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中國銀行

BANK OF CHINA

中國銀行股份有限公司

BANK OF CHINA LIMITED

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

(the “Bank”)

(Stock Code: 3988 and 4601 (Preference Shares))

2016 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of the Bank is pleased to announce the unaudited results of the Bank and its subsidiaries for the six months period ended 30 June 2016. This announcement, containing the full text of the 2016 Interim Report of the Bank, complies with the relevant content requirements of the Hong Kong Listing Rules in relation to preliminary announcements of interim results. The printed version of the Bank’s 2016 Interim Report will be delivered to the H-Share Holders of the Bank and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Bank at www.boc.cn in September 2016.

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Definitions

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

The Bank/the Group	Bank of China Limited or its predecessors and, except where the context otherwise requires, all of the subsidiaries of Bank of China Limited
Articles of Association	The performing Articles of Association of the Bank
A Share	Domestic investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on SSE (Stock Code: 601988)
Basis Point (Bp, Bps)	Measurement unit of changes in interest rate or exchange rate. 1 basis point is equivalent to 0.01 percentage point
BOC Aviation	BOC Aviation Limited, a company incorporated in Singapore under the Singapore Companies Act as a public company limited by shares, which is listed on the Hong Kong Stock Exchange
BOC Insurance	Bank of China Insurance Company Limited
BOCG Insurance	Bank of China Group Insurance Company Limited
BOCG Investment	Bank of China Group Investment Limited
BOCHK	Bank of China (Hong Kong) Limited, an authorised financial institution incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK (Holdings)
BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong and the ordinary shares of which are listed on the Hong Kong Stock Exchange
BOCI	BOC International Holdings Limited
BOCIM	Bank of China Investment Management Co., Ltd.
BOCI China	BOC International (China) Limited
BOC Life	BOC Group Life Assurance Co., Ltd.
BOC-Samsung Life	BOC-Samsung Life Ins. Co., Ltd.

CBRC	China Banking Regulatory Commission
Central and Southern China	The area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan
Company Law	The Company Law of PRC
CSRC	China Securities Regulatory Commission
Domestic Preference Share	Domestic preference share(s) in the preference share capital of the Bank, with a nominal value of RMB100 each, which are traded on SSE (Stock Code: 360002, 360010)
Eastern China	The area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi, Shandong and Qingdao
HKEx	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
H Share	Overseas-listed foreign investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 3988)
Independent Director	Independent director under the listing rules of SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
MOF	Ministry of Finance, PRC
Northeastern China	The area including, for the purpose of this report, the branches of Heilongjiang, Jilin, Liaoning and Dalian
Northern China	The area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office

Offshore Preference Share	Offshore preference share(s) in the preference share capital of the Bank, with a nominal value of RMB100 each, which are listed on the Hong Kong Stock Exchange and traded in US dollars (Stock Code: 4601)
PBOC	The People's Bank of China, PRC
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	The Shanghai Stock Exchange
Western China	The area including, for the purpose of this report, the branches of Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Qinghai, Tibet and Xinjiang

Important Notice

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

The 2016 Interim Report and the 2016 Interim Results Announcement of the Bank have been reviewed and approved at the meeting of the Board of Directors of the Bank held on 30 August 2016. The number of directors who should attend the meeting is thirteen, with eleven directors attending the meeting in person. Chairman of the Board of Directors Mr. TIAN Guoli did not attend the meeting because of other important business engagements and appointed Vice Chairman of the Board of Directors Mr. CHEN Siqing as his authorised proxy to attend and vote on his behalf at the meeting. Non-executive Director Mr. WANG Yong did not attend the meeting because of other important business engagements. Twelve directors of the Bank exercised their voting rights at the meeting. Some supervisors and senior management members of the Bank attended the meeting as non-voting attendees.

The 2016 interim financial statements prepared by the Bank in accordance with Chinese Accounting Standards (“CAS”) and International Financial Reporting Standards (“IFRS”) have been reviewed by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and international standards on review engagements, respectively.

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

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

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

Corporate Information

Registered Name in Chinese

中國銀行股份有限公司 (“中國銀行”)

Registered Name in English

BANK OF CHINA LIMITED

(“Bank of China”)

Legal Representative and Chairman

TIAN Guoli

Vice Chairman and President

CHEN Siqing

**Secretary to the Board of Directors and
Company Secretary**

GENG Wei

Office Address:

No. 1 Fuxingmen Nei Dajie, Beijing, China

Telephone: (86) 10-6659 2638

Facsimile: (86) 10-6659 4568

E-mail: ir@bankofchina.com

Listing Affairs Representative

YU Ke

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E-mail: ir@bankofchina.com

Registered Address

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Telephone: (86) 10-6659 6688

Facsimile: (86) 10-6601 6871

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E-mail: ir@bankofchina.com

Customer Service and Complaint Hotline:

(86) Area Code-95566

Place of Business in Hong Kong

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

**Selected Newspapers for Information
Disclosure (A Share)**

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

**Website Designated by CSRC for
Publication of the Interim Report**

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

**Website of HKEx for Publication
of the Interim Report**

<http://www.hkexnews.hk>

**Place Where the Interim Report can be
Obtained**

No. 1 Fuxingmen Nei Dajie, Beijing, China

Registered Capital

RMB279,147,223,195

Securities Information**A Share**

Shanghai Stock Exchange

Stock Name: 中國銀行

Stock Code: 601988

H Share

The Stock Exchange of Hong Kong Limited

Stock Name: Bank of China

Stock Code: 3988

Domestic Preference Share

Shanghai Stock Exchange

First Tranche

Stock Name: 中行優1

Stock Code: 360002

Second Tranche

Stock Name: 中行優2

Stock Code: 360010

Offshore Preference Share

The Stock Exchange of Hong Kong Limited
Stock Name: BOC 2014 PREF
Stock Code: 4601

Joint Sponsors for Domestic Preference Share

CITIC Securities Company Limited
Office Address: North Tower,
Excellence Times Plaza II,
No.8 Zhongxinsan Road, Futian District,
Shenzhen, Guangdong Prov., China
Sponsor Representatives:
MA Xiaolong, ZHU Jie

BOC International (China) Limited
Office Address: 39/F, BOC Building,
200 Mid. Yincheng Road,
Pudong New District, Shanghai, China
Sponsor Representatives:
CHEN Wei, LIANG Binsheng

Continuous Supervision Period
From 31 March 2015 to 31 December 2016
(Second Tranche)

A-Share Registrar

Shanghai Branch of China Securities
Depository and Clearing Corporation Limited
36/F, China Insurance Building,
166 East Lujiazui Road,
Pudong New Area,
Shanghai
Telephone: (86) 21-3887 4800

H-Share Registrar

Computershare Hong Kong
Investor Services Limited
17M, Hopewell Centre,
183 Queen's Road East, Wan Chai,
Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Domestic Preference Share Registrar

Shanghai Branch of China Securities
Depository and Clearing Corporation Limited
36/F, China Insurance Building,
166 East Lujiazui Road,
Pudong New Area, Shanghai
Telephone: (86) 21-3887 4800

Financial Highlights

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

Unit: RMB million

	Note	For the six month period ended 30 June 2016	For the six month period ended 30 June 2015	For the six month period ended 30 June 2014
Results of operations				
Net interest income		154,858	163,391	156,675
Non-interest income	1	107,761	75,487	78,197
Operating income		262,619	238,878	234,872
Operating expenses		(83,572)	(87,234)	(85,897)
Impairment losses on assets		(49,946)	(28,576)	(27,782)
Operating profit		129,101	123,068	121,193
Profit before income tax		129,617	124,482	121,950
Profit for the period		107,308	94,986	93,409
Profit attributable to equity holders of the Bank		93,037	90,746	89,724
Basic earnings per share (RMB)		0.31	0.31	0.32
Key financial ratios				
Return on average total assets (%)	2	1.25	1.20	1.27
Return on average equity (%)	3	14.78	16.31	18.57
Net interest margin (%)	4	1.90	2.18	2.27
Non-interest income to operating income (%)	5	41.03	31.60	33.29
Cost to income ratio (calculated under domestic regulations, %)	6	24.25	24.85	25.54
Credit cost (%)	7	1.04	0.63	0.69
		As at 30 June 2016	As at 31 December 2015	As at 31 December 2014
Statement of financial position				
Total assets		17,601,267	16,815,597	15,251,382
Loans, gross		9,728,275	9,135,860	8,483,275
Allowance for loan impairment losses		(221,708)	(200,665)	(188,531)
Investments	8	3,717,368	3,595,095	2,710,375
Total liabilities		16,180,964	15,457,992	14,067,954
Due to customers		12,551,850	11,729,171	10,885,223
Capital and reserves attributable to equity holders of the Bank		1,348,236	1,304,946	1,140,859
Share capital		294,388	294,388	288,731
Net assets per share (RMB)	9	4.24	4.09	3.70
Capital ratios				
Common equity tier 1 capital	10	1,234,140	1,197,868	1,068,706
Additional tier 1 capital		103,430	103,159	72,923
Tier 2 capital		212,944	212,937	250,714
Common equity tier 1 capital adequacy ratio (%)		11.05	11.10	10.61
Tier 1 capital adequacy ratio (%)		11.98	12.07	11.35
Capital adequacy ratio (%)		13.91	14.06	13.87
Asset quality				
Identified impaired loans to total loans (%)	11	1.46	1.43	1.18
Non-performing loans to total loans (%)	12	1.47	1.43	1.18
Allowance for loan impairment losses to non-performing loans (%)	13	155.10	153.30	187.60
Allowance for loan impairment losses to total loans (%)	14	2.74	2.62	2.68

Notes:

- 1 Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on financial investments + other operating income.
- 2 Return on average total assets = profit for the period ÷ average total assets, annualised. Average total assets = (total assets at the beginning of reporting period + total assets at the end of reporting period) ÷ 2.
- 3 Return on average equity = profit attributable to ordinary shareholders of the Bank ÷ weighted average capital and reserves attributable to ordinary shareholders of the Bank, annualised. Calculation is based on *No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies — Calculation and Disclosure of Return on Average Equity and Earnings per Share (Revised in 2010)* (CSRC Announcement [2010] No. 2) issued by the CSRC.
- 4 Net interest margin = net interest income ÷ average balance of interest-earning assets, annualised. Average balance is average daily balance derived from the Bank's management accounts (unreviewed).
- 5 Non-interest income to operating income = non-interest income ÷ operating income.
- 6 Cost to income ratio is calculated in accordance with the *Measures of the Performance Evaluation of Financial Enterprises* (Cai Jin [2011] No. 50) formulated by the MOF.
- 7 Credit cost = impairment losses on loans ÷ average balance of loans, annualised. Average balance of loans = (balance of loans at the beginning of reporting period + balance of loans at the end of reporting period) ÷ 2.
- 8 Investments include financial investments available for sale, debt securities held to maturity, financial investments classified as loans and receivables, and financial assets at fair value through profit or loss.
- 9 Net assets per share = (capital and reserves attributable to equity holders of the Bank at the end of reporting period – other equity instruments) ÷ number of ordinary shares in issue at the end of reporting period.
- 10 The capital ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Y.J.H.L. [2012] No. 1) and related regulations, under the advanced approaches.
- 11 Identified impaired loans to total loans = identified impaired loans at the end of reporting period ÷ total loans at the end of reporting period.
- 12 Non-performing loans to total loans = non-performing loans at the end of reporting period ÷ total loans at the end of reporting period.
- 13 Allowance for loan impairment losses to non-performing loans = allowance for loan impairment losses at the end of reporting period ÷ non-performing loans at the end of reporting period.
- 14 Allowance for loan impairment losses to total loans = allowance for loan impairment losses at the end of reporting period ÷ total loans at the end of reporting period. Calculation is based on the data of the Bank's domestic institutions.

Overview of Operating Performance

From the beginning of 2016, the Bank continued to uphold the strategic goal of “Serving Society, Delivering Excellence” by focusing on “innovation, transformation, mitigation, management and control”. It actively adapted to the economic “new normal”, calmly took measures to mitigate the effects of a complex external business environment. Fulfilling the responsibility to serve the real economy, the Bank enhanced its business development, revenue growth and risk control, sustainably improving the operating performance. In the first half of 2016, the Group achieved a profit for the period of RMB107.308 billion and a profit attributable to equity holders of the Bank of RMB93.037 billion, an increase of 12.97% and 2.52% respectively compared with the same period of the prior year. Return on average total assets (ROA) was 1.25%, and return on average equity (ROE) was 14.78%.

New advances in strategic adjustment

Paying high attention to uncertainties and risk exposures in its operating environment, the Bank took preventive measures to address them in an orderly manner and pushed ahead with the strategic adjustments of the Group. First, in an active effort to make “subtraction”, the Bank successfully completed the sale of Nanyang Commercial Bank, Limited (NCB). The deal was concluded at a price of HKD68.0 billion, setting a new record for the sale of financial enterprise assets in China’s buyout market. Through active effort to make “subtraction”, it eliminated business overlap of the Group, decreased management costs and effectively improved capital efficiency. Second, the Bank completed the initial public offering (IPO) of BOC Aviation on the Main Board of the Hong Kong Stock Exchanges (HKSE). The IPO raised a total of approximately USD1.126 billion and was the most oversubscribed on the HKSE for the year to date. The successful listing of BOC Aviation demonstrated the market’s recognition of the Bank’s diversification strategy, enabled the Group to increase overall value, and enhanced the preservation and increment of the state-owned assets. Third, the Bank succeeded in adjusting its institutions in Liaoning Province and Shandong Province. In the first half of 2016, the Bank completed structural adjustment of four tier-1 branches in Liaoning, Shandong, Dalian and Qingdao. As a result, the Bank’s Bohai Rim institutions enjoy clearer positioning, more customer-oriented services and smoother management, thus ushering in a new chapter of business development in the region.

New achievements in innovation

The Bank fully implemented the national “Internet Plus” initiative. With the aim of continuously improving customer experience, it stepped up technology and business innovation by drawing on advanced technologies and industry best practices. It seized the commanding leadership position for the mobile internet era and sharpened new competitive edges. First, its development of internet finance picked up pace. The Bank developed and implemented the “E-BOC” plan and realised an increase in the number of internet finance customers and the volume of online transactions by 78% and 56% respectively, compared with the same period of the prior year. Second, the construction of smart outlets was accelerated. In the Chinese mainland, 4,112 outlets of the Bank completed their upgrade towards smarter functionality. The substitution ratio of e-banking channels for outlet-based transactions reached 89.71% and mobile banking trade volumes rose by 30.54% compared with the same period of the prior year, thus continuously improving the Bank’s collaborative on-line service capability. Third, the Bank’s hi-tech innovation capacity continued to improve. The Bank set up two branches of software centre in

Xi'an and Hefei, creating the basis for the Bank's "one centre in Beijing leading branches in four other locations" strategic distribution of technological capacity. The Bank made progress in its overseas information system integration and transformation project, with over 80% of overseas institutions realising integrated operations. Fourth, the process optimisation was further enhanced. By successfully rolling out of a project to "standardise operational processes and electronic business seals at outlets", the Bank made transactions more convenient and more secure than ever before.

New breakthroughs in business transformation

The Bank accelerated its business transformation in line with the implementation of the nation's major strategies and made new breakthroughs in business transformation and adjustment. First, the Bank's internationalisation strategy was further deepened. The Bank continued to build the financial artery of China's "Belt and Road" initiative. In the first half of 2016, it granted exceeding USD17.4 billion in credits, followed up on the implementation of 392 key projects in key regions, and vigorously supported the "Going Global" initiatives of Chinese enterprises by providing a total of USD164.4 billion in funding 2,334 projects. Second, the Bank recorded important strategic achievements in key regions. The contribution of operation income of institutions in the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macau region to the Bank increased by 4.4 percentage points compared with the same period of the prior year. Third, the personal banking business made a greater contribution. In the Chinese mainland, the Bank increased its market share among China's large commercial banks for domestic personal deposits and personal loans. The proportion of RMB personal loans to total RMB loans further increased. Fourth, the corporate banking business pursued faster transformation. The Bank further improved its management structure and marketing system in respect of group customers under hierarchical management. It strengthened the expansion of its global cash management business with precipitation funds exceeding RMB600.0 billion. Deposits from administrative institutions grew by RMB254.8 billion, outpacing the growth recorded in the same period of the prior year by RMB81.3 billion. The Bank successfully held five cross-border investment and trade matchmaking events for small and medium-sized enterprises (SMEs), which elevated its influence in the market. The Bank's financial institutions business developed rapidly, while fee income from its domestic bancassurance business increased by 124% compared with the same period of the prior year. Fifth, the financial markets business consolidated its strengths. The Bank increased its domestic market share for foreign exchange trading by 1.61 percentage points, thus maintaining its top ranking in the Chinese mainland. Drawing on its strengths in bond underwriting and distribution, the Bank arranged the first ever RMB bond in the London market for the MOF. The Bank also enhanced the global footprint of its custody business, with reported assets under the Group's custody reaching RMB6.85 trillion.

New progress in risk mitigation and control

The Bank further improved systems and mechanisms for key areas and businesses, promoted more precise and professional business management, and enhanced the Group's risk mitigation and control capacity. First, the Bank made remarkable achievements in non-performing assets (NPAs) resolution while accelerating innovation in NPA resolution models. The resolution of NPAs in its domestic operations increased by 47% compared with the same period of the prior year. The Bank successfully issued the first corporate non-performing loans-backed securities since the re-launch of credit asset securitisation in the Chinese mainland. Second, the Bank promoted inter-department interactions, expedited the promotion of a full range of customer-centred products, and enhanced developmental cohesion. Third, the Bank continuously enhanced efforts in the specialised governance of internal control and case prevention and performed risk identification and remediation in key areas. Fourth, the Bank stepped up remote monitoring effort and improved its risk analysis and early warning capability. Fifth, it optimised customer due diligence procedures and enhanced anti-money laundering (AML) risk management. Sixth, the Bank spared no effort to improve operational management and control at the outlet level, and revised its fifty rules on risk control for outlets. Seventh, the Bank enhanced the mechanism of "one post undertaking dual responsibilities", improved the independence and professionalism of its internal audit function, disclosed major risks and potential defects in a timely manner and stepped up remediation of internal audit findings and implementation.

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

In the first half of 2016, the global economy remained sluggish, and the international trade continued to shrink. In the US, economic growth slowed and employment growth declined. The Eurozone economy experienced a mild recovery, but deflationary pressures persisted. Japan's economy was relatively depressed and appreciation pressures on the Japanese Yen intensified. Growth in emerging economies slowed down and Russia and Brazil continued to be in recession.

International financial markets fluctuated violently as financial risks mounted. Regarding interest rate policies, the anticipation of increasing its interest rate by US Federal Reserve (Fed) disturbed the market. However, the Fed suspended the move because of multiple factors. The central banks of the Eurozone and Japan adopted further loosening measures. Britain voted to leave the European Union, exerting a negative influence on the economy of the European Union and the world at large. In terms of exchange rates, the US Dollar became stronger after periodic adjustments, the British Pound Sterling depreciated substantially, the Japanese Yen continued to appreciate as a safe haven currency and the exchange rates of emerging market countries tended to fluctuate heavily. In addition, the stock markets of the world's major economies were highly volatile and bulk commodity prices bottomed out.

China's economy was generally steady, its major economic indicators remained in a reasonable range, and it achieved positive changes in terms of structural adjustment. The supply-side structural reforms progressed in an orderly manner. Strengthened proactive fiscal policies led to higher efficiency and effectiveness. The support for innovation and entrepreneurship increased. Prices remained low. Growth in investment and consumption decelerated, while import and export volumes dropped on a year-on-year basis. In the first half of 2016, gross domestic product (GDP) grew by 6.7% year-on-year and consumer price index (CPI) rose by 2.1%. Total fixed-asset investment (TFAI) climbed by 9.0% compared with the same period of the prior year and total retail sales of consumer goods (TRSCG) increased by 10.3%. China's trade surplus increased to RMB1.67 trillion, up RMB59.25 billion compared with the same period of the prior year.

The Chinese government continued its sound monetary policy. In the first half of 2016, the legal deposit reserve requirement ratio was cut down once, and market liquidity was at a reasonable and sufficient level. The bond market was further opened up and commercial banks were allowed to participate in combined debt-equity investments. Financial operations remained generally stable. Monetary credit increased steadily and RMB exchange rates remained stable. As at 30 June 2016, the broad money supply (M2) was RMB149.05 trillion, an increase of 11.8% year-on-year and the balance of RMB deposits was RMB146.24 trillion, an increase of 10.9% year-on-year. In the first half of 2016, RMB loans increased by RMB7.53 trillion, RMB967.1 billion more than that of the same period of the prior year. The total scale of social financing increased by RMB9.75 trillion, RMB961.8 billion more than that of the same period of the prior year. As at 30 June 2016, the SSE Composite Index dropped by 609.6 points and the floating market value of the Shanghai and Shenzhen stock markets shrank by 13.1% compared with the prior year-end.

Income Statement Analysis

In the first half of 2016, the Group achieved a profit for the period of RMB107.308 billion and a profit attributable to equity holders of the Bank of RMB93.037 billion, an increase of 12.97% and 2.52% respectively compared with the same period of the prior year. Return on average total assets (ROA) was 1.25%, and return on average equity (ROE) was 14.78%.

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

Items	For the six month period ended 30 June 2016	Unit: RMB million, except percentages		
		For the six month period ended 30 June 2015	Change	Change (%)
Net interest income	154,858	163,391	(8,533)	(5.22%)
Non-interest income	107,761	75,487	32,274	42.75%
Including: net fee and commission income	47,827	50,044	(2,217)	(4.43%)
Operating income	262,619	238,878	23,741	9.94%
Operating expenses	(83,572)	(87,234)	3,662	(4.20%)
Impairment losses on assets	(49,946)	(28,576)	(21,370)	74.78%
Operating profit	129,101	123,068	6,033	4.90%
Profit before income tax	129,617	124,482	5,135	4.13%
Income tax expense	(22,309)	(29,496)	7,187	(24.37%)
Profit for the period	107,308	94,986	12,322	12.97%
Profit attributable to equity holders of the Bank	93,037	90,746	2,291	2.52%

A detailed review of the Group's principal items in each quarter is summarised in the following table:

Items	Unit: RMB million					
	For the three-month period ended					
	30 June 2016	31 March 2016	31 December 2015	30 September 2015	30 June 2015	31 March 2015
Operating income	139,506	123,113	117,972	117,062	117,549	121,329
Profit attributable to equity holders of the Bank	46,418	46,619	39,300	40,799	44,908	45,838
Net cash flow from operating activities	184,996	(150,663)	136,679	(131,980)	267,230	400,165

Net Interest Income and Net Interest Margin

In the first half of 2016, the Group achieved a net interest income of RMB154.858 billion, a decrease of RMB8.533 billion or 5.22% compared with the same period of the prior year. The average balances¹ and average interest rates of the major interest-earning assets and interest-bearing liabilities of the Group, its domestic RMB businesses and its domestic foreign currency businesses, as well as the impact on interest income/expense of variances in the volume factor and the interest rate factor², are summarised in the following table:

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

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

Items	For the six month period ended 30 June 2016			For the six month period ended 30 June 2015			Unit: RMB million, except percentages Analysis of changes in interest income/expense		
	Average balance	Interest income/ expense	Average interest rate	Average balance	Interest income/ expense	Average interest rate	Volume factor	Interest rate factor	Total
Group									
Interest-earning assets									
Loans	9,559,923	198,487	4.18%	8,709,518	220,696	5.11%	21,609	(43,818)	(22,209)
Investments	3,612,628	56,994	3.17%	2,831,802	50,057	3.56%	13,823	(6,886)	6,937
Balances with central banks	2,187,254	14,675	1.35%	2,334,599	15,026	1.30%	(953)	602	(351)
Due from and placements with banks and other financial institutions	1,025,245	14,109	2.77%	1,205,713	22,643	3.79%	(3,401)	(5,133)	(8,534)
Total	16,385,050	284,265	3.49%	15,081,632	308,422	4.12%	31,078	(55,235)	(24,157)
Interest-bearing liabilities									
Due to customers	12,234,748	100,504	1.65%	11,146,985	112,509	2.04%	11,035	(23,040)	(12,005)
Due to and placements from banks and other financial institutions and due to central banks	2,559,022	23,135	1.82%	2,578,152	27,286	2.13%	(203)	(3,948)	(4,151)
Bonds issued	292,330	5,768	3.97%	264,729	5,236	3.99%	548	(16)	532
Total	15,086,100	129,407	1.73%	13,989,866	145,031	2.09%	11,380	(27,004)	(15,624)
Net interest income		154,858			163,391		19,698	(28,231)	(8,533)
Net interest margin			1.90%			2.18%			(28) Bps
Domestic RMB businesses									
Interest-earning assets									
Loans	7,066,715	166,976	4.75%	6,319,637	189,462	6.05%	22,476	(44,962)	(22,486)
Investments	2,712,704	48,494	3.59%	2,071,462	41,796	4.07%	12,978	(6,280)	6,698
Balances with central banks	1,676,499	13,331	1.60%	1,838,714	14,175	1.55%	(1,250)	406	(844)
Due from and placements with banks and other financial institutions	749,560	12,641	3.39%	879,849	19,306	4.42%	(2,864)	(3,801)	(6,665)
Total	12,205,478	241,442	3.98%	11,109,662	264,739	4.81%	31,340	(54,637)	(23,297)
Interest-bearing liabilities									
Due to customers	9,114,500	87,854	1.94%	8,322,299	97,943	2.37%	9,336	(19,425)	(10,089)
Due to and placements from banks and other financial institutions and due to central banks	1,412,326	19,882	2.83%	1,588,403	28,795	3.66%	(3,205)	(5,708)	(8,913)
Bonds issued	145,212	3,512	4.86%	143,442	3,490	4.91%	43	(21)	22
Total	10,672,038	111,248	2.10%	10,054,144	130,228	2.61%	6,174	(25,154)	(18,980)
Net interest income		130,194			134,511		25,166	(29,483)	(4,317)
Net interest margin			2.15%			2.44%			(29) Bps
Domestic foreign currency businesses									
Interest-earning assets									
Loans	57,787	641	2.23%	78,092	974	2.52%	(254)	(79)	(333)
Investments	32,081	271	1.70%	34,256	261	1.54%	(17)	27	10
Due from and placements with banks and other financial institutions and balances with central banks	57,431	194	0.68%	73,456	233	0.64%	(51)	12	(39)
Total	147,299	1,106	1.51%	185,804	1,468	1.59%	(322)	(40)	(362)
Interest-bearing liabilities									
Due to customers	99,229	210	0.43%	84,336	332	0.79%	59	(181)	(122)
Due to and placements from banks and other financial institutions and due to central banks	93,209	250	0.54%	88,257	230	0.53%	13	7	20
Bonds issued	2,983	90	6.07%	2,981	84	5.68%	–	6	6
Total	195,421	550	0.57%	175,574	646	0.74%	72	(168)	(96)
Net interest income		556			822		(394)	128	(266)
Net interest margin			0.76%			0.89%			(13) Bps

Notes:

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

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

Items	Unit: RMB million, except percentages					
	For the six month period ended 30 June 2016		For the six month period ended 30 June 2015		Change	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
Domestic RMB businesses						
Loans						
Corporate loans	4,283,750	4.88%	3,975,912	6.28%	307,838	(140) Bps
Personal loans	2,548,462	4.65%	2,161,393	5.65%	387,069	(100) Bps
Trade bills	234,503	3.52%	182,332	5.54%	52,171	(202) Bps
Total	7,066,715	4.75%	6,319,637	6.05%	747,078	(130) Bps
Including:						
Medium and long term loans	4,670,652	4.97%	4,228,672	6.21%	441,980	(124) Bps
Short term loans within 1 year and others	2,396,063	4.32%	2,090,965	5.70%	305,098	(138) Bps
Due to customers						
Corporate demand deposits	2,425,820	0.60%	2,077,921	0.74%	347,899	(14) Bps
Corporate time deposits	2,232,543	3.06%	2,188,001	3.56%	44,542	(50) Bps
Personal demand deposits	1,597,019	0.48%	1,349,984	0.53%	247,035	(5) Bps
Personal time deposits	2,532,684	2.99%	2,414,719	3.47%	117,965	(48) Bps
Other	326,434	3.29%	291,674	4.57%	34,760	(128) Bps
Total	9,114,500	1.94%	8,322,299	2.37%	792,201	(43) Bps
Domestic foreign currency businesses						
					Unit: USD million, except percentages	
Loans	57,787	2.23%	78,092	2.52%	(20,305)	(29) Bps
Due to customers						
Corporate demand deposits	35,160	0.12%	25,364	0.18%	9,796	(6) Bps
Corporate time deposits	18,219	1.13%	22,179	2.08%	(3,960)	(95) Bps
Personal demand deposits	25,112	0.07%	18,832	0.04%	6,280	3 Bps
Personal time deposits	18,528	0.58%	15,283	0.64%	3,245	(6) Bps
Other	2,210	2.27%	2,678	2.20%	(468)	7 Bps
Total	99,229	0.43%	84,336	0.79%	14,893	(36) Bps

Note: “Due to customers – Other” includes structured deposits.

In the first half of 2016, the Group's net interest margin was 1.90%, a decrease of 28 basis points compared with the same period of the prior year. Major factors that affected the Group's net interest margin include:

First, in the year of 2015, the PBOC cut RMB benchmark deposit and loan interest rates on five separate occasions and removed the floating deposit rate ceiling altogether for commercial banks. The impact of these changes continued to be felt in the first half of 2016.

Second, the Bank implemented the nationwide replacement of business tax with value-added tax (BT-to-VAT). In line with the requirements of the *Notice concerning the Nationwide Adoption of Value-added Tax in lieu of Business Tax Pilot Tax Collection Policy* (Caishui [2016] No. 36), all of the Bank's institutions in the Chinese mainland started to change from BT-to-VAT as of 1 May 2016. Accordingly, interest income under VAT was reported on a net basis.

Third, the Bank's assets and liabilities structure was further improved. In response to changes in the external environment, the Bank proactively adjusted and optimised its existing assets and liabilities and efficiently allocated their increments, resulting in continuous improvement to its assets and liabilities structure. In the first half of 2016, the proportion of the average balance of loans to total interest-earning assets rose by 0.60 percentage point, the proportion of the average balance of investments to total interest-earning assets rose by 3.27 percentage points, and the proportion of the average balance of domestic RMB demand deposits to domestic RMB deposits rose by 2.95 percentage points.

Non-interest Income

In the first half of 2016, the Group reported a non-interest income of RMB107.761 billion, an increase of RMB32.274 billion or 42.75% compared with the same period of the prior year. Non-interest income represented 41.03% of operating income.

Net Fee and Commission Income

The Group earned a net fee and commission income of RMB47.827 billion, a decrease of RMB2.217 billion or 4.43% compared with the same period of the prior year. Net fee and commission income represented 18.21% of operating income. This was primarily because the Bank made great efforts to support the national strategy of "popular entrepreneurship and mass innovation" and voluntarily took on social responsibilities to step up backing to the real economy. It cut down operating and trading costs of enterprises and reaped less fee income from businesses such as bank card and credit commitment. Besides, due to the contraction of foreign trading volume, the Bank's settlement and clearing fee income also shrank. Capturing the development opportunity of "Broad Asset Management", the Bank saw swift growth in commission income from the sale of insurance and custody business products. Please refer to Note III.2 to the Condensed Consolidated Interim Financial Information.

Other Non-interest Income

The Group realised other non-interest income of RMB59.934 billion, an increase of RMB34.491 billion or 135.56% compared with the same period of the prior year. This was primarily because the Bank wrapped up the sale and delivery of NCB and recognised related gain on investment disposal. Please refer to Notes III.3, 4 to the Condensed Consolidated Interim Financial Information.

Operating Expenses

In the first half of 2016, the Group recorded operating expenses of RMB83.572 billion, a decrease of RMB3.662 billion or 4.20% compared with the same period of the prior year. The Group's cost to income ratio (calculated under domestic regulations) was 24.25%, a decrease of 0.60 percentage point compared with the same period of the prior year. The Bank continued to operate its business prudently. It further optimised its cost structure, tightened control over administrative expenses, allocated greater resources to key areas, business frontlines and overseas institutions, and made greater efforts to support internet finance, RMB internationalisation and the construction of smart service outlets, thus continuously improving its overall input-output efficiency. Please refer to Notes III.5, 6 to the Condensed Consolidated Interim Financial Information.

Impairment Losses on Assets

In the first half of 2016, the Group's impairment losses on assets amounted to RMB49.946 billion, an increase of RMB21.370 billion or 74.78% compared with the same period of the prior year. Specifically, the impairment losses on loans and advances amounted to RMB49.136 billion, an increase of RMB21.623 billion or 78.59% compared with the same period of the prior year. The credit cost was 1.04%. The Bank continued to improve its comprehensive risk management system and adopted a proactive and forward-looking approach to risk management, ensuring a relatively stable credit asset quality. It stringently implemented a prudent risk provisioning policy, made allowances in full compliance with regulatory requirements and maintained adequate capacity for risk mitigation. Please refer to the section "Risk Management — Credit Risk Management" and Notes III.7, 16 and Note IV.1 to the Condensed Consolidated Interim Financial Information for more information on loan quality and allowance for loan impairment losses.

Financial Position Analysis

As at 30 June 2016, the Group's total assets amounted to RMB17,601.267 billion, an increase of RMB785.670 billion or 4.67% compared with the prior year-end. The Group's total liabilities amounted to RMB16,180.964 billion, an increase of RMB722.972 billion or 4.68% compared with the prior year-end.

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

Items	Unit: RMB million, except percentages			
	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Assets				
Loans and advances to customers, net	9,506,567	54.01%	8,935,195	53.14%
Investments	3,717,368	21.12%	3,595,095	21.38%
Balances with central banks	2,292,771	13.03%	2,196,063	13.06%
Due from and placements with banks and other financial institutions	1,192,539	6.77%	1,007,855	5.99%
Other assets	892,022	5.07%	1,081,389	6.43%
Total assets	17,601,267	100.00%	16,815,597	100.00%
Liabilities				
Due to customers	12,551,850	77.57%	11,729,171	75.88%
Due to and placements from banks and other financial institutions and due to central banks	2,652,017	16.39%	2,627,973	17.00%
Other borrowed funds	331,040	2.05%	313,210	2.03%
Other liabilities	646,057	3.99%	787,638	5.09%
Total liabilities	16,180,964	100.00%	15,457,992	100.00%

Notes:

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

Loans and Advances to Customers

Paying close attention to the financial demand of the real economy, the Bank fully implemented the national macroeconomic policy, rationally arranged the credit extension, and expanded its lending scale at a stable and moderate pace. The Bank continuously improved its credit structure, proactively supported key national investment fields, promoted the coordinated development of regional economies, and provided credit support to a series of key national projects, such as the construction of the “Belt and Road” financial artery, cross-border capacity transfer and Chinese enterprises’ “Going Global” initiatives. The Bank strictly controlled credit facilities granted to industries characterised by high pollution, high energy consumption and overcapacity. With the aim of promoting consumption and expanding domestic demand, the Bank increased personal housing loans so as to meet people’s financial needs regarding housing.

As at 30 June 2016, the Group’s loans and advances to customers amounted to RMB9,728.275 billion, an increase of RMB592.415 billion or 6.48% compared with the prior year-end. Specifically, the Group’s RMB loans and advances to customers totalled RMB7,421.499 billion, an increase of RMB409.632 billion or 5.84% compared with the prior year-end, while its foreign currency loans amounted to USD347.867 billion, an increase of USD20.777 billion or 6.35%.

The Bank continuously improved its risk management, paid close attention to changes in the macroeconomic situation, and strengthened risk identification and management in key areas, thus maintaining a relatively stable asset quality. As at 30 June 2016, the balance of the Group’s allowance for loan impairment losses amounted to RMB221.708 billion, an increase of RMB21.043 billion compared with the prior year-end. The ratio of allowance for loan impairment losses to non-performing loans (NPLs) was 155.10%. The balance of the Group’s restructured loans amounted to RMB5.694 billion, an increase of RMB0.389 billion compared with the prior year-end.

Investments

The Bank closely tracked financial market dynamics, rationally adjusted its investment portfolio duration, and increased the weighting of RMB interest rate bonds in its portfolio, thus further optimising its investment structure. As at 30 June 2016, the Group held investments of RMB3,717.368 billion, an increase of RMB122.273 billion or 3.40% compared with the prior year-end. Specifically, the Group’s RMB investments totalled RMB2,888.607 billion, an increase of RMB55.545 billion or 1.96% compared with the prior year-end, while foreign currency investments totalled USD124.979 billion, an increase of USD7.628 billion or 6.50% compared with the prior year-end.

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

Items	Unit: RMB million, except percentages			
	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	145,782	3.92%	119,062	3.31%
Financial investments available for sale	1,302,966	35.05%	1,078,533	30.00%
Debt securities held to maturity	1,789,746	48.15%	1,790,790	49.81%
Financial investments classified as loans and receivables	478,874	12.88%	606,710	16.88%
Total	3,717,368	100.00%	3,595,095	100.00%

Investments by Currency

Items	Unit: RMB million, except percentages			
	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
RMB	2,888,607	77.71%	2,833,062	78.80%
USD	511,872	13.77%	477,259	13.28%
HKD	141,366	3.80%	138,893	3.86%
Other	175,523	4.72%	145,881	4.06%
Total	3,717,368	100.00%	3,595,095	100.00%

Top Ten Financial Bonds by Value Held by the Group

Bond Name	Par Value	Unit: RMB million, except percentages		
		Annual Rate	Maturity Date	Impairment
Bond issued by financial institutions in 2016	20,000	3.50%	2017-06-14	–
Bond issued by financial institutions in 2016	12,000	3.30%	2016-12-07	–
Bond issued by policy banks in 2014	7,620	5.44%	2019-04-08	–
Bond issued by policy banks in 2010	6,070	Term deposit rate for 1 year +0.52%	2017-01-26	–
Bond issued by financial institutions in 2015	6,000	3.50%	2016-12-26	–
Bond issued by financial institutions in 2015	5,500	4.95%	2018-01-19	–
Bond issued by policy banks in 2006	5,000	Term deposit rate for 1 year +0.60%	2016-12-12	–
Bond issued by policy banks in 2011	4,910	3.55%	2016-12-06	–
Bond issued by policy banks in 2010	4,750	Term deposit rate for 1 year +0.59%	2020-02-25	–
Bond issued by policy banks in 2009	4,710	Term deposit rate for 1 year +0.54%	2016-09-01	–

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

Due to Customers

Actively aligning itself with the interest rate liberalisation trend and the rapid development of internet finance, the Bank accelerated the products and services innovation and constantly enhanced related financial service level. As a result, its liability business grew steadily. It further improved salary payment agency, payment collection and other basic services, optimised the functions of personal certificates of deposit (CDs), steadily expanded the base of administrative institution customers, solidified relationship with basic settlement customers and cash management customers and seized such business opportunities as acceleration of direct financing. Therefore, due to customers grew stably.

As at 30 June 2016, the Group's due to customers amounted to RMB12,551.850 billion, an increase of RMB822.679 billion or 7.01% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB9,685.592 billion, an increase of RMB570.925 billion or 6.26% compared with the prior year-end, while its foreign currency due to customers stood at USD432.238 billion, an increase of USD29.610 billion or 7.35%.

Equity

As at 30 June 2016, the Group's total equity was RMB1,420.303 billion, an increase of RMB62.698 billion or 4.62% compared with the prior year-end. This was primarily attributable to the following reasons: (1) In the first half of 2016, the Group realised a profit for the period of RMB107.308 billion, of which profit attributable to equity holders of the Bank amounted to RMB93.037 billion. (2) As per the 2015 profit distribution plan approved at the 2015 Annual General Meeting, the cash dividend on ordinary shares was RMB51.518 billion. (3) The Bank paid a dividend on its preference shares of RMB1.540 billion. (4) BOC Aviation completed its IPO on the Main Board of the HKSE, increasing the Group's total equity by RMB7.287 billion. Please refer to the "Condensed Consolidated Statement of Changes in Equity" in the Condensed Consolidated Interim Financial Information.

Cash Flow Analysis

As at 30 June 2016, the balance of the Group's cash and cash equivalents was RMB1,093.653 billion, an increase of RMB41.575 billion compared with the prior year-end.

In the first half of 2016, net cash flow from operating activities was an inflow of RMB34.333 billion, a decrease of RMB633.062 billion compared with the same period of the prior year. This was mainly attributable to the decrease of net changes in due to banks and other financial institutions, the increase of net changes in balances with central banks and the increase of net increase in loans and advances to customers compared with the same period of the prior year.

Net cash flow from investing activities was an inflow of RMB11.961 billion, compared with an outflow of RMB484.661 billion of the same period of the prior year. This was mainly attributable to the increase of net cash inflow from financial investments compared with the same period of the prior year.

Net cash flow from financing activities was an outflow of RMB22.877 billion, compared with an inflow of RMB31.574 billion of the same period of the prior year. This was mainly because the Bank did not pay the cash dividend on ordinary shares while issued preference shares in the first half of 2015, whereas the Bank paid the cash dividend on ordinary shares in the first half of 2016.

The operating performance and financial position of the Group's geographical and business segments are set forth in Note III.30 to the Condensed Consolidated Interim Financial Information.

Business Review

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

Items	Unit: RMB million, except percentages			
	For the six month period ended 30 June 2016		For the six month period ended 30 June 2015	
	Amount	% of total	Amount	% of total
Commercial banking business	217,317	82.75%	220,938	92.49%
Including: Corporate banking business	108,718	41.40%	103,450	43.31%
Personal banking business	77,434	29.49%	68,353	28.61%
Treasury operations	31,165	11.86%	49,135	20.57%
Investment banking and insurance	11,433	4.35%	13,133	5.50%
Others and elimination	33,869	12.90%	4,807	2.01%
Total	262,619	100.00%	238,878	100.00%

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

Items	Unit: RMB million		
	As at 30 June 2016	As at 31 December 2015	As at 31 December 2014
Corporate deposits			
Domestic: RMB	5,124,455	4,818,850	4,431,867
Foreign currency	323,135	314,162	265,826
Hong Kong, Macau, Taiwan and overseas operations	1,386,582	1,310,194	1,213,479
Subtotal	6,834,172	6,443,206	5,911,172
Personal deposits			
Domestic: RMB	4,316,452	3,982,160	3,688,329
Foreign currency	294,404	257,439	198,621
Hong Kong, Macau, Taiwan and overseas operations	804,797	759,726	754,215
Subtotal	5,415,653	4,999,325	4,641,165
Corporate loans			
Domestic: RMB	4,561,745	4,402,258	4,021,257
Foreign currency	358,501	398,103	500,208
Hong Kong, Macau, Taiwan and overseas operations	1,727,609	1,569,551	1,524,131
Subtotal	6,647,855	6,369,912	6,045,596
Personal loans			
Domestic: RMB	2,697,203	2,397,327	2,082,757
Foreign currency	1,308	1,406	1,551
Hong Kong, Macau, Taiwan and overseas operations	381,909	367,215	353,371
Subtotal	3,080,420	2,765,948	2,437,679

Commercial Banking

Domestic Commercial Banking

In the first half of 2016, the Bank's domestic commercial banking business recorded an operating income of RMB184.528 billion, a decrease of RMB5.602 billion or 2.95% compared with the same period of the prior year. Details are set forth below:

Items	Unit: RMB million, except percentages			
	For the six month period ended 30 June 2016		For the six month period ended 30 June 2015	
	Amount	% of total	Amount	% of total
Corporate banking business	93,704	50.79%	93,758	49.31%
Personal banking business	68,875	37.32%	60,317	31.72%
Treasury operations	21,463	11.63%	35,610	18.73%
Other	486	0.26%	445	0.24%
Total	184,528	100.00%	190,130	100.00%

Corporate Banking

Corporate Deposits

The Bank accelerated the development of its corporate liability business, constantly enhanced financial service levels and thus realised sustainable growth in corporate deposits. It further consolidated its corporate deposits customer base, steadily expanded its administrative institution customer base, and stepped up efforts in retaining basic settlement customers and cash management customers. By increasing its product and service innovation efforts, the Bank seized business opportunities arising from the rapid development of direct financing, strived to expand corporate deposit sources, and exploited the growth potential of deposits, thus achieving steady growth in corporate deposits. As at 30 June 2016, RMB corporate deposits in the Bank's domestic operations totalled RMB5,124.455 billion, an increase of RMB305.605 billion or 6.34% compared with the prior year-end. Foreign currency corporate deposits totalled USD48.729 billion.

Corporate Loans

The Bank continued to strengthen its support for the real economy and fully implemented national industrial policy. It actively supported nationally strategic investment areas, contributed to the coordinated development of China's regional economies, and boosted the transformation and upgrading of the domestic economy. It also continually upgraded its credit structure by making better use of new assets and revitalising existing assets, as well as providing credit support for cross-border capacity transfer and the "Going Global" initiatives of Chinese enterprises. The Bank stepped up the transformation of its corporate banking service and helped customers to broaden their financing channels, in order to meet customers' diversified financing needs. As at 30 June 2016, RMB corporate loans of the Bank's domestic operations totalled RMB4,561.745 billion, an increase of RMB159.487 billion or 3.62% compared with the prior year-end. Foreign currency corporate loans totalled USD54.063 billion.

Trade Finance and Settlement

Fully leveraging its traditional advantages in trade finance, the Bank actively supported the implementation of national strategies such as the “Belt and Road” initiative, RMB internationalisation and the development of free trade zones (FTZs). The Bank made increased efforts to expand the supply chain finance offering, vigorously developed online supply chain finance services, and accelerated the innovation and promotion of structured finance products for global commodity business. It further consolidated its competitive advantages in the key products of factoring, letters of guarantee and forfaiting, and continuously promoted basic settlement account services, thus achieving steadily growth in settlement volumes and healthy development of its commercial draft business. The Bank strengthened risk management of its trade finance business by improving its mechanism for full-process risk management of trade finance, and conducting a special campaign regarding internal control and case prevention for trade finance, thus ensuring high quality of business development. In the first half of 2016, the Group maintained its leading global position in the international settlement volumes and cross-border RMB settlement volumes. Its domestic operations also led its peers in terms of market share of international trade settlement and cross-border RMB settlement.

Cash Management

Leveraging the advantages arising from its globalised operations, the Bank continued to improve the product system of its global cash management platform in order to enhance customer experience. It made great efforts to support Chinese enterprises’ “Going Global” initiatives, effectively seized emerging opportunities in cross-border cash management, and vigorously expanded the centralised operation of cross-border RMB and foreign currency funds and cash management business in FTZs, maintaining leading market shares in these fields. Moreover, the Bank successfully secured the cash management business of many multinational corporations through competitive bids, resulting in a rapid increase in its cash management corporation customer base. It also introduced the Bank Host-to-Host Direct Connection Cash Management System, effectively meeting the differentiated demands of customers.

Financial Institutions Business

The Bank continued to deepen comprehensive cooperation with various global financial institutions, including domestic banks, overseas correspondent banks, non-bank financial institutions, overseas central banks, sovereign wealth funds and international financial organisations, thus maintaining a leading position in terms of financial institution customer coverage. Having already established correspondent relationships with more than 1,600 financial institutions in 179 countries and regions, the Bank took the lead among domestic counterparts by opening 1,489 cross-border RMB clearing accounts for correspondent banks from 110 countries and regions. It also promoted the RMB Cross-Border Interbank Payment System (CIPS) and signed cooperation agreements for indirect participants with 117 domestic and overseas financial institutions. The Bank’s custodian service for Qualified Foreign Institutional Investors (QFIIs) and RMB Qualified Foreign Institutional Investors (RQFIIs) ranked among the top in terms of both customer base and business scale. The Bank helped foreign financial institutions and governmental authorities to issue Panda Bonds and offshore RMB bonds. It assisted the Canadian Province of British Columbia with an RMB3.0 billion Panda Bonds offering in China, helped the government of Hungary to issue RMB1.0 billion offshore sovereign RMB bonds, which was the

first of such offerings in Central and Eastern Europe, and helped the BRICS' New Development Bank to issue RMB3.0 billion green bonds in domestic market. Closely following the national "Belt and Road" initiative, it signed the Memoranda of Understanding Regarding Strategic Cooperation on "Belt and Road" with the Black Sea Trade and Development Bank and the Raiffeisen Bank International. In the first half of 2016, the Bank held the leading market share in foreign currency deposits from financial institutions. It also led its peers in B-Share clearing business volume. The inbound international settlement business volume directed to the Bank by its overseas correspondent banks also ranked first in the market. Its third-party custody business continued to grow rapidly and the fee income from its bancassurance business reached a record high.

SME Finance

The Bank fully implemented national policy measures for the development of SMEs, and actively developed innovative service models to support their healthy and sustainable development. In the first half of 2016, loans granted to micro and small-sized enterprises in the Chinese mainland grew steadily, with the Bank satisfying the regulatory requirement of the "Three No-Less-Thans", that is, a micro and small-sized enterprise loan growth rate of no less than the average growth rate of domestic loans, a number of micro and small-sized enterprise borrowers of no less than that of the same period of the prior year and a loan approval ratio for micro and small-sized enterprise borrowers of no less than that of the same period of the prior year. Proactively upgrading its business model, products and services, the Bank satisfied the financing demands of technological innovation-based enterprises. As the only selected large commercial bank in the Chinese mainland, the Bank was among the first batch of banks allowed to participate in combined debt-equity investments. Moreover, the Bank further optimised its loan renewal process, reduced and waived service charges when certain requirements were met and improved overall financial facilities, so as to provide more accessible financing at a lower cost for micro, small and medium-sized enterprises. In tandem with the national strategy of "Belt and Road", the Bank successfully launched China-Australia, China-New Zealand, China-Central and Eastern Europe as well as Shaanxi and Hunan SME cross-border investment and trade matchmaking events, helping Chinese SMEs to explore global markets and introduce advanced technologies. In addition, the Bank continuously strengthened risk control and compliance management, improved the early-warning mechanisms on asset quality management, and further enhanced its credit risk identification and mitigation capacity, thus maintaining SME loan quality at a stable and controllable level. As at 30 June 2016, the Bank's outstanding loans to micro and small-sized enterprises³ amounted to RMB1,241.8 billion, an increase of RMB96.0 billion compared with the prior year-end. The Bank served 2.74 million SME customers and granted SME loans of RMB1,898.3 billion.

Pension Business

In an effort to support the development of China's social security system, the Bank continuously increased its pension-related product offerings, promoted product innovation, optimised service system functions and developed a comprehensive service system. It provided a range of pension-related financial services including enterprise annuities, occupational annuities, social security, employee benefit plans, employee stock ownership plans and pension security management products, thus enhancing customer satisfaction. As at 30 June 2016, the total number of individual

³ Micro and small-sized enterprise loans' statistical standards are executed in accordance with the *Guiding Opinions on Financial Services for Micro and small-sized Enterprises in 2014* (Yinjianfa [2014] No. 7).

pension accounts held by the Bank reached 3.9044 million, an increase of 30.9 thousand or 0.80% compared with the prior year-end. Assets under custody amounted to RMB140.190 billion, an increase of RMB8.390 billion or 6.37% compared with the prior year-end, with the Bank serving more than 10,000 clients.

Personal Banking

Personal Deposits

In response to the trends of interest rate liberalisation and internet finance, the Bank accelerated product innovation, enhanced its advantages in foreign currency services, and thus drove steady growth in its deposit business. It continued to provide solid fundamental services such as salary payment agency and payment collection, improved the functions of personal CDs, and developed online services for electronic account opening, so as to satisfy the differentiated demands of customers. It further diversified its personal foreign currency deposit products. The number of foreign currencies offered for personal deposit and withdrawal was up to 24 and the number of convertible foreign currencies was up to 33, thus enhancing its competitive advantage in foreign exchange services. As at 30 June 2016, the Bank's domestic RMB personal deposits totalled RMB4,316.452 billion, an increase of RMB334.292 billion or 8.39% compared with the prior year-end. Foreign currency personal deposits amounted to USD44.397 billion, maintaining a top position in terms of market share.

Personal Loans

Earnestly implementing the national policy of expanding domestic demand and promoting consumption, the Bank vigorously expanded its personal loan business. It extended more mortgages to meet consumption demand for residential housing. It upgraded the layout of its online loan services, and introduced the BOC E-Credit product series, thus continually improving customer experience. The Bank reinforced its support of the government-sponsored student loan business, and has served as the host bank of government-sponsored student loans for central government-administered colleges for 11 consecutive years. As at 30 June 2016, the total amount of RMB personal loans of the Bank's domestic operations stood at RMB2,697.203 billion, an increase of RMB299.876 billion or 12.51% compared with the prior year-end.

Wealth Management and Private Banking

The Bank accelerated the development of its wealth management business, and continually improved its private banking service by steadily sharpening its competitive edge. Specifically, the Bank further cultivated its customer relationship manager and private banker teams and made unremitting efforts to improve customer relationships, thereby recording a steady increase in the number of middle and high-end customers. It conducted precision marketing by capitalising on the customer relationship management system. It improved its multi-layered service system and accelerated the transformation and upgrading of its channels. Drawing the competitive advantages arising from its diversified operations and integrated domestic and overseas resources, as well as partnerships with cutting edge industry players, the Bank continued to build an integrated financial services platform to provide quality wealth management services for middle and high-end customers. It diversified its exclusive private banking product system and innovatively introduced the discretionary asset management business, further enhancing its private banking asset management service. Centring on the themes of education, philanthropy and health, the Bank continued to diversify the exclusive service offering of "BOC Private Banking Prestigious

Activities” and carry out the “Spring Buds Programme” to assist students. It continued the global expansion of its private banking business, and, pivoting around Hong Kong, Macau and Singapore, built up an integrated private banking network servicing the entire globe. As at 30 June 2016, the Bank had set up 7,479 wealth management centres, 295 prestigious wealth management centres and 38 private banking centres in the Chinese mainland.

Bank Card

The Bank actively pushed forward credit card innovation and constantly enriched its credit card products in five categories of wealth, business travel, cross-border, consumer finance and urban youth. It vigorously promoted key products such as BOC Car Cards, BOC Great Wall Traveller’s Cards, BOC Multi-Currency Credit Cards and BOC Overseas Student Cards, and issued such featured products as BOC City Fun Platinum Cards, BOC New Oriental Co-branded Cards, Sino-US Tourism Year Souvenir Cards, and BOC Tencent Video Co-branded Cards. It devoted efforts to building up its multi-level consumer finance service system, energetically developed featured instalment business lines including Billing Instalments, Decoration Instalments and Auto Instalments, and innovatively promoted consumer instalments products based on application scenarios. It strengthened the internet scene’s attraction to customers and upgraded the functionality of online services such as the official “BOC Credit Card” WeChat account and the “Colourful Life” mobile APP, so as to provide customers with a convenient and efficient application experience. The Bank launched a stereoscopic credit card marketing system with regional characteristics, strengthened the promotion of the “BOC VIP Day” among domestic customers, continuously provided the “Global Splendours in One Card” and “BOC Overseas E-shopping” for cross-border customers, and offered “More Instalments, More Gifts” to instalment customers. It actively advanced differentiated management on the life cycle of customer’s card usage and dynamic adjustment of credit limit, thus comprehensively enhancing the service experience of card holders. As at 30 June 2016, the Bank’s cumulative number of effective credit cards totalled 56.5994 million, an increase of 6.23% compared with the prior year-end. In the first half of 2016, the instalment volume reached RMB97.082 billion, an increase of 20.09% compared with the same period of the prior year.

The Bank kept improving its debit card product and service system and secured rapid development of its debit card business through product innovation. It vigorously developed its online debit card business, proactively pushed forward the transformation towards “Internet Plus”, introduced innovative payment products such as Apple Pay, Samsung Pay, Host Card Emulation (HCE), and realised the UnionPay small-amount password-free quick payment of debit IC cards, thus offering convenient payment and settlement services for customers. It enhanced the protection of the rights and interests of debit card holders so as to encourage more frequent use of debit cards by customers.

Financial Markets Business

Securities Investment

Actively seizing market opportunities arising from interest rate fluctuations, the Bank rationally optimised its investment structure and increased its investment return. The Bank also strengthened the research and judgement on market interest rates, rationally adjusted its investment portfolio duration, actively optimised its investment structure, continued to increase the weighting of RMB interest rate bonds and narrowed its credit risk exposure. Consistent with national macroeconomic policy, the Bank participated in local government bond investment in a market-oriented way. Furthermore, the Bank promoted the unified operations and decision-making of its overseas institutions regarding bond investments, thus strengthening the centralised management of group-wide bond investment.

Trading

Actively responding to market changes, the Bank constantly strived for innovation-driven development, strengthened the construction of a globally integrated platform and continuously enhanced the core competitiveness and market position of its trading business. Specifically, it sped up the construction of the Hong Kong Offshore RMB Trading Centre and the London Trading Centre, and highlighted the offshore RMB quotation capacity, becoming the top pick of other financial institutions for enquiring the exchange rates. Thanks to enhanced product innovation and business transformation, the Bank managed to become one of the first batch of “Shanghai Gold” pricing members, conducted the first inter-bank gold enquiry option deal, introduced iron ore forward hedging business and handled the first currency swap of RMB against foreign currency on behalf of customers in FTZs. In addition, the Bank was among the first group of market makers for the direct trading of RMB/ZAR and RMB/KRW in the Inter-bank Foreign Exchange Market, conducting the first direct deals. Closely following the “Belt and Road” initiative, the Bank provided hedging services to China’s “Going Global” enterprises and financial institutions. Following the trend of internet finance and “big data”, the Bank released a comprehensive treasury transaction brand called “E Rong Hui” and made greater efforts to sharpen the first-mover advantages of its e-trading platform for corporate customers. The Bank actively promoted its agent services to overseas institutional investors in the inter-bank bond market and foreign exchange market, and established cooperative relationships with many international financial organisations. In the first half of 2016, the Bank secured the leading market share in foreign currency exchange against the RMB.

Investment Banking and Asset Management

The Bank grasped the opportunities arising from the rapid development of asset management business in the domestic market, leveraged the competitive advantages of its diversified and internationalised network, and provided customers with comprehensive, professional and customised investment banking and asset management services, including global integrated services such as bond bidding, bond underwriting and distribution, asset management, financial advisory and primary market bond investment. The Bank continuously expanded its bond investment and interest rate bond bidding services. It offered primary market bond investment services for national and local institutional investors in the Chinese mainland, and provided bidding services for interest rate bonds, such as treasury bonds, local government bonds and policy bank bonds. Pushing forward its investment advisory services, the Bank achieved steady growth in the number of its bank clients and the amount of assets under management. In compliance with related regulations, the Bank continuously expanded its distribution channels and promoted net-worth wealth management products. The Bank optimised its financial advisory services system, so as to satisfy customers' multifaceted demands regarding both intelligence financing and capital financing. The Bank steadily promoted its credit asset-backed securitisation business and stepped up both product innovation and the structural optimisation of its existing assets. In the first half of 2016, the Bank ranked first in terms of offshore RMB bond issuance amount, first in terms of interbank market Panda Bond issuance amount, ranked second in terms of Chinese enterprises' offshore G3 currency (i.e. USD, EUR and JPY) bond issuance amount, as well as capturing the fourth place in terms of market share for underwriting debt financing instruments in the domestic open market. The Bank distributed bonds with a total amount of RMB241.8 billion, issued 2,660 wealth management products and successfully issued non-performing corporate loan asset-backed securities with a total amount of RMB0.3 billion.

Custody Business

Grasping the opportunities arising from the construction of a multi-tiered capital market and the prosperous "Broad Asset Management" business, the Bank proactively responded to external challenges, improved its internal operation and management, intensified its marketing efforts, continuously pushed forward product innovation, service enhancement and system upgrading, and strengthened risk control in an all-round manner. Because of all of these efforts, the Bank had an integrated global custody service network initially in place, with its service capability further enhanced. The Bank vigorously promoted custody products such as asset management plans for insurance companies and fund companies, asset-backed securitisation, industry funds, QFIIs, RQFIIs and products related to China's Inter-bank Bond Market. It took the lead in launching innovative products such as cross-border merger and acquisition (M&A) transaction funds and asset-backed securitisation custody services for consumer finance companies. As a result, the scale of assets under custody continually increased. In addition, the Bank accelerated the building of its global custody network, established multiple domestic and overseas custody service centres in Asia and Europe, and boosted the launch of an overseas custody system and the direct linkage between the domestic custody service system and the Shanghai Clearing House, thus striving to deliver one-stop custody services to support the global asset allocation needs of its customers. As at 30 June 2016, the Group's assets under custody reached RMB6.85 trillion.

Village Bank

BOC Fullerton Community Bank actively implemented national strategies on agriculture, farmers and rural areas, with the aim of “focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities”. It is committed to providing modern financial services to farmers, micro and small-sized enterprises, individual merchants and the wage-earning class, thus promoting the construction of China’s New Countryside. It significantly expanded its institutional reach with a focus on counties in central and western regions where financial services were previously lacking. As at 30 June 2016, 77 BOC Fullerton Community Banks and 66 sub-branches had been established in 12 provinces (including municipalities directly under the Central Government). 78% of BOC Fullerton Community Banks and sub-branches were established in the central and western China, and 33% were in official poverty-level counties, making BOC Fullerton Community Bank the largest domestic village bank in terms of total institutions owned and business scope. As at 30 June 2016, BOC Fullerton Community Bank served 0.88 million customers, an increase of 20.5% compared with the prior year-end. The balances of total deposits and loans of these banks were RMB16.722 billion and RMB17.142 billion respectively, an increase of 10.89% and 12.45% compared with the prior year-end, among which loans to farmers and micro and small-sized enterprises accounted for 91.2%. The NPL ratio was 1.93% and the ratio of allowance for loan impairment losses to NPLs stood at 195.92%.

Overseas Commercial Banking

In the first half of 2016, in line with national strategies, the Bank took full advantage of market opportunities arising from Chinese enterprises' "Going Global" initiatives, international industrial-capacity cooperation and RMB internationalisation. It pushed forward the strategic arrangements for the construction of the financial artery of the "Belt and Road" initiative and accelerated the expansion of its overseas institutions. The Bank made intensified efforts to improve its product and service system and to push forward the integrated development of its domestic and overseas operations, thus continuously enhancing its global service capabilities and market competitiveness.

As at 30 June 2016, the balance of due to customers and loans of the Bank's overseas commercial banking operations amounted to USD365.2 billion and USD316.3 billion respectively, an increase of 4.28% and 6.93% compared with the prior year-end. In the first half of 2016, the Bank's overseas commercial banking operations achieved a profit before income tax of USD8.1 billion, accounting for 40.67% of the Group's total profit before income tax. The Bank continued to lead its domestic peers in international operations in terms of business scale, profitability and the overall proportion of its internationalised business.

Regarding branch distribution, the Bank proactively kept up with the financial services demands of global customers, accelerated the setup of institutions in countries along the "Belt and Road" and in emerging markets, as well as increasing outlets in countries with existing BOC presences, so as to improve its global service network and provide comprehensive financial services for customers. As at 30 June 2016, overseas institutions of the Bank totalled 564, covering 46 countries and regions across six continents, of which 18 countries were along the "Belt and Road".

For corporate banking, the Bank focused on the "Blue Ocean" of cross-border business, improving its global customer service system and cross-border financing product and service system. Through high-end products including syndicated loans, project financing, M&A financing and private equity financing, the Bank prioritised support for cross-border investment and the international industrial-capacity cooperation of Chinese enterprises in the global market, assisting their "Going Global" initiatives and helping them break into mainstream international markets. It also helped overseas enterprises enter the Chinese market through the "Bringing In" initiative, creating mutual benefit. In addition, the Bank strengthened business cooperation with international mainstream banks and policy financial institutions, so as to provide more financial support and deliver better services to the major projects of countries along the "Belt and Road".

For personal banking, the Bank provided “one-stop” financial services for personal “Going Global” customers by leveraging the advantages of its global network. It continuously strengthen its integrated service capabilities, so as to satisfy the various financial services demands of customers studying overseas, working or purchasing houses abroad. The Bank offered an account opening witness service in 18 countries and regions for customers going abroad. It made increased efforts to push forward the characteristic development of its cross-border payment business, and vigorously promoted featured cross-border products. It enhanced the marketing method of “basic special offer + additional special offers + products cash return”, and carried out such activities as cash return of merchants, event marketing, and continuous themed marketing, thus continually sharpening its brand advantage. It also implemented differentiated development strategies in its overseas bank card business, enriched its product and service system, established a professional operation mode for its overseas acquiring business, and promoted research and development of new products such as Macau Business Card and Sydney UnionPay Card. Altogether, the functions of its overseas bank cards were constantly improved.

For financial market business, the Bank continued to leverage the advantages arising from its integrated domestic and overseas businesses, expanded the business scope of its overseas operations, and delegated authority to RMB clearing banks to perform local primary quotation, thus stimulating the development of the offshore RMB trading business. It provided treasury services for multinational corporations in financial centres such as Frankfurt, New York and Sydney. In response to the RMB internationalisation, the Bank accelerated the development of its global custody system and improved its global network. It continually improved its overseas custody service capability and pushed forward the rapid growth of the custody business of its overseas institutions, thereby providing integrated services for the cross-border investment of QDIIs and other “Going Global” customers.

For clearing business, with its cross-border RMB clearing capability continuously improved, the Bank consolidated its position on the leading edge of international payments. In the first half of 2016, the Bank’s cross-border RMB clearing transactions totalled RMB150.19 trillion, up by 1.45% compared with the same period of the prior year, maintaining first place in global markets. The Bank ranked first in terms of the number of CIPS indirect participants, further improving its comprehensive settlement services. The Bank completed the regulatory framework, process design and system setup for its overseas central clearing business, and formally launched overseas central counterparty clearing.

For e-banking, the Bank further expanded the coverage of its overseas e-channel services, and promoted overseas online services in Bank of China (Canada), Toronto Branch and Panama Branch, etc. The Bank expanded and enhanced its overseas mobile financial services by launching overseas personal mobile banking. It further improved service functions for overseas online banking, telephone banking and SMS banking.

BOCHK

BOCHK effectively captured market opportunities, achieved satisfactory performance in its core businesses and recorded solid key financial indicators in the first half of 2016. Moreover, BOCHK deepened its customer relationships, enhanced the integrated service capabilities of its branch network and further developed its internet finance infrastructure. It also successfully completed the sale of NCB and continued to push forward with the restructuring of the Group's business in the Association of Southeast Asian Nations (ASEAN) region, tapping into overseas markets such as Southeast Asia and opening up a new chapter in BOCHK's transformation into a regional bank.

BOCHK leveraged its competitive advantages and consolidated the market position of its core businesses. BOCHK adopted a flexible business strategy and its growth of deposits and loans outperformed the market. The deposit structure continued to be improved, with a continuous rise in the proportion of lower-cost deposits. Leveraging its competitive edge in the lending business, BOCHK successfully arranged a number of significant syndicated loans and cross-border financing projects for M&As and remained the top mandated arranger in the Hong Kong-Macau syndicated loan market. In Hong Kong, it maintained its market leadership in new residential mortgage loans and in the UnionPay merchant acquiring and card issuance business. It also acted as the receiving bank for a number of major IPOs in Hong Kong. In addition, BOCHK joined the CIPS, becoming the first overseas institution to join this system as a direct participant. This further enhanced its RMB clearing capabilities and maintained its leading position in the RMB business in Hong Kong.

BOCHK deepened customer relationships and strengthened its market competitiveness. It continued to expand business with local corporate customers and institutional business by refining its sales management process to increase business penetration. It also explored business opportunities for cross-border services and successfully provided cross-border cash pooling services for a number of large corporate customers. Additionally, BOCHK stepped up efforts to expand its wealth management business with a focus on acquiring customers from middle to high-end segments, and strengthened its brand image in Family Banking. All these initiatives resulted in a continuous rise in the number of Wealth Management and Enrich Banking customers, as well as the related total balances of assets under management. A growing number of private banking customers was also acquired as BOCHK fully leveraged the Group's competitive advantages and strengthened business collaboration with the Group. In addition, BOCHK broadened its range of investment products and distributed Chinese mainland funds under the Mainland-Hong Kong Mutual Recognition of Funds scheme, providing a greater choice of cross-border financial products to customers.

BOCHK continued to push forward branch network transformation and enhance related integrated service capabilities. It promoted an integrated service model to serve personal and corporate customer segments. Leveraging the competitive advantages arising from its extensive service network and through closer cooperation between commercial centres and branches, BOCHK established an efficient and interactive marketing mechanism to enhance the integrated service capabilities of its branch network and improve customer experience.

BOCHK advanced its mobile finance capabilities and accelerated the implementation of its internet finance strategy. It improved the service capabilities of its e-channels by continuously adding new functions to its mobile banking. It launched the P2P Small Value Transfer service for mobile banking and was the first bank in Hong Kong to launch e-Cheque Service for mobile banking. It also made great efforts towards the development of mobile payment services and actively pushed forward the application of Near Field Communication (NFC) technology such as Apple Pay. The total number of e-channel customers, including online and mobile banking, registered stable growth.

BOCHK leveraged its geographical advantage in collaboration with the Group and actively explored business opportunities in Southeast Asia. Its corporate strategy for the ASEAN region and Hong Kong continued to make progress. It successfully completed the sale of NCB and the related shares transfer, further enhancing its capital strength. The restructuring of the Group's banking businesses and assets in certain ASEAN countries also made progress, as planned. BOCHK entered into acquisition agreements in relation to the acquisitions of Bank of China (Thai) Public Company Limited and Bank of China (Malaysia) Berhad. It was also granted approval to set up a branch in Brunei Darussalam. All of this progress marked BOCHK's gradual transformation from a local bank into a regional bank. BOCHK also continued to leverage its geographical advantage in collaboration within the Group to provide funding solutions to leading Chinese mainland enterprises to support their expansion into countries in the ASEAN region, as well as to corporations in countries along the "Belt and Road".

BOCHK was awarded the "Best Retail Bank in Hong Kong", "Best Cash Management Bank in Hong Kong", "Best Transaction Bank in Hong Kong", "Wealth Management Business of the Year" and "Best Corporate Trade Finance Deal in Hong Kong" by The Asian Banker. Moreover, BOCHK won the "Best SME's Partner Award" from the Hong Kong General Chamber of Small and Medium Business for the ninth consecutive year.

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

Diversified Business Platforms

The Bank gave full play to the competitive advantages arising from its diversified business platforms and fully seized the opportunities arising from the “Belt and Road” initiative and the construction of national multi-tiered capital markets. By focusing on its specialised business areas, deepening business collaboration and promoting cross-selling and product innovation, it enhanced synergies across the Group while providing comprehensive and high quality financial services to customers.

Investment Banking Business

BOCI

The Bank is engaged in investment banking through BOCI. BOCI proactively captured opportunities arising from national strategies and policies such as the “Belt and Road” initiative, Chinese enterprises’ “Going Global”, RMB internationalisation and “Shanghai — Hong Kong Stock Connect”. It strengthened its research and assessment of market trends, accelerated the implementation of its internationalisation strategy, enhanced its risk and compliance controls, steadily improved its global service capabilities and continued to provide comprehensive financial solutions to both domestic and overseas customers.

BOCI registered solid growth in its equity underwriting and financial advisory businesses, with forefront rankings in the areas of Hong Kong public offerings and M&As. In addition, it set a record in terms of banking asset M&A transaction volumes in Asia (excluding Japan) as well as the Financial Institutions Group M&A transactions in China. Dedicated to customer-centric management, it continuously strengthened its business collaboration with commercial banks and steadily expanded its marketing network in Europe, Southeast Asia and the Chinese mainland. It ramped up product innovation and launched the RMB margin financing business.

BOCI recorded steady development of its private banking business, bond issuance business and underwriting business. It maintained a leading position in the underwriting of investment-grade bonds issued by large-sized state-owned enterprises. It continued to optimise its internal organisation structure by setting up the new Sales, Trading and Research division, further enhancing its comprehensive service capabilities for global institutional clients. In addition, its direct investment business made solid progress. Its China Culture Industrial Investment Fund, Bohai Industrial Investment Fund, and BOCI Infrastructure Fund also witnessed stable development.

BOCI operated its global commodity business in a stable manner. It completed the first physical oil transaction with title transfer under repurchase agreement. It was also the first Chinese financial institution certified as a trading member on the Bursa Malaysia and can now offer palm oil derivatives trading services to clients. In addition, BOCI-Prudential Asset Management Limited maintained its position as a top-ranked service provider in the Hong Kong Mandatory Provident Fund market and the Macau pension market.

BOCI China

The Bank is engaged in securities-related business in the Chinese mainland through BOCI China. Adhering to a robust and aggressive development strategy, BOCI China vigorously pushed forward business development and transformation and continuously cultivated its core competitiveness while focusing on risk compliance. As a result, all operational indicators and market revenue rankings steadily improved and its industry influence increased. It continued to optimise the structure of its asset management business, successfully issued its first publicly offered fund product and maintained a leading position in the asset management industry. Leveraging the advantages of its diversified and internationalised business model, BOCI China pushed forward with the transition of its investment banking segment by introducing the business models of “investment bank + commercial bank”, “investment + investment bank” and “domestic + overseas”. It also shifted its focus to wealth management for brokerage business, and achieved a steady increase in market share of retail brokerage business.

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. BOCIM realised healthy growth in its assets under management and recorded sound investment performance. In addition, it maintained solid control over risk management, realised continuous profit growth and further improved its brand image and market reputation. As at 30 June 2016, BOCIM’s assets under management on publicly offered funds stood at RMB244.6 billion.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. BOCG Insurance continuously optimised its business structure and intensified its expansion of high-quality business. Its gross written premiums remained at the forefront of the Hong Kong general insurance market. Giving full play to the advantages arising from the integrated and diversified operations of the Group, BOCG Insurance enhanced its bancassurance mechanism, promoted multilevel synergies, and provided comprehensive combined banking and insurance service solutions to customers. BOCG Insurance continued to strengthen cooperation with other domestic and international insurance companies, actively broadened its sales channels and explored business opportunities in overseas markets. BOCG Insurance effectively enhanced business quality by strengthening its risk assessment system and improving its risk control capability. It also further increased its market influence and improved customer experience by enhancing its brand image and vigorously promoting key products.

BOC Life

The Group is engaged in life insurance business in Hong Kong through BOC Life. By strengthening business collaboration and synergy within the Group and increasing its sales promotion activities, BOC Life maintained its leading position in the Hong Kong RMB life insurance market. It also provided innovative new products with the launch of the MaxiWealth ULife Insurance Plan and UltraReach Insurance Plan to meet customers' insurance needs for savings and wealth management. Existing products were also upgraded to improve their competitiveness. Concurrently, BOC Life accelerated the development of its sales channels, increased the number of its partners in the broker channel, expanded its tied agency sales force and made enhancements to the e-channel user interfaces to enhance customer experience.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. BOC Insurance actively seized market opportunities arising from the implementation of the "Belt and Road" initiative and other national strategies and fully utilised the internationalised advantages of the Group in order to achieve continued expansion in its overseas insurance businesses. For large-sized domestic "Going Global" enterprises, it successfully provided employer's liability insurance service for employees assigned abroad and erection all risks and advance loss of profits (EAR & ALOP) insurance. In the first half of 2016, BOC Insurance provided insurance services for 53 overseas projects, involving a total sum insured of RMB620.2 billion. It elaborately pushed forward the reform of commercial auto insurance premiums, with all of its branches passing examination by the China Insurance Regulatory Commission regarding commercial auto insurance premium reform. It also accelerated the development of e-commerce and other innovative businesses. B2B online selling, direct selling of auto insurance and online selling of non-auto insurance maintained steady growth. In addition, it continued to honour its social responsibilities by responding immediately and working tirelessly to handle a variety of insurance claims. It maintained an "A-" rating by Standard & Poor's in recognition of its clearly enhanced overall capabilities.

BOC-Samsung Life

The Bank is engaged in life insurance business in the Chinese mainland through BOC-Samsung Life. In the first half of 2016, BOC-Samsung Life realised a 305% increase in written premiums compared with the same period of the prior year, while its bancassurance regular premiums increased by 100%. By adhering to profit-centric operation, it recorded rapid business growth and enhanced its market competitiveness. It accelerated the optimisation of its business portfolio, placing more weight on regular premium sales and high-value business. It accelerated innovation in its distribution channels, including adding life insurance sales to BOC online banking, mobile banking and self-service terminals. It accelerated innovation in customer services by launching an official WeChat account, upgrading the function of its call centre, and integrating its service hotline into BOC's call centre of 95566. It also accelerated product innovation, introducing protection product "YuanFu", critical illness insurance "XiangFu", and life insurance "ZunXiangJiaYing" exclusively for middle and high-end customers.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment implemented national strategies and innovated its business model. BOCG Investment grasped opportunities arising from China's new urbanisation plan and plans for infrastructure development in important strategic regions by establishing the "Bank of China Urban Development Fund" and the "Bank of China Innovative Development Fund", thus constantly increasing its strategic and financial value to the Group. It exploited potential investments opportunities arising from emerging industries and successfully completed its investment in Shanghai Lujiazui International Financial Asset Exchange Co., Ltd. (Lufax) and Shanghai Insurance Exchange, China's first insurance exchange. It also enhanced its investment value by strengthening post-investment management and exit management.

BOC Aviation

The Bank is engaged in the aircraft leasing business through BOC Aviation. BOC Aviation is one of the world's top five aircraft operating leasing companies and is the largest aircraft operating leasing company headquartered in Asia, as measured by the value of owned aircraft. On 1 June 2016, BOC Aviation completed the largest-ever IPO by market value of any aircraft operating lessor through its public listing on the Main Board of the HKSE (stock code: 2588 HK). The successful listing supported BOC Aviation's financial stability, expanded its balance sheet, enhanced its position and influence in the aircraft leasing industry, and further promoted the Group's diversification. BOC Aviation was committed to pursuing sustainable growth and continued to build on its existing order book and invest in new technology aircraft to fulfil customer demand. An active aircraft sales strategy helped it to maintain one of the youngest aircraft portfolios in the aircraft leasing industry. As at 30 June 2016, BOC Aviation's order book stood at 218 aircraft. It had a young and modern portfolio of 265 fuel-efficient owned and managed aircraft with an average fleet age of 3.3 years, with all aircraft in its owned fleet younger than 10 years. BOC Aviation has corporate credit ratings of "A-" from Standard & Poor's and Fitch.

(Please refer to the BOC Aviation Interim Report for a full review of its business performance.)

Service Channels

As the most internationalised and diversified bank in China, the Bank established specialised and diversified service channels and provided comprehensive financial services to customers in the Chinese mainland and 46 countries and regions. It was also dedicated to advancing the coordinated development of its physical outlets and e-channels, as well as providing customers with an integrated and consistent experience through interactions across different channels. By integrating IT systems and financial services, the Bank streamlined its banking services and ensured that “one-point access” would trigger “whole-process response”, allowing it to satisfy customers’ needs anytime, anywhere.

Outlet Development

The Bank comprehensively carried forward its programme to upgrade outlets towards smarter functionality. In line with this programme, it refined the functional divisions inside its outlets, upgraded the service systems within the outlets and increased investment in intelligent equipment. It also streamlined the business handling process and regulated the service sales process in a bid to offer a new customer experience and improve the brand image of the Bank. As at 30 June 2016, a total of 4,112 outlets in the Chinese mainland completed upgrades towards smarter functionality, significantly optimising business processes.

The Bank consistently improved the management and operations of its outlets. It continued to optimise its outlet performance evaluation system and improve its outlet rating mechanism. It enriched the range of services offered by outlets and allocated more marketing personnel to its outlets with the aim of improving their overall marketing capacity. It also reinforced the risk management of various businesses within the outlets to help them improve comprehensive efficiency in business growth.

As at 30 June 2016, the domestic commercial banking network (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised of 10,683 branches and outlets, domestic non-commercial banking institutions totalled 313, and institutions in Hong Kong, Macau, Taiwan and other countries and regions totalled 564.

Unit: single item, except percentages			
Items	As at	As at	Change (%)
	30 June 2016	31 December 2015	
ATM	45,813	45,506	0.67%
Self-service terminal	35,736	32,302	10.63%
Self-service bank	14,357	14,045	2.22%

E-Banking

The Bank focused on mobile internet in an effort to foster electronic banking habits among its customers. The Bank's e-channel customers have become consistently more active and more loyal, leading to rapid growth in the volume of its mobile banking business. This in turn gave strong momentum to its customer service and business development. In the first half of 2016, the Bank's substitution ratio of e-banking channels for outlet-based business transactions reached 89.71%, while its e-channel transaction amount reached RMB75.41 trillion. Among this, mobile banking transaction volumes hit RMB3.19 trillion, an increase of 30.54% compared with the same period of the prior year, making mobile banking one of the Bank's major customer service channels.

Unit: million customers, except percentages

Items	As at	As at	Change
	30 June 2016	31 December 2015	(%)
Number of corporate online banking customers	3.0337	2.8505	6.43%
Number of personal online banking customers	128.0348	122.4606	4.55%
Number of mobile banking customers	86.9618	79.9885	8.72%
Number of telephone banking customers	109.4304	105.4931	3.73%

The Bank continuously enhanced the service ability and functionality of its e-banking channels and fully implemented its mobile finance strategy. It further optimised the functionality of its mobile banking, online banking, telephone banking and WeChat banking, thus further improving customer experience. For mobile banking and online banking, the Bank developed new functions such as "e-account opening" and upgraded daily-life bill payment. For WeChat banking, the Bank launched three major functions, namely debit card binding, loan application and foreign exchange trading. For personal online banking, the function allowing for the online contracting of foreign exchange option transactions was added. For corporate online banking, loan application and appeal functions for SMEs were launched. For self-service equipment, the most frequently used functions of ATMs and other self-service terminals were refined. For security authentication, the Bank developed a further multi-layer security authentication system and diversified approaches for interim monitoring, to further enhance both security and convenience. For cross-border service, the Bank also consolidated its strength in cross-border services, launched an FTZ remittance service and global batch remittance authorisation in corporate online banking, further expanded such global cash management services as foreign currency transfer and uniform payment, developed a dedicated sub-channel for cross-border financial services for personal online banking, and launched personal foreign currency remittance services for the PAD client of mobile banking and online banking.

The Bank made remarkable achievements in the development of its internet finance business. It put greater focus on the three major unique application scenarios for cross-border business, industry chain and O2O, strengthened product innovation and established an open, multi-functional and unified comprehensive service platform for internet finance. The Bank reinforced its edge in cross-border services and helped China's export and foreign trade industries to re-orient towards "Internet Plus". It published, together with UK Trade and Investment (UKTI), the *White Paper of Bank of China on Cross-border E-commerce Service*. It established partnerships with more than 60 e-commerce institutions through the "BOC Global E-Commerce" platform, and maintained the largest market share with its "BOC Easy-trade Cyber-tariff" among its peers. It pushed forward the upgrading of smart e-communities, and attracted customers around communities (including zones, campus and hospitals) to promote product decentralisation. It intensified innovation in online payment and was among the first cohort of Chinese banks to launch mobile payment products such as Apple Pay and Samsung Pay. In addition, the Bank upgraded the functions of its "one-stop" online financial supermarket and improved its online asset management service system, thereby satisfying customers' diverse demands for investment, wealth management and treasury transaction services. The newly increased transaction value exceeded RMB64.3 billion. It also piloted the promotion of "BOC E-Credit", a whole-process online consumption-oriented credit product.

Information Technology Development

Guided by innovations in information technology, the Bank reinforced the establishment of its IT governance system and promoted deep integration between business and technology. It adjusted the functional positioning and organisational structure of its overseas information centres and set up the Xi'an and Hefei Software Centres. The Bank vigorously promoted the adjustment of its overall IT architecture and capacity distribution, in an effort to improve its globally integrated IT service and support capabilities. It also paid attention to top-level design and formulated the three-year IT development plan, laying out the way forward for IT development.

The Bank's IT function actively supported business development, vigorously pushing forward key projects such as the Global Custody System (GCS), the Global Cash Management System, BT-to-VAT reform and the PBOC's personal banking account reform. It enhanced the upgrading of business procedures and the IT application of internet finance. It completed the integration of customer information, the optimisation of business stamping procedures and the establishment of the BOC Easy-trade Customer Centre etc. The Bank was also among the first of its peers to launch a mobile payment function and became the first bank to allow the online opening of type II and type III banking accounts in line with regulatory requirements.

The Bank steadily rolled out its overseas information system integration and transformation project and successfully launched the system in the Americas, realising the unified version, centralised deployment and integrated operation and management of its overseas institutions in 33 countries and regions. It was also the first among its domestic peers to establish a 7x24 non-stop globally integrated operation and maintenance system. This enabled the Bank to provide increasingly comprehensive, effective and diversified services and put in place a firm foundation on which to further consolidate and enlarge the Bank's internationalised advantages.

Risk Management

The Bank continuously improved its comprehensive risk management system, by focusing on “innovation, transformation, mitigation, management and control”, adopting innovative management thoughts, so as to speed up its pace in building a comprehensive risk management system characterised by full coverage, sound institutional setup, high operational efficiency, solid foundation and advanced concepts. It constantly improved its consolidated risk management mechanism and the risk management information reporting mechanism. It intensified the building of internal rating framework and the default identification management, and proactively pushed forward the upgrading of the risk measurement models and pushed forward the application of advanced capital management approaches. It enhanced the risk data governance, accelerated the establishment of a risk management information system, and improved the Bank’s risk data aggregation and risk reporting capabilities.

Credit Risk Management

Closely tracking changes in macroeconomic and financial conditions, the Bank controlled and mitigated risks, and consolidated the foundations of its credit risk management function. In addition, the Bank strengthened credit asset quality management, further improved its credit risk management policies, pushed forward optimisation of its credit structure and took a proactive and forward-looking stance on risk management.

The Bank strengthened its credit asset quality management. Pursuant to the principle of substance over form, the Bank managed full-scope credit risks, and pushed forward its unified management of marketing, credit approval, credit granting and post-lending. It kept a close eye on changes in the economic situation, intensified post-lending management and consolidated and improved its risk monitoring and early warning mechanisms, including assessment of periodical inventory, list management of overdue loans, management of material credit risk events, centralised approval for group customers, and management of major customers, all with the aim of strengthening the proactive control of potential risks. Overall, the Bank maintained relatively stable asset quality by enhancing the supervision of risk analysis and asset quality control for key regions, and strengthening window guidance on trade finance and other key products.

The Bank continuously adjusted and optimised its credit structure. With the aim of advancing strategic implementation and balancing risk, capital and returns, the Bank stepped up the application of the New Basel Capital Accord and improved the management of its credit portfolios. In line with the government’s macro-control measures and the direction of industrial policy, the Bank enacted guidelines for industrial lending and continued to push forward the building of an industrial policy system so as to optimise its credit structure.

The Bank further improved its credit risk management policies. In terms of corporate banking, considering the economic trends at home and abroad and the direction of national policy, the Bank strengthened differentiated industrial policy guidance. On the one hand, the Bank granted more credit resources to fields catering to national macroeconomic policy and industry policies, to make sure that the industrial layout is reasonable and the risk is controllable. On the other hand, the Bank further strengthened risk identification and control, proactively reduced and exited credit relationships in key fields, strictly controlled the gross outstanding amount

and weighting of loans through limit management, and prevented and mitigated risk from overcapacity industries. It intensified the management of loans to LGFVs and strictly controlled the outstanding balances. In addition, the Bank implemented the government's macro-control policies and regulatory measures in the real estate sector so as to strengthen the risk management of real estate loans. In terms of personal banking, the Bank enforced regulatory requirements on personal housing loans and continued to strictly implement differentiated policies. It improved management policies for personal housing loans, overseas personal loans and credit card loans. It also strengthened risk control of key products and regions.

The Bank strengthened country risk management and incorporated it into the comprehensive risk management system. Each year, the Bank would perform an annual review of the country risk ratings, and it also implemented limit management of country risk exposures. The Bank researched and developed the Country Risk Exposure Statistical System to assess, monitor, analyse and report the exposures on a regular basis, thereby managing the use of limits in a precise manner. The Bank also established a country risk monitoring and reporting system covering yearly reporting, quarterly monitoring and timely reporting of material risk events, which made it possible to regularly publish country risk analysis reports inside the Group, provide updates on the country risk monitoring tables, timely assess the impact of material country risk events and release risk prompts in the Group. Besides, the Bank differentiated the management of potentially high-risk and sensitive countries and regions and managed to control overall country risk at a reasonable level.

The Bank also stepped up the collection of NPAs. The domestic branches set up recovery centres that enhanced NPA disposal efficiency by allocating internal and external recovery resources in a uniform manner and by carrying out centralised management of non-performing credit programmes. The Bank also tapped the potential value of NPAs, took multiple measures, and successfully issued the first corporate NPL-backed securities since the re-launch of credit asset securitisation in the Chinese mainland. It adopted policies based on the actual conditions of individual enterprises, strengthened restructuring efforts and strived to help enterprises get out of difficulties. Taking advantage of its internationalised and diversified business, the Bank made comparable analysis of domestic and international practice and policies for NPA collection, actively participated in the study and adjustment of regulatory policies and strengthened support to the real economy. It conducted NPA disposal and continued to implement accountability measures for losses in compliance with relevant laws and regulations.

The Bank scientifically measured and managed the quality of its credit assets based on the *Guidelines for Loan Credit Risk Classification* issued by the CBRC. As at 30 June 2016, the Group's NPLs totalled RMB142.942 billion, representing an increase of RMB12.045 billion compared with the prior year-end. The NPL ratio was 1.47%, up by 0.04 percentage point compared with the prior year-end.

Five-category Loan Classification

Items	Unit: RMB million, except percentages			
	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Group				
Pass	9,308,850	95.69%	8,775,798	96.06%
Special-mention	276,483	2.84%	229,165	2.51%
Substandard	69,939	0.72%	58,741	0.64%
Doubtful	40,968	0.42%	41,516	0.45%
Loss	32,035	0.33%	30,640	0.34%
Total	9,728,275	100.00%	9,135,860	100.00%
NPLs	142,942	1.47%	130,897	1.43%
Domestic				
Pass	7,216,833	94.73%	6,854,159	95.21%
Special-mention	263,690	3.46%	217,300	3.02%
Substandard	66,873	0.88%	57,049	0.79%
Doubtful	40,067	0.52%	40,612	0.56%
Loss	31,294	0.41%	29,974	0.42%
Total	7,618,757	100.00%	7,199,094	100.00%
NPLs	138,234	1.81%	127,635	1.77%

Migration Ratio

Items	For the six month period ended 30 June 2016	Unit: %	
		2015	2014
Pass	1.03	2.22	1.92
Special-mention	17.82	22.07	9.89
Substandard	21.73	48.25	42.38
Doubtful	22.24	46.25	46.94

In accordance with the International Accounting Standard No. 39, loans and advances to customers are considered impaired, and allowances are made accordingly, if there is objective evidence of impairment resulting in a measurable decrease in estimated future cash flows from loans and advances. As at 30 June 2016, the Group's identified impaired loans totalled RMB142.295 billion, representing an increase of RMB12.058 billion compared with the prior year-end. The impaired loans to total loans ratio was 1.46%, an increase of 0.03 percentage point compared with the prior year-end. Please refer to Notes III.16 and IV.1 to the Condensed Consolidated Interim Financial Information for detailed information regarding loan classification, the classification of identified impaired loans and allowance for loan impairment losses.

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

Indicator	Regulatory Standard	As at	As at	Unit: %
		30 June 2016	31 December 2015	As at 31 December 2014
Loan concentration ratio of the largest single borrower	≤10	2.3	2.3	2.4
Loan concentration ratio of the ten largest borrowers	≤50	15.3	14.0	14.7

Notes:

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

The following table shows the top ten individual borrowers as at 30 June 2016.

		Unit: RMB million, except percentages	
	Industry	Outstanding loans	% of total loans
Customer A	Manufacturing	35,668	0.37%
Customer B	Transportation, storage and postal services	31,395	0.32%
Customer C	Transportation, storage and postal services	31,086	0.32%
Customer D	Manufacturing	22,900	0.24%
Customer E	Water, environment and public utility management	22,111	0.23%
Customer F	Commerce and services	19,305	0.20%
Customer G	Mining	18,956	0.19%
Customer H	Transportation, storage and postal services	18,562	0.19%
Customer I	Transportation, storage and postal services	17,686	0.18%
Customer J	Mining	16,924	0.17%

Market Risk Management

In response to changes in the market environment, its business development and management requirements, the Bank thoroughly reviewed the effectiveness of its market risk management system and took measures to optimise and upgrade its market risk management function in a flexible and forward-looking manner.

In order to adapt to the global integration of its financial market business, the Bank reviewed and adjusted its market risk appetite and policies, perfected the hierarchical authorisation mechanism of market risk limits, and enhanced the flexibility of risk resources allocation, so as to support the synergistic development of its businesses. It also improved the methodology of market risk measurement, so as to standardise its metrological operation. The Bank carried forward market risk data mart construction and measurement system upgrade projects, enlarged the risk data coverage and enhanced the time-effectiveness of its risk measurement. The Bank evaluated and reinforced the market risk management and counterparty risk management of its branches and subsidiaries both domestic and overseas. Please refer to Note IV.2 to the Condensed Consolidated Interim Financial Information for detailed information regarding market risk.

The Bank continued to strengthen the interlinked management of on-balance and off-balance sheet bond investment. In order to improve the timeliness and accuracy, the Bank activated a system for tracking bond issuers' negative information and capitalising on the "big data" analysis. Moreover, it perfected graded warning and hierarchical management in the Group's integrated risk warning mechanism for credit-related bonds.

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

Liquidity Risk Management

The Bank continued to develop and improve its liquidity risk management system with the aim of effectively identifying, measuring, monitoring and controlling liquidity risk at the institution and group level, including that of branches, subsidiaries and business lines, thus ensuring that liquidity demand is met in a timely manner and at a reasonable cost.

Seeking at all times to balance safety, liquidity, and profitability, and following regulatory requirements, the Bank improved its liquidity risk management system and upgraded its liquidity management function in a forward-looking and scientific manner. The Bank enhanced liquidity risk management at both Group and branch levels. The Bank formulated sound liquidity risk management policies and contingency plans, periodically re-examined the liquidity risk limit, upgraded the early warning system for liquidity risk and strengthened the management of high-quality liquid assets, such as bond investments, in order to strike a balance between risk and return. In addition, the Bank regularly improved the liquidity stress-testing scheme and performed stress tests on a quarterly basis. The results of stress tests showed that the Bank had adequate payment ability to cope with distressed scenarios.

As at 30 June 2016, the Bank's liquidity risk indicators met regulatory requirements, as shown in the table below (liquidity ratios apply to the Group, excess reserve ratio and inter-bank ratios apply to the Bank's domestic operations. Major regulatory ratios here are calculated in accordance with relevant provisions of domestic regulatory authorities):

			Unit: %		
			As at	As at	As at
Major regulatory ratios			30 June 2016	31 December 2015	31 December 2014
Liquidity ratio	RMB	≥25	42.8	48.6	49.9
	Foreign currency	≥25	57.1	62.0	59.9
Excess reserve ratio	RMB	–	1.0	1.5	2.3
	Foreign currency	–	17.4	19.0	14.6
Inter-bank ratio	Inter-bank borrowings ratio	≤8	0.04	1.1	0.3
	Inter-bank loans ratio	≤8	0.4	0.1	0.4

Reputational Risk Management

The Bank fully implemented the *Guidelines for Reputational Risk Management of Commercial Banks* issued by the CBRC, actively followed the Group's policy on reputational risk management, continued to improve its reputational risk management system and mechanism, and strengthened the consolidated management of reputational risk, so as to enhance the reputational risk management level of the Group. It attached great importance to the investigation and pre-warning of potential reputational risk factors, and further strengthened routine public opinion monitoring. It continued to carry out reputational risk identification, assessment and reporting work, established a coordination mechanism between reputational risk management departments and liable departments, and dealt appropriately with reputational risk events, thus effectively maintaining the brand reputation of the Group.

Internal Control and Operational Risk Management

Internal Control

The Board of Directors, senior management and their special committees earnestly performed their duties regarding internal control and supervision, emphasising early risk warning and prevention and enhancing the Group's compliance level.

The Bank continued to improve the “three lines of defence” mechanism for internal control. The first line of defence consists of departments of the Head Office, tier-1 branches, direct branches, tier-2 branches and all banking outlets under tier-2 branches (with the exception of those departments that form part of the second or third lines of defence). They are the owners of, and are accountable for local risks and controls. They undertake self-control risk control functions in the course of their business operation, including the formulation and implementation of policies, business examination, the reporting of control deficiencies and the organisation of rectification measures.

The internal control and risk management departments of the Bank's institutions at all levels form the second line of defence. They are responsible for the overall planning, implementing, examining and assessing risk management and internal control. They are also responsible for identifying, measuring, monitoring and controlling risks. The Bank enhanced the utilisation of the Group's operational risk monitoring and analysis platform and capitalised on the “big data” analysis, so as to realise regular and smart monitoring of material risks, take timely mitigation measures, and promote the optimisation of business processes and systems.

The third line of defence rests in the audit and inspection departments of the Bank. The audit department is responsible for performing internal audit of the Bank's internal control and risk management function in respect of its adequacy and effectiveness. The inspection department is responsible for staff non-compliance sanction, investigation of cases and management accountability. The Bank strengthened education and raised employees' awareness of moral hazards. It reinforced employee behaviour management, seriously investigated internal fraud cases and strictly pursued accountability according to the basic principles of “inquiry of four accountable subjects into one case”, “both institutional and business-line management accountability” and “management two levels higher than the branch/outlet accountable where serious fraud occurs”. Taking an issue-oriented approach, the audit department performed supervisory duties, improved project management, and intensified off-site technology applications. It attached great importance to routine audits of institutions, strengthened audits and inspections on high-risk businesses and products, as well as on fields under the Group's control priority and regulatory concerns. Besides, major risk hazards in operation and management were identified and systemic rectification of those issues was urged to put in place. As a result, the Bank continued to improve the internal governance and control mechanism.

The Bank organised special campaign for internal control and educated the branch staff and the public to enhance their risk awareness. Guided by the principle of “combination of inspection and correction with correction as the focus”, the Bank carried out targeted inspection and correction efforts in high risk business areas. Based on the inspection results, the Bank assessed and improved the effectiveness of current policies and measurement management as a part of a broader effort to lay a more solid foundation for effective internal control and create a lasting mechanism for risk identification, mitigation and monitoring.

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

The Bank paid close attention to fraud risk prevention and control, proactively identifying, assessing, controlling and mitigating risks. In the first half of 2016, the Bank succeeded in preventing 48 external cases involving RMB582 million.

Operational Risk Management

The Bank continuously promoted the application of its operational risk management system and deepened the use of operational risk management instruments such as Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC) to identify, assess and monitor operational risk, thereby promoting process streamlining and system improvement. The Bank enhanced its system supporting capability by optimising its operational risk management information system. It promoted business continuity management, and carried out emergency drills covering key businesses to enhance the Group’s capacity for continuous business operation.

Compliance Management

The Bank continuously improved its compliance risk management system to better meet compliance risk management requirements. It identified and assessed compliance risk in a timely manner by tracking global regulatory requirements and undertaking inspections and evaluations, and released risk alerts in due time. It further strengthened overseas compliance management and the correction of problems identified by overseas regulators, thus enhancing the compliance management ability of its overseas institutions.

The Bank enhanced group-wide anti-money laundering (AML) management by implementing the three-year plan for AML. It enhanced the process and system of customer identification and due diligence. It enhanced the sanction of compliance management by improving the Group's policies for sanction management and the functions of the sanction list system. The Bank improved the functions of its large-amount and suspicious AML transaction system, researched and developed new screening models for suspicious transactions, and conducted real time control by applying customer risk ratings. It continued to roll out the AML system in its overseas institutions, and make tailored transformation and overall optimisation of the system based on the regulatory requirements of each business location. It also conducted various forms of AML trainings, and implemented AML training plans for all employees.

The Bank enhanced the management of its connected transactions and internal transactions. It strengthened the routine monitoring of its connected transactions, and strictly controlled their risks. It carried out special self-inspections by organising all its institutions to conduct self-evaluation and seek improvement with regard to regulation implementation, system management, data quality and other dimensions. In addition, it implemented group-wide internal transaction monitoring and reporting, and guided and standardised the operation mechanism for internal transaction verification.

Capital Management

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

The Bank replenished capital in a continuous and prudent manner. The shareholders' meeting approved the issuance of the qualified write-down tier-2 capital amounted RMB60.0 billion or equivalent in foreign currencies. The Bank will continuously implement capital supplement plan to enhance its capital strength and improve capital structure.

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

Capital Adequacy Ratios

As at 30 June 2016, the capital adequacy ratios separately calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Regulation Governing Capital Adequacy of Commercial Banks* are listed below:

Capital Adequacy Ratios

Unit: RMB million, except percentages				
Items	Group		Bank	
	As at	As at	As at	As at
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Calculated in accordance with the <i>Capital Rules for Commercial Banks (Provisional)</i>				
Net common equity tier 1 capital	1,218,586	1,182,300	1,052,343	1,042,396
Net tier 1 capital	1,322,016	1,285,459	1,152,057	1,142,110
Net capital	1,534,960	1,498,396	1,347,971	1,335,327
Common equity tier 1 capital adequacy ratio	11.05%	11.10%	10.61%	11.06%
Tier 1 capital adequacy ratio	11.98%	12.07%	11.62%	12.12%
Capital adequacy ratio	13.91%	14.06%	13.60%	14.17%
Calculated in accordance with the <i>Regulation Governing Capital Adequacy of Commercial Banks</i>				
Core capital adequacy ratio	11.93%	11.38%	11.42%	11.56%
Capital adequacy ratio	14.85%	14.45%	14.31%	14.53%

Please refer to the “Capital Adequacy Ratio Supplementary Information” in Appendix III to the Interim Financial Information for detailed information.

Leverage Ratio

As at 30 June 2016, the leverage ratio calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* is listed below:

Items	Unit: RMB million, except percentages	
	As at 30 June 2016	As at 31 December 2015
Net tier 1 capital	1,322,016	1,285,459
Adjusted on- and off-balance sheet assets	19,062,650	18,297,331
Leverage ratio	6.94%	7.03%

Please refer to the “Leverage Ratio” in Appendix IV to the Interim Financial Information for detailed information.

Social Responsibilities

The Bank proactively fulfilled its social responsibilities as a large state-owned bank by making charitable donations in a legal and compliant manner and organising various charity activities. Dedicated to serving, repaying and contributing to society, it made great contributions to post-disaster assistance and poverty alleviation initiatives as well as supporting the development of education, science, culture and art, public health, etc.

In February 2016, a 6.7-magnitude earthquake hit south Taiwan, causing severe casualties. The Bank immediately donated NTD3.00 million to earthquake-stricken areas through the Straits Exchange Foundation in order to support earthquake relief and post-disaster reconstruction work and help compatriots in Taiwan overcome difficulties.

The Bank has provided government-sponsored student loans for 17 consecutive years. It has supported the basic livelihood project, industry-driven poverty alleviation, off-the-job training, the Jinhui Programme promotion and other poverty alleviation programmes in Yongshou, Changwu, Xunyi and Chunhua counties of Xianyang, Shaanxi Province for 14 consecutive years. It has sponsored the Tan Kah Kee Science Award for 13 consecutive years, in order to honour the excellent scientists who have made original scientific and technological achievements in China. It has promoted international cultural exchanges in cooperation with the National Centre for the Performing Arts for 8 years in a row. For 5 consecutive years, it has supported the “Rainbow Bridge” programme which sponsors cross-border exchange between Chinese and American students. In addition, it continued to support poverty alleviation work in Xinjiang Province by carrying out programmes in infrastructure construction, featured agriculture, health services and other fields.

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

The Bank’s fulfilment of its social responsibilities was widely recognised by society. In the 2015 Corporate Social Responsibility Performance Assessment given by the China Banking Association, the Bank won awards for “Most Socially Responsible Financial Institution” and the “Best Outlets with Special Contribution to Corporate Social Responsibility”.

Outlook

In the second half of 2016, carrying forward its development strategy of “Serving Society, Delivering Excellence”, the Bank will earnestly accord with China’s macro-economic policies, cultivate new growth engines by giving full play to the competitive advantages of its diversified and internationalised operations and adhering to the development principles of “innovation, transformation, mitigation, management and control”, and pay attention on vital emerging topics and important fields, work hard to overcome difficulties, so as to push forward the sustainable and healthy growth of its businesses and the steady enhancement of its market position.

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Share Capital

Unit: Share

	As at 1 January 2016		Increase/decrease during the reporting period					As at 30 June 2016	
	Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Sub-total	Number of shares	Percentage
I. Shares subject to selling restrictions	-	-	-	-	-	-	-	-	-
II. Shares not subject to selling restrictions	294,387,791,241	100.00%	-	-	-	-	-	294,387,791,241	100.00%
1. RMB-denominated ordinary shares	210,765,514,846	71.59%	-	-	-	-	-	210,765,514,846	71.59%
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	83,622,276,395	28.41%	-	-	-	-	-	83,622,276,395	28.41%
4. Others	-	-	-	-	-	-	-	-	-
III. Total Ordinary Shares	294,387,791,241	100.00%	-	-	-	-	-	294,387,791,241	100.00%

Notes:

- As at 30 June 2016, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.
- As at 30 June 2016, none of the Bank's A Shares and H Shares were subject to selling restrictions.

Number of Ordinary Shareholders and Shareholdings

Number of ordinary shareholders as at 30 June 2016: 930,795 (including 728,720 A-Share Holders and 202,075 H-Share Holders)

Top ten ordinary shareholders as at 30 June 2016:

Unit: Share

No.	Name of ordinary shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	–	188,461,533,607	64.02%	–	None	State	A
2	HKSCC Nominees Limited	(35,549,583)	81,769,482,370	27.78%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	493,416,985	7,934,024,189	2.70%	–	None	State-owned legal person	A
4	Central Huijin Asset Management Ltd.	–	1,810,024,500	0.61%	–	None	State-owned legal person	A
5	Buttonwood Investment Platform Ltd.	–	1,060,059,360	0.36%	–	None	State-owned legal person	A
6	Huaxia Life Insurance Co., Ltd. — Universal Insurance Product	–	841,994,500	0.29%	–	None	Other	A
7	The Bank of Tokyo-Mitsubishi UFJ Ltd.	–	520,357,200	0.18%	–	Unknown	Foreign legal person	H
8	Anbang Life Insurance Co., Ltd. — Conservative Investment Portfolio	–	477,023,612	0.16%	–	None	Other	A
9	HKSCC Limited	61,996,408	216,848,933	0.07%	–	None	Foreign legal person	A
10	Anbang Property & Casualty Insurance Co., Ltd. — Traditional Product	–	208,018,959	0.07%	–	None	Other	A

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

HKSCC Nominees Limited acted as the nominee for all the institutional and individual investors that maintain an account with it as at 30 June 2016. The aggregate number of the Bank's H Shares held by HKSCC Nominees Limited included the number of shares held by the National Council for Social Security Fund.

Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd.

Both Anbang Life Insurance Co., Ltd. and Anbang Property & Casualty Insurance Co., Ltd. are subsidiaries of Anbang Insurance Group Co., Ltd.

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

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

Substantial Shareholder Interests

The register maintained by the Bank under section 336 of the SFO recorded that, as at 30 June 2016, the shareholders indicated in the following table were substantial shareholders (as defined in the SFO) having the following interests in shares of the Bank:

Name of shareholder	Capacity (types of interest)	Number of shares held/ Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A-Share capital	Percentage of total issued H-Share capital	Percentage of total issued ordinary share capital
Central Huijin Investment Ltd.	Beneficial owner	188,461,533,607	A	89.42%	–	64.02%
	Interest of controlled corporations	1,810,024,500	A	0.86%	–	0.61%
	Total	190,271,558,107	A	90.28%	–	64.63%
National Council for Social Security Fund	Beneficial owner	7,518,157,041	H	–	8.99%	2.55%
BlackRock, Inc.	Interest of controlled corporations	5,050,049,404	H	–	6.04%	1.72%
		1,127,000(S)	H	–	0.00135%	0.00038%
JPMorgan Chase & Co.	Beneficial owner	1,959,346,384	H	–	2.34%	0.67%
		289,068,283(S)	H	–	0.35%	0.10%
	Investment Manager	293,546,115	H	–	0.35%	0.10%
	Trustee	28,075	H	–	0.00003%	0.00001%
	Custodian corporation/ approved lending agent	2,719,461,514(P)	H	–	3.25%	0.92%
	Total	4,972,382,088	H	–	5.95%	1.69%
		289,068,283(S)	H	–	0.35%	0.10%
		2,719,461,514(P)	H	–	3.25%	0.92%
Citigroup Inc.	Interest of controlled corporations	307,236,191	H	–	0.37%	0.10%
		310,102,821(S)	H	–	0.37%	0.11%
	Custodian corporation/ approved lending agent	4,041,117,772(P)	H	–	4.83%	1.37%
	Person having a security interest in shares	14,538,000	H	–	0.02%	0.005%
	Total	4,362,891,963	H	–	5.22%	1.48%
		310,102,821(S)	H	–	0.37%	0.11%
		4,041,117,772(P)	H	–	4.83%	1.37%

Notes:

- 1 The percentages listed above were determined based on the total A-Share capital, total H-Share capital and total ordinary share capital of the Bank as at 30 June 2016, respectively.
- 2 BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., while BlackRock Holdco 2 Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. Thus BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have equal interests in shares of the Bank as BlackRock Financial Management, Inc. under the SFO. Blackrock, Inc. holds a long position of 5,050,049,404 H Shares and a short position of 1,127,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 5,050,049,404 H Shares, 9,508,000 H Shares are held through derivatives. The total 1,127,000 H Shares in the short position are held through derivatives as well.
- 3 JPMorgan Chase & Co. holds the entire issued share capital of JPMorgan Chase Bank, N.A. Thus JPMorgan Chase & Co. is deemed to have equal interests in shares of the Bank as JPMorgan Chase Bank, N.A. under the SFO. JPMorgan Chase & Co. holds a long position of 4,972,382,088 H Shares and a short position of 289,068,283 H Shares of the Bank through JPMorgan Chase Bank, N.A. and other corporations controlled by it. In the long position of 4,972,382,088 H Shares, 2,719,461,514 H Shares are held in the lending pool and 185,024,924 H Shares are held through derivatives. The total 289,068,283 H Shares in the short position are held through derivatives as well.
- 4 Citigroup Inc. holds the entire issued share capital of Citicorp Holding Inc., while Citicorp Holding Inc. holds the entire issued share capital of Citibank N.A. Thus Citigroup Inc. and Citicorp Holding Inc. are deemed to have equal interests in shares of the Bank as Citibank N.A. under the SFO. Citigroup Inc. holds a long position of 4,362,891,963 H Shares and a short position of 310,102,821 H Shares of the Bank through Citibank N.A. and other corporations controlled by it. In the long position of 4,362,891,963 H Shares, 4,041,117,772 H Shares are held in the lending pool and 55,305,175 H Shares are held through derivatives. In the short position of 310,102,821 H Shares, 142,879,917 H Shares are held through derivatives.
- 5 “S” denotes short position, “P” denotes lending pool.

Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 30 June 2016, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Preference Shares

Number of Preference Shareholders and Shareholdings

Number of preference shareholders as at 30 June 2016: 48 (including 47 domestic preference shareholders and 1 offshore preference shareholder)

Top ten preference shareholders as at 30 June 2016:

Unit: Share

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

The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintain an account with Euroclear and Clearstream as at 30 June 2016, held 399,400,000 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.

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

Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned preference shareholders, and among the aforementioned preference shareholders and the Bank's top ten ordinary shareholders.

Other Information of Preference Shares

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

Preference shares issued by the Bank contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; and preference shares issued are non-derivative instruments that will be settled in the entity's own equity instruments, but include no contractual obligation for the entity to deliver a variable number of its own equity instruments. The Bank classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs arising from preference share issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

The funds raised from the issuance of preference shares have been fully used to replenish the Bank's additional tier 1 capital and increase its capital adequacy ratio.

Directors, Supervisors, Senior Management Members and Staff

Directors, Supervisors and Senior Management Members

Board of Directors

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

Notes:

- 1 The information listed in the above table pertains to the incumbent directors.
- 2 Mr. ZHU Hexin ceased to serve as Executive Director and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 1 June 2016 due to the change of job.
- 3 Mr. WANG Changyun began to serve as Independent Director of the Bank as of 18 August 2016.
- 4 Mr. CHOW Man Yiu, Paul ceased to serve as Independent Director and Chairman of the Personnel and Remuneration Committee, member of the Audit Committee, the Risk Policy Committee and the Connected Transactions Control Committee of the Board of Directors of the Bank as of 18 August 2016 due to the expiration of the term of office.
- 5 During the reporting period, none of the directors held any share of the Bank.

Board of Supervisors

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

Notes:

- 1 The information listed in the above table pertains to the incumbent supervisors.
- 2 Mr. LIU Xiaozhong ceased to serve as Employee Supervisor and member of the Duty Performance and Due Diligence Supervision Committee as of 14 April 2016 due to expiry of employment term.
- 3 Mr. GAO Zhaogang began to serve as Employee Supervisor of the Bank as of 14 April 2016.
- 4 During the reporting period, none of the supervisors held any share of the Bank.

Senior Management

Name	Position	Name	Position
CHEN Siqing	Vice Chairman and President	PAN Yuehan	Chief Risk Officer
REN Deqi	Executive Vice President	XIAO Wei	Chief Audit Officer
GAO Yingxin	Executive Vice President	GENG Wei	Secretary to the Board of Directors and Company Secretary
XU Luode	Executive Vice President		

Notes:

- 1 The information listed in the above table pertains to the incumbent senior management members.
- 2 Mr. ZHANG Jinliang ceased to serve as Executive Vice President of the Bank as of 14 January 2016 due to the change of job.
- 3 Mr. PAN Yuehan began to serve as Chief Risk Officer of the Bank as of 20 April 2016.
- 4 Mr. ZHU Hexin ceased to serve as Executive Vice President of the Bank as of 1 June 2016 due to the change of job.
- 5 Ms. ZHANG Lin ceased to serve as Secretary of Party Discipline Committee of the Bank as of 5 July 2016.
- 6 The Board of Directors of the Bank considered and approved the appointment of Mr. ZHANG Qingsong and Mr. LIU Qiang as Executive Vice Presidents of the Bank on 30 August 2016. The qualifications of Mr. ZHANG Qingsong and Mr. LIU Qiang as Executive Vice Presidents of the Bank are subject to the approval of CBRC.
- 7 During the reporting period, none of the senior management members held any share of the Bank.

Organisational Management, Human Resources Development and Management

Organisational Management

As at 30 June 2016, the Bank had a total of 11,560 domestic and overseas institutions, including 10,996 institutions in the Chinese mainland and 564 institutions in Hong Kong, Macau, Taiwan and other countries. Its domestic commercial banking business had 10,683 institutions, including 37 tier-1 and direct branches, 323 tier-2 branches and 10,322 outlets.

Geographic distribution of institutions and employees:

Unit: RMB million/unit/person, except percentages

Item	Assets		Institutions		Employees	
	Total assets	% of total	Number of institutions	% of total	Number of employees	% of total
Northern China	5,078,016	26.80%	1,912	16.54%	57,689	19.03%
Northeastern China	688,642	3.63%	956	8.27%	25,926	8.55%
Eastern China	3,901,161	20.58%	3,605	31.18%	91,891	30.31%
Central and Southern China	2,848,921	15.03%	2,801	24.23%	68,210	22.50%
Western China	1,444,476	7.62%	1,722	14.90%	37,418	12.34%
Hong Kong, Macau and Taiwan	3,115,396	16.44%	426	3.69%	16,806	5.55%
Other countries	1,876,715	9.90%	138	1.19%	5,221	1.72%
Elimination	(1,352,060)					
Total	17,601,267	100.00%	11,560	100.00%	303,161	100.00%

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

Human Resources Development and Management

As at 30 June 2016, the Bank had a total of 303,161 employees. There were 281,134 employees in the operations of the Chinese mainland, of which 273,311 worked in the Bank's domestic commercial banking operations. There were 22,027 employees in the Bank's operations in Hong Kong, Macau, Taiwan and other countries. As at 30 June 2016, the Bank bore costs for a total of 5,932 retirees.

In the first half of 2016, in line with the Group's development strategy and priorities, the Bank focused on adjusting its structure, exploring its potential, and innovating its mechanisms. It adjusted institution distribution in Liaoning and Shandong, improved its business line management mode, and extended more human resources support to key institutions and businesses, thereby effectively sustaining strategy implementation and business development. It further improved the allocation of personnel, personnel expenses and other resources, highlighting its focus on strategy and performance. The Bank also emphasised the development of a professional talent team and outlet employee team. It accelerated the construction of professional position sequence to raise the overall strength and professional competence of its staff. It stepped up efforts in cultivating the international and diversified experience of its personnel, and reinforced the construction of a talent pool of employees fluent in minority languages. It proactively launched key training programmes on such subjects as credit to agriculture, rural areas and farmers, credit to micro and small-sized businesses, e-finance, RMB internationalisation and interest rate liberalisation. During the first half of 2016, 31,036 training courses were offered in its domestic commercial banking institutions, with an aggregate of 1,211,653 participants.

Corporate Governance

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

During the reporting period, the Bank continued to strengthen protection of the rights of shareholders, and fully disclosed the information of shareholders' concern through regular reports and the websites of the Bank and the stock exchanges. The 2015 Annual General Meeting of the Bank was held in Beijing and Hong Kong by way of video conference with online voting for A-Share Holders available, to ensure that minority shareholders were properly informed and able to participate and make decisions.

During the reporting period, the Bank further improved its corporate governance mechanisms. It carried out self-inspection on the implementation of the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China Limited* and the *Measures of Authorisation to the President by the Board of Directors of Bank of China Limited*. The implementation was satisfactory with no approval in excess of authority identified. The Board of Directors paid close attention to enhancing directors' continuing professional development, organised research activities for the directors and improved the communication mechanisms, thus continuously enhancing its decision-making efficiency and capability.

Corporate Governance Compliance

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

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

Shareholders' Meeting

On 7 June 2016, the Bank held the 2015 Annual General Meeting in Beijing and Hong Kong by way of video conference. This meeting considered and approved 16 proposals including the 2015 work report of the Board of Directors, the 2015 work report of the Board of Supervisors, the 2015 annual financial report, the 2015 profit distribution plan, the 2016 annual budget for fixed assets investment, the appointment of Ernst & Young Hua Ming as the Bank's external auditor for 2016, the election of Mr. TIAN Guoli to be re-appointed as Executive Director of the Bank, the election of Mr. WANG Yong to be re-appointed as Non-executive Director of the Bank, the election of Mr. LU Zhengfei to be re-appointed as Independent Director of the Bank, the election of Mr. LEUNG Cheuk Yan to be re-appointed as Independent Director of the Bank, the election of Mr. WANG Changyun to be appointed as Independent Director of the Bank, the election of Mr. LI Jun to be re-appointed as Supervisor of the Bank, the election of Mr. WANG Xueqiang to be re-appointed as Supervisor of the Bank, the election of Mr. LIU Wanming to be re-appointed as

Supervisor of the Bank, and the issue of bonds and the issuance of the qualified write-down tier-2 capital instruments. The meeting also heard the 2015 report on connected transactions, the 2015 duty report of independent directors and the report on the implementation of the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China* for 2015. The proposals regarding the issue of bonds and the issuance of the qualified write-down tier-2 capital instruments were special resolutions while others were ordinary resolutions.

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

Directors and the Board of Directors

Currently, the Board of Directors comprises thirteen members. There are two executive directors, six non-executive directors and five independent directors. The number of independent directors is no less than one-third of the total number of directors, which is in compliance with the Articles of Association of the Bank and relevant regulatory provisions.

BOC Aviation Limited, where Vice Chairman of the Bank Mr. CHEN Siqing has served as the chairman of its board of directors, became listed on the Hong Kong Stock Exchange (Stock Code: 2588) as of June 2016. Independent Director of the Bank Mr. Jackson TAI began to serve as a director of the Canada Pension Plan Investment Board as of June 2016. Save as disclosed above, to the best knowledge of the Bank, information regarding the Bank's directors including their appointments is the same as that disclosed in the 2015 annual report of the Bank during the reporting period.

During the reporting period, the Bank convened five on-site meetings of the Board of Directors, held on 19 January, 30 March, 26 April, 12 May and 8 June respectively. At these meetings, the Board of Directors mainly considered and approved proposals regarding the 2015 work report of the Board of Directors, the 2015 profit distribution plan, the 2015 internal control self-assessment report, the 2015 corporate social responsibility report, the 2015 annual report, the capital adequacy ratio report of 2015, the 2016 first quarter report, the nomination of candidates for directorships, the *Rules of Procedure of Risk Policy Committee of the Board of Directors of Bank of China Limited (2016 Edition)*, and other proposals.

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

Special Committees	Work Performance
Strategic Development Committee	The committee held five meetings, at which it mainly reviewed and approved the proposal on profit distribution for 2015, the business plan and financial budget for 2016, the proposal on the issuance of the qualified write-down tier-2 capital instruments, the proposal on the establishment of Bank of China Limited Colombo Branch in Sri Lanka, the proposal on the establishment of Bank of China Limited Qatar Financial Centre Branch in Qatar, the proposal on the offer price and authorisation for BOC Aviation listing. The committee also heard the report on strategy implementation in 2015 and the report on the E-finance business plan (2016–2018).
Audit Committee	The Committee held two meetings, at which it mainly reviewed and approved the 2016 work plan and financial budget for internal audit. It also reviewed the 2015 financial report, the 2016 first quarter financial report, and the report on internal control progress in 2015, the 2015 internal control self-assessment report, the audit results on internal control and management proposal. In addition, it heard the work report on internal audit in 2015, the report on the overseas supervision information in 2015 and the report on asset quality in the first quarter of 2016.
Risk Policy Committee	The committee held two meetings, at which it mainly reviewed and approved the <i>Capital Adequacy Ratio Report of 2015 of Bank of China Limited</i> , the <i>Liquidity Risk Management Policy of Bank of China Limited (2016 Edition)</i> , the <i>Application for the Trading Book Market Risk Limits (Level A) of Bank of China in 2016</i> , the <i>Market Risk Stress Test Policy of Bank of China Limited (2016 Edition)</i> , the <i>Value at Risk Policy of Bank of China Limited (2016 Edition)</i> , the <i>Rules of Procedure of Risk Policy Committee of the Board of Directors of Bank of China Limited (2016 Edition)</i> , the <i>US Risk and Management Committee Charter</i> . The committee also regularly reviewed the Group risk reports.

Special Committees	Work Performance
Personnel and Remuneration Committee	The committee held two meetings, at which the committee mainly reviewed and approved the proposals on nominating Mr. TIAN Guoli, Mr. WANG Yong, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan to be re-appointed as directors of the Bank, the proposals on nominating Mr. WANG Changyun and Ms. Angela Chao as independent directors of the Bank, and the proposal on the performance evaluation results of the Chairman of the Board of Directors, executive directors and senior management members in 2015. It also heard the circular on performance evaluation results of the Chairman of the Board of Supervisors and shareholder supervisors in 2015.
Connected Transactions Control Committee	The committee held one meeting, at which it mainly reviewed and approved the report on connected transactions of the Bank in 2015 and the report on requesting the confirmation of the connected party list of the Bank. The committee also reviewed reports including the statement of the Bank's connected transactions in 2015.

Supervisors and the Board of Supervisors

The Board of Supervisors is composed of seven supervisors, including three shareholder supervisors (including Chairman of the Board of Supervisors), three employee supervisors and one external supervisor.

The Board of Supervisors performed its supervision duties according to relevant laws and diligently reviewed proposals. During the reporting period, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held one meeting and the Finance and Internal Control Supervision Committee of the Board of Supervisors held two meetings. The two special committees respectively reviewed related proposals respectively in advance of submission to the Board of Supervisors. The Board of Supervisors held two meetings, at which it reviewed and approved proposals including the assessment opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors and the senior management and its members in 2015, the 2015 annual report, the 2015 internal control self-assessment report, the 2016 first quarter report and the work plan of the Board of Supervisors for 2016.

During the reporting period, the Board of Supervisors continued to improve its internal supervision mechanism and carried out an assessment of the duty performance and due diligence of the Board of Directors, the senior management and its members in 2015. It also assessed the annual duty performance of the supervisors, oversaw their routine duty performance, and tracked the implementation and progress of the significant issues regarding strategic decision-making and operation and management. Taking an issues-focused approach, it intensified the supervision of finance and internal control, continually tracked the implementation and progress of the business plan and financial budget, regularly heard special reports on financial management and internal control and compliance, and made timely suggestions. Sticking to its risk-oriented principles,

it carried out special investigations into subjects such as the disposal of non-performing assets, asset management business and risk management of the Bank's personal credit granting business, as well as dynamically tracking the arrangement, implementation and results of collateral management, anti-money laundering and other key work.

Senior Management

In the first half of 2016, the senior management of the Bank managed the Bank's operations in accordance with powers bestowed upon them by the Articles of Association and the authorisations of the Board of Directors. According to the annual performance objectives approved by the Board, the senior management focused on the development strategy of "Serving Society, Delivering Excellence" and persisted in innovation as the driving force. It intensified business transformation, strove to mitigate risks, strengthened Group management and control, and hence achieved sustained growth in business performance.

During the reporting period, the senior management of the Bank held 12 regular meetings, at which it discussed and decided upon a series of significant matters, including the Group's business development, performance management, risk and internal control management, institutional setup and IT system development. It also convened 109 special meetings to study and make arrangements for matters relating to corporate banking, personal banking, financial markets, overseas business, E-finance business, IT development, channel building and process optimisation.

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

Significant Events

Formulation and Implementation of Profit Distribution Policy

Ordinary Shares

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

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

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

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

The profit distribution plan for ordinary shares of the Bank shall be approved by the shareholders' meeting. In 2016, the Bank distributed dividends on ordinary shares for 2015 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

The preference shareholders of the Bank receive dividend at the specified dividend rate prior to the ordinary shareholders. The Bank shall pay the dividend to the preference shareholders in cash. The Bank shall not distribute the dividend on ordinary shares before all the dividend of preference shares has been paid.

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

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

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

Profit Distribution during the Reporting Period

The 2015 Annual General Meeting on 7 June 2016 considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus reserve of RMB15.686 billion; appropriation to general and regulatory reserves of RMB20.144 billion; no appropriation to the discretionary reserve; considering the Bank's business performance, financial position, and the capital requirements for the future development of the Bank, RMB0.175 per share (before tax) was proposed to be distributed as cash dividends on ordinary shares to A-Share Holders and H-Share Holders whose names appear on the register of members of the Bank as at the market close on 23 June 2016, amounting to approximately RMB51.518 billion (before tax) in total. The dividend distribution has been completed. The Bank did not distribute an interim dividend on ordinary shares for the period ended on 30 June 2016, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

At the Board meeting held on 19 January 2016, the dividend distribution plan for the Bank's Domestic Preference Shares (Second Tranche) was approved. The Bank distributed a total of RMB1.540 billion (before tax) of dividends on the Domestic Preference Shares (Second Tranche) on 14 March 2016, with an annual dividend rate of 5.50% (before tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 30 August 2016, the dividend distribution plans for the Bank's Offshore Preference Shares and Domestic Preference Shares (First Tranche) were approved. The Bank will distribute dividends on Offshore Preference Shares on 24 October 2016. According to the issuance terms of the Offshore Preference Shares, dividends on Offshore Preference Shares will be denominated in RMB and paid in US dollars converted at a fixed exchange rate, with a total of approximately USD439 million (after tax) at an annual dividend rate of 6.75% (after tax). The Bank will distribute dividends on Domestic Preference Shares (First Tranche) on 21 November 2016 with a total of RMB1.920 billion (before tax) at an annual dividend rate of 6.00% (before tax).

Corporate Governance

For details of the corporate governance of the Bank, please refer to the section "Corporate Governance".

Purchase and Sale of Material Assets, and Merger and Acquisition

BOCHK (as seller) entered into a sale and purchase agreement with Cinda Financial Holdings Co., Limited (as buyer) and China Cinda (HK) Holdings Company Limited (as buyer's guarantor) in relation to the disposal of all the issued shares of Nanyang Commercial Bank, Limited on 18 December 2015. The completion of the disposal took place on 30 May 2016 in accordance with the terms and conditions of the sale and purchase agreement. Upon completion, Nanyang Commercial Bank, Limited ceased to be a subsidiary of both the Bank and BOCHK (Holdings).

As part of the Group's strategic restructuring plan in the ASEAN region, on 30 June 2016, the Bank (as seller) and BOCHK (as buyer) entered into sale and purchase agreements in relation to the sale and purchase of the entire issued share capital of Bank of China (Malaysia) Berhad, and the entire issued share capital of Bank of China (Thai) Public Company Limited, respectively. The completion of each transfer is subject to the satisfaction or waiver of the respective conditions precedent including the obtaining of the requisite approvals from domestic and overseas regulatory authorities.

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

Material Litigation, Arbitration and Issues of Media Interest

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

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

Significant Connected Transactions

The Bank had no significant connected transactions during the reporting period. For details of the related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note III.29 of the Condensed Consolidated Interim Financial Information.

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

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

Material Guarantee Business

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

Other Major Contracts

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

Undertakings

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

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

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or shareholders holding 5% or more voting shares of the Bank were subject to investigation, administrative punishment or censure by CSRC or were publicly reprimanded by any stock exchange. No other regulatory administration has imposed any penalty on the Bank that had a material impact on the Bank's operation.

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

Not applicable.

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

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

Use of Raised Funds

All proceeds raised from initial public offerings, issuance of subordinated bonds, the rights issue, issuances of tier-2 capital bonds and preference shares have been fully used to replenish the Bank's capital and increase the level of its capital adequacy.

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

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

As at 30 June 2016, the total number of the Bank's treasury shares was approximately 9.72 million.

Implementation of Stock Incentive Plan during the Reporting Period

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

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

Investment Securities

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

No.	Type of securities	Securities code	Company/ securities name	Initial investment cost (unit: RMB)	Securities held at period beginning	Securities held at period end	Carrying value at period end (unit: RMB)	Proportion of the total investment securities at period end	Gains/(losses) during the reporting period (unit: RMB)
1	Stock	002415	HIKVISION	854,617,169	24,972,639	37,935,900	812,150,790	6.52%	495,088
2	Stock	000333	Midea Group	719,604,514	31,928,345	32,979,704	780,401,328	6.27%	4,282,231
3	Stock	000651	GREE	749,299,769	34,836,186	34,007,764	652,060,696	5.24%	2,617,823
4	Fund	511990	Fortune SG Fund Management Co., Ltd.	481,970,809	4,839,922	4,897,733	487,626,465	3.91%	5,655,656
5	Fund	–	GS Global High Yield Portfolio	331,583,002	2,962,085	2,962,085	324,118,455	2.60%	16,893,313
6	Fund	–	NB-High Yield Bond Fund (USD) I Acc	297,176,367	3,397,402	2,174,908	296,974,742	2.38%	21,077,111
7	Stock	000538	YUNNAN BAIYAO	300,423,499	3,274,879	4,487,068	287,835,449	2.31%	3,593,200
8	Fund	511880	XD Yinhua Rili	279,028,497	2,798,763	2,798,763	282,456,092	2.27%	12,698,820
9	Fund	–	JPMorgan Funds–Emerging Mark	265,266,401	364,564	364,564	279,482,282	2.24%	23,589,750
10	Stock	002346	ZHEZHONG	227,214,233	–	12,574,378	233,196,734	1.87%	273,045
Other investment securities held at period end				8,021,630,901	–	–	8,019,076,153	64.39%	1,114,912,124
Gains/(losses) of investment securities sold during the reporting period				–	–	–	–	–	(923,830,638)
Total				12,527,815,161	–	–	12,455,379,186	100.00%	282,257,523

Notes:

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

Stocks of Other Listed Companies Held by the Group

Stock code	Stock name	Initial investment cost (unit: RMB)	Stocks held at period beginning (unit: share)	Proportion of total capital of the invested company at period beginning	Stocks held at period end (unit: share)	Proportion of total capital of the invested company at period end	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Increase/ (decrease) of equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
549 HK	QIFENG FIBER	59,084,942	94,841,726	10.95%	94,841,726	10.95%	45,961,714	-	(8,754,612)	Available for sale equity investment	Joint-stock reform
2008 HK	PHOENIX TV	333,120,637	412,000,000	8.30%	412,000,000	8.30%	609,195,972	-	(31,692,276)	Available for sale equity investment	Joint-stock reform
Total		<u>392,205,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>655,157,686</u>	<u>-</u>	<u>(40,446,888)</u>		

Notes:

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

Equity Investments in Unlisted Financial Companies Held by the Group

Company name	Initial investment cost (unit: RMB)	Proportion of total capital of the invested company at period beginning	Proportion of total capital of the invested company at period end	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Increase of equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
China Bond Insurance Co., Ltd.	1,000,068,231	17%	17%	1,011,958,032	50,312,257	-	Available for sale equity investment	Investment
JCC Financial Company Limited	102,489,539	13%	13%	344,957,276	15,774,095	-	Investment in associates and joint ventures	Investment
Hunan Valin Iron & Steel Group Finance Co., Ltd.	139,055,954	10%	10%	196,143,628	6,587,596	-	Investment in associates and joint ventures	Investment
Total	<u>1,241,613,724</u>	<u>-</u>	<u>-</u>	<u>1,553,058,936</u>	<u>72,673,948</u>	<u>-</u>		

Notes:

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

The Audit Committee

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

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

Appointment of External Auditors

The Bank engaged Ernst & Young Hua Ming LLP as the Bank's domestic auditor and internal control auditor for 2016 to provide audit services on its financial statements and internal control pursuant to CAS and engaged Ernst & Young as its international auditor for 2016 to provide audit services on financial statements pursuant to IFRS.

Directors and Supervisors' Rights to Acquire Shares

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

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

To the best knowledge of the Bank, as at 30 June 2016, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules.

Securities Transactions by Directors and Supervisors

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

Compliance with International Accounting Standard No. 34

The 2016 interim report of the Bank is in compliance with International Accounting Standard No.34 — Interim Financial Reporting.

Interim Report

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

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

Report on Review of Interim Financial Information

To the Board of Directors of Bank of China Limited

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

Introduction

We have reviewed the accompanying interim financial information set out on pages 84 to 187, which comprises the condensed consolidated statement of financial position of Bank of China Limited (the "Bank") and its subsidiaries as at 30 June 2016 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

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

Scope of review

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

Conclusion

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

Ernst & Young

Certified Public Accountants

Hong Kong
30 August 2016

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BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2016 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2016 Unaudited	2015 Unaudited
Interest income	III.1	284,265	308,422
Interest expense	III.1	(129,407)	(145,031)
Net interest income		154,858	163,391
Fee and commission income	III.2	52,119	54,134
Fee and commission expense	III.2	(4,292)	(4,090)
Net fee and commission income		47,827	50,044
Net trading gains	III.3	5,129	2,561
Net gains on financial investments		6,380	2,922
Other operating income	III.4	48,425	19,960
Operating income		262,619	238,878
Operating expenses	III.5	(83,572)	(87,234)
Impairment losses on assets	III.7	(49,946)	(28,576)
Operating profit		129,101	123,068
Share of results of associates and joint ventures		516	1,414
Profit before income tax		129,617	124,482
Income tax expense	III.8	(22,309)	(29,496)
Profit for the period		107,308	94,986
Attributable to:			
Equity holders of the Bank		93,037	90,746
Non-controlling interests		14,271	4,240
		107,308	94,986
Earnings per share			
(Expressed in RMB per ordinary share)	III.9		
— Basic		0.31	0.31
— Diluted		0.31	0.31

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

BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2016 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2016 Unaudited	2015 Unaudited
Profit for the period		107,308	94,986
Other comprehensive income:	III.10		
Items that will not be reclassified to profit or loss			
— Actuarial gains on defined benefit plans		9	25
— Other		9	—
Subtotal		18	25
Items that may be reclassified subsequently to profit or loss			
— Net fair value (losses)/gains on available for sale financial assets		(2,893)	2,454
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(134)	463
— Exchange differences from the translation of foreign operations		5,682	(1,567)
— Other		371	59
Subtotal		3,026	1,409
Other comprehensive income for the period, net of tax		3,044	1,434
Total comprehensive income for the period		110,352	96,420
Total comprehensive income attributable to:			
Equity holders of the Bank		94,678	92,187
Non-controlling interests		15,674	4,233

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

BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 (Amount in millions of Renminbi, unless otherwise stated)

		As at 30 June 2016 Unaudited	As at 31 December 2015 Audited
	Note		
ASSETS			
Cash and due from banks and other financial institutions	III.11	766,294	654,378
Balances with central banks	III.12	2,292,771	2,196,063
Placements with and loans to banks and other financial institutions	III.13	495,598	426,848
Government certificates of indebtedness for bank notes issued		99,288	91,191
Precious metals		180,712	176,753
Financial assets at fair value through profit or loss	III.14	145,782	119,062
Derivative financial assets	III.15	91,037	82,236
Loans and advances to customers, net	III.16	9,506,567	8,935,195
Financial investments	III.17	3,571,586	3,476,033
— available for sale		1,302,966	1,078,533
— held to maturity		1,789,746	1,790,790
— loans and receivables		478,874	606,710
Investment in associates and joint ventures		12,441	10,843
Property and equipment	III.18	181,946	182,031
Investment properties	III.19	22,099	23,281
Deferred income tax assets	III.23	24,516	22,246
Assets held for sale	III.26	—	237,937
Other assets	III.20	210,630	181,500
Total assets		17,601,267	16,815,597

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

BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2016 (Amount in millions of Renminbi, unless otherwise stated)

		As at 30 June 2016 Unaudited	As at 31 December 2015 Audited
	Note		
LIABILITIES			
Due to banks and other financial institutions		1,465,470	1,764,320
Due to central banks		806,564	415,709
Bank notes in circulation		99,449	91,331
Placements from banks and other financial institutions		379,983	447,944
Derivative financial liabilities	III.15	84,415	69,160
Due to customers	III.21	12,551,850	11,729,171
— at amortised cost		12,255,773	11,389,260
— at fair value		296,077	339,911
Bonds issued		301,676	282,929
Other borrowings		29,364	30,281
Current tax liabilities		23,038	37,982
Retirement benefit obligations		3,975	4,255
Deferred income tax liabilities	III.23	4,861	4,291
Liabilities classified as held for sale	III.26	—	196,850
Other liabilities	III.24	430,319	383,769
Total liabilities		16,180,964	15,457,992
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital		294,388	294,388
Other equity instruments		99,714	99,714
Capital reserve		141,708	140,098
Treasury shares		(26)	(86)
Other comprehensive income	III.10	(704)	(2,345)
Statutory reserves		111,662	111,511
General and regulatory reserves		178,755	179,485
Undistributed profits		522,739	482,181
		1,348,236	1,304,946
Non-controlling interests		72,067	52,659
Total equity		1,420,303	1,357,605
Total equity and liabilities		17,601,267	16,815,597

Approved and authorised for issue by the Board of Directors on 30 August 2016.

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

TIAN Guoli
Director

CHEN Siqing
Director

BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2016 (Amount in millions of Renminbi, unless otherwise stated)

Note	Unaudited									
	Attributable to equity holders of the Bank									
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2016	294,388	99,714	140,098	(2,345)	111,511	179,485	482,181	(86)	52,659	1,357,605
Total comprehensive income for the period	-	-	-	1,641	-	-	93,037	-	15,674	110,352
Appropriation to statutory reserves	-	-	-	-	258	-	(258)	-	-	-
Appropriation to general and regulatory reserves	-	-	-	-	-	538	(538)	-	-	-
Dividends	-	-	-	-	-	-	(53,058)	-	(2,222)	(55,280)
Net change in treasury shares	-	-	-	-	-	-	-	60	-	60
Capital contribution by non-controlling shareholders	-	-	1,738	-	-	-	-	-	5,987	7,725
Disposal of subsidiaries and others	-	-	(128)	-	(107)	(1,268)	1,375	-	(31)	(159)
As at 30 June 2016	294,388	99,714	141,708	(704)	111,662	178,755	522,739	(26)	72,067	1,420,303

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

BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six month period ended 30 June 2016 (Amount in millions of Renminbi, unless otherwise stated)

Note	Unaudited									
	Attributable to equity holders of the Bank									
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2015	288,731	71,745	130,797	(13,671)	96,105	159,341	407,836	(25)	42,569	1,183,428
Total comprehensive income for the period	-	-	-	1,441	-	-	90,746	-	4,233	96,420
Conversion of convertible bonds and capital reserve	5,657	-	10,973	-	-	-	-	-	-	16,630
Capital contribution by other equity instruments holders	-	27,969	-	-	-	-	-	-	-	27,969
Appropriation to statutory reserves	-	-	-	-	288	-	(288)	-	-	-
Appropriation to general and regulatory reserves	-	-	-	-	-	835	(835)	-	-	-
Dividends	-	-	-	-	-	-	(55,934)	-	(1,768)	(57,702)
Net change in treasury shares	-	-	-	-	-	-	-	(81)	-	(81)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	2,030	2,030
Equity component of convertible bonds	-	-	(1,545)	-	-	-	-	-	-	(1,545)
As at 30 June 2015	294,388	99,714	140,225	(12,230)	96,393	160,176	441,525	(106)	47,064	1,267,149
Total comprehensive income for the period	-	-	-	9,885	-	-	80,099	-	6,310	96,294
Appropriation to statutory reserves	-	-	-	-	15,398	-	(15,398)	-	-	-
Appropriation to general and regulatory reserves	-	-	-	-	-	19,309	(19,309)	-	-	-
Dividends	-	-	-	-	-	-	(5,012)	-	(1,729)	(6,741)
Net change in treasury shares	-	-	-	-	-	-	-	20	-	20
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	1,047	1,047
Other	-	-	(127)	-	(280)	-	276	-	(33)	(164)
As at 31 December 2015	294,388	99,714	140,098	(2,345)	111,511	179,485	482,181	(86)	52,659	1,357,605

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

BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2016 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2016 Unaudited	2015 Unaudited
Cash flows from operating activities			
Profit before income tax		129,617	124,482
Adjustments:			
Impairment losses on assets		49,946	28,576
Depreciation of property and equipment		6,296	6,362
Amortisation of intangible assets and other assets		1,368	1,362
Net gains on disposal of property and equipment, intangible assets and other long-term assets		(260)	(539)
Net gains on disposal of investment in subsidiaries, associates and joint ventures		(29,050)	(8)
Share of results of associates and joint ventures		(516)	(1,414)
Interest income arising from financial investments		(55,310)	(48,490)
Dividends arising from investment securities		(398)	(271)
Net gains on financial investments		(6,380)	(2,922)
Interest expense arising from bonds issued		5,768	5,236
Accreted interest on impaired loans		(1,177)	(465)
Net changes in operating assets and liabilities:			
Net (increase)/decrease in balances with central banks		(149,816)	81,735
Net (increase)/decrease in due from and placements with and loans to banks and other financial institutions		(47,453)	95,301
Net increase in precious metals		(4,055)	(8,520)
Net increase in financial assets at fair value through profit or loss		(13,541)	(18,994)
Net increase in loans and advances to customers		(619,850)	(432,440)
Net increase in other assets		(74,519)	(43,825)
Net (decrease)/increase in due to banks and other financial institutions		(298,850)	170,642
Net increase in due to central banks		390,855	55,317
Net decrease in placements from banks and other financial institutions		(78,474)	(9,652)
Net increase in due to customers		820,141	651,324
Net decrease in other borrowings		(917)	(1,988)
Net increase in other liabilities		48,976	56,002
Cash inflow from operating activities		72,401	706,811
Income tax paid		(38,068)	(39,416)
Net cash inflow from operating activities		34,333	667,395

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

BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six month period ended 30 June 2016 (Amount in millions of Renminbi, unless otherwise stated)

		For the six month period ended 30 June	
	Note	2016 Unaudited	2015 Unaudited
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		4,707	4,196
Proceeds from disposal of investment in subsidiaries, associates and joint ventures		25,800	45
Dividends received		422	276
Interest income received from financial investments		54,827	40,669
Proceeds from disposal/maturity of financial investments		1,012,775	515,017
Increase in investment in subsidiaries, associates and joint ventures		(1,653)	(1,390)
Purchase of property and equipment, intangible assets and other long-term assets		(7,133)	(12,484)
Purchase of financial investments		(1,077,784)	(1,030,990)
Net cash inflow/(outflow) from investing activities		11,961	(484,661)
Cash flows from financing activities			
Proceeds from issuance of bonds		49,750	67,467
Proceeds from issuance of preference shares of the Bank		–	27,969
Proceeds from non-controlling shareholders investment		7,725	2,030
Repayments of debts issued		(35,083)	(60,518)
Cash payments for interest on bonds issued		(4,536)	(5,129)
Dividend payments to equity holders of the Bank		(38,412)	–
Dividend payments to non-controlling shareholders		(2,222)	(164)
Other net cash flows from financing activities		(99)	(81)
Net cash (outflow)/inflow from financing activities		(22,877)	31,574
Effect of exchange rate changes on cash and cash equivalents		18,158	(7,293)
Net increase in cash and cash equivalents		41,575	207,015
Cash and cash equivalents at beginning of the period		1,052,078	1,148,151
Cash and cash equivalents at end of the period	III.28	1,093,653	1,355,166

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six month period ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) and should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2015.

Standards, amendments and interpretations effective in 2016

On 1 January 2016, the Group adopted the following new standards, amendments and interpretations.

IAS 27 Amendments	<i>Equity Method in Separate Financial Statements</i>
IFRS 10, IFRS 12 and IAS 28 Amendments	<i>Investment Entities: Applying the Consolidation Exception</i>
IAS 1 Amendments	<i>Disclosure Initiative</i>
IFRS 11 Amendments	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
IAS 16 and IAS 38 Amendments	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Annual Improvements to IFRSs 2012–2014 cycle (issued in September 2014)	

IAS 27 Amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The amendments to IFRS 10, IFRS 12 and IAS 28 address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exception from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments to IAS 1 include narrow-focus improvements in materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

**I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES
(Continued)**

Standards, amendments and interpretations effective in 2016 (Continued)

The amendments to IFRS 11 require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a “business” (as defined in IFRS 3 *Business Combinations*).

The amendments to IAS 16 and IAS 38 clarify that revenue reflects a pattern of economic benefits that are generated from operating a business rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Annual Improvements to IFRSs 2012–2014 cycle:

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendments clarify that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

IFRS 7 Financial Instruments: Disclosures

The amendments clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance in IFRS 7 for continuing involvement in order to assess whether the disclosures are required. In addition, the amendments clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

IAS 19 Employee Benefits

The amendments clarify that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Standards, amendments and interpretations effective in 2016 (Continued)

IAS 34 Interim Financial Reporting

The amendments clarify that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

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

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2016

		Effective for annual periods beginning on or after
IAS 7 Amendments	<i>Statement of Cash Flow</i>	1 January 2017
IAS 12 Amendments	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
IFRS 2 Amendments	<i>Share-based Payment</i>	1 January 2018
IFRS 9	<i>Financial Instruments</i>	1 January 2018
IFRS 15 and Amendments	<i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16	<i>Leases</i>	1 January 2019
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

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

BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

II CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2015.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	For the six month period ended 30 June	
	2016	2015
Interest income		
Loans and advances to customers	198,487	220,696
Financial investments and financial assets at fair value through profit or loss ⁽¹⁾	56,994	50,057
Due from central banks	14,675	15,026
Due from and placements with and loans to banks and other financial institutions	14,109	22,643
Subtotal	284,265	308,422
Interest expense		
Due to customers	(100,504)	(112,509)
Due to and placements from banks and other financial institutions	(22,423)	(26,754)
Bonds issued and other	(6,480)	(5,768)
Subtotal	(129,407)	(145,031)
Net interest income ⁽²⁾	154,858	163,391
Interest income accrued on impaired financial assets (included within interest income)	1,209	492

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

(2) Included within "Interest income" and "Interest expense" are RMB282,486 million (for the six month period ended 30 June 2015: RMB306,773 million) and RMB124,009 million (for the six month period ended 30 June 2015: RMB138,305 million) for financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

BANK OF CHINA LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****2 Net fee and commission income**

	For the six month period ended 30 June	
	2016	2015
Agency commissions	13,621	14,505
Bank card fees	11,736	12,129
Credit commitment fees	8,621	9,011
Settlement and clearing fees	5,965	6,356
Spread income from foreign exchange business	3,502	3,518
Consultancy and advisory fees	3,478	3,469
Custodian and other fiduciary service fees	1,786	1,628
Other	3,410	3,518
Fee and commission income	52,119	54,134
Fee and commission expense	(4,292)	(4,090)
Net fee and commission income	<u>47,827</u>	<u>50,044</u>

3 Net trading gains

	For the six month period ended 30 June	
	2016	2015
Net gains from foreign exchange and foreign exchange products	3,527	2,353
Net gains/(losses) from interest rate products	1,246	(1,152)
Net (losses)/gains from equity products	(50)	1,145
Net gains from commodity products	406	215
Total ⁽¹⁾	<u>5,129</u>	<u>2,561</u>

(1) Included in “Net trading gains” above for the six month period ended 30 June 2016 are gains of RMB2,760 million in relation to financial assets and financial liabilities designated at fair value through profit or loss (for the six month period ended 30 June 2015: losses of RMB4,906 million).

BANK OF CHINA LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****4 Other operating income**

	For the six month period ended 30 June	
	2016	2015
Insurance premiums		
— Life insurance contracts	5,390	7,363
— Non-life insurance contracts	2,437	2,369
Revenue from sale of precious metals products	4,248	3,722
Aircraft leasing income	3,373	2,991
Gains on disposal of subsidiaries, associates and joint ventures ⁽¹⁾	29,050	8
Gains on disposal of property and equipment, intangible assets and other assets	281	562
Dividend income	554	424
Changes in fair value of investment properties (Note III.19)	74	244
Other	3,018	2,277
Total	48,425	19,960

(1) This mainly represents the gains on disposal of Nanyang Commercial Bank, Limited (“NCB”) for the period.

5 Operating expenses

	For the six month period ended 30 June	
	2016	2015
Staff costs (Note III.6)	39,102	37,077
General operating and administrative expenses ⁽¹⁾	17,953	15,921
Business tax and surcharges	7,565	13,549
Depreciation and amortisation	6,445	6,535
Insurance benefits and claims		
— Life insurance contracts	6,131	7,106
— Non-life insurance contracts	1,626	1,728
Cost of sales of precious metals products	3,805	3,406
Other	945	1,912
Total	83,572	87,234

(1) Included in the “General operating and administrative expenses” are operating lease expenses of RMB3,629 million and premises and equipment related expenses (mainly comprised of property management and building maintenance expenses) of RMB4,763 million (for the six month period ended 30 June 2015: RMB3,423 million and RMB4,716 million, respectively).

BANK OF CHINA LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****6 Staff costs**

	For the six month period ended 30 June	
	2016	2015
Salary, bonus and subsidy	27,225	25,620
Staff welfare	791	683
Retirement benefits	26	60
Social insurance, including:		
Medical	1,522	1,485
Pension	3,316	3,213
Annuity	1,032	1,025
Unemployment	182	208
Injury at work	57	84
Maternity insurance	99	112
Housing funds	2,668	2,555
Labour union fee and staff education fee	970	916
Reimbursement for cancellation of labour contract	2	3
Other	1,212	1,113
Total	39,102	37,077

BANK OF CHINA LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****7 Impairment losses on assets**

	For the six month period ended 30 June	
	2016	2015
Loans and advances ⁽¹⁾		
— Individually assessed	18,094	18,993
— Collectively assessed	31,042	8,520
Subtotal	49,136	27,513
Financial investments		
— available for sale	(10)	(57)
— held to maturity	(15)	(16)
— loans and receivables	459	536
Subtotal	434	463
Other	376	600
Total	49,946	28,576

(1) Details of new allowances and reversal of impairment losses on loans and advances are disclosed in Note III.16.

BANK OF CHINA LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****8 Income tax expense**

	For the six month period ended 30 June	
	2016	2015
Current income tax		
— Chinese mainland income tax	19,060	23,351
— Hong Kong profits tax	2,220	2,295
— Macau, Taiwan and other countries and regions taxation	1,954	1,655
Adjustments in respect of current income tax of prior years	(210)	469
Subtotal	23,024	27,770
Deferred income tax (Note III.23.3)	(715)	1,726
Total	<u>22,309</u>	<u>29,496</u>

Provision for Chinese mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Bank and each of its subsidiaries established in Chinese mainland and supplementary PRC tax on overseas operations as determined in accordance with the relevant PRC income tax rules and regulations.

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

BANK OF CHINA LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****8 Income tax expense (Continued)**

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

	For the six month period ended 30 June	
	2016	2015
Profit before income tax	129,617	124,482
Tax calculated at the applicable statutory tax rate	32,404	31,121
Effect of different tax rates on Hong Kong, Macau, Taiwan and other countries and regions	(4,304)	(1,998)
Supplementary PRC tax on overseas income	2,829	2,434
Income not subject to tax ⁽¹⁾	(11,558)	(4,964)
Items not deductible for tax purposes ⁽²⁾	3,703	1,791
Other	(765)	1,112
Income tax expense	<u>22,309</u>	<u>29,496</u>

(1) Income not subject to tax mainly comprise of interest income from PRC Treasury bonds and local government bonds, and the tax-free income recognised by the overseas entities in accordance with the local tax law.

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

BANK OF CHINA LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****9 Earnings per share (basic and diluted)***Basic earnings per share*

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

	For the six month period ended 30 June	
	2016	2015
Profit attributable to equity holders of the Bank	93,037	90,746
Less: dividends on preference shares declared	(1,540)	—
Profit attributable to ordinary shareholders of the Bank	91,497	90,746
Weighted average number of ordinary shares in issue (in million shares)	294,373	293,079
Basic earnings per share (in RMB per share)	<u>0.31</u>	<u>0.31</u>

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

	For the six month period ended 30 June	
	2016	2015
Issued ordinary shares as at 1 January	294,388	288,731
Add: weighted average number of shares from conversion of convertible bonds	—	4,369
Less: weighted average number of treasury shares	(15)	(21)
Weighted average number of ordinary shares in issue	<u>294,373</u>	<u>293,079</u>

BANK OF CHINA LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****9 Earnings per share (basic and diluted) (Continued)***Diluted earnings per share*

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all potentially dilutive shares for the six month period by the adjusted weighted average number of ordinary shares in issue. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the six month period ended 30 June 2016.

	For the six month period ended 30 June	
	2016	2015
Profit attributable to ordinary shareholders of the Bank	91,497	90,746
Add: interest expense on convertible bonds, net of tax, for the period	—	47
Profit used to determine diluted earnings per share	91,497	90,793
Weighted average number of ordinary shares in issue (in million shares)	294,373	293,079
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (in million shares)	—	1,291
Weighted average number of ordinary shares in issue for diluted earnings per share (in million shares)	294,373	294,370
Diluted earnings per share (in RMB per share)	0.31	0.31

BANK OF CHINA LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****10 Other comprehensive income**

Accrual amount of other comprehensive income:

	For the six month period ended 30 June	
	2016	2015
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit plans	9	25
Other	9	—
Subtotal	18	25
Items that may be reclassified subsequently to profit or loss		
Fair value gains on available for sale financial assets	1,904	5,768
Less: related income tax impact	(325)	(1,195)
Amount transferred to the income statement	(5,855)	(2,571)
Less: related income tax impact	1,383	452
	(2,893)	2,454
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(138)	460
Less: related income tax impact	4	3
	(134)	463
Exchange differences on translation of foreign operations	6,162	(1,753)
Less: net amount transferred to the income statement from other comprehensive income	(480)	186
	5,682	(1,567)
Other	371	59
Subtotal	3,026	1,409
Total	3,044	1,434

BANK OF CHINA LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****10 Other comprehensive income (Continued)**

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

	Fair value gains/(losses) on available for sale financial assets	Exchange differences on translation of foreign operations	Other	Total
As at 1 January 2015	9,702	(24,393)	1,020	(13,671)
Changes in amount for the previous year	7,278	4,345	(297)	11,326
As at 1 January 2016	16,980	(20,048)	723	(2,345)
Changes in amount for the period	(3,067)	4,594	114	1,641
As at 30 June 2016	<u>13,913</u>	<u>(15,454)</u>	<u>837</u>	<u>(704)</u>

11 Cash and due from banks and other financial institutions

	As at 30 June 2016	As at 31 December 2015
Cash	69,353	73,371
Due from banks in Chinese mainland	643,380	538,501
Due from other financial institutions in Chinese mainland	3,070	1,377
Due from banks in Hong Kong, Macau, Taiwan and other countries and regions	50,415	41,063
Due from other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	76	66
Total	<u>766,294</u>	<u>654,378</u>

BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

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

12 Balances with central banks

	As at 30 June 2016	As at 31 December 2015
Mandatory reserves ⁽¹⁾	1,687,954	1,580,456
Surplus reserves ⁽²⁾	115,527	132,833
Other ⁽³⁾	489,290	482,774
Total	<u>2,292,771</u>	<u>2,196,063</u>

- (1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong, Macau, Taiwan and other countries and regions where it has operations. As at 30 June 2016, mandatory reserve funds placed with the PBOC were calculated at 17.0% (31 December 2015: 17.0%) and 5.0% (31 December 2015: 5.0%) of qualified RMB deposits and foreign currency deposits from customers of branches in Chinese mainland of the Bank respectively. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group is determined by the PBOC. The amount of mandatory reserve funds placed with the central banks of other jurisdictions is determined by local regulations.
- (2) This mainly represented the surplus reserve funds placed with the PBOC by branches in Chinese mainland of the Group.
- (3) This mainly represented balances, other than mandatory reserves and surplus reserves, placed with central banks by operations in Hong Kong, Macau, Taiwan and other countries and regions.

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

13 Placements with and loans to banks and other financial institutions

	As at 30 June 2016	As at 31 December 2015
Placements with and loans to:		
Banks in Chinese mainland	124,352	118,664
Other financial institutions in Chinese mainland	286,229	214,495
Banks in Hong Kong, Macau, Taiwan and other countries and regions	84,709	93,881
Other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	499	—
Subtotal ⁽¹⁾	495,789	427,040
Allowance for impairment losses	(191)	(192)
Total	<u>495,598</u>	<u>426,848</u>
Impaired placements	158	158
Percentage of impaired placements to total placements with and loans to banks and other financial institutions	<u>0.03%</u>	<u>0.04%</u>

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

	As at 30 June 2016	As at 31 December 2015
Debt securities		
— Governments	24,869	33,500
— Policy banks	45,076	41,452
— Financial institutions	768	151
— Corporate	24	—
Subtotal	70,737	75,103
Bills	—	1,527
Total	<u>70,737</u>	<u>76,630</u>

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**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****14 Financial assets at fair value through profit or loss**

	As at 30 June 2016	As at 31 December 2015
Trading financial assets		
Debt securities		
Issuers in Chinese mainland		
— Government	17,644	5,151
— Public sectors and quasi-governments	130	—
— Policy banks	7,666	6,301
— Financial institutions	31,845	19,122
— Corporate	5,376	4,694
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	16,770	12,646
— Public sectors and quasi-governments	211	506
— Financial institutions	2,321	2,138
— Corporate	2,143	3,446
	84,106	54,004
Equity securities	5,375	7,471
Fund investments and other	3,818	3,547
Subtotal	93,299	65,022

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

14 Financial assets at fair value through profit or loss (Continued)

	As at 30 June 2016	As at 31 December 2015
Financial assets designated as at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	230	390
— Policy banks	139	102
— Financial institutions	1,951	2,291
— Corporate	4,070	4,216
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	3,131	2,305
— Financial institutions	26,136	25,016
— Corporate	6,673	11,540
	42,330	45,860
Loans ⁽¹⁾	6,313	4,218
Equity securities	1,595	1,867
Fund investments	2,245	2,095
Subtotal	52,483	54,040
Total	145,782	119,062
Analysed as follows:		
Listed in Hong Kong	26,039	31,921
Listed outside Hong Kong ⁽²⁾	74,075	53,690
Unlisted	45,668	33,451
Total	145,782	119,062

(1) There was no significant change during the six month period ended 30 June 2016 and the year ended 31 December 2015 and cumulatively, in the fair value of the loans that was attributable to changes in the credit risk of the loans.

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

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

15 Derivative financial instruments

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

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

	As at 30 June 2016			As at 31 December 2015		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross- currency interest rate swaps ⁽¹⁾	5,146,943	69,247	(59,677)	4,516,512	67,447	(55,366)
Currency options	249,920	1,205	(1,727)	225,919	1,727	(1,710)
Subtotal	5,396,863	70,452	(61,404)	4,742,431	69,174	(57,076)
Interest rate derivatives						
Interest rate swaps	1,346,202	7,765	(10,789)	1,051,031	5,235	(5,802)
Interest rate options	2,875	4	(25)	–	–	–
Interest rate futures	3,323	2	(12)	2,512	4	(1)
Subtotal	1,352,400	7,771	(10,826)	1,053,543	5,239	(5,803)
Equity derivatives	12,055	445	(408)	9,855	441	(279)
Commodity derivatives and other	285,587	12,369	(11,777)	189,905	7,382	(6,002)
Total ⁽²⁾	7,046,905	91,037	(84,415)	5,995,734	82,236	(69,160)

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

(2) The derivative financial instruments above include those designated as hedging instruments by the Group.

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**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****16 Loans and advances to customers****16.1 Analysis of loans and advances to customers**

	As at 30 June 2016	As at 31 December 2015
Corporate loans and advances		
— Loans and advances	6,338,442	6,105,959
— Discounted bills	309,413	263,953
Subtotal	6,647,855	6,369,912
Personal loans		
— Mortgages	2,359,072	2,045,787
— Credit cards	278,218	268,923
— Other	443,130	451,238
Subtotal	3,080,420	2,765,948
Total loans and advances	9,728,275	9,135,860
Less: allowance for impairment losses		
— Individually assessed	(65,644)	(60,791)
— Collectively assessed	(156,064)	(139,874)
Total allowance for impairment losses	(221,708)	(200,665)
Loans and advances to customers, net	<u>9,506,567</u>	<u>8,935,195</u>

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

16 Loans and advances to customers (Continued)

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

	Loans and advances for which allowance is collectively assessed ⁽¹⁾	Identified impaired loans and advances ⁽²⁾			Identified impaired loans and advances as % of total loans and advances
		for which allowance is collectively assessed	for which allowance is individually assessed	Subtotal	
As at 30 June 2016					
Total loans and advances	9,585,980	41,695	100,600	142,295	9,728,275
Allowance for impairment losses	(132,632)	(23,432)	(65,644)	(89,076)	(221,708)
Loans and advances to customers, net	9,453,348	18,263	34,956	53,219	9,506,567
As at 31 December 2015					
Total loans and advances	9,005,623	39,563	90,674	130,237	9,135,860
Allowance for impairment losses	(117,530)	(22,344)	(60,791)	(83,135)	(200,665)
Loans and advances to customers, net	8,888,093	17,219	29,883	47,102	8,935,195

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**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****16 Loans and advances to customers (Continued)*****16.3 Analysis of loans and advances to customers by collective and individual allowance
assessments (Continued)***

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

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

	Six month period ended 30 June 2016	Year ended 31 December 2015
As at 1 January	200,665	188,531
Impairment losses for the period/year	82,627	103,777
Reversal	(33,491)	(47,905)
Written off and transfer out	(29,181)	(45,197)
Transfer in		
— Recovery of loans and advances written off	1,553	1,322
— Unwind of discount on allowance	(1,177)	(1,329)
— Exchange differences	712	1,466
As at 30 June/31 December	<u><u>221,708</u></u>	<u><u>200,665</u></u>

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

17 Financial investments

	As at 30 June 2016	As at 31 December 2015
Investment securities available for sale		
Debt securities		
Issuers in Chinese mainland		
— Government	387,856	198,333
— Public sectors and quasi-governments	10,317	22,245
— Policy banks	126,841	153,831
— Financial institutions	181,051	153,622
— Corporate	122,989	129,027
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	192,545	189,310
— Public sectors and quasi-governments	23,721	18,020
— Financial institutions	131,333	106,867
— Corporate	72,905	58,587
	1,249,558	1,029,842
Equity securities	32,334	30,209
Fund investments and other	21,074	18,482
	1,302,966	1,078,533
Total investment securities available for sale ⁽¹⁾	1,302,966	1,078,533
Debt securities held to maturity		
Issuers in Chinese mainland		
— Government	1,222,836	1,117,213
— Public sectors and quasi-governments	28,818	37,548
— Policy banks	239,184	276,054
— Financial institutions	55,643	70,272
— Corporate	83,209	128,292
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	78,752	84,913
— Public sectors and quasi-governments	29,038	20,092
— Financial institutions	22,220	23,361
— Corporate	30,229	33,239
	1,789,929	1,790,984
Allowance for impairment losses	(183)	(194)
	1,789,746	1,790,790
Total debt securities held to maturity ⁽²⁾	1,789,746	1,790,790

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

17 Financial investments (Continued)

	As at 30 June 2016	As at 31 December 2015
Financial investments classified as loans and receivables		
Debt securities		
Issuers in Chinese mainland		
— China Orient Asset Management Corporation	160,000	160,000
— Special Purpose Treasury Bond	42,500	42,500
— Financial institutions	43,874	52,571
— Certificate and Saving-type Treasury Bonds and other	99,327	63,034
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	331	324
— Public sectors and quasi-governments	13,545	11,957
— Financial institutions	388	2
— Corporate	1,335	8
Subtotal of debt securities investments	361,300	330,396
Investment trusts and asset management plans and other ⁽³⁾	119,787	278,068
Allowance for impairment losses	(2,213)	(1,754)
Total financial investments classified as loans and receivables	478,874	606,710
Total financial investments	3,571,586	3,476,033

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**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****17 Financial investments (Continued)**

	As at 30 June 2016	As at 31 December 2015
Analysed as follows:		
Investment securities available for sale		
Debt securities		
— Listed in Hong Kong	69,454	47,203
— Listed outside Hong Kong	855,548	639,331
— Unlisted	324,556	343,308
Equity, fund and other		
— Listed in Hong Kong	7,593	5,775
— Listed outside Hong Kong	626	162
— Unlisted	45,189	42,754
Debt securities held to maturity ⁽⁴⁾		
— Listed in Hong Kong	28,843	26,561
— Listed outside Hong Kong	1,587,140	1,552,348
— Unlisted	173,763	211,881
Financial investments classified as loans and receivables		
— Unlisted	478,874	606,710
Total	<u>3,571,586</u>	<u>3,476,033</u>
Listed in Hong Kong	105,890	79,539
Listed outside Hong Kong	2,443,314	2,191,841
Unlisted	<u>1,022,382</u>	<u>1,204,653</u>
Total	<u>3,571,586</u>	<u>3,476,033</u>

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

17 Financial investments (Continued)

- (1) The Group's accumulated impairment charge on the above available for sale debt securities, equity instruments and other as at 30 June 2016 amounted to RMB1,329 million and RMB4,748 million, respectively (31 December 2015: RMB1,410 million and RMB4,864 million, respectively).
- (2) During the six month period ended 30 June 2016, the Group reclassified certain debt securities with a total carrying value of RMB872 million from "Investment securities available for sale" to "Investment securities held to maturity" (2015: RMB7,513 million). The Group had the intention and ability to hold these reclassified debt securities until maturity at the date of reclassification. During the period ended 30 June 2016, the Group reclassified certain debt securities with amortised cost of RMB2,791 million from "Investment securities held to maturity" to "Investment securities available for sale" (2015: Nil).
- (3) This represents the Group's investments in investment trusts and asset management plans which were managed by trust companies or securities companies. The underlying assets of these investment trusts and asset management plans mainly consist of beneficial rights in financial assets etc., of which other banks bear the payment obligations in the future.
- (4) The market values of the above listed debt securities held to maturity are set out below:

	As at 30 June 2016		As at 31 December 2015	
	Carrying value	Market value	Carrying value	Market value
Debt securities held to maturity				
— Listed in Hong Kong	28,843	29,588	26,561	26,791
— Listed outside Hong Kong	1,587,140	1,624,732	1,552,348	1,593,092

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

18 Property and equipment

	Six month period ended 30 June 2016				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	102,447	66,288	29,100	71,303	269,138
Additions	124	549	983	4,572	6,228
Transfer from/(to) investment properties (Note III.19)	2,106	–	(8)	–	2,098
Construction in progress transfer in/(out)	1,706	233	(2,787)	848	–
Deductions	(64)	(855)	(20)	(6,411)	(7,350)
Exchange differences	524	145	316	1,507	2,492
As at 30 June	106,843	66,360	27,584	71,819	272,606
Accumulated depreciation					
As at 1 January	(28,658)	(49,468)	–	(7,555)	(85,681)
Additions	(1,694)	(3,383)	–	(1,219)	(6,296)
Deductions	145	831	–	1,744	2,720
Transfer to investment properties (Note III.19)	23	–	–	–	23
Exchange differences	(113)	(105)	–	(178)	(396)
As at 30 June	(30,297)	(52,125)	–	(7,208)	(89,630)
Allowance for impairment losses					
As at 1 January	(768)	–	(221)	(437)	(1,426)
Additions	–	–	–	–	–
Deductions	–	–	–	405	405
Exchange differences	–	–	–	(9)	(9)
As at 30 June	(768)	–	(221)	(41)	(1,030)
Net book value					
As at 1 January	73,021	16,820	28,879	63,311	182,031
As at 30 June	75,778	14,235	27,363	64,570	181,946

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

18 Property and equipment (Continued)

	Year ended 31 December 2015				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	94,323	62,216	26,061	68,398	250,998
Additions	446	5,736	13,607	10,848	30,637
Transfer from/(to) investment properties (Note III.19)	557	–	(3)	–	554
Construction in progress transfer in/(out)	8,194	816	(10,875)	1,865	–
Deductions	(1,943)	(2,775)	(125)	(14,031)	(18,874)
Exchange differences	870	295	435	4,223	5,823
As at 31 December	102,447	66,288	29,100	71,303	269,138
Accumulated depreciation					
As at 1 January	(26,189)	(44,373)	–	(7,043)	(77,605)
Additions	(3,015)	(7,456)	–	(2,390)	(12,861)
Deductions	713	2,567	–	2,313	5,593
Transfer to investment properties (Note III.19)	27	–	–	–	27
Exchange differences	(194)	(206)	–	(435)	(835)
As at 31 December	(28,658)	(49,468)	–	(7,555)	(85,681)
Allowance for impairment losses					
As at 1 January	(749)	–	(245)	(202)	(1,196)
Additions	(24)	–	–	(285)	(309)
Deductions	5	–	24	62	91
Exchange differences	–	–	–	(12)	(12)
As at 31 December	(768)	–	(221)	(437)	(1,426)
Net book value					
As at 1 January	67,385	17,843	25,816	61,153	172,197
As at 31 December	73,021	16,820	28,879	63,311	182,031

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**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****19 Investment properties**

	Six month period ended 30 June 2016	Year ended 31 December 2015
As at 1 January	23,281	18,653
Additions	386	4,263
Transfer to property and equipment, net (Note III.18)	(2,121)	(581)
Deductions	—	(334)
Fair value changes (Note III.4)	74	620
Exchange differences	479	660
As at 30 June/31 December	22,099	23,281

20 Other assets

	As at 30 June 2016	As at 31 December 2015
Accounts receivable and prepayments	104,238	76,706
Interest receivable ⁽¹⁾	77,425	77,354
Land use rights	7,878	8,104
Intangible assets	5,726	5,750
Long-term deferred expense	2,710	2,949
Goodwill	2,499	2,449
Repossessioned assets ⁽²⁾	2,366	2,070
Other	7,788	6,118
Total	210,630	181,500

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

20 Other assets (Continued)

(1) Interest receivable

	As at 30 June 2016	As at 31 December 2015
Financial investments and financial assets at fair value through profit or loss	46,873	46,202
Loans and advances to customers	25,126	24,309
Due from and placements with and loans to banks, other financial institutions and central banks	5,426	6,843
Total	<u>77,425</u>	<u>77,354</u>

The movements of interest receivable are as follows:

	Six month period ended 30 June 2016	Year ended 31 December 2015
As at 1 January	77,354	76,814
Accrued during the period/year	280,449	613,255
Received during the period/year	(280,378)	(612,715)
As at 30 June/31 December	<u>77,425</u>	<u>77,354</u>

(2) Repossessed assets

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

	As at 30 June 2016	As at 31 December 2015
Commercial properties	1,565	1,352
Residential properties	657	533
Other	786	832
Subtotal	3,008	2,717
Allowance for impairment	(642)	(642)
Repossessed assets, net	<u>2,366</u>	<u>2,070</u>

The total book value of repossessed assets disposed for the six month period ended 30 June 2016 amounted to RMB95 million (for the year ended 31 December 2015: RMB580 million). The Group plans to dispose of the repossessed assets held at 30 June 2016 by auction, bidding or transfer.

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

21 Due to customers

	As at 30 June 2016	As at 31 December 2015
At amortised cost		
Demand deposits		
— Corporate deposits	3,465,199	3,130,624
— Personal deposits	2,359,058	2,092,841
Subtotal	5,824,257	5,223,465
Time deposits		
— Corporate deposits	3,150,427	3,037,783
— Personal deposits	2,979,064	2,841,372
Subtotal	6,129,491	5,879,155
Certificates of deposit	248,092	230,793
Other deposits	53,933	55,847
Total due to customers at amortised cost	12,255,773	11,389,260
At fair value		
Structured deposits		
— Corporate deposits	218,546	274,799
— Personal deposits	77,531	65,112
Total due to customers at fair value ⁽¹⁾	296,077	339,911
Total due to customers ⁽²⁾	<u>12,551,850</u>	<u>11,729,171</u>

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

There were no significant changes in the Group's credit risk and therefore there were no significant gains or losses attributable to changes in the Group's credit risk for the above-mentioned structured deposits during the six month period ended 30 June 2016 and the year ended 31 December 2015.

- (2) Due to customers included margin deposits for security received by the Group as at 30 June 2016 of RMB356,817 million (31 December 2015: RMB338,385 million).

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**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****22 Share appreciation rights plan**

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

23 Deferred income taxes

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

	As at 30 June 2016		As at 31 December 2015	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets	90,897	24,516	81,700	22,246
Deferred income tax liabilities	(27,158)	(4,861)	(22,035)	(4,291)
Net	<u>63,739</u>	<u>19,655</u>	<u>59,665</u>	<u>17,955</u>

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

23 Deferred income taxes (Continued)

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

	As at 30 June 2016		As at 31 December 2015	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	136,940	34,444	121,017	30,437
Pension, retirement benefits and salary payable	14,748	3,687	19,125	4,781
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	67,581	16,881	27,946	6,922
Fair value changes of available for sale investment securities credited to other comprehensive income	796	137	1,629	290
Other temporary differences	12,965	2,345	12,493	2,329
Subtotal	233,030	57,494	182,210	44,759
Deferred income tax liabilities				
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	(79,806)	(19,943)	(37,615)	(9,404)
Fair value changes of available for sale investment securities charged to other comprehensive income	(15,777)	(3,830)	(20,402)	(5,045)
Depreciation of property and equipment	(16,169)	(2,788)	(14,917)	(2,575)
Revaluation of property and investment properties	(10,637)	(2,085)	(10,447)	(2,048)
Other temporary differences	(46,902)	(9,193)	(39,164)	(7,732)
Subtotal	(169,291)	(37,839)	(122,545)	(26,804)
Net	63,739	19,655	59,665	17,955

As at 30 June 2016, deferred tax liabilities relating to temporary differences of RMB93,884 million associated with the Group's investment in subsidiaries have not been recognised (31 December 2015: RMB70,336 million).

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**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****23 Deferred income taxes (Continued)**

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

	Six month period ended 30 June 2016	Year ended 31 December 2015
As at 1 January	17,955	20,756
Credited/(charged) to the income statement (Note III.8)	715	(77)
Credited/(charged) to other comprehensive income	1,062	(2,546)
Other	(77)	(178)
As at 30 June/31 December	<u>19,655</u>	<u>17,955</u>

23.4 The deferred income tax credit/charge in the condensed consolidated income statement comprises the following temporary differences:

	For the six month period ended 30 June	
	2016	2015
Asset impairment allowances	4,007	848
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	(580)	(179)
Pension, retirement benefits and salary payable	(1,094)	(1,537)
Other temporary differences	(1,618)	(858)
Total	<u>715</u>	<u>(1,726)</u>

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**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****24 Other liabilities**

	As at 30 June 2016	As at 31 December 2015
Interest payable	167,791	174,256
Insurance liabilities		
— Life insurance contracts	76,312	72,867
— Non-life insurance contracts	8,903	8,242
Items in the process of clearance and settlement	69,912	37,193
Salary and welfare payables	22,061	26,711
Dividend payable (Note III.25)	14,646	—
Short position in debt securities	10,201	7,012
Deferred income	7,750	7,099
Placements from banks and other financial institutions at fair value ⁽¹⁾	2,831	1,617
Provision	2,418	3,362
Other	47,494	45,410
Total	<u>430,319</u>	<u>383,769</u>

- (1) Certain financial liabilities related to placements from banks and other financial institutions have been matched with derivatives as part of a documented risk management strategy to mitigate market risk. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the income statement. As at 30 June 2016, the fair value of the financial liabilities related to placements from banks and other financial institutions was approximately the same as the amount that the Group would be contractually required to pay to the holders. There were no significant changes in the Group's credit risk and therefore the amounts of changes in fair value of the abovementioned placements from banks and other financial institutions that were attributable to changes in credit risk were considered not significant during the six month period ended 30 June 2016 and the year ended 31 December 2015.

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

25 Dividends

Dividends for Ordinary Shares

A dividend of RMB0.175 per ordinary share in respect of the profit for the year ended 31 December 2015 amounting to RMB51,518 million was approved at the Annual General Meeting held on 7 June 2016. Of this amount, RMB36,872 million was distributed during the six month period ended 30 June 2016. The undistributed portion of RMB14,646 million was recorded in other liabilities (Note III.24) as at 30 June 2016. Such dividend was distributed on 22 July 2016 after the appropriate withholding of individual and enterprise income taxes.

Dividends for Preference Shares

The dividend distribution of Domestic Preference Shares (Second Tranche) amounting to RMB1,540 million was approved by the Board of Directors of the Bank at the Board Meeting held on 19 January 2016 and the dividend was distributed on 14 March 2016.

26 Changes in consolidation

Disposal of investment in subsidiaries

Bank of China (Hong Kong) Limited (as the seller), a subsidiary directly wholly owned by BOC Hong Kong (Holdings) Limited (“BOCHK (Holdings)”), entered into the Sale and Purchase Agreement with Cinda Financial Holdings Co., Limited (“Cinda Financial”) (as the buyer) and China Cinda (HK) Holdings Company Limited (as the buyer’s guarantor) in relation to the sale and purchase of all the issued shares of NCB on 18 December 2015. The sale was completed in accordance with the terms and conditions of the Sale and Purchase Agreement on 30 May 2016. Upon completion, NCB ceased to be a subsidiary of the Bank and BOCHK (Holdings).

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

27 Contingent liabilities and commitments

27.1 Legal proceedings and arbitrations

As at 30 June 2016, the Group was involved in certain litigation and arbitrations cases in the regular course of its business. In addition, in terms of the range and scale of its international operations, the Group may face a variety of legal proceedings within different jurisdictions, including issues related to anti-money laundering. As at 30 June 2016, provisions of RMB691 million (31 December 2015: RMB860 million) were made based on court judgements or the advice of counsel. After consulting legal professionals, senior management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

27.2 Assets pledged

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

	As at 30 June 2016	As at 31 December 2015
Debt securities	814,213	325,025
Bills	847	2,052
Total	<u>815,060</u>	<u>327,077</u>

27.3 Collateral accepted

The Group accepts securities as collateral that are permitted to be sold or re-pledged in connection with reverse repurchase and derivative agreements with banks and other financial institutions. As at 30 June 2016, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB15,044 million (31 December 2015: RMB24,094 million). As at 30 June 2016, the Group had sold or re-pledged such collateral accepted amounting to RMB621 million (31 December 2015: Nil). These transactions are conducted under standard terms in the normal course of business.

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**III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (Continued)****27 Contingent liabilities and commitments (Continued)****27.4 Capital commitments**

	As at 30 June 2016	As at 31 December 2015
Property and equipment		
— Contracted but not provided for	60,617	64,492
— Authorised but not contracted for	2,927	2,652
Intangible assets		
— Contracted but not provided for	697	721
— Authorised but not contracted for	42	23
Investment properties		
— Contracted but not provided for	3	148
— Authorised but not contracted for	—	—
Total	<u>64,286</u>	<u>68,036</u>

27.5 Operating leases

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

	As at 30 June 2016	As at 31 December 2015
Within 1 year	6,412	6,313
Between 1 and 2 years	4,906	4,864
Between 2 and 3 years	3,651	3,675
Over 3 years	7,109	7,498
Total	<u>22,078</u>	<u>22,350</u>

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

27 Contingent liabilities and commitments (Continued)

27.6 Treasury bonds redemption commitments

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

As at 30 June 2016, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB44,790 million (31 December 2015: RMB44,698 million). The original maturities of these Treasury bonds vary from 3 to 5 years and management expects the amount of redemption before the maturity dates of these bonds through the Bank will not be material.

27.7 Credit commitments

	As at 30 June 2016	As at 31 December 2015
Loan commitments ⁽¹⁾		
— with an original maturity of less than 1 year	117,687	88,629
— with an original maturity of 1 year or over	810,138	744,650
Letters of guarantee issued ⁽²⁾	1,068,627	1,077,070
Undrawn credit card limits	600,477	558,141
Bank bill acceptance	372,041	386,725
Letters of credit issued	124,716	121,720
Accepted bill of exchange under letters of credit	109,717	169,876
Other	66,031	63,222
Total ⁽³⁾	<u>3,269,434</u>	<u>3,210,033</u>

(1) Loan commitments mainly represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at 30 June 2016, the unconditionally revocable loan commitments of the Group amounted to RMB254,026 million (31 December 2015: RMB313,131 million).

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

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

27 Contingent liabilities and commitments (Continued)

27.7 Credit commitments (Continued)

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

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

	As at 30 June 2016	As at 31 December 2015
Credit commitments	1,003,591	1,045,835

27.8 Underwriting obligations

As at 30 June 2016, there was no firm commitment in underwriting securities of the Group (31 December 2015: Nil).

28 Note to the condensed consolidated statement of cash flows

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

	As at 30 June 2016	As at 30 June 2015
Cash and due from banks and other financial institutions	314,872	441,525
Balances with central banks	527,837	507,039
Placements with and loans to banks and other financial institutions	197,022	312,981
Financial investments	53,922	93,621
Total	1,093,653	1,355,166

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

29 Related party transactions

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

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

29.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

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

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

29 Related party transactions (Continued)

29.2 Transactions with Huijin and companies under Huijin (Continued)

(2) Transactions with Huijin

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

Due to Huijin

	Six month period ended 30 June 2016	Year ended 31 December 2015
As at 1 January	17,944	26,442
Received during the period/year	33,592	75,811
Repaid during the period/year	(14,709)	(84,309)
As at 30 June/31 December	<u>36,827</u>	<u>17,944</u>

Bonds issued by Huijin

As at 30 June 2016, the Bank held government backed bonds issued by Huijin in the carrying value of RMB6,459 million (31 December 2015: RMB6,471 million) which were classified as held to maturity and available for sale. These bonds have maturity of not more than 30 years and bear fixed interest rates, payable annually. Purchasing of these bonds was in the ordinary course of business of the Bank, complying with requirements of related regulations and corporate governance.

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

29 Related party transactions (Continued)

29.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin

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

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

	As at 30 June 2016	As at 31 December 2015
Due from banks and other financial institutions	120,077	35,668
Placements with and loans to banks and other financial institutions	89,649	122,169
Financial assets at fair value through profit or loss and financial investments	297,199	389,968
Derivative financial assets	5,391	2,542
Loans and advances to customers	10,720	10,533
Due to customers, banks and other financial institutions	(193,616)	(313,280)
Placements from banks and other financial institutions	(167,420)	(205,400)
Derivative financial liabilities	(2,037)	(2,631)
Credit commitments	4,741	2,553

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

The State Council of the PRC government directly and indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other State-controlled entities. The Group enters into extensive banking transactions with these entities in the normal course of business at commercial terms.

Transactions conducted with government authorities, agencies, affiliates and other State-controlled entities include purchase and redemption of investment securities issued by government agencies, underwriting and distribution of Treasury bonds issued by government agencies through the Group's branch network, foreign exchange transactions and derivative transactions, lending, provision of credit and guarantees and deposit placing and taking.

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

29 Related party transactions (Continued)

29.4 Transactions with associates and joint ventures

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

	As at 30 June 2016	As at 31 December 2015
Loans and advances to customers	1,461	593
Due to customers, banks and other financial institutions	(12,012)	(8,975)
Credit commitments	<u>5,634</u>	<u>2,261</u>

29.5 Transactions with the Annuity Plan

Apart from the obligations for defined contributions to Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the six month period ended 30 June 2016 and the year ended 31 December 2015.

29.6 Transactions with key management personnel

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

The Group enters into banking transactions with key management personnel in the normal course of business. During the six month period ended 30 June 2016 and the year ended 31 December 2015, there were no material transactions and balances with key management personnel on an individual basis.

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

29 Related party transactions (Continued)

29.7 Transactions with Connected Natural Persons

As at 30 June 2016, the Bank's balance of loans to the connected natural persons as defined in the *Administration of Connected Transactions between Commercial Banks and Their Insiders and Shareholders* of the CBRC and the *Administrative Measures for the Disclosure of Information of Listed Companies* of the China Securities Regulatory Commission (the "CSRC") totalled RMB89 million (31 December 2015: RMB61 million) and RMB9 million (31 December 2015: RMB18 million) respectively.

29.8 Balances with subsidiaries

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

	As at 30 June 2016	As at 31 December 2015
Due from banks and other financial institutions	33,012	32,415
Placements with and loans to banks and other financial institutions	68,816	64,707
Due to banks and other financial institutions	(40,867)	(58,889)
Placements from banks and other financial institutions	(87,142)	(52,888)

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

30 Segment reporting

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

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

Geographical segments

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

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

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

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

30 Segment reporting (Continued)

Business segments

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

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

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

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

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

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

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

30 Segment reporting (Continued)

As at and for the six month period ended 30 June 2016

	Hong Kong, Macau and Taiwan				Other countries and regions	Elimination	Total
	Chinese mainland	BOCHK Group	Other	Subtotal			
Interest income	248,565	17,917	10,754	28,671	14,945	(7,916)	284,265
Interest expense	(114,734)	(5,891)	(8,438)	(14,329)	(8,260)	7,916	(129,407)
Net interest income	133,831	12,026	2,316	14,342	6,685	–	154,858
Fee and commission income	40,289	6,634	3,294	9,928	2,831	(929)	52,119
Fee and commission expense	(1,793)	(1,761)	(602)	(2,363)	(674)	538	(4,292)
Net fee and commission income	38,496	4,873	2,692	7,565	2,157	(391)	47,827
Net trading gains	1,003	2,415	863	3,278	848	–	5,129
Net gains on financial investments	5,757	534	89	623	–	–	6,380
Other operating income ⁽¹⁾	9,908	32,880	5,689	38,569	79	(131)	48,425
Operating income	188,995	52,728	11,649	64,377	9,769	(522)	262,619
Operating expenses ⁽¹⁾	(66,519)	(9,542)	(5,055)	(14,597)	(2,978)	522	(83,572)
Impairment (losses)/reversal on assets	(48,876)	(751)	210	(541)	(529)	–	(49,946)
Operating profit	73,600	42,435	6,804	49,239	6,262	–	129,101
Share of results of associates and joint ventures	–	1	515	516	–	–	516
Profit before income tax	73,600	42,436	7,319	49,755	6,262	–	129,617
Income tax expense							(22,309)
Profit for the period							107,308
Segment assets	13,907,802	1,987,813	1,115,142	3,102,955	1,876,715	(1,298,646)	17,588,826
Investment in associates and joint ventures	–	52	12,389	12,441	–	–	12,441
Total assets	13,907,802	1,987,865	1,127,531	3,115,396	1,876,715	(1,298,646)	17,601,267
Include: non-current assets ⁽²⁾	93,184	23,227	102,906	126,133	5,087	(161)	226,243
Segment liabilities	12,819,390	1,815,004	1,023,948	2,838,952	1,821,107	(1,298,485)	16,180,964
Other segment items:							
Intersegment net interest (expense)/income	(2,039)	501	3,290	3,791	(1,752)	–	–
Intersegment net fee and commission income	198	6	600	606	(413)	(391)	–
Capital expenditure	1,604	304	5,003	5,307	166	–	7,077
Depreciation and amortisation	5,610	428	1,506	1,934	120	–	7,664
Credit commitments	2,878,515	219,321	124,108	343,429	424,134	(376,644)	3,269,434

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

30 Segment reporting (Continued)

As at 31 December 2015 and for the six month period ended 30 June 2015

	Hong Kong, Macau and Taiwan					Other countries and regions	Elimination	Total
	Chinese mainland	BOCHK Group	Other	Subtotal				
Interest income	273,739	19,424	12,313	31,737	16,683	(13,737)		308,422
Interest expense	(134,188)	(6,761)	(8,997)	(15,758)	(8,822)	13,737		(145,031)
Net interest income	139,551	12,663	3,316	15,979	7,861	-		163,391
Fee and commission income	42,798	6,370	3,649	10,019	2,314	(997)		54,134
Fee and commission expense	(1,464)	(1,708)	(826)	(2,534)	(688)	596		(4,090)
Net fee and commission income	41,334	4,662	2,823	7,485	1,626	(401)		50,044
Net trading gains/(losses)	3,435	35	(133)	(98)	(776)	-		2,561
Net gains on financial investments	1,192	655	1,075	1,730	-	-		2,922
Other operating income ⁽¹⁾	6,982	8,362	4,672	13,034	68	(124)		19,960
Operating income	192,494	26,377	11,753	38,130	8,779	(525)		238,878
Operating expenses ⁽¹⁾	(69,269)	(12,012)	(4,520)	(16,532)	(1,958)	525		(87,234)
Impairment losses on assets	(27,257)	(640)	(343)	(983)	(336)	-		(28,576)
Operating profit	95,968	13,725	6,890	20,615	6,485	-		123,068
Share of results of associates and joint ventures	-	(2)	1,416	1,414	-	-		1,414
Profit before income tax	95,968	13,723	8,306	22,029	6,485	-		124,482
Income tax expense								(29,496)
Profit for the period								94,986
Segment assets	13,053,114	1,946,338	1,053,777	3,000,115	1,819,844	(1,068,319)		16,804,754
Investment in associates and joint ventures	-	51	10,792	10,843	-	-		10,843
Total assets	13,053,114	1,946,389	1,064,569	3,010,958	1,819,844	(1,068,319)		16,815,597
Include: non-current assets ⁽²⁾	99,138	22,463	101,458	123,921	4,702	(161)		227,600
Segment liabilities	11,970,984	1,811,943	972,123	2,784,066	1,770,859	(1,067,917)		15,457,992
Other segment items:								
Intersegment net interest (expense)/income	(8,472)	1,412	5,746	7,158	1,314	-		-
Intersegment net fee and commission income	504	25	251	276	(379)	(401)		-
Capital expenditure	1,890	445	10,014	10,459	73	-		12,422
Depreciation and amortisation	5,701	439	1,466	1,905	118	-		7,724
Credit commitments	2,909,919	238,142	136,096	374,238	356,650	(430,774)		3,210,033

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

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

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

30 Segment reporting (Continued)

As at and for the six month period ended 30 June 2016

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	151,607	97,845	72,516	467	1,300	493	(39,963)	284,265
Interest expense	(66,113)	(44,804)	(57,064)	(87)	(10)	(1,292)	39,963	(129,407)
Net interest income/(expense)	85,494	53,041	15,452	380	1,290	(799)	-	154,858
Fee and commission income	22,877	20,937	6,815	1,972	-	363	(845)	52,119
Fee and commission expense	(1,563)	(1,486)	(363)	(402)	(1,121)	(17)	660	(4,292)
Net fee and commission income	21,314	19,451	6,452	1,570	(1,121)	346	(185)	47,827
Net trading gains	1,241	474	2,581	15	698	112	8	5,129
Net gains on financial investments	7	1	6,144	16	155	57	-	6,380
Other operating income	662	4,467	536	114	8,316	35,434	(1,104)	48,425
Operating income	108,718	77,434	31,165	2,095	9,338	35,150	(1,281)	262,619
Operating expenses	(30,394)	(33,102)	(8,559)	(1,000)	(8,810)	(2,988)	1,281	(83,572)
Impairment losses on assets	(40,858)	(8,316)	(587)	(5)	(19)	(161)	-	(49,946)
Operating profit	37,466	36,016	22,019	1,090	509	32,001	-	129,101
Share of results of associates and joint ventures	-	-	-	228	(11)	318	(19)	516
Profit before income tax	37,466	36,016	22,019	1,318	498	32,319	(19)	129,617
Income tax expense								(22,309)
Profit for the period								107,308
Segment assets	7,324,897	3,169,015	6,700,048	65,128	116,558	291,283	(78,103)	17,588,826
Investment in associates and joint ventures	-	-	-	4,086	-	8,418	(63)	12,441
Total assets	7,324,897	3,169,015	6,700,048	69,214	116,558	299,701	(78,166)	17,601,267
Segment liabilities	8,231,954	5,496,785	2,205,870	54,911	102,245	167,141	(77,942)	16,180,964
Other segment items:								
Intersegment net interest income/(expense)	5,745	33,883	(39,324)	44	44	(392)	-	-
Intersegment net fee and commission income	320	347	(1)	-	(654)	173	(185)	-
Capital expenditure	522	577	28	29	15	5,906	-	7,077
Depreciation and amortisation	2,438	2,948	606	36	92	1,544	-	7,664
Credit commitments	2,571,890	697,544	-	-	-	-	-	3,269,434

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

30 Segment reporting (Continued)

As at 31 December 2015 and for the six month period ended 30 June 2015

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	171,512	92,275	70,295	699	1,077	335	(27,771)	308,422
Interest expense	(89,845)	(48,693)	(32,938)	(193)	–	(1,133)	27,771	(145,031)
Net interest income/(expense)	81,667	43,582	37,357	506	1,077	(798)	–	163,391
Fee and commission income	23,141	21,724	7,647	2,213	–	276	(867)	54,134
Fee and commission expense	(1,301)	(1,452)	(320)	(689)	(1,028)	(12)	712	(4,090)
Net fee and commission income	21,840	20,272	7,327	1,524	(1,028)	264	(155)	50,044
Net trading (losses)/gains	(422)	196	2,705	193	(109)	(9)	7	2,561
Net gains on financial investments	31	508	1,054	276	288	765	–	2,922
Other operating income	334	3,795	692	153	10,253	5,836	(1,103)	19,960
Operating income	103,450	68,353	49,135	2,652	10,481	6,058	(1,251)	238,878
Operating expenses	(33,887)	(32,387)	(8,830)	(979)	(9,579)	(2,823)	1,251	(87,234)
Impairment losses on assets	(21,591)	(6,294)	(217)	–	(43)	(431)	–	(28,576)
Operating profit	47,972	29,672	40,088	1,673	859	2,804	–	123,068
Share of results of associates and joint ventures	–	–	–	512	–	923	(21)	1,414
Profit before income tax	47,972	29,672	40,088	2,185	859	3,727	(21)	124,482
Income tax expense	–	–	–	–	–	–	–	(29,496)
Profit for the period	47,972	29,672	40,088	2,185	859	3,727	(21)	94,986
Segment assets	7,183,768	2,960,341	6,300,439	74,058	106,706	279,010	(101,568)	16,804,754
Investment in associates and joint ventures	–	–	–	3,888	–	7,015	(60)	10,843
Total assets	7,183,768	2,960,341	6,300,439	77,946	106,706	286,025	(101,628)	16,815,597
Segment liabilities	7,907,454	5,232,341	2,078,706	64,366	93,485	183,047	(101,407)	15,457,992
Other segment items:								
Intersegment net interest (expense)/income	(11,932)	26,985	(14,796)	114	60	(431)	–	–
Intersegment net fee and commission income	3	100	–	–	(704)	756	(155)	–
Capital expenditure	575	640	30	26	39	11,112	–	12,422
Depreciation and amortisation	2,502	3,048	553	34	45	1,542	–	7,724
Credit commitments	2,559,433	650,600	–	–	–	–	–	3,210,033

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

31 Transfers of financial assets

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

Repurchase agreements

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

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

	As at 30 June 2016		As at 31 December 2015	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	<u>43,336</u>	<u>43,245</u>	<u>5,170</u>	<u>4,942</u>

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

31 Transfers of financial assets (Continued)

Credit assets transfers

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

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB495 million as at 30 June 2016 (31 December 2015: RMB858 million), which also approximates the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The carrying amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB13,121 million (31 December 2015: RMB3,385 million) and the carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB2,067 million as at 30 June 2016 (31 December 2015: RMB614 million).

32 Interests in the unconsolidated structured entities

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

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

32 Interests in the unconsolidated structured entities (Continued)

Structured entities sponsored by the Group

In conducting wealth management business in Chinese mainland, the Group established various structured entities to provide customers specialised investment opportunities within narrow and well-defined objectives. As at 30 June 2016, the balance of the above unconsolidated bank wealth management products sponsored by the Group amounted to RMB1,042,353 million (31 December 2015: RMB1,107,079 million). For the six month period ended 30 June 2016, fee and commission income from wealth management business, which includes commission, custodian fee and management fee amounted to RMB4,954 million (for the six month period ended 30 June 2015: RMB5,011 million).

For the purpose of asset-liability management, wealth management products may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into repurchase and placement transactions with these wealth management products in accordance with market principles. During the six month period ended 30 June 2016, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB26,000 million (for the six month period ended 30 June 2015: RMB19,300 million). Such financing provided by the Group was included in “Placements with and loans to banks and other financial institutions”. As at 30 June 2016, the balance of above tradings was RMB26,000 million (31 December 2015: Nil). The maximum exposure to loss of those placements approximated to the carrying amount.

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB301 million during the six month period ended 30 June 2016 (for the six month period ended 30 June 2015: RMB3,929 million). For description of the portion of asset-backed securities issued by above structured entities and held by the Group, refer to Note III.31. As at 30 June 2016, the amount of assets held by publicly offered funds that are sponsored by the Group was RMB244,600 million (31 December 2015: RMB277,800 million).

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

32 Interests in the unconsolidated structured entities (Continued)

Structured entities sponsored by other financial institutions

As at 30 June 2016, the interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out as below:

Structured entity type	Financial assets at fair value through profit or loss	Investment securities available for sale	Debt securities held to maturity	Financial investments classified as loans and receivables	Total	Maximum exposure to loss
As at 30 June 2016						
Fund	5,336	18,820	–	–	24,156	24,170
Investment trusts and asset management plans	–	–	–	113,435	113,435	113,435
Asset-backed securitisations	<u>–</u>	<u>24,563</u>	<u>17,236</u>	<u>1,326</u>	<u>43,125</u>	<u>43,125</u>
As at 31 December 2015						
Fund	4,832	15,853	–	–	20,685	20,702
Wealth management plans	–	–	–	100	100	100
Investment trusts and asset management plans	–	243	–	270,886	271,129	271,129
Asset-backed securitisations	<u>–</u>	<u>26,837</u>	<u>6,353</u>	<u>116</u>	<u>33,306</u>	<u>33,306</u>

33 Events after the financial reporting date

Dividend distribution plan of Offshore Preference Shares and Domestic Preference Shares (First Tranche)

The dividend distribution of Offshore Preference Shares and Domestic Preference Shares (First Tranche) was approved by the Board of Directors of the Bank at the Board Meeting held on 30 August 2016. The annual dividend rate is 6.75% (calculated on the basis of RMB but paid out in US Dollars per a fixed exchange rate) for the Offshore Preference Shares amounting to approximately RMB3,261 million in total and the dividend is to be paid on 24 October 2016. The annual dividend for the Domestic Preference Shares (First Tranche) amounting to RMB1,920 million is set to be paid on 21 November 2016 at a dividend rate of 6.00%. The dividend payable is not reflected in liabilities of the financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

33 Events after the financial reporting date (Continued)

Issuance of overseas bonds

On 5 July 2016, the Bank issued offshore Green Bonds with the equivalent value of USD3 billion as part of the Bank's USD20 billion Medium Term Note Issuance Programme. The Bonds were issued in three currencies, namely USD, EUR and RMB, maturing between 2018 and 2021.

IV FINANCIAL RISK MANAGEMENT

1 Credit risk

1.1 Loans and advances

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

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

Group

	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Chinese mainland	7,618,757	78.32%	7,199,094	78.80%
Hong Kong, Macau and Taiwan	1,189,689	12.23%	1,100,615	12.05%
Other countries and regions	919,829	9.45%	836,151	9.15%
Total loans and advances to customers	<u>9,728,275</u>	<u>100.00%</u>	<u>9,135,860</u>	<u>100.00%</u>

Chinese mainland

	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Northern China	1,228,454	16.12%	1,158,592	16.09%
Northeastern China	499,897	6.56%	484,432	6.73%
Eastern China	3,012,314	39.54%	2,863,049	39.77%
Central and Southern China	1,897,522	24.91%	1,768,388	24.57%
Western China	980,570	12.87%	924,633	12.84%
Total loans and advances to customers	<u>7,618,757</u>	<u>100.00%</u>	<u>7,199,094</u>	<u>100.00%</u>

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

	As at 30 June 2016			Total
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	
Corporate loans				
— Trade bills	711,138	111,397	169,256	991,791
— Other	4,209,108	726,720	720,236	5,656,064
Personal loans	2,698,511	351,572	30,337	3,080,420
Total loans and advances to customers	<u>7,618,757</u>	<u>1,189,689</u>	<u>919,829</u>	<u>9,728,275</u>
	As at 31 December 2015			Total
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	
Corporate loans				
— Trade bills	734,829	127,512	194,426	1,056,767
— Other	4,065,532	632,015	615,598	5,313,145
Personal loans	2,398,733	341,088	26,127	2,765,948
Total loans and advances to customers	<u>7,199,094</u>	<u>1,100,615</u>	<u>836,151</u>	<u>9,135,860</u>

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IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Group

	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,690,909	17.38%	1,684,276	18.43%
Commerce and services	1,325,910	13.63%	1,318,028	14.43%
Transportation, storage and postal services	951,307	9.78%	892,207	9.77%
Real estate	795,187	8.17%	760,511	8.32%
Production and supply of electricity, heating, gas and water	487,051	5.01%	442,536	4.84%
Mining	409,359	4.21%	371,581	4.07%
Financial services	392,797	4.04%	332,835	3.64%
Construction	197,560	2.03%	184,112	2.01%
Water, environment and public utility management	162,176	1.67%	168,631	1.85%
Public utilities	132,291	1.36%	110,242	1.21%
Other	103,308	1.06%	104,953	1.15%
Subtotal	6,647,855	68.34%	6,369,912	69.72%
Personal loans				
Mortgages	2,359,072	24.25%	2,045,787	22.39%
Credit cards	278,218	2.86%	268,923	2.95%
Other	443,130	4.55%	451,238	4.94%
Subtotal	3,080,420	31.66%	2,765,948	30.28%
Total loans and advances to customers	9,728,275	100.00%	9,135,860	100.00%

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Chinese mainland

	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,411,342	18.52%	1,401,271	19.47%
Commerce and services	886,882	11.64%	859,541	11.94%
Transportation, storage and postal services	823,497	10.81%	779,443	10.83%
Real estate	452,739	5.94%	462,914	6.43%
Production and supply of electricity, heating, gas and water	406,676	5.34%	397,511	5.52%
Mining	221,478	2.91%	227,805	3.16%
Financial services	241,386	3.17%	209,285	2.91%
Construction	168,607	2.21%	161,428	2.24%
Water, environment and public utility management	162,172	2.13%	168,608	2.34%
Public utilities	114,668	1.51%	104,719	1.45%
Other	30,799	0.40%	27,836	0.39%
Subtotal	4,920,246	64.58%	4,800,361	66.68%
Personal loans				
Mortgages	2,080,484	27.31%	1,779,310	24.72%
Credit cards	266,057	3.49%	256,204	3.56%
Other	351,970	4.62%	363,219	5.04%
Subtotal	2,698,511	35.42%	2,398,733	33.32%
Total loans and advances to customers	<u>7,618,757</u>	<u>100.00%</u>	<u>7,199,094</u>	<u>100.00%</u>

BANK OF CHINA LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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IV FINANCIAL RISK MANAGEMENT (Continued)**1 Credit risk (Continued)****1.1 Loans and advances (Continued)***(1) Concentrations of risk for loans and advances to customers (Continued)**(iv) Analysis of loans and advances to customers by collateral type***Group**

	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Unsecured loans	2,921,326	30.03%	2,727,927	29.86%
Guaranteed loans	1,949,487	20.04%	1,867,312	20.44%
Collateralised and other secured loans				
— Loans secured by property and other immovable assets	3,875,224	39.83%	3,548,200	38.84%
— Other pledged loans	982,238	10.10%	992,421	10.86%
Total loans and advances to customers	<u>9,728,275</u>	<u>100.00%</u>	<u>9,135,860</u>	<u>100.00%</u>

Chinese mainland

	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Unsecured loans	1,952,736	25.63%	1,925,265	26.74%
Guaranteed loans	1,642,614	21.56%	1,583,108	21.99%
Collateralised and other secured loans				
— Loans secured by property and other immovable assets	3,288,407	43.16%	2,992,839	41.57%
— Other pledged loans	735,000	9.65%	697,882	9.70%
Total loans and advances to customers	<u>7,618,757</u>	<u>100.00%</u>	<u>7,199,094</u>	<u>100.00%</u>

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IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

Group

	As at 30 June 2016			As at 31 December 2015		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	138,234	97.14%	1.81%	127,635	98.00%	1.77%
Hong Kong, Macau and Taiwan	1,886	1.33%	0.16%	1,482	1.14%	0.13%
Other countries and regions	2,175	1.53%	0.24%	1,120	0.86%	0.13%
Total	<u>142,295</u>	<u>100.00%</u>	<u>1.46%</u>	<u>130,237</u>	<u>100.00%</u>	<u>1.43%</u>

Chinese mainland

	As at 30 June 2016			As at 31 December 2015		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	21,092	15.26%	1.72%	20,363	15.95%	1.76%
Northeastern China	10,307	7.46%	2.06%	8,081	6.33%	1.67%
Eastern China	58,157	42.07%	1.93%	54,508	42.71%	1.90%
Central and Southern China	32,091	23.21%	1.69%	29,970	23.48%	1.69%
Western China	16,587	12.00%	1.69%	14,713	11.53%	1.59%
Total	<u>138,234</u>	<u>100.00%</u>	<u>1.81%</u>	<u>127,635</u>	<u>100.00%</u>	<u>1.77%</u>

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IV FINANCIAL RISK MANAGEMENT (Continued)**1 Credit risk (Continued)****1.1 Loans and advances (Continued)****(2) Analysis of impaired loans and advances to customers (Continued)****(ii) Impaired loans and advances by customer type****Group**

	As at 30 June 2016			As at 31 December 2015		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	115,359	81.07%	1.74%	105,576	81.06%	1.66%
Personal loans	26,936	18.93%	0.87%	24,661	18.94%	0.89%
Total	<u>142,295</u>	<u>100.00%</u>	<u>1.46%</u>	<u>130,237</u>	<u>100.00%</u>	<u>1.43%</u>

Chinese mainland

	As at 30 June 2016			As at 31 December 2015		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	111,556	80.70%	2.27%	103,192	80.85%	2.15%
Personal loans	26,678	19.30%	0.99%	24,443	19.15%	1.02%
Total	<u>138,234</u>	<u>100.00%</u>	<u>1.81%</u>	<u>127,635</u>	<u>100.00%</u>	<u>1.77%</u>

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IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

	As at 30 June 2016			As at 31 December 2015		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Manufacturing	49,697	34.92%	3.52%	44,385	34.08%	3.17%
Commerce and services	39,829	27.99%	4.49%	35,561	27.30%	4.14%
Transportation, storage and postal services	4,914	3.45%	0.60%	7,878	6.05%	1.01%
Real estate	5,045	3.55%	1.11%	4,205	3.23%	0.91%
Production and supply of electricity, heating, gas and water	3,281	2.31%	0.81%	3,427	2.63%	0.86%
Mining	4,518	3.18%	2.04%	3,337	2.56%	1.46%
Financial services	216	0.15%	0.09%	136	0.10%	0.06%
Construction	2,989	2.10%	1.77%	3,150	2.42%	1.95%
Water, environment and public utility management	318	0.22%	0.20%	282	0.22%	0.17%
Public utilities	238	0.17%	0.21%	299	0.23%	0.29%
Other	511	0.36%	1.66%	532	0.41%	1.91%
Subtotal	111,556	78.40%	2.27%	103,192	79.23%	2.15%
Personal loans						
Mortgages	8,566	6.02%	0.41%	7,118	5.47%	0.40%
Credit cards	9,335	6.56%	3.51%	8,636	6.63%	3.37%
Other	8,777	6.17%	2.49%	8,689	6.67%	2.39%
Subtotal	26,678	18.75%	0.99%	24,443	18.77%	1.02%
Total for Chinese mainland	138,234	97.15%	1.81%	127,635	98.00%	1.77%
Hong Kong, Macau, Taiwan and other countries and regions						
	4,061	2.85%	0.19%	2,602	2.00%	0.13%
Total	142,295	100.00%	1.46%	130,237	100.00%	1.43%

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IV FINANCIAL RISK MANAGEMENT (Continued)**1 Credit risk (Continued)****1.1 Loans and advances (Continued)****(2) Analysis of impaired loans and advances to customers (Continued)****(iv) Impaired loans and advances and related allowance by geographical area**

	As at 30 June 2016			Net
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	
Chinese mainland	138,234	(63,677)	(23,248)	51,309
Hong Kong, Macau and Taiwan	1,886	(864)	(72)	950
Other countries and regions	2,175	(1,103)	(112)	960
Total	<u>142,295</u>	<u>(65,644)</u>	<u>(23,432)</u>	<u>53,219</u>

	As at 31 December 2015			Net
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	
Chinese mainland	127,635	(59,279)	(22,227)	46,129
Hong Kong, Macau and Taiwan	1,482	(752)	(78)	652
Other countries and regions	1,120	(760)	(39)	321
Total	<u>130,237</u>	<u>(60,791)</u>	<u>(22,344)</u>	<u>47,102</u>

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

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IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(3) Loans and advances rescheduled

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

All rescheduled loans are subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "special-mention" upon review if certain criteria are met. If the rescheduled loans fall overdue or if the borrower is unable to demonstrate its repayment ability, these loans will be reclassified to "doubtful" or below. All rescheduled loans within surveillance period were determined to be impaired as at 30 June 2016 and 31 December 2015.

As at 30 June 2016 and 31 December 2015, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

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IV FINANCIAL RISK MANAGEMENT (Continued)**1 Credit risk (Continued)****1.1 Loans and advances (Continued)****(4) Overdue loans and advances to customers**

Analysis of overdue loans and advances by geographical area

	As at 30 June 2016	As at 31 December 2015
Chinese mainland	173,795	169,340
Hong Kong, Macau and Taiwan	5,971	5,882
Other countries and regions	2,685	3,805
Subtotal	182,451	179,027
Percentage	1.88%	1.96%
Less: total loans and advances to customers which have been overdue for less than 3 months	(65,472)	(72,418)
Total loans and advances to customers which have been overdue for more than 3 months	<u>116,979</u>	<u>106,609</u>
Individually assessed impairment allowance — for loans and advances to customers which have been overdue for more than 3 months	<u>(53,330)</u>	<u>(49,286)</u>

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IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities

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

	As at 30 June 2016					
	Unrated	AAA	AA	A	Lower than A	Total
Issuers in Chinese mainland						
— Government	—	—	1,758,595	773	—	1,759,368
— Public sectors and quasi-governments	41,765	—	—	—	—	41,765
— Policy banks	—	—	40,216	338,614	—	378,830
— Financial institutions	114,232	100	3,781	104,284	86,967	309,364
— Corporate	112,175	—	17,088	78,731	16,120	224,114
— China Orient	160,000	—	—	—	—	160,000
Subtotal	428,172	100	1,819,680	522,402	103,087	2,873,441
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	—	161,138	56,190	69,193	5,008	291,529
— Public sectors and quasi-governments	15,266	24,736	21,909	4,563	—	66,474
— Financial institutions	2,103	3,526	52,404	90,567	33,687	182,287
— Corporate	13,153	29,147	8,402	47,532	15,011	113,245
Subtotal	30,522	218,547	138,905	211,855	53,706	653,535
Total ⁽¹⁾	458,694	218,647	1,958,585	734,257	156,793	3,526,976

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IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities (Continued)

	As at 31 December 2015					
	Unrated	AAA	AA	A	Lower than A	Total
Issuers in Chinese mainland						
— Government	—	—	1,409,744	1,731	—	1,411,475
— Public sectors and quasi-governments	62,293	—	—	—	—	62,293
— Policy banks	—	—	41,654	399,634	—	441,288
— Financial institutions	62,090	100	735	137,062	92,991	292,978
— Corporate	144,391	—	12,142	112,319	9,867	278,719
— China Orient	160,000	—	—	—	—	160,000
Subtotal	428,774	100	1,464,275	650,746	102,858	2,646,753
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	—	193,524	24,256	68,372	3,346	289,498
— Public sectors and quasi-governments	849	22,734	21,779	5,172	—	50,534
— Financial institutions	7,042	4,614	45,818	73,998	25,795	157,267
— Corporate	10,974	27,423	15,888	35,616	16,875	106,776
Subtotal	18,865	248,295	107,741	183,158	46,016	604,075
Total ⁽¹⁾	447,639	248,395	1,572,016	833,904	148,874	3,250,828

- (1) The Group's available for sale and held to maturity debt securities are individually assessed for impairment. The Group's accumulated impairment charges on available for sale and held to maturity debt securities at 30 June 2016 amounted to RMB1,329 million and RMB183 million, respectively (31 December 2015: RMB1,410 million and RMB194 million). The carrying values of the available for sale and held to maturity debt securities considered impaired as at 30 June 2016 were RMB829 million and RMB259 million, respectively (31 December 2015: RMB1,314 million and RMB296 million).

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IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 Derivatives

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

The risk-weighted assets for CCR of derivatives are as follows:

	As at 30 June 2016	As at 31 December 2015
Risk-weighted assets for default risk		
Currency derivatives	71,253	74,872
Interest rate derivatives	3,522	2,506
Equity derivatives	289	365
Commodity derivatives and other	3,572	3,547
	78,636	81,290
Risk-weighted assets for CVA	70,014	45,389
Risk-weighted assets for CCPs	1,317	1,208
Total	<u>149,967</u>	<u>127,887</u>

1.4 Repossessed assets

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

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IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk

2.1 Market risk measurement techniques and limits

(1) Trading book

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

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

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

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

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

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IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

The table below shows the VaR of the trading book by type of risk for the six month periods ended 30 June 2016 and 2015:

	Unit: USD million					
	Six month period ended 30 June					
	2016			2015		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	10.04	13.01	7.77	4.61	5.90	3.44
Foreign exchange risk	4.55	8.59	2.62	4.12	8.37	2.10
Volatility risk	0.71	1.55	0.46	0.24	0.61	0.09
Commodity risk	0.84	1.47	0.01	0.48	0.94	0.06
Total of the Bank's trading VaR	10.04	12.97	6.75	5.88	9.25	4.09

The Bank's VaR for the six month periods ended 30 June 2016 and 2015 was calculated based on the Group's trading positions, excluding those of BOCHK (Holdings) and BOCI.

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

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IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

Unit: USD million

	Six month period ended 30 June					
	2016			2015		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR ⁽ⁱ⁾						
Interest rate risk	3.41	7.37	1.97	3.20	4.85	1.98
Foreign exchange risk	4.28	5.40	3.28	1.62	2.37	1.26
Equity risk	0.12	0.40	0.00	0.04	0.05	0.01
Commodity risk	0.00	0.01	0.00	0.01	0.02	0.00
Total BOCHK (Holdings)'s trading VaR	5.53	7.52	3.88	3.65	4.95	2.30
BOCI's trading VaR ⁽ⁱⁱ⁾						
Equity derivatives unit	1.45	2.68	1.01	1.25	2.15	0.54
Fixed income unit	0.91	1.57	0.56	0.90	1.06	0.66
Global commodity unit	0.08	0.22	0.04	0.08	0.17	0.04
Total BOCI's trading VaR	1.47	2.77	1.05	1.54	2.39	1.02

(i) BOCHK (Holdings)'s trading VaR for the six month periods ended 30 June 2016 and 2015 covered its subsidiaries, including its BOC Credit Card (International) Limited, Chiyu Banking Corporation Limited and NCB. Since NCB was disposed of on 30 May 2016, BOCHK (Holdings)'s trading VaR for the six month period ended 30 June 2016 only included NCB's trading VaR for the five month period ended 30 May 2016.

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

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

(2) Banking book

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

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IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis

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

	As at 30 June 2016					Non-interest bearing	Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years		
Assets							
Cash and due from banks and other financial institutions	192,581	122,682	378,835	1,000	160	71,036	766,294
Balances with central banks	2,071,832	169	267	411	—	220,092	2,292,771
Placements with and loans to banks and other financial institutions	189,457	86,877	196,639	22,625	—	—	495,598
Financial assets at fair value through profit or loss	18,977	24,131	30,990	24,948	33,703	13,033	145,782
Derivative financial assets	—	—	—	—	—	91,037	91,037
Loans and advances to customers, net	2,177,564	1,972,594	4,899,978	104,566	64,935	286,930	9,506,567
Financial investments							
— available for sale	63,364	131,703	229,787	558,534	266,512	53,066	1,302,966
— held to maturity	72,065	103,751	206,116	877,751	530,063	—	1,789,746
— loans and receivables	28,330	52,065	59,772	220,919	117,788	—	478,874
Other	19,118	2,631	1,202	—	—	708,681	731,632
Total assets	4,833,288	2,496,603	6,003,586	1,810,754	1,013,161	1,443,875	17,601,267

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IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 30 June 2016					Non-interest bearing	Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years		
Liabilities							
Due to banks and other financial institutions	1,017,224	39,106	147,187	80,563	–	181,390	1,465,470
Due to central banks	551,868	83,185	147,771	16,390	–	7,350	806,564
Placements from banks and other financial institutions	192,460	145,767	41,756	–	–	–	379,983
Derivative financial liabilities	–	–	–	–	–	84,415	84,415
Due to customers	7,092,998	1,109,306	2,596,783	1,590,093	6,873	155,797	12,551,850
Bonds issued	6,642	15,928	33,497	194,408	51,201	–	301,676
Other	17,735	21,859	8,557	980	1,408	540,467	591,006
Total liabilities	8,878,927	1,415,151	2,975,551	1,882,434	59,482	969,419	16,180,964
Total interest repricing gap	(4,045,639)	1,081,452	3,028,035	(71,680)	953,679	474,456	1,420,303

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IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2015					Non-interest bearing	Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years		
Assets							
Cash and due from banks and other financial institutions	124,019	91,767	361,286	1,827	–	75,479	654,378
Balances with central banks	2,064,120	–	–	–	–	131,943	2,196,063
Placements with and loans to banks and other financial institutions	158,286	71,528	173,974	23,060	–	–	426,848
Financial assets at fair value through profit or loss	8,972	13,959	20,211	30,615	30,325	14,980	119,062
Derivative financial assets	–	–	–	–	–	82,236	82,236
Loans and advances to customers, net	2,271,591	1,900,358	4,337,626	93,349	59,740	272,531	8,935,195
Financial investments							
— available for sale	64,132	151,607	167,734	455,700	192,482	46,878	1,078,533
— held to maturity	46,486	91,150	301,202	819,218	532,734	–	1,790,790
— loans and receivables	39,338	53,237	204,940	206,918	102,277	–	606,710
Assets held for sale	135,688	35,564	39,997	21,372	443	4,873	237,937
Other	6,006	1,907	588	–	–	679,344	687,845
Total assets	4,918,638	2,411,077	5,607,558	1,652,059	918,001	1,308,264	16,815,597

BANK OF CHINA LIMITED

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2015					Non-interest bearing	Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years		
Liabilities							
Due to banks and other financial institutions	1,170,766	60,558	221,521	129,352	–	182,123	1,764,320
Due to central banks	230,608	80,054	83,282	19,335	–	2,430	415,709
Placements from banks and other financial institutions	237,435	181,274	27,917	1,318	–	–	447,944
Derivative financial liabilities	–	–	–	–	–	69,160	69,160
Due to customers	6,529,728	1,221,139	2,225,183	1,581,239	3,628	168,254	11,729,171
Bonds issued	5,828	9,235	32,987	126,217	108,662	–	282,929
Liabilities classified as held for sale	115,324	31,314	33,242	4,999	16	11,955	196,850
Other	9,250	3,689	2,960	12,116	17,017	506,877	551,909
Total liabilities	8,298,939	1,587,263	2,627,092	1,874,576	129,323	940,799	15,457,992
Total interest repricing gap	(3,380,301)	823,814	2,980,466	(222,517)	788,678	367,465	1,357,605

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2016 and 31 December 2015. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the tables are the carrying amounts of the assets and liabilities of the Group along with off-balance sheet positions and credit commitments in RMB equivalent, categorised by the original currencies. Derivative financial instruments are included in net off-balance sheet position using notional amounts.

As at 30 June 2016

	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	626,647	104,127	10,950	5,080	6,684	1,312	11,494	766,294
Balances with central banks	1,841,380	341,213	5,168	17,620	39,001	24,112	24,277	2,292,771
Placements with and loans to banks and other financial institutions	329,274	90,339	27,196	970	41	5,548	42,230	495,598
Financial assets at fair value through profit or loss	70,350	51,500	21,810	880	1,117	113	12	145,782
Derivative financial assets	25,685	13,710	35,305	570	224	12,742	2,801	91,037
Loans and advances to customers, net	7,227,099	1,167,707	686,963	199,135	14,861	32,523	178,279	9,506,567
Financial investments								
— available for sale	736,757	302,124	114,069	21,582	66,686	4,392	57,356	1,302,966
— held to maturity	1,618,990	156,590	5,100	1,722	774	542	6,028	1,789,746
— loans and receivables	462,510	1,658	387	—	774	—	13,545	478,874
Other	270,993	119,033	144,969	1,493	1,379	1,707	192,058	731,632
Total assets	13,209,685	2,348,001	1,051,917	249,052	131,541	82,991	528,080	17,601,267

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 30 June 2016							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Liabilities								
Due to banks and other financial institutions	906,697	314,927	21,625	30,559	12,676	6,892	172,094	1,465,470
Due to central banks	601,623	193,690	8,910	185	–	1,918	238	806,564
Placements from banks and other financial institutions	171,453	164,555	11,366	19,564	1,053	4,638	7,354	379,983
Derivative financial liabilities	6,762	22,047	38,285	524	1,241	12,199	3,357	84,415
Due to customers	9,685,592	1,328,688	951,321	161,286	54,902	48,633	321,428	12,551,850
Bonds issued	158,468	123,933	803	11,076	–	3,843	3,553	301,676
Other	332,888	70,978	165,283	2,332	957	2,180	16,388	591,006
Total liabilities	11,863,483	2,218,818	1,197,593	225,526	70,829	80,303	524,412	16,180,964
Net on-balance sheet position	1,346,202	129,183	(145,676)	23,526	60,712	2,688	3,668	1,420,303
Net off-balance sheet position	(136,878)	(117,110)	318,257	(15,529)	(61,626)	(519)	27,131	13,726
Credit commitments	2,073,815	741,129	239,561	93,493	7,392	36,568	77,476	3,269,434

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2015						
	RMB	USD	HKD	EURO	JPY	GBP	Other
Assets							Total
Cash and due from banks and other financial institutions	547,998	64,079	17,314	6,457	7,234	2,374	8,922
Balances with central banks	1,719,641	344,446	13,189	20,454	28,358	44,901	25,074
Placements with and loans to banks and other financial institutions	273,947	82,142	30,764	2,908	32	2,655	34,400
Financial assets at fair value through profit or loss	46,844	52,709	18,831	580	17	81	—
Derivative financial assets	29,044	2,213	35,320	438	312	11,200	3,709
Loans and advances to customers, net	6,840,062	1,147,024	631,308	140,075	9,256	24,824	142,646
Financial investments							
— available for sale	576,382	261,381	114,358	12,222	65,685	2,647	45,858
— held to maturity	1,618,055	160,191	5,702	117	647	584	5,494
— loans and receivables	591,781	2,978	2	—	—	—	11,949
Assets held for sale	82,994	44,845	102,090	3,614	235	694	3,465
Other	269,996	114,845	109,632	2,057	2,809	1,793	186,713
Total assets	12,596,744	2,276,853	1,078,510	188,922	114,585	91,753	468,230
							16,815,597

BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

As at 31 December 2015								
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Liabilities								
Due to banks and other financial institutions	1,002,165	510,671	21,686	32,645	16,113	6,443	174,597	1,764,320
Due to central banks	232,832	170,901	9,909	–	–	2,067	–	415,709
Placements from banks and other financial institutions	289,664	112,002	13,527	22,310	1,940	4,522	3,979	447,944
Derivative financial liabilities	6,718	14,438	32,383	498	144	10,993	3,986	69,160
Due to customers	9,114,667	1,201,162	881,340	148,277	45,044	44,191	294,490	11,729,171
Bonds issued	167,300	102,956	788	8,321	–	–	3,564	282,929
Liabilities classified as held for sale	74,740	39,000	75,136	3,909	227	535	3,303	196,850
Other	327,837	62,504	144,082	2,463	426	2,263	12,334	551,909
Total liabilities	11,215,923	2,213,634	1,178,851	218,423	63,894	71,014	496,253	15,457,992
Net on-balance sheet position	1,380,821	63,219	(100,341)	(29,501)	50,691	20,739	(28,023)	1,357,605
Net off-balance sheet position	(208,637)	22,587	181,262	36,718	(48,410)	(18,568)	49,757	14,709
Credit commitments	2,055,776	725,409	250,301	81,590	6,348	22,980	67,629	3,210,033

BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.4 Price risk

The Group is exposed to equity price risk on its available for sale listed equity securities. As at 30 June 2016, a 5 percentage variance in listed equity prices from the 30 June 2016 price would impact the fair value of available for sale listed equity positions by RMB411 million (31 December 2015: RMB297 million). For those available for sale equities considered impaired, the impact would be taken to the income statement. The Group is also exposed to commodity risk, mainly related to bullion. The Group manages such risk together with foreign exchange risk (Note IV.2.1).

BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk

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

As at 30 June 2016						
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years
						Over 5 years
						Total
Assets						
Cash and due from banks and other financial institutions	22	190,999	72,596	122,682	378,835	1,000
Balances with central banks	1,717,928	520,750	6,918	169	46,595	411
Placements with and loans to banks and other financial institutions	–	–	189,194	84,361	197,940	24,103
Financial assets at fair value through profit or loss	13,033	–	18,098	22,956	28,823	27,629
Derivative financial assets	–	11,827	12,277	24,844	30,634	9,298
Loans and advances to customers, net	55,978	99,457	424,602	929,134	2,398,761	2,438,607
Financial investments						
— available for sale	51,980	–	30,965	96,333	242,272	609,723
— held to maturity	–	–	56,363	82,983	207,593	903,224
— loans and receivables	–	–	28,330	52,065	59,241	220,150
Other	240,413	323,819	48,051	36,384	33,712	30,259
Total assets	2,079,354	1,146,852	887,394	1,451,911	3,624,406	4,146,946
						17,601,267

BANK OF CHINA LIMITED

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 30 June 2016					
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years
						Over 5 years
						Total
Liabilities						
Due to banks and other financial institutions	-	970,885	197,018	43,797	167,187	86,583
Due to central banks	-	146,780	412,438	83,185	147,771	16,390
Placements from banks and other financial institutions	-	-	192,460	145,767	41,756	-
Derivative financial liabilities	-	8,554	14,117	12,729	33,761	9,725
Due to customers	-	5,887,518	1,316,646	1,128,753	2,587,154	1,619,813
Bonds issued	-	-	6,642	15,928	33,497	192,748
Other	-	185,062	101,066	42,752	128,219	72,974
Total liabilities	-	7,198,799	2,240,387	1,472,911	3,139,345	1,998,233
Net liquidity gap	2,079,354	(6,051,947)	(1,352,993)	(21,000)	485,061	2,266,171
						131,289
						4,015,657
						1,420,303

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

As at 31 December 2015						
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years
						Over 5 years
						Total
Assets						
Cash and due from banks and other financial institutions	22	130,446	69,030	91,767	361,286	1,827
Balances with central banks	1,580,456	576,307	26,582	136	12,582	—
Placements with and loans to banks and other financial institutions	—	—	158,256	69,729	174,865	23,998
Financial assets at fair value through profit or loss	14,460	—	8,729	12,997	18,787	32,407
Derivative financial assets	—	13,629	7,091	6,845	44,929	8,834
Loans and advances to customers, net	49,971	110,598	406,547	918,256	2,173,435	2,250,542
Financial investments						
— available for sale	46,529	—	28,557	116,306	181,096	510,301
— held to maturity	—	—	29,719	68,270	287,726	869,988
— loans and receivables	—	—	39,338	53,237	204,616	207,242
Assets held for sale	10,061	13,924	39,762	24,869	53,170	71,440
Other	239,203	293,031	34,025	26,729	47,425	29,215
Total assets	1,940,702	1,137,935	847,636	1,389,141	3,559,917	4,005,794
						3,934,472
						16,815,597

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 2015					
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years
						Over 5 years
						Total
Liabilities						
Due to banks and other financial institutions	-	1,121,330	182,428	68,261	236,929	155,372
Due to central banks	-	123,381	109,657	80,054	83,282	-
Placements from banks and other financial institutions	-	-	237,435	181,274	27,917	-
Derivative financial liabilities	-	8,874	7,279	7,721	33,636	2,228
Due to customers	-	5,310,840	1,349,408	1,211,480	2,236,700	14,405
Bonds issued	-	-	5,828	9,235	32,987	110,288
Liabilities classified as held for sale	-	77,062	48,191	31,001	35,309	22
Other	-	169,964	71,263	36,826	139,009	60,052
Total liabilities	-	6,811,451	2,011,489	1,625,852	2,825,769	186,995
Net liquidity gap	1,940,702	(5,673,516)	(1,163,853)	(236,711)	734,148	3,747,477
						15,457,992
						1,357,605

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value

4.1 Financial instruments measured at fair value

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

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

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

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

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

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

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IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

	As at 30 June 2016			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
— Debt securities	3,381	120,933	2,122	126,436
— Loans	—	6,313	—	6,313
— Equity securities	6,970	—	—	6,970
— Fund investments and other	6,063	—	—	6,063
Derivative financial assets	14,133	76,897	7	91,037
Investment securities available for sale				
— Debt securities	119,503	1,128,435	1,620	1,249,558
— Equity securities	7,383	2,307	22,644	32,334
— Fund investments and other	4,851	641	15,582	21,074
Financial liabilities measured at fair value				
Placements from banks and other financial institutions at fair value	—	(2,831)	—	(2,831)
Due to customers at fair value	—	(296,077)	—	(296,077)
Short position in debt securities	(569)	(9,632)	—	(10,201)
Derivative financial liabilities	(9,518)	(74,897)	—	(84,415)

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IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
— Debt securities	1,342	96,991	1,531	99,864
— Loans	—	4,218	—	4,218
— Equity securities	9,338	—	—	9,338
— Fund investments and other	5,642	—	—	5,642
Derivative financial assets	13,621	68,615	—	82,236
Investment securities available for sale				
— Debt securities	117,498	911,390	954	1,029,842
— Equity securities	5,588	2,352	22,269	30,209
— Fund investments and other	3,812	715	13,955	18,482
Financial liabilities measured at fair value				
Placements from banks and other financial institutions at fair value	—	(1,617)	—	(1,617)
Due to customers at fair value	—	(339,911)	—	(339,911)
Short position in debt securities	—	(7,012)	—	(7,012)
Derivative financial liabilities	(9,115)	(60,045)	—	(69,160)

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(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 Items

	Financial assets at fair value through profit or loss — Debt securities	Investment securities available for sale			Derivative financial assets
		Debt securities	Equity securities	Fund investments and other	
As at 1 January 2016	1,531	954	22,269	13,955	—
Total gains and losses					
— profit/(loss)	218	(1)	(13)	287	7
— other comprehensive income	—	52	203	813	—
Sales	—	(8)	(135)	(1,206)	—
Purchases	373	493	320	1,733	—
Settlements	—	1	—	—	—
Transfers into Level 3, net	—	129	—	—	—
As at 30 June 2016	<u>2,122</u>	<u>1,620</u>	<u>22,644</u>	<u>15,582</u>	<u>7</u>
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 30 June 2016	<u>218</u>	<u>(1)</u>	<u>(13)</u>	<u>(12)</u>	<u>7</u>
As at 1 January 2015	850	979	19,269	9,329	—
Total gains and losses					
— profit	—	7	581	16	—
— other comprehensive income	—	3	(148)	2,852	—
Sales	(73)	(251)	(1,063)	(1,852)	—
Purchases	754	675	697	3,610	—
Settlements	—	(1)	—	—	—
Transfers out of Level 3, net	—	(458)	—	—	—
Other changes	—	—	2,933	—	—
As at 31 December 2015	<u>1,531</u>	<u>954</u>	<u>22,269</u>	<u>13,955</u>	<u>—</u>
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2015	<u>—</u>	<u>2</u>	<u>(36)</u>	<u>(38)</u>	<u>—</u>

BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Total gains or losses for the six month period ended 30 June 2016 and for the year ended 31 December 2015 included in the income statement as well as total gains or losses included in the income statement relating to financial instruments held as at 30 June 2016 and 31 December 2015 are presented in “Net trading gains”, “Net gains on financial investments” or “Impairment losses on assets” depending on the nature or category of the related financial instruments.

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

	For the six month period ended 30 June 2016			For the six month period ended 30 June 2015		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains/(losses) for the period	299	199	498	657	(16)	641

There were no significant transfers of financial assets and liabilities measured at fair value between level 1 and level 2 during the six month period ended 30 June 2016.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.2 Financial instruments not measured at fair value

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

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

	Carrying value		Fair value	
	As at 30 June 2016	As at 31 December 2015	As at 30 June 2016	As at 31 December 2015
Financial assets				
Debt securities ⁽¹⁾				
— Held to maturity	1,789,746	1,790,790	1,830,370	1,835,942
— Loans and receivables	<u>361,236</u>	<u>330,332</u>	<u>362,734</u>	<u>332,428</u>
Financial liabilities				
Bonds issued ⁽²⁾	<u>301,676</u>	<u>282,929</u>	<u>313,386</u>	<u>294,821</u>

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

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

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

(2) Bonds issued

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

BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.2 Financial instruments not measured at fair value (Continued)

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

As at 30 June 2016				
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities				
— Held to maturity	76,555	1,753,764	51	1,830,370
— Loans and receivables	—	158,789	1,445	160,234

Financial liabilities				
Bonds issued	—	313,386	—	313,386

As at 31 December 2015				
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities				
— Held to maturity	82,146	1,753,796	—	1,835,942
— Loans and receivables	—	129,812	116	129,928

Financial liabilities				
Bonds issued	—	294,821	—	294,821

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management

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

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

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

The Group's capital adequacy ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC. With the approval of CBRC, the Group adopts the advanced capital measurement approaches, which include Foundation Internal Ratings-based Approach for corporate exposures, Internal Ratings-based Approach for retail exposures, Internal Models Approach for market risk and Standardised Approach for operational risk. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated adopting non-advanced approaches.

As a Systemically Important Bank, the Group's capital adequacy ratios are required to meet the lowest requirements of the CBRC by the end of 2018, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 8.50%, 9.50% and 11.50%, respectively.

BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

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

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

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

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

BANK OF CHINA LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

	As at 30 June 2016	As at 31 December 2015
Common equity tier 1 capital adequacy ratio	11.05%	11.10%
Tier 1 capital adequacy ratio	11.98%	12.07%
Capital adequacy ratio	<u>13.91%</u>	<u>14.06%</u>
Composition of the Group's capital base		
Common equity tier 1 capital	1,234,140	1,197,868
Common shares	294,388	294,388
Capital reserve	139,180	139,572
Surplus reserve	111,319	111,207
General reserve	178,659	179,416
Undistributed profits	489,732	451,585
Eligible portion of minority interests	28,254	29,016
Other ⁽²⁾	(7,392)	(7,316)
Regulatory deductions	(15,554)	(15,568)
Goodwill	(96)	(96)
Other intangible assets (except land use rights)	(5,368)	(5,369)
Gains on sales related to securitisation transactions	(206)	(204)
Direct or indirect investments in own shares	(26)	(86)
Reserve relating to cash-flow hedge items not measured at fair value	8	16
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,866)	(9,829)
Net common equity tier 1 capital	<u>1,218,586</u>	<u>1,182,300</u>
Additional tier 1 capital	103,430	103,159
Preference shares and related premium	99,714	99,714
Eligible portion of minority interests	3,716	3,445
Net tier 1 capital	<u>1,322,016</u>	<u>1,285,459</u>
Tier 2 capital	212,944	212,937
Tier 2 capital instruments issued and related premium	148,489	153,266
Excess loan loss provisions	54,030	45,839
Eligible portion of minority interests	10,425	13,832
Net capital	<u>1,534,960</u>	<u>1,498,396</u>
Risk-weighted assets	<u>11,032,910</u>	<u>10,654,081</u>

BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

- (1) When calculating the capital adequacy ratios, Bank of China Group Investment Limited (“BOCG Investment”), Bank of China Insurance Company Limited (“BOC Insurance”), Bank of China Group Insurance Company Limited (“BOCG Insurance”) and Bank of China Group Life Assurance Company Limited (“BOCG Life”) were excluded from the scope of consolidation in accordance with requirements of the CBRC.
- (2) This mainly represented exchange differences from the translation of foreign operations and fair value gains/(losses) on available for sale financial assets.

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

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

1 Liquidity ratios and liquidity coverage ratio

	As at 30 June 2016	As at 31 December 2015
RMB current assets to RMB current liabilities	<u>42.77%</u>	<u>48.65%</u>
Foreign currency current assets to foreign currency current liabilities	<u>57.13%</u>	<u>62.02%</u>

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

Liquidity coverage ratio

According to the *Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks* issued by the CBRC, the Group disclosed the information of liquidity coverage ratio (“LCR”)⁽¹⁾ as the follows.

Regulatory requirements of liquidity coverage ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks (Provisional)*, the commercial banks’ LCR should reach 100% by the end of 2018. During the transition period, the LCR should reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively. During the transition period, eligible commercial banks are encouraged to fulfil the requirements in advance, and banks with LCR already reaching 100% are encouraged to continuously maintain it at 100% or above.

The Group’s liquidity coverage ratio

The Group’s⁽²⁾ average value of LCR⁽³⁾ was 118.08% in the second quarter of 2016, representing a decrease of 1.34 percentage points from the previous quarter. It was primarily due to the decrease in the high-quality liquid assets (“HQLA”).

The Group’s high-quality liquid assets (HQLA) is comprised of cash, central bank reserves which are able to be drawn down under stress scenarios, and debt securities that meet the qualifying criteria for Level 1 or level 2 assets pursuant to the *Liquidity Risk Management of Commercial Banks (Provisional)*.

	2016		2015	
	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December	Quarter ended 30 September
Average value of LCR	<u>118.08%</u>	<u>119.42%</u>	<u>119.33%</u>	<u>113.87%</u>

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

1 Liquidity ratios and Liquidity coverage ratio (continued)

The Group's average values of LCR individual line items in the second quarter of 2016 are as follows:

No.	Total un-weighted value	Total weighted value
High-quality liquid assets		
1 Total high-quality liquid assets (HQLA)		3,122,324
Cash outflows		
2 Retail deposits and deposits from small business customers, of which:		
3 Stable deposits	5,865,625	481,733
4 Less stable deposits	2,096,254	104,796
5 Unsecured wholesale funding, of which:	3,769,371	376,937
6 Operational deposits (excluding those generated from correspondent banking activities)	7,334,076	2,786,735
7 Non-operational deposits (all counterparties)	3,722,208	909,225
8 Unsecured debt	3,607,157	1,872,799
9 Secured funding	4,711	4,711
10 Additional requirements, of which:		8,476
11 Outflows related to derivative exposures and other collateral requirements	1,076,576	121,553
12 Outflows related to loss of funding on debt products	34,052	34,052
13 Credit and liquidity facilities	—	—
14 Other contractual funding obligations	1,042,524	87,501
15 Other contingent funding obligations	168,898	168,898
16 Total cash outflows	2,999,726	55,510
		3,622,905
Cash inflows		
17 Secured lending (including reverse repos and securities borrowing)	103,409	91,036
18 Inflows from fully performing exposures	1,214,686	801,743
19 Other cash inflows	141,994	84,247
20 Total cash inflows	1,460,089	977,026
		Total adjusted value
21 Total HQLA		3,122,324
22 Total net cash outflows		2,645,879
23 Liquidity coverage ratio (%)		118.08%

- (1) The LCR aims to ensure that commercial banks have sufficient HQLA that can be converted into cash to meet the liquidity requirements for at least thirty days under stress scenarios determined by the CBRC.
- (2) When calculating the consolidated LCR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the requirements of the CBRC.
- (3) The average values of LCR and individual line items are the simple arithmetic average of month-end values in the quarter.

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

2 Currency concentrations

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

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
As at 30 June 2016				
Spot assets	1,206,456	22,673	354,307	1,583,436
Spot liabilities	(1,103,578)	(362,693)	(311,970)	(1,778,241)
Forward purchases	4,856,754	543,042	936,009	6,335,805
Forward sales	(4,888,471)	(218,687)	(988,675)	(6,095,833)
Net options position*	(42,775)	(419)	(349)	(43,543)
Net long/(short) position	<u>28,386</u>	<u>(16,084)</u>	<u>(10,678)</u>	<u>1,624</u>
Structural position	<u>31,888</u>	<u>196,866</u>	<u>48,399</u>	<u>277,153</u>
As at 31 December 2015				
Spot assets	1,038,079	15,909	248,416	1,302,404
Spot liabilities	(991,084)	(266,086)	(289,553)	(1,546,723)
Forward purchases	4,395,569	408,637	793,915	5,598,121
Forward sales	(4,375,139)	(205,517)	(780,544)	(5,361,200)
Net options position*	(1,998)	(131)	(44)	(2,173)
Net long/(short) position	<u>65,427</u>	<u>(47,188)</u>	<u>(27,810)</u>	<u>(9,571)</u>
Structural position	<u>27,971</u>	<u>147,136</u>	<u>55,557</u>	<u>230,664</u>

* The net option position is calculated in accordance with the relevant provisions of the CBRC.

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

3 International claims

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

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

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

	Banks	Official sector	Non-bank private sector	Total
As at 30 June 2016				
Asia Pacific				
Chinese mainland	608,592	257,646	839,680	1,705,918
Hong Kong	14,134	402	435,601	450,137
Other Asia Pacific locations	96,423	83,884	303,848	484,155
Subtotal	719,149	341,932	1,579,129	2,640,210
North and South America	58,560	141,169	139,800	339,529
Other	84,028	51,680	184,547	320,255
Total	<u>861,737</u>	<u>534,781</u>	<u>1,903,476</u>	<u>3,299,994</u>

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

4 Overdue assets

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

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

	As at 30 June 2016	As at 31 December 2015
Total loans and advances to customers which have been overdue		
within 3 months	65,472	72,418
between 3 and 6 months	30,522	21,143
between 6 and 12 months	30,463	44,237
over 12 months	55,994	41,229
Total	182,451	179,027
Percentage		
within 3 months	0.67%	0.79%
between 3 and 6 months	0.31%	0.23%
between 6 and 12 months	0.32%	0.49%
over 12 months	0.58%	0.45%
Total	1.88%	1.96%

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

The total amount of overdue “Placements with and loans to banks and other financial institutions” as at 30 June 2016 and 31 December 2015 is not considered material.

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

There are no differences in the Group's operating results for the six month periods ended 30 June 2016 and 2015 or total equity as at 30 June 2016 and as at 31 December 2015 presented in the Group's condensed consolidated interim financial information prepared under IFRS and those prepared under CAS.

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

1 Scope of consolidation

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

2 Capital adequacy ratio

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

	Group		Bank	
	As at 30 June 2016	As at 31 December 2015	As at 30 June 2016	As at 31 December 2015
Net common equity tier 1 capital	1,218,586	1,182,300	1,052,343	1,042,396
Net tier 1 capital	1,322,016	1,285,459	1,152,057	1,142,110
Net capital	1,534,960	1,498,396	1,347,971	1,335,327
Common equity tier 1 capital adequacy ratio	11.05%	11.10%	10.61%	11.06%
Tier 1 capital adequacy ratio	11.98%	12.07%	11.62%	12.12%
Capital adequacy ratio	13.91%	14.06%	13.60%	14.17%

3 Risk-weighted assets

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

	As at 30 June 2016	As at 31 December 2015
Credit risk-weighted assets	10,153,962	9,735,604
Market risk-weighted assets	100,415	102,322
Operational risk-weighted assets	778,533	778,533
Risk-weighted assets increment required to reach capital floor	—	37,622
Total risk-weighted assets	11,032,910	10,654,081

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

4 Credit risk exposures

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

As at 30 June 2016					
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total	Average risk weight
Exposures covered by					
Internal Ratings-based					
Approach	7,804,322	1,281,241	15,404	9,100,967	71.1%
Corporate exposures	5,209,466	1,120,680	15,404	6,345,550	84.2%
Retail exposures	2,594,856	160,561	—	2,755,417	40.9%
Exposures not covered by					
Internal Ratings-based					
Approach	9,575,254	325,634	227,885	10,128,773	36.4%
Of which: Asset securitisation	18,715	—	—	18,715	89.9%
Total	<u>17,379,576</u>	<u>1,606,875</u>	<u>243,289</u>	<u>19,229,740</u>	<u>52.8%</u>
As at 31 December 2015					
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total	Average risk weight
Exposures covered by					
Internal Ratings-based					
Approach	7,521,709	1,301,808	17,759	8,841,276	71.5%
Corporate exposures	5,151,687	1,150,189	17,759	6,319,635	81.2%
Retail exposures	2,370,022	151,619	—	2,521,641	47.1%
Exposures not covered by					
Internal Ratings-based					
Approach	9,118,682	328,579	170,097	9,617,358	35.5%
Of which: Asset securitisation	28,905	—	—	28,905	61.0%
Total	<u>16,640,391</u>	<u>1,630,387</u>	<u>187,856</u>	<u>18,458,634</u>	<u>52.7%</u>

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

5 Capital requirements on market risk

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

	Capital requirements	
	As at 30 June 2016	As at 31 December 2015
Covered by Internal Model Approach	5,452	6,296
Not covered by Internal Model Approach	2,581	1,890
Interest rate risk	2,202	1,273
Equity risk	115	187
Foreign exchange risk	—	—
Commodity risk	264	430
Total	8,033	8,186

6 VaR

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

	For the six month period ended 30 June 2016			
	Average	Maximum	Minimum	End
VaR	245	434	125	174
Stressed VaR	1,438	1,776	1,266	1,714

	For the year ended 31 December 2015			
	Average	Maximum	Minimum	End
VaR	324	716	166	340
Stressed VaR	1,260	1,997	724	1,353

7 Operational risk management

During the reporting period, the Group used the Standardised Approach to measure the consolidated operational risk capital requirement, which amounted to RMB62,283 million. Please refer to the section “Management Discussion and Analysis-Risk Management”.

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

8 Interest rate risk in the banking book

The Group measures interest rate risk mainly by making gap analysis of interest rate re-pricing, on which the sensitivity analysis is based. See below for the results from sensitivity analysis.

Interest rate sensitivity analysis

	(Decrease)/increase in net interest income	
	As at 30 June 2016	As at 31 December 2015
Interest rate basis points move		
+25 basis points	(3,692)	(2,570)
-25 basis points	<u>3,692</u>	<u>2,570</u>

BANK OF CHINA LIMITED

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 1: Composition of capital

	As at 30 June 2016	As at 31 December 2015	Code
Common equity tier 1 capital			
1 Paid-in capital	294,388	294,388	j
2 Retained earnings	779,710	742,208	
2a Surplus reserve	111,319	111,207	q
2b General reserve	178,659	179,416	r
2c Undistributed profits	489,732	451,585	s
3 Accumulated other comprehensive income (and disclosed reserves)	131,788	132,256	
3a Capital reserve	139,180	139,572	l
3b Currency translation differences	(16,427)	(19,890)	p
3c Others	9,035	12,574	n-p
4 Amount attributable to common equity tier 1 capital in transitional period	—	—	
5 Eligible portion of minority interests	28,254	29,016	u
6 Common equity tier 1 capital before regulatory adjustment	1,234,140	1,197,868	
Common equity tier 1 capital: regulatory adjustment			
7 Prudential valuation adjustment	—	—	
8 Goodwill, net of related deferred tax liability	(96)	(96)	-h
9 Other intangible assets (excluding land use rights) (net of deferred tax liabilities deduction)	(5,368)	(5,369)	g-f
10 Net deferred tax assets incurred due to operating losses, relying on the Bank's future profitability to be realised	—	—	
11 Reserve relating to cash-flow hedge items not measured at fair value	8	16	-o
12 Shortfall of provisions to loan losses	—	—	
13 Gains on sale of securitisation	(206)	(204)	-t
14 Unrealised gains and losses that have resulted from changes in the fair value of liabilities due to changes in own credit risk	—	—	
15 Net pension assets with fixed yield (net of deferred tax liabilities deduction)	—	—	
16 Direct or indirect investments in own shares	(26)	(86)	m

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 1: Composition of capital (Continued)

		As at 30 June 2016	As at 31 December 2015	Code
17	Reciprocal cross holdings in common equity of banks or other financial institutions based on agreement	—	—	
18	Non-significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	—	—	
19	Significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	—	—	
20	Collateralised loan service rights	Not applicable	Not applicable	
21	Deductible amount of other net deferred tax assets relying on the bank's future profitability	—	—	
22	Deductible amount of non-deducted part of common equity tier 1 capital of significant minority investments in financial institutions that are outside the scope of regulatory consolidation and other net deferred tax assets relying on the Bank's future profitability in excess of 15% of common equity tier 1 capital	—	—	
23	Of which: Amount deductible out of significant minority investments in financial institutions	—	—	
24	Of which: Amount deductible out of collateralised loan service rights	Not applicable	Not applicable	
25	Of which: Amount deductible out of other net deferred tax assets relying on the Bank's future profitability	—	—	

BANK OF CHINA LIMITED

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 1: Composition of capital (Continued)

	As at 30 June 2016	As at 31 December 2015	Code
26a Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,866)	(9,829)	-e
26b Gap of common equity tier 1 capital of controlled but unconsolidated financial institutions	—	—	
26c Total of other items deductible out of common equity tier 1 capital	—	—	
27 Non-deducted gap deductible out of additional tier 1 capital and tier 2 capital	—	—	
28 Total regulatory adjustment of common equity tier 1 capital	(15,554)	(15,568)	
29 Net common equity tier 1 capital	1,218,586	1,182,300	
Additional tier 1 capital			
30 Additional tier 1 capital instruments and related premiums	99,714	99,714	
31 Of which: Equity part	99,714	99,714	k
32 Of which: Liability part	—	—	
33 Instruments non-attributable to additional tier 1 capital after transitional period	—	—	
34 Eligible portion of minority interests	3,716	3,445	v
35 Of which: Part of instruments non-attributable to additional tier 1 capital after transitional period	—	—	
36 Additional tier 1 capital before regulatory adjustment	103,430	103,159	
Additional tier 1 capital: Regulatory adjustment			
37 Direct or indirect investments in additional tier 1 capital of own banks	—	—	

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 1: Composition of capital (Continued)

	As at 30 June 2016	As at 31 December 2015	Code
38 Additional tier 1 capital cross-held between banks or between the bank and other financial institutions based on agreement	—	—	
39 Non-significant minority investments in additional tier 1 capital of unconsolidated financial institutions (deductible part)	—	—	
40 Significant minority investments in additional tier 1 capital of financial institutions that are outside the scope of regulatory consolidation	—	—	
41a Investment in additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	—	—	
41b Gap of additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	—	—	
41c Other items deductible out of additional tier 1 capital	—	—	
42 Non-deducted gaps deductible out of tier 2 capital	—	—	
43 Total regulatory adjustment of additional tier 1 capital	—	—	
44 Net additional tier 1 capital	103,430	103,159	
45 Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)	1,322,016	1,285,459	
Tier 2 capital			
46 Tier 2 capital instruments issued and related premiums	148,489	153,266	
47 Of which: Part of instruments non-attributable to tier 2 capital after transitional period	98,734	103,930	i

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 1: Composition of capital (Continued)

	As at 30 June 2016	As at 31 December 2015	Code
48 Eligible portion of minority interests	10,425	13,832	
49 Of which: Part of minority interests non-attributable to tier 2 capital after transitional period	2,030	4,309	
50 Excess provision included in tier 2 capital	54,030	45,839	-b-d
51 Tier 2 capital before regulatory adjustment	212,944	212,937	
Tier 2 capital: Regulatory adjustment			
52 Tier 2 capital of the bank held directly or indirectly	—	—	
53 Tier 2 capital cross-held between banks or between the bank and other financial institutions based on agreement	—	—	
54 Non-significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	—	—	
55 Significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	—	—	
56a Investment in tier 2 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	—	—	
56b Gap of tier 2 capital of controlled but unconsolidated financial institutions	—	—	
56c Other items deductible out of tier 2 capital	—	—	
57 Total regulatory adjustment of tier 2 capital	—	—	
58 Net tier 2 capital	212,944	212,937	
59 Total net capital (net tier 1 capital + net tier 2 capital)	1,534,960	1,498,396	
60 Total risk-weighted assets	11,032,910	10,654,081	

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 1: Composition of capital (Continued)

	As at 30 June 2016	As at 31 December 2015	Code
Capital adequacy ratio and reserve capital requirement			
61 Common equity tier 1 capital adequacy ratio	11.05%	11.10%	
62 Tier 1 capital adequacy ratio	11.98%	12.07%	
63 Capital adequacy ratio	13.91%	14.06%	
64 Institution-specific capital requirement	3.50%	3.50%	
65 Of which: Capital reserve requirement	2.50%	2.50%	
66 Of which: Countercyclical reserve requirement	—	—	
67 Of which: Additional capital requirement of G-SIBs	1.00%	1.00%	
68 Ratio of common equity tier 1 capital meeting buffer area to risk-weighted assets	6.05%	6.10%	
Domestic minimum regulatory capital requirement			
69 Common equity tier 1 capital adequacy ratio	5.00%	5.00%	
70 Tier 1 capital adequacy ratio	6.00%	6.00%	
71 Capital adequacy ratio	8.00%	8.00%	
Non-deducted part of threshold deductibles			
72 Non-significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	84,055	81,133	
73 Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	4,411	4,169	
74 Collateralised loan service rights (net of deferred tax liabilities deduction)	Not applicable	Not applicable	
75 Other net deferred tax assets relying on the bank's future profitability (net of deferred tax liabilities deduction)	23,874	21,635	

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 1: Composition of capital (Continued)

	As at 30 June 2016	As at 31 December 2015	Code
Limit of excess loan loss reserve attributable to tier 2 capital			
76 Actual accrued loan loss reserve amount under the Regulatory Weighting Approach	23,094	11,855	-a
77 Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	15,231	5,375	-b
78 Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	58,249	73,651	-c
79 Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	38,799	40,464	-d
Capital instruments meeting exit arrangement			
80 Amount attributable to common equity tier 1 capital of the current period derived from transitional period arrangement	—	—	
81 Amount non-attributable to common equity tier 1 capital derived from transitional period arrangement	—	—	
82 Amount attributable to additional tier 1 capital of the current period derived from transitional period arrangement	—	—	
83 Amount non-attributable to additional tier 1 capital derived from transitional period arrangement	—	—	
84 Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	98,734	103,930	i
85 Amount non-attributable to tier 2 capital of the current period derived from transitional period arrangement	<u>5,196</u>	<u>—</u>	

BANK OF CHINA LIMITED

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 2: Financial and regulatory consolidated balance sheet

	As at 30 June 2016		As at 31 December 2015	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
ASSETS				
Cash and balances with central banks	2,362,124	2,362,122	2,269,434	2,269,433
Due from banks and other financial institutions	696,941	692,522	581,007	576,892
Precious metals	180,712	180,712	176,753	176,753
Placements with and loans to banks and other financial institutions	424,861	418,975	350,218	349,406
Financial assets at fair value through profit or loss	145,782	119,930	119,062	94,336
Derivative financial assets	91,037	90,679	82,236	81,819
Reverse repurchase transactions	70,737	70,725	76,630	76,621
Interest receivable	77,425	76,562	77,354	76,585
Loans and advances to customers	9,506,567	9,506,308	8,935,195	8,934,811
Financial investments				
— available for sale	1,302,966	1,243,830	1,078,533	1,026,613
— held to maturity	1,789,746	1,777,848	1,790,790	1,776,709
— receivable	478,874	473,599	606,710	603,205
Long term equity investment	12,441	44,070	10,843	43,790
Investment properties	22,099	12,469	23,281	11,284
Property and equipment	181,946	95,797	182,031	99,433
Intangible assets	13,604	12,470	13,854	12,689
Goodwill	2,499	96	2,449	96
Deferred income tax assets	24,516	23,874	22,246	21,635
Assets held for sale	—	—	237,937	237,937
Other assets	216,390	173,717	179,034	147,146
Total assets	17,601,267	17,376,305	16,815,597	16,617,193

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

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

	As at 30 June 2016		As at 31 December 2015	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
LIABILITIES				
Due to central banks	806,564	806,564	415,709	415,709
Due to banks and other financial institutions	1,465,470	1,465,470	1,764,320	1,764,320
Placements from banks and other financial institutions	194,178	193,314	264,446	262,814
Financial liabilities at fair value				
through profit or loss	13,032	13,032	8,629	8,629
Derivative financial liabilities	84,415	83,351	69,160	68,101
Repurchase transactions	185,805	185,805	183,498	183,498
Due to customers	12,551,850	12,555,164	11,729,171	11,730,916
Benefits payable	26,036	25,703	30,966	30,486
Tax payable	23,038	22,579	37,982	37,490
Interest payable	167,791	167,791	174,256	174,256
Contingent liabilities	2,418	2,418	3,362	3,362
Bonds issued	301,676	268,974	282,929	255,953
Deferred income tax liabilities	4,861	572	4,291	430
Liabilities classified as held for sale	—	—	196,850	196,850
Other liabilities	353,830	214,226	292,423	164,037
Total liabilities	16,180,964	16,004,963	15,457,992	15,296,851
EQUITY				
Share capital	294,388	294,388	294,388	294,388
Other equity instruments	99,714	99,714	99,714	99,714
Capital reserve	141,708	139,180	140,098	139,572
Less: Treasury shares	(26)	(26)	(86)	(86)
Other comprehensive income	(704)	(7,392)	(2,345)	(7,316)
Surplus reserve	111,662	111,319	111,511	111,207
General reserve	178,755	178,659	179,485	179,416
Undistributed profits	522,739	489,732	482,181	451,585
Capital and reserves attributable to equity holders of the Bank	1,348,236	1,305,574	1,304,946	1,268,480
Non-controlling interests	72,067	65,768	52,659	51,862
Total equity	1,420,303	1,371,342	1,357,605	1,320,342
Total equity and liabilities	17,601,267	17,376,305	16,815,597	16,617,193

BANK OF CHINA LIMITED

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 3: Reconciliation and illustration of balance sheet items

	As at 30 June 2016	As at 31 December 2015	Code
ASSETS			
Cash and balances with central banks	2,362,122	2,269,433	
Due from banks and other financial institutions	692,522	576,892	
Precious metals	180,712	176,753	
Placements with and loans to banks and other financial institutions	418,975	349,406	
Financial assets at fair value through profit or loss	119,930	94,336	
Derivative financial assets	90,679	81,819	
Reverse repurchase transactions	70,725	76,621	
Interest receivable	76,562	76,585	
Loans and advances to customers	9,506,308	8,934,811	
Of which: Actual accrued loan loss reserve amount under the Regulatory Weighting Approach	(23,094)	(11,855)	a
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	(15,231)	(5,375)	b
Of which: Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	(58,249)	(73,651)	c
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	(38,799)	(40,464)	d
Financial investments			
— Available for sale	1,243,830	1,026,613	
— Held to maturity	1,777,848	1,776,709	
— Receivables	473,599	603,205	
Long term equity investment	44,070	43,790	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,866	9,829	e
Investment properties	12,469	11,284	
Property and equipment	95,797	99,433	
Intangible assets	12,470	12,689	f
Of which: Land use rights	7,102	7,320	g
Goodwill	96	96	h
Deferred income tax assets	23,874	21,635	
Assets held for sale	—	237,937	
Other assets	173,717	147,146	
Total assets	17,376,305	16,617,193	

BANK OF CHINA LIMITED

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

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

	As at 30 June 2016	As at 31 December 2015	Code
LIABILITIES			
Due to central banks	806,564	415,709	
Due to banks and other financial institutions	1,465,470	1,764,320	
Placements from banks and other financial institutions	193,314	262,814	
Financial liabilities at fair value through profit or loss	13,032	8,629	
Derivative financial liabilities	83,351	68,101	
Repurchase transactions	185,805	183,498	
Due to customers	12,555,164	11,730,916	
Benefits payable	25,703	30,486	
Tax payable	22,579	37,490	
Interest payable	167,791	174,256	
Contingent liabilities	2,418	3,362	
Bonds issued	268,974	255,953	
Of which: Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	98,734	103,930	i
Deferred income tax liabilities	572	430	
Liabilities classified as held for sale	—	196,850	
Other liabilities	214,226	164,037	
Total liabilities	<u>16,004,963</u>	<u>15,296,851</u>	

BANK OF CHINA LIMITED

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

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

	As at 30 June 2016	As at 31 December 2015	Code
EQUITY			
Share capital	294,388	294,388	j
Other equity instruments	99,714	99,714	k
Capital reserve	139,180	139,572	l
Less: Treasury shares	(26)	(86)	m
Other comprehensive income	(7,392)	(7,316)	n
Of which: Reserve relating to cash-flow hedge items not measured at fair value	(8)	(16)	o
Of which: Currency translation differences	(16,427)	(19,890)	p
Surplus reserve	111,319	111,207	q
General reserve	178,659	179,416	r
Undistributed profits	489,732	451,585	s
Of which: Gain on sale of securitisation	206	204	t
Capital and reserves attributable to equity holders of the Bank	1,305,574	1,268,480	
Non-controlling interests	65,768	51,862	
Of which: Amount attributable to common equity tier 1 capital	28,254	29,016	u
Of which: Amount attributable to additional tier 1 capital	3,716	3,445	v
Total equity	1,371,342	1,320,342	
Total equity and liabilities	17,376,305	16,617,193	

BANK OF CHINA LIMITED

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference share (A share)	Preference share (H share)	Preference share (A share)
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	601988.SH	3988.HK	360002.SH	4601.HK	360010.SH
3	Applicable law	PRC law	Hong Kong SAR law	PRC law	Hong Kong SAR law	PRC law
Regulatory processing						
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Common shares	Common shares	Preference shares	Preference shares	Preference shares
8	Amount attributable to regulatory capital (the last reporting day)	282,501	151,808	31,963	39,782	27,969
9	Par value of instrument	210,766	83,622	32,000	39,940	28,000
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve	Other equity instrument	Other equity instrument	Other equity instrument

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference share (A share)	Preference share (H share)	Preference share (A share)
Regulatory processing (Continued)						
11	Initial issuing date	2006/6/29	2006/6/1 2006/6/9	2014/11/21	2014/10/23	2015/3/13
12	Term (term or perpetual)	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Not applicable	Not applicable	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter
16	Of which: Subsequent redemption date (if any)	Not applicable	Not applicable	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference share (A share)	Preference share (H share)	Preference share (A share)
Dividend or interest payment						
17	Of which: Fixed or floating dividend or interest payment	Floating	Floating	Fixed	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	Not applicable	Not applicable	6% (dividend yield, before tax)	6.75% (dividend yield, after tax)	5.50% (dividend yield, before tax)
19	Of which: Existence of dividend brake mechanism	Not applicable	Not applicable	Yes	Yes	Yes
20	Of which: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	Not applicable	Not applicable	Yes	Yes	Yes

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference share (A share)	Preference share (H share)	Preference share (A share)
Dividend or interest payment (Continued)						
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET 1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) Upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. “Tier 2 Capital Instrument Trigger Event” means either of the following circumstances (whichever is earlier):	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET 1 CAR drops to 5.125% or below, the Offshore Preference Shares shall be wholly or partly converted into H Shares so as to restore the CET1 CAR above the trigger point; (2) Upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Offshore Preference Shares shall be converted into H Shares. “Tier 2 Capital Instrument Trigger Event” means either of the following circumstances (whichever is earlier):	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET 1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) Upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. “Tier 2 Capital Instrument Trigger Event” means either of the following circumstances (whichever is earlier):

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference share (A share)	Preference share (H share)	Preference share (A share)
Dividend or interest payment (Continued)						
				(i) the CBRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	(i) the CBRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	(i) the CBRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Whole/part	Whole/part	Whole/part

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference share (A share)	Preference share (H share)	Preference share (A share)
Dividend or interest payment (Continued)						
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB2.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalisation, issuance of new shares at a price lower than the market price	The initial conversion price of the Offshore Preference Shares is the average trading price of H Shares of the Bank in the 20 trading days prior to the announcement date (i.e.2014/5/13) of the Board resolution on the Offshore Preference Shares issuance, equivalent to HKD3.44 per H Share, which has been approved by General Meeting. The conversion price will be subject to adjustment in the following events: (a) if	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB2.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalisation, issuance of new shares at a price lower than the market price

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference share (A share)	Preference share (H share)	Preference share (A share)
Dividend or interest payment (Continued)						
				(excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds etc.)), or rights issue for A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary share	the Bank shall issue any H Shares credited as fully paid to holders of H Shares by way of a distribution of bonus shares or a capitalisation issue; (b) if the Bank shall issue any H Shares by way of a rights issue; (c) if the Bank shall issue (otherwise than rights issue) any H Shares (other than H Shares issued on the compulsory conversion of the Offshore Preference Shares or on the exercise of any other rights of conversion into, or exchange or subscription for H Shares), at a price per H Share which is less than the Current Market Price per H Share on the date of the	(excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds etc.)), or rights issue for A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary share

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference share (A share)	Preference share (H share)	Preference share (A share)
Dividend or interest payment (Continued)						
					announcement of the terms of such issue or grant; (d) if the Bank repurchases any of its Ordinary Shares, or is subject to a merger, division or any other circumstances that may lead to any change in the Bank's share classes, number and/or shareholders' equity and thereby affect the rights and interests of the Offshore Preference Shareholders, the Bank is entitled to adjust the compulsory conversion price in a fair, just and equitable manner in order to protect the rights and interests of the Offshore Preference Shareholders	

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference share (A share)	Preference share (H share)	Preference share (A share)
Dividend or interest payment (Continued)						
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Yes	Yes	Yes
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	A common share	H common share	A common share
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Bank of China Limited	Bank of China Limited	Bank of China Limited
30	Write-down feature	Not applicable	Not applicable	No	No	No
31	Of which: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Common share (A share)	Common share (H share)	Preference share (A share)	Preference share (H share)	Preference share (A share)
Dividend or interest payment (Continued)						
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No
	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	Bank of China Limited	Bank of China Limited
2	Identification code	1428010.IB	5828.HK
3	Applicable law	PRC law	English law (Provisions relating to subordination shall be governed by PRC law)
Regulatory processing			
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level
7	Instrument type	Eligible tier 2 capital bond	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	29,973	19,781
9	Par value of instrument	30,000	USD3.0 billion
10	Accounting treatment	Bonds Issued	Bonds Issued
11	Initial issuing date	2014/8/8	2014/11/13
12	Term (term or perpetual)	Term	Term
13	Of which: Original maturity date	2024/8/11	2024/11/13
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Subject to approval by the CBRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2019/8/11)	Not applicable

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)			
16	Of which: Subsequent redemption date (if any)	Subject to the Redemption Conditions, the Notes are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the Notes are outstanding which has the effect that the Notes, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the Notes are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the Notes are outstanding which has the effect that the Notes, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions
Dividend or interest payment			
17	Of which: Fixed or floating dividend or interest payment	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	5.80%	5%
19	Of which: Existence of dividend brake mechanism	No	No
20	Of which: Discretion to cancel dividend or interest payment	Not applicable	Not applicable
21	Of which: Existence of redemption incentive mechanism	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	No	No

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)			
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable
30	Write-down feature	Yes	Yes
31	Of which: Please specify the trigger point of write-down, if allowed	“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

Annex 4: Main attributes of capital instruments (Continued)

No.	Main characters of the regulatory capital instruments	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)			
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Write-down in whole	Write-down in whole
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Perpetual write-down	Perpetual write-down
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor
36	Does the instrument contain temporary illegible attribute?	No	No
	Of which: If yes, please specify such attribute	Not applicable	Not applicable

BANK OF CHINA LIMITED

APPENDIX IV — LEVERAGE RATIO

(Amount in millions of Renminbi, unless otherwise stated)

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

Items	As at 30 June 2016	As at 31 March 2016	As at 31 December 2015	As at 30 September 2015
Net tier 1 capital	1,322,016	1,325,582	1,285,459	1,241,650
Adjusted on- and off-balance sheet assets	<u>19,062,650</u>	<u>18,497,683</u>	<u>18,297,331</u>	<u>18,256,503</u>
Leverage ratio	<u>6.94%</u>	<u>7.17%</u>	<u>7.03%</u>	<u>6.80%</u>

No.	Items	As at 30 June 2016
1	Total consolidated assets	17,601,267
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(9,866)
3	Adjustments for fiduciary assets	—
4	Adjustments for derivative financial instruments	79,783
5	Adjustments for securities financing transactions	44,003
6	Adjustments for off-balance sheet exposures	1,577,743
7	Other adjustments	(230,280)
8	Adjusted on- and off-balance sheet assets	<u>19,062,650</u>

BANK OF CHINA LIMITED

APPENDIX IV — LEVERAGE RATIO

(Amount in millions of Renminbi, unless otherwise stated)

No.	Items	As at 30 June 2016
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	17,214,901
2	Less: tier 1 capital deductions	(15,554)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	17,199,347
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	90,679
5	Add-on amounts for potential future exposure associated with all derivative transactions	80,141
6	Gross-up for derivative collateral provided where deducted from the balance sheet assets	—
7	Less: Deductions of receivable assets for cash variation margin provided in derivative transactions	—
8	Less: Exempted CCP leg of client-cleared trade exposures	—
9	Adjusted effective notional amount of written credit derivatives	—
10	Less: Deductible amounts for written credit derivatives	—
11	Total derivative exposures	170,820
12	Accounting balance for securities financing transaction assets	70,725
13	Less: Deducted amounts for securities financing transaction assets	—
14	Counterparty credit risk exposure for securities financing transaction assets	44,015
15	Agent transaction exposures	—
16	Balance of assets in securities financing transactions	114,740
17	Off-balance sheet items	3,690,518
18	Less: Adjustments for conversion to credit equivalent amounts	(2,112,775)
19	Adjusted off-balance sheet exposures	1,577,743
20	Net tier 1 capital	1,322,016
21	Adjusted on- and off-balance sheet exposures	19,062,650
22	Leverage ratio	6.94%

(1) When calculating the consolidated leverage ratio, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

By Order of the Board
Bank of China Limited
GENG Wei
Secretary to the Board of Directors and Company Secretary

Beijing, PRC
30 August 2016

As at the date of this announcement, the directors of the Bank are: Tian Guoli, Chen Siqing, Zhang Xiangdong, Zhang Qi*, Wang Yong*, Wang Wei*, Liu Xianghui*, Li Jucui*, Jackson Tai#, Nout Wellink#, Lu Zhengfei#, Leung Cheuk Yan# and Wang Changyun#.*

* *Non-executive Directors*

Independent Non-executive Directors