit attributable to:			
Shareholders of the Bank		37,661	37,324
Non-controlling interests		262	182
		<u>37,923</u>	<u>37,506</u>
Total comprehensive income attributable to:			
Shareholders of the Bank		38,609	37,828
Non-controlling interests		174	204
		<u>38,783</u>	<u>38,032</u>
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)	<i>6</i>	<u>0.50</u>	<u>0.50</u>

(2) Unaudited Condensed Consolidated Statement of Financial Position

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

	As at 30 June 2016	As at 31 December 2015
ASSETS		
Cash and balances with central banks	1,040,308	920,228
Due from banks and other financial institutions	651,493	611,191
Financial assets at fair value through profit or loss	196,012	173,309
Loans and advances to customers	3,891,431	3,634,568
Financial investments – loans and receivables	341,771	323,679
Financial investments – available-for-sale	295,075	264,739
Financial investments – held-to-maturity	1,205,326	933,683
Investments in associates	623	577
Property and equipment	98,170	90,393
Deferred income tax assets	15,564	16,684
Other assets	220,549	186,311
Total assets	7,956,322	7,155,362
LIABILITIES		
Due to banks and other financial institutions	2,024,521	1,641,239
Financial liabilities at fair value through profit or loss	73,194	62,461
Due to customers	4,734,627	4,484,814
Certificates of deposits issued	183,508	89,265
Current tax liabilities	8,282	8,604
Deferred income tax liabilities	130	119
Debt securities issued	179,250	170,106
Other liabilities	197,316	160,662
Total liabilities	7,400,828	6,617,270
EQUITY		
Share capital	74,263	74,263
Preference shares	14,924	14,924
Capital surplus	113,392	113,392
Other reserves	271,842	259,208
Retained earnings	78,094	73,098
Equity attributable to shareholders of the bank	552,515	534,885
Non-controlling interests	2,979	3,207
Total equity	555,494	538,092
Total equity and liabilities	7,956,322	7,155,362

(3) Unaudited Condensed Consolidated Statement of Changes in Equity

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

	Other reserves													Total
	Share capital	Preference shares	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Revaluation reserve for available-for-sale financial assets	Cash flow hedge reserve	Translation reserve on foreign operations	Actuarial changes reserve	Retained earnings	Attributable to the shareholders of the Bank	Non-controlling interests	
Balance at 1 January 2016	74,263	14,924	113,392	44,098	139,764	75,653	1,608	(64)	(1,868)	17	73,098	534,885	3,207	538,092
Net profit for the period	-	-	-	-	-	-	-	-	-	-	37,661	37,661	262	37,923
Other comprehensive income	-	-	-	-	-	-	227	(9)	754	(24)	-	948	(88)	860
Total comprehensive income	-	-	-	-	-	-	227	(9)	754	(24)	37,661	38,609	174	38,783
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(44)	(44)	(367)	(411)
Distribution of dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-	(20,051)	(20,051)	(35)	(20,086)
Distribution of dividends on preference shares	-	-	-	-	-	-	-	-	-	-	(884)	(884)	-	(884)
Transfer to reserves	-	-	-	61	-	11,625	-	-	-	-	(11,686)	-	-	-
Balance at 30 June 2016	<u>74,263</u>	<u>14,924</u>	<u>113,392</u>	<u>44,159</u>	<u>139,764</u>	<u>87,278</u>	<u>1,835</u>	<u>(73)</u>	<u>(1,114)</u>	<u>(7)</u>	<u>78,094</u>	<u>552,515</u>	<u>2,979</u>	<u>555,494</u>
Balance at 1 January 2015	74,263	-	113,496	37,522	105,242	71,549	131	-	(2,984)	11	71,825	471,055	2,550	473,605
Net profit for the period	-	-	-	-	-	-	-	-	-	-	37,324	37,324	182	37,506
Other comprehensive income	-	-	-	-	-	-	526	(5)	(36)	19	-	504	22	526
Total comprehensive income	-	-	-	-	-	-	526	(5)	(36)	19	37,324	37,828	204	38,032
Capital increase in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	267	267
Distribution of dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-	(20,051)	(20,051)	-	(20,051)
Transfer to reserves	-	-	-	51	34,522	3,197	-	-	-	-	(37,770)	-	-	-
Others	-	-	(53)	-	-	-	-	-	-	-	-	(53)	-	(53)
Balance at 30 June 2015	<u>74,263</u>	<u>-</u>	<u>113,443</u>	<u>37,573</u>	<u>139,764</u>	<u>74,746</u>	<u>657</u>	<u>(5)</u>	<u>(3,020)</u>	<u>30</u>	<u>51,328</u>	<u>488,779</u>	<u>3,021</u>	<u>491,800</u>

(4) Unaudited Condensed Consolidated Statement of Cash Flows*(All amounts expressed in millions of RMB unless otherwise stated)*

	Six months ended 30 June	
	2016	2015
Cash flows from operating activities:		
Profit before tax:	48,497	48,289
Adjustments for:		
Impairment allowances on loans and advances to customers	14,807	11,454
Impairment of finance lease receivables	320	138
Provision for/(reversal of) impairment of financial investments	(5)	581
Provision for/(reversal of) impairment of other receivables	30	(153)
Provision for impairment losses on foreclosed assets	16	23
Impairment allowances on repossessed assets	-	2
Insurance contracts reserve	5,555	1,681
Depreciation and amortization	3,786	3,439
Provision for/(reversal of) outstanding litigation and unsettled obligation	10	30
Net gains on disposal of property and equipment	(12)	(2)
Net gains on disposal of foreclosed assets	(1)	(108)
Interest income from financial investments	(31,162)	(22,859)
Unwind of discount on allowances during the period	(955)	(989)
Fair value losses/(gains)	(724)	460
Share of profit of associates	(38)	(43)
Net gains arising from financial investments	(520)	(944)
Interest expense on debt securities issued	3,718	2,982
Interest expense on certificates of deposits issued	1,663	703
	<hr/>	<hr/>
Operating cash flows before movements in operating assets and liabilities	44,985	44,684
Net decrease/(increase) in mandatory reserve deposits	(28,423)	6,410
Net increase in due from banks and other financial institutions	(100,991)	(127,102)
Net increase in financial assets at fair value through profit or loss	(32,718)	(46,223)
Net increase in loans and advances to customers	(270,715)	(279,366)
Net increase in other assets	(35,362)	(29,629)
Net increase in due to banks and other financial institutions	383,282	290,933
Net increase in financial liabilities at fair value through profit or loss	20,004	3,033
Net increase in due to customers	249,813	484,898
Net increase in other liabilities	6,462	17,600
Net increase/(decrease) in value added tax and other taxes payable	(837)	444
Income tax paid	(9,498)	(9,735)
	<hr/>	<hr/>
Net cash generated from operating activities	226,002	355,947

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

Six months ended 30 June

2016 **2015**

Cash flows from investing activities:

Purchase of financial investments	(728,017)	(369,090)
Disposal or redemption of financial investments	408,715	182,623
Dividends received	208	54
Interest received from financial investments	31,867	23,706
Purchase of non-controlling interests	(411)	–
Acquisition of intangible assets and other assets	(298)	(653)
Disposal of intangible assets and other assets	14	110
Purchase and construction of property and equipment	(11,552)	(9,429)
Disposal of property and equipment	68	293

Net cash used in investing activities **(299,406)** (172,386)

Cash flows from financing activities:

Proceeds from debt securities and certificates of deposits issued	192,332	50,565
Interest paid on debt securities and certificates of deposits issued	(1,492)	(1,903)
Dividends paid to ordinary shareholders of the Bank	–	(10,593)
Capital contribution by non-controlling interests of subsidiaries	–	267
Repayment of the principals of debts securities and certificates of deposits issued	(88,360)	(41,676)
Dividends paid to non-controlling interests	(35)	–

Net cash flows from financing activities **102,445** (3,340)

Effect of exchange rate changes on cash and cash equivalents **1,927** (58)

Net increase in cash and cash equivalents **30,968** 180,163

Cash and cash equivalents at the beginning of the period **330,435** 313,626

Cash and cash equivalents at the end of the period **361,403** 493,789

Net cash flows from operating activities include:

Interest received	114,882	131,022
Interest paid	(70,153)	(74,044)

(5) Notes to the Unaudited Condensed Consolidated Financial Statements

i) Basis of preparation and principal accounting policies

These unaudited 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 adopt the going concern basis in preparing its condensed consolidated interim financial information.

These unaudited condensed consolidated financial statements of the Group should be read in conjunction with the 2015 annual consolidated financial statements.

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

Except as described below, the Group’s accounting policies applied in preparing these unaudited condensed consolidated financial statements are consistent with those policies applied in preparing the financial reports as at 31 December 2015.

New and revised IFRSs effective by 1 January 2016 applied by the Group

Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations
IFRS 14	Regulatory deferral accounts
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception
Amendments to IAS 1	Disclosure initiative

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

		Effective for annual period beginning on or after
Amendments to IAS 7	Statement of cash flows	1 January 2017
Amendments to IAS 12	Income taxes	1 January 2017
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Lease	1 January 2019

The Group is considering the impact of IFRS 9, IFRS 16 and IAS 7 on the consolidated financial statements.

Except the above mentioned impact of IFRS 9, IFRS 16 and IAS 7, 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.

ii) *Net interest income*

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Interest income		
Balances with central banks	6,969	6,565
Due from banks and other financial institutions	7,224	11,021
Loans and advances to customers	96,895	109,081
Financial investment	33,273	25,616
	<u>144,361</u>	<u>152,283</u>
Interest expense		
Due to banks and other financial institutions	(25,843)	(27,189)
Due to customers	(44,989)	(50,350)
Debt securities issued	(3,718)	(2,982)
Certificates of deposits issued	(1,663)	(703)
	<u>(76,213)</u>	<u>(81,224)</u>
Net interest income	<u>68,148</u>	<u>71,059</u>
Including: Interest income on impaired financial assets	<u>955</u>	<u>989</u>
Interest income on financial investments at fair value through profit or loss	<u>2,112</u>	<u>2,757</u>
Interest expense on financial liabilities at fair value through profit or loss	<u>258</u>	<u>123</u>

iii) *Fee and commission income*

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Settlement service and bank cards	6,610	7,249
Investment banking	3,392	4,686
Guarantee and commitment	1,689	2,109
Management service	6,783	5,028
Agency service	3,395	1,568
Others	369	332
	22,238	20,972

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss	661	427
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	1,308	1,109

iv) *Impairment losses on loans and advances to customers*

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Loans and advances to customers		
– Collectively assessed losses provision	6,107	6,677
– Individually assessed losses provision	8,700	4,777
	14,807	11,454

v) *Income Tax*

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Current tax		
– PRC enterprise income tax	8,874	10,146
– Hong Kong profits tax	402	403
– Other overseas taxations	219	175
	9,495	10,724
Deferred income tax	1,079	59
	10,574	10,783

The provision for enterprise income tax in PRC is calculated based on the statutory rate of 25% (2015: 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% (2015: 25%). The major reconciliation items are as follows:

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Profit before tax	48,497	48,289
Tax calculated at a tax rate of 25%	12,124	12,072
Effect of different tax rates in other countries (or regions)	66	74
Tax effect of expenses not deductible for tax purposes ⁽¹⁾	84	76
Tax effect arising from income not subject to tax ⁽²⁾	(1,738)	(1,518)
Income tax adjustment for prior years	38	79
Income tax expense	10,574	10,783

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

vi) Basic and Diluted Earnings Per Share

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

	Six months ended 30 June	
	2016	2015
Net profit attributable to ordinary shareholders of the Bank (expressed in millions of RMB)	36,777	37,324
Weighted average number of ordinary shares in issue (expressed in millions)	74,263	74,263
Basic and diluted earnings per share (expressed in RMB per share)	0.50	0.50

The Bank issued non-cumulative preference shares on 29 July 2015 under the terms and conditions as detailed in 2016 Interim Report Note 32 Preference Shares. For the purpose of calculating basic earnings per share, a cash dividend of RMB884 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 2016 and therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

vii) *Derivative financial instruments*

(in millions of RMB)

As at 30 June 2016 (Unaudited)	Contractual/ notional amount	Fair values	
		Assets	Liabilities
Foreign exchange and commodity contracts	1,449,354	19,010	(21,426)
Interest rate contracts and others	<u>598,279</u>	<u>1,566</u>	<u>(3,279)</u>
Total amount of derivative instruments recognized	<u><u>2,047,633</u></u>	<u><u>20,576</u></u>	<u><u>(24,705)</u></u>

(in millions of RMB)

As at 31 December 2015 (Audited)	Contractual/ notional amount	Fair values	
		Assets	Liabilities
Foreign exchange and commodity contracts	1,609,192	32,825	(31,318)
Interest rate contracts and others	<u>504,847</u>	<u>1,485</u>	<u>(1,846)</u>
Total amount of derivative instruments recognized	<u><u>2,114,039</u></u>	<u><u>34,310</u></u>	<u><u>(33,164)</u></u>

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	As at
	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
RMB	839,902	938,269
US dollar	984,288	955,992
HK dollar	92,266	103,905
Others	131,177	115,873
	<u>2,047,633</u>	<u>2,114,039</u>
Total	<u>2,047,633</u>	<u>2,114,039</u>

Hedge accounting

Included in the derivative financial instruments above are those designated as hedging instruments by the Group as follows:

	<i>(in millions of RMB)</i>		
	Contractual/	Fair values	
As at 30 June 2016 (Unaudited)	notional	Assets	Liabilities
	amount		
Derivative financial instruments designated as hedging instruments in cash flow hedges	13,342	130	(147)
Derivative financial instruments designated as hedging instruments in fair value hedges	42,403	1	(1,320)
	<u>55,745</u>	<u>131</u>	<u>(1,467)</u>
Total	<u>55,745</u>	<u>131</u>	<u>(1,467)</u>

As at 31 December 2015 (Audited)	Contractual/ notional amount	<i>(in millions of RMB)</i>	
		Fair values Assets	Liabilities
Derivative financial instruments designated as hedging instruments in cash flow hedges	17,228	187	(74)
Derivative financial instruments designated as hedging instruments in fair value hedges	<u>28,272</u>	<u>127</u>	<u>(281)</u>
Total	<u>45,500</u>	<u>314</u>	<u>(355)</u>

(a) *Fair value hedge*

The Group uses interest rate swaps to minimize its exposure to fair value changes of its fixed-rate bond investments by swapping fixed-rate bond investments from fixed rates to floating rates. The interest rate swaps and the corresponding bond investments have the same terms and management of the Group considers that the interest rate swaps are highly effective hedging instruments. The hedged items are available-for-sale financial assets. The Group uses regression analysis to evaluate the effectiveness of hedging.

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

	<i>(in millions of RMB)</i>	
	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Gains/(losses) on hedging instruments	(1,159)	63
Gains/(losses) on hedged items attributable to the hedge risk	<u>1,102</u>	<u>(79)</u>
Net losses from fair value hedges	<u>(57)</u>	<u>(16)</u>

(b) *Cash flow hedge*

The Group uses foreign exchange swaps 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 are placements with banks, certificates of deposits issued, loans and financial instruments sold under repurchase agreements. The Group mainly uses regression analysis to evaluate the effectiveness of hedging.

For the six months ended 30 June 2016, the Group's net loss from the cash flow hedge of RMB12 million (for the six months ended 30 June 2015: RMB7 million) were recognized in other comprehensive income and the gain and loss arising from ineffective portion of cash flow hedge was immaterial for the period ended 30 June 2016. There were no transactions for which cash flow hedge accounting had to be ceased for the period ended 30 June 2016 as a result of the highly probable cash flows no longer being expected to occur.

viii) *Dividends*

	<i>(in millions of RMB)</i>	
	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Dividends to ordinary shareholders of the Bank	20,051	20,051
Dividends to preference shares holders of the Bank	884	–

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

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

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

Pursuant to the proposal raised at the Board meeting on 29 March 2016 and the approval by the Annual General Meeting of Shareholders on 27 June 2016, the Bank appropriated RMB11,597 million to the statutory general reserve. It was also resolved that a cash dividend of RMB0.27 (before tax) for each ordinary share, totaling RMB20,051 million, calculated based on 74,263 million shares outstanding (the par value per share is RMB1) as at 31 December 2015, will be distributed to ordinary shareholders.

Pursuant to the approval by the Board meeting on 28 April 2016, the Bank appropriated overseas preference dividends on 29 July 2016 with a dividend yield of 5% (the actual dividend yield obtained by the preference shareholders), totaling RMB884 million.

ix) 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 2016 (Unaudited)	As at 31 December 2015 (Audited)
Letters of guarantee	301,648	333,725
Letters of credit commitments	131,601	150,085
Acceptances bills	243,929	294,834
Credit card commitments	528,688	438,608
Loan commitments		
– Within 1 year	24,012	32,700
– 1 year and over	56,614	58,547
	<u>1,286,492</u>	<u>1,308,499</u>

Capital expenditure commitments

(in millions of RMB)

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Contracted but not provided for	<u>8,912</u>	<u>7,645</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 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Within 1 year (inclusive)	3,418	3,021
1 to 2 years (inclusive)	2,761	2,485
2 to 3 years (inclusive)	2,075	1,885
3 to 5 years (inclusive)	2,418	2,282
Over 5 years	<u>1,722</u>	<u>1,683</u>
	<u>12,394</u>	<u>11,356</u>

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

	<i>(in millions of RMB)</i>	
	As at	As at
	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
Within 1 year (inclusive)	4,454	3,442
1 to 2 years (inclusive)	4,390	2,958
2 to 3 years (inclusive)	4,346	2,955
3 to 5 years (inclusive)	8,143	5,905
Over 5 years	25,382	17,698
	<u>46,715</u>	<u>32,958</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 2016, the principal value of the Treasury Bonds that the Group had the obligation to buy back amounted to RMB69,814 million (31 December 2015: RMB67,952 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 2016, there was no unfulfilled issuance of irrevocable commitment on security underwriting of the Group announced to the public (31 December 2015: Nil).

Legal proceedings

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

	<i>(in millions of RMB)</i>	
	As at	As at
	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
Outstanding claims	1,587	1,397
Provision for outstanding litigation	<u>379</u>	<u>369</u>

x) *Segmental Analysis*

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

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

- (1) Northern China – including the following provinces: Beijing, Tianjin, Hebei, Shanxi, and Inner Mongolia;
- (2) North Eastern China – including the following provinces: Liaoning, Jilin, and Heilongjiang;
- (3) Eastern China – including the following provinces: Shanghai (excluding Head Office), Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong;
- (4) Central and Southern China – including the following provinces: Henan, Hunan, Hubei, Guangdong, Guangxi and Hainan;

- (5) Western China – including the following provinces: Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shanxi, Gansu, Qinghai, Ningxia and Xinjiang;
- (6) Head Office;
- (7) Overseas – including overseas subsidiaries and the following branches: Hong Kong, New York, Singapore, Seoul, Tokyo, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, London, Toronto, Luxembourg, Brisbane and Taipei.

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 unaudited condensed consolidated statement of profit or loss and other comprehensive income.

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

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

Operating segment information

(in millions of RMB)

	Six months ended 30 June 2016 (Unaudited)								Total
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	
External interest income	13,400	4,848	34,619	18,866	10,360	7,168	55,100	-	144,361
External interest expense	(15,021)	(4,324)	(25,055)	(14,400)	(6,515)	(4,555)	(6,343)	-	(76,213)
Inter-segment net Interest income/ (expenses)	9,981	2,581	10,737	8,418	3,554	133	(35,404)	-	-
Net Interest income	8,360	3,105	20,301	12,884	7,399	2,746	13,353	-	68,148
Fee and commission income	2,505	941	8,429	4,470	1,932	1,188	2,773	-	22,238
Fee and commission expenses	(47)	(23)	(980)	(164)	(62)	(148)	150	-	(1,274)
Net fee and commission income	2,458	918	7,449	4,306	1,870	1,040	2,923	-	20,964
Net gains/(losses) arising from trading activities	109	21	(26)	39	197	810	(55)	-	1,095
Net gains/(losses) arising from financial investments	-	-	326	34	-	160	-	-	520
Insurance business income	-	-	8,741	-	-	23	-	-	8,764
Share of profit of associates	-	-	-	-	-	-	38	-	38
Other operating income	391	102	2,008	481	276	706	116	-	4,080
Total operating revenue	11,318	4,146	38,799	17,744	9,742	5,485	16,375	-	103,609
Impairment losses on loans and advances to customers	(1,449)	(555)	(7,401)	(2,470)	(1,135)	(197)	(1,600)	-	(14,807)
Insurance business expenses	-	-	(8,154)	-	-	(7)	-	-	(8,161)
Other operating expense	(3,625)	(1,689)	(10,365)	(5,150)	(2,643)	(1,777)	(6,895)	-	(32,144)
Profit before tax	6,244	1,902	12,879	10,124	5,964	3,504	7,880	-	48,497
Income tax									(10,574)
Net profit for the period									37,923
Depreciation and amortization	(406)	(222)	(1,464)	(514)	(334)	(338)	(508)	-	(3,786)
Capital expenditure	(180)	(53)	(10,535)	(337)	(91)	(94)	(561)	-	(11,851)

(in millions of RMB)

Group	Six months ended 30 June 2015 (Unaudited)							Head Office	Eliminations	Total
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas				
External interest income	15,655	5,596	41,305	22,713	11,871	5,708	49,435	-	152,283	
External interest expenses	(15,816)	(3,961)	(29,339)	(15,795)	(5,958)	(2,792)	(7,563)	-	(81,224)	
Inter-segment net Interest income/ (expenses)	8,984	1,505	8,737	5,582	1,550	1,398	(27,756)	-	-	
Net Interest income	8,823	3,140	20,703	12,500	7,463	4,314	14,116	-	71,059	
Fee and commission income	2,518	835	7,603	4,363	1,938	1,197	2,518	-	20,972	
Fee and commission expenses	(211)	(45)	(659)	(271)	(179)	(201)	(20)	-	(1,586)	
Net fee and commission income	2,307	790	6,944	4,092	1,759	996	2,498	-	19,386	
Net gains/(losses) arising from trading activities	264	57	310	130	39	(1,096)	(40)	-	(336)	
Net gains/(losses) arising from financial investments	3	-	961	23	-	3	(46)	-	944	
Insurance business income	-	-	3,009	-	-	19	-	-	3,028	
Share of profit of associates	-	-	-	-	-	-	43	-	43	
Other operating income	354	100	1,089	509	247	491	232	-	3,022	
Total operating revenue	11,751	4,087	33,016	17,254	9,508	4,727	16,803	-	97,146	
Impairment losses on loans and advances to customers	(1,127)	(363)	(6,627)	(856)	(319)	(57)	(2,105)	-	(11,454)	
Insurance business expense	-	-	(3,564)	-	-	(12)	-	-	(3,576)	
Other operating expenses	(4,323)	(1,781)	(10,237)	(5,668)	(2,793)	(1,463)	(7,562)	-	(33,827)	
Profit before tax	6,301	1,943	12,588	10,730	6,396	3,195	7,136	-	48,289	
Income tax									(10,783)	
Net profit for the period									37,506	
Depreciation and amortization	(385)	(214)	(1,052)	(493)	(318)	(216)	(761)	-	(3,439)	
Capital expenditure	(399)	(333)	(5,206)	(616)	(399)	(3,322)	(560)	-	(10,835)	

(in millions of RMB)

	As at 30 June 2016 (Unaudited)								
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
Segment assets	<u>1,138,921</u>	<u>371,671</u>	<u>2,465,053</u>	<u>1,399,258</u>	<u>713,751</u>	<u>755,571</u>	<u>3,564,054</u>	<u>(2,467,521)</u>	<u>7,940,758</u>
Including:									
Investment in associates	-	-	-	9	-	53	561	-	623
Unallocated assets									<u>15,564</u>
Total assets									<u>7,956,322</u>
Segment liabilities	<u>(1,134,555)</u>	<u>(369,349)</u>	<u>(2,392,284)</u>	<u>(1,386,279)</u>	<u>(709,685)</u>	<u>(744,491)</u>	<u>(3,131,576)</u>	<u>2,467,521</u>	<u>(7,400,698)</u>
Unallocated liabilities									<u>(130)</u>
Total liabilities									<u>(7,400,828)</u>

(in millions of RMB)

	As at 31 December 2015 (Audited)								
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
Segment assets	<u>1,135,026</u>	<u>341,769</u>	<u>2,336,453</u>	<u>1,240,038</u>	<u>633,404</u>	<u>659,606</u>	<u>3,059,290</u>	<u>(2,266,908)</u>	<u>7,138,678</u>
Including:									
Investment in associates	-	-	-	1	-	53	523	-	577
Unallocated assets									<u>16,684</u>
Total assets									<u>7,155,362</u>
Segment liabilities	<u>(1,129,382)</u>	<u>(338,407)</u>	<u>(2,283,083)</u>	<u>(1,225,180)</u>	<u>(625,688)</u>	<u>(637,153)</u>	<u>(2,645,166)</u>	<u>2,266,908</u>	<u>(6,617,151)</u>
Unallocated liabilities									<u>(119)</u>
Total liabilities									<u>(6,617,270)</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 categorized in the above business segments.

The group business information is summarized as follows:

	<i>(in millions of RMB)</i>				
	Six months ended 30 June 2016 (Unaudited)				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	30,178	8,724	28,669	577	68,148
Inter-segment net interest income/(expense)	4,712	10,942	(15,654)	-	-
Net interest income	34,890	19,666	13,015	577	68,148
Net fee and commission income	9,703	9,973	589	699	20,964
Net gains/(losses) arising from trading activities	364	9	392	330	1,095
Net gains arising from financial investments	-	-	520	-	520
Share of profit of associates	-	-	-	38	38
Insurance business income	-	-	-	8,764	8,764
Other operating income	2,532	1,387	81	80	4,080
Total operating revenue	47,489	31,035	14,597	10,488	103,609
Impairment losses on loans and advances to customers	(12,419)	(2,388)	-	-	(14,807)
Insurance business expense	-	-	-	(8,161)	(8,161)
Other operating expenses					
– Depreciation and amortization	(1,140)	(2,388)	(83)	(175)	(3,786)
– Others	(12,618)	(13,549)	(1,061)	(1,130)	(28,358)
Profit before tax	21,312	12,710	13,453	1,022	48,497
Income tax					(10,574)
Net profit for the period					37,923
Capital expenditure	(3,566)	(7,476)	(260)	(549)	(11,851)

(in millions of RMB)

Six months ended 30 June 2015 (Unaudited)

	Corporate Banking Business	Personal banking Business	Treasury Business	Other Business	Total
External net interest income	38,994	7,410	24,112	543	71,059
Inter-segment net interest income/ (expense)	<u>834</u>	<u>9,340</u>	<u>(10,174)</u>	<u>–</u>	<u>–</u>
Net interest income	39,828	16,750	13,938	543	71,059
Net fee and commission income	10,883	7,323	126	1,054	19,386
Net gains/(losses) arising from trading activities	459	(3)	(1,594)	802	(336)
Net gains arising from financial investments	–	–	890	54	944
Share of profit of associates	–	–	–	43	43
Insurance business income	–	–	–	3,028	3,028
Other operating income	<u>1,386</u>	<u>1,541</u>	<u>23</u>	<u>72</u>	<u>3,022</u>
Total operating revenue	<u>52,556</u>	<u>25,611</u>	<u>13,383</u>	<u>5,596</u>	<u>97,146</u>
Impairment losses on loans and advances to customers	(8,510)	(2,944)	–	–	(11,454)
Insurance business expense	–	–	–	(3,576)	(3,576)
Other operating expenses					
– Depreciation and amortization	(1,036)	(2,169)	(75)	(159)	(3,439)
– Others	<u>(14,057)</u>	<u>(13,751)</u>	<u>(1,695)</u>	<u>(885)</u>	<u>(30,388)</u>
Profit before tax	<u>28,953</u>	<u>6,747</u>	<u>11,613</u>	<u>976</u>	<u>48,289</u>
Income tax					<u>(10,783)</u>
Net profit for the period					<u><u>37,506</u></u>
Capital expenditure	<u>(3,260)</u>	<u>(6,836)</u>	<u>(237)</u>	<u>(502)</u>	<u>(10,835)</u>

(in millions of RMB)

	As at 30 June 2016 (Unaudited)				
	Corporate Banking Business	Personal banking Business	Treasury Business	Other Business	Total
Segment assets	<u>3,006,698</u>	<u>1,134,386</u>	<u>3,751,695</u>	<u>47,979</u>	<u>7,940,758</u>
Including:					
Investment in associates				<u>623</u>	<u>623</u>
Unallocated assets					<u>15,564</u>
Total assets					7,956,322
Segment liabilities	<u>(3,511,583)</u>	<u>(1,519,017)</u>	<u>(2,336,384)</u>	<u>(33,714)</u>	<u>(7,400,698)</u>
Unallocated liabilities					<u>(130)</u>
Total liabilities					<u>(7,400,828)</u>

(in millions of RMB)

	As at 31 December 2015 (Audited)				
	Corporate Banking Business	Personal banking Business	Treasury Business	Other Business	Total
Segment assets	<u>2,819,081</u>	<u>1,043,997</u>	<u>3,242,760</u>	<u>32,840</u>	<u>7,138,678</u>
Including:					
Investment in associates				<u>577</u>	<u>577</u>
Unallocated assets					<u>16,684</u>
Total assets					7,155,362
Segment liabilities	<u>(3,275,719)</u>	<u>(1,477,740)</u>	<u>(1,856,510)</u>	<u>(7,182)</u>	<u>(6,617,151)</u>
Unallocated liabilities					<u>(119)</u>
Total liabilities					<u>(6,617,270)</u>

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

xi) 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.

(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 30 June 2016 (Unaudited)									
Assets									
Cash and balances with central banks	256,039	264	-	81	102	-	-	783,822	1,040,308
Due from banks and other financial institutions	93,686	251,197	81,234	210,172	15,202	2	-	-	651,493
Financial assets at fair value through profit or loss	2,411	10,956	16,205	93,874	50,830	14,181	-	7,555	196,012
Loans and advances to customers	-	417,970	279,283	1,039,022	1,002,033	1,076,154	76,969	-	3,891,431
Financial investments – loans and receivables	-	17,567	24,896	47,857	176,579	73,144	1,728	-	341,771
Financial investments – available-for-sale	-	6,237	13,811	38,804	188,675	42,397	-	5,151	295,075
Financial investments – held-to-maturity	-	9,158	14,817	97,391	682,126	401,834	-	-	1,205,326
Other assets	36,089	9,339	17,587	29,251	94,723	23,771	1,063	123,083	334,906
Total assets	388,225	722,688	447,833	1,556,452	2,210,270	1,631,483	79,760	919,611	7,956,322
Liabilities									
Due to banks and other financial institutions	(373,020)	(462,978)	(302,644)	(649,170)	(217,993)	(18,716)	-	-	(2,024,521)
Financial liabilities at fair value through profit or loss	(435)	(11,619)	(9,639)	(42,521)	(7,274)	(1,706)	-	-	(73,194)
Due to customers	(2,357,338)	(436,643)	(646,144)	(880,387)	(414,111)	(4)	-	-	(4,734,627)
Other liabilities	(73,187)	(28,785)	(54,480)	(101,736)	(192,458)	(117,840)	-	-	(568,486)
Total liabilities	(2,803,980)	(940,025)	(1,012,907)	(1,673,814)	(831,836)	(138,266)	-	-	(7,400,828)
Net amount on liquidity gap	(2,415,755)	(217,337)	(565,074)	(117,362)	1,378,434	1,493,217	79,760	919,611	555,494

(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 2015 (Audited)									
Assets									
Cash and balances with central banks	164,382	-	-	-	-	-	-	755,846	920,228
Due from banks and other financial institutions	124,719	185,497	80,483	201,436	19,054	2	-	-	611,191
Financial assets at fair value through profit or loss	382	16,979	17,887	40,915	68,426	19,280	-	9,440	173,309
Loans and advances to customers	-	433,050	270,186	1,021,046	880,890	964,591	64,805	-	3,634,568
Financial investments – loans and receivables	-	17,437	29,866	73,766	149,817	52,654	139	-	323,679
Financial investments – available-for-sale	-	18,227	24,033	46,395	135,275	35,392	-	5,417	264,739
Financial investments – held-to-maturity	-	6,660	17,195	62,212	546,858	300,758	-	-	933,683
Other assets	16,278	11,137	7,679	37,071	91,881	22,956	549	106,414	293,965
Total assets	305,761	688,987	447,329	1,482,841	1,892,201	1,395,633	65,493	877,117	7,155,362
Liabilities									
Due to banks and other financial institutions	(424,617)	(294,733)	(223,515)	(481,053)	(206,126)	(11,195)	-	-	(1,641,239)
Financial liabilities at fair value through profit or loss	(344)	(20,359)	(10,624)	(22,081)	(6,788)	(2,265)	-	-	(62,461)
Due to customers	(2,030,760)	(488,922)	(661,849)	(876,319)	(426,960)	(4)	-	-	(4,484,814)
Other liabilities	(52,124)	(21,565)	(45,063)	(87,956)	(114,706)	(107,342)	-	-	(428,756)
Total liabilities	(2,507,845)	(825,579)	(941,051)	(1,467,409)	(754,580)	(120,806)	-	-	(6,617,270)
Net amount on liquidity gap	(2,202,084)	(136,592)	(493,722)	15,432	1,137,621	1,274,827	65,493	877,117	538,092

xii) Non-adjusting event subsequent to the balance sheet date

On 21 July 2016, Bank of Communications Finance Leasing Co., Ltd., a subsidiary of the Group, issued 3-year financial bonds, with a total par value of RMB4 billion and a coupon rate of 3.17%. Such bonds will expire on 22 July 2019 and the interest is paid per annum.

On 10 August 2016, Hong Kong branch of the Bank issued medium-term notes with a total par value of USD550 million, which are subject to floating rate and will expire in 2019.

Except for the aforesaid events, the Group had no significant events occurring after the balance sheet date.

VIII. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Hong Kong Stock Exchange *HKExnews* website (www.hkexnews.hk), and the Bank's website (www.bankcomm.com). This results announcement is extracted from the 2016 Interim Report prepared in accordance with the IFRSs. The full report will be published on the Hong Kong Stock Exchange *HKExnews* website (www.hkexnews.hk), and the Bank's website (www.bankcomm.com) for shareholders' and investors' inspection. The 2016 Interim Report prepared in accordance with the PRC GAAP will be available on the Shanghai Stock Exchange website (www.sse.com.cn) and the Bank's website (www.bankcomm.com). Investors should read the full Interim Report for details of the Interim Results. The Interim Report prepared in accordance with the IFRSs is expected to be dispatched to the holders of H shares in September 2016.

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

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

Shanghai, the PRC
25 August 2016

As at the date of this announcement, the Directors of the Bank are Mr. Niu Ximing, Mr. Peng Chun, Ms. Yu Yali, Mr. Hou Weidong, Mr. Hu Huating, Mr. Wang Taiyin*, Mr. Liu Changshun*, Mr. Wong Tung Shun, Peter*, Ms. Wong Pik Kuen, Helen*, Mr. Peter Hugh Nolan#, Mr. Chen Zhiwu#, Mr. Choi Yiu-kwan#, Mr. Yu Yongshun#, Ms. Li Jian# and Mr. Liu Li#.*

** Non-executive Directors*

Independent Non-executive Directors