



SERVING SOCIETY
DELIVERING EXCELLENCE

2017

INTERIM REPORT

Bank of China Limited

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

Ordinary H-Share Stock Code: 3988

Offshore Preference Share Stock Code: 4601



Contents

Definitions	2
Important Notice	3
Corporate Information	4
Financial Highlights	5
Overview of Operating Performance	7
Management Discussion and Analysis	9
Financial Review	9
Business Review	19
Risk Management	39
Social Responsibilities	48
Outlook	49
Changes in Share Capital and Shareholdings of Shareholders	50
Directors, Supervisors, Senior Management Members and Staff	53
Corporate Governance	56
Significant Events	59
Report on Review of Interim Financial Information	63
Interim Financial Information	64

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 public company limited by shares incorporated in Singapore under the Singapore Companies Act, the shares of which are listed on the Hong Kong Stock Exchange
BOC Insurance	Bank of China Insurance Company Limited
BOC Life	BOC Group Life Assurance Co., Ltd.
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-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 2017 Interim Report and the 2017 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 2017. The number of directors who should attend the meeting is eleven, with eleven directors attending the meeting in person. Eleven 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 2017 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 CHEN Siqing, Executive Vice President 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. Any future plans mentioned do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.

The Bank is faced with risks arising from changes in the macroeconomic environment and from political and economic conditions in different countries and regions as well as risks arising from its day-to-day operations, including the risk arising from changes in the credit status of borrowers, adverse changes in market prices and operational risk. It shall at the same time meet regulatory and compliance requirements. The Bank actively adopts various measures to effectively manage all types of risks. Please refer to the section “Management Discussion and Analysis — Risk Management” for details.

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

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

Office Address:

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Telephone: (86) 10-6659 2638

Facsimile: (86) 10-6659 4568

E-mail: ir@bankofchina.com

Registered Address

No. 1 Fuxingmen Nei Dajie, Beijing, China

Office Address

No. 1 Fuxingmen Nei Dajie, Beijing, China, 100818

Telephone: (86) 10-6659 6688

Facsimile: (86) 10-6601 6871

Website: <http://www.boc.cn>

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

Head Office of Bank of China Limited

Shanghai Stock Exchange

Registered Capital

RMB294,387,791,241

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

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

Note: The industrial and commercial registration change regarding the legal representative and the registered capital of the Bank is still in process.

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 2017	For the six month period ended 30 June 2016	For the six month period ended 30 June 2015
Results of operations				
Net interest income		165,042	154,858	163,391
Non-interest income	1	83,326	107,761	75,487
Operating income		248,368	262,619	238,878
Operating expenses		(81,663)	(83,572)	(87,234)
Impairment losses on assets		(26,960)	(49,946)	(28,576)
Operating profit		139,745	129,101	123,068
Profit before income tax		140,378	129,617	124,482
Profit for the period		110,549	107,308	94,986
Profit attributable to equity holders of the Bank		103,690	93,037	90,746
Basic earnings per share (RMB)		0.35	0.31	0.31
Key financial ratios				
Return on average total assets (%)	2	1.18	1.25	1.20
Return on average equity (%)	3	15.20	14.78	16.31
Net interest margin (%)	4	1.84	1.90	2.18
Non-interest income to operating income (%)	5	33.55	41.03	31.60
Cost to income ratio (calculated under domestic regulations, %)	6	25.39	24.25	24.85
Credit cost (%)	7	0.52	1.04	0.63
		As at 30 June 2017	As at 31 December 2016	As at 31 December 2015
Statement of financial position				
Total assets		19,425,980	18,148,889	16,815,597
Loans, gross		10,650,703	9,973,362	9,135,860
Allowance for loan impairment losses		(224,155)	(237,716)	(200,665)
Investments	8	4,350,945	3,972,884	3,595,095
Total liabilities		17,898,108	16,661,797	15,457,992
Due to customers		13,732,059	12,939,748	11,729,171
Capital and reserves attributable to equity holders of the Bank		1,451,378	1,411,682	1,304,946
Share capital		294,388	294,388	294,388
Net assets per share (RMB)	9	4.59	4.46	4.09
Capital ratios				
Common equity tier 1 capital	10	1,328,521	1,297,421	1,197,868
Additional tier 1 capital		103,905	103,523	103,159
Tier 2 capital		193,067	225,173	212,937
Common equity tier 1 capital adequacy ratio (%)		10.93	11.37	11.10
Tier 1 capital adequacy ratio (%)		11.80	12.28	12.07
Capital adequacy ratio (%)		13.41	14.28	14.06
Asset quality				
Identified impaired loans to total loans (%)	11	1.38	1.46	1.43
Non-performing loans to total loans (%)	12	1.38	1.46	1.43
Allowance for loan impairment losses to non-performing loans (%)	13	152.46	162.82	153.30
Allowance for loan impairment losses to total loans (%)	14	2.54	2.87	2.62

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 × 100%, 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 × 100%, 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 × 100%, 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 × 100%.
- 6 Cost to income ratio is calculated in accordance with the *Measures of the Performance Evaluation of Financial Enterprises* (Cai Jin [2016] No. 35) formulated by the MOF.
- 7 Credit cost = impairment losses on loans ÷ average balance of loans × 100%, 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 × 100%.
- 12 Non-performing loans to total loans = non-performing loans at the end of reporting period ÷ total loans at the end of reporting period × 100%.
- 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 × 100%.
- 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 × 100%. Calculation is based on the data of the Bank's domestic institutions.

Overview of Operating Performance

In the first half of 2017, the Bank followed the policies and arrangements made by the CPC Central Committee regarding financial and economic works, implemented its development strategy of “Serving Society, Delivering Excellence” and adhered to the overall theme of seeking progress while maintaining stability. Furthermore, it made solid progress towards key tasks related to “innovation, transformation, mitigation and management and control” in pursuit of the sustainable and healthy development of all businesses. As a result, the Bank realised a steady improvement in its overall performance.

Steady improvement in financial performance

By upholding the concepts of sound operation and the guidelines of seeking progress while maintaining stability, the Bank steadily promoted business development and continued to strengthen internal management, all of which contributed to positive performance of its main financial indicators. As at 30 June 2017, the Group’s assets totalled RMB19,425.980 billion, and its liabilities stood at RMB17,898.108 billion, up by 7.04% and 7.42% respectively compared with the prior year-end. In the first half of 2017, the Group recorded a profit for the period of RMB110.549 billion, an increase of 3.02% compared with the same period of the prior year. It realised a profit attributable to equity holders of the Bank of RMB103.690 billion, an increase of 11.45% compared with the same period of the prior year. It achieved a net interest income of RMB165.042 billion and net fee and commission income of RMB49.187 billion, an increase of 6.58% and 2.84% respectively compared with the same period of the prior year.

New progress in serving the real economy

Following its mission of serving the real economy, the Bank adhered closely to national development strategies, gave full play to its professional advantages and supported the transformation and upgrading of the national economy. As at 30 June 2017, the Group’s loans and advances to customers amounted to RMB10,650.703 billion, an increase of RMB677.341 billion or 6.79% compared with the prior year-end. The Bank accelerated the building of the financial artery of the “Belt and Road” initiative, followed up on a total of 470 major projects and provided financing support of more than USD80.0 billion. It continued to enhance its overseas institutions network, which now covers 51 countries and regions across the six continents, including 20 countries along the “Belt and Road”. The Bank issued two tranches of “Belt and Road” theme bonds, raising funds of approximately USD3.6 billion, and held “Belt and Road” international financial communication and cooperation seminars for eight Pacific Island countries. It also qualified as an official Banking Partner of the Olympic and Paralympic Winter Games Beijing 2022. It promoted cross-border investment matchmaking services for small and medium-sized enterprises (SMEs) by holding 35 cross-border matchmaking events. The Bank continuously improved its credit structure, focusing on micro and small-sized enterprises, agriculture, farmers and rural areas, the “mass entrepreneurship and innovation” initiative, and other areas. In addition, the Bank devoted great efforts to carrying out targeted poverty alleviation, intensified its provision of poverty alleviation aid to designated areas, and established a characterized welfare sharing platform.

New results achieved in financial risk prevention and control

The Bank continued to adhere to the bottom line of risk, focused more attention on risk prevention and actively enhanced its comprehensive risk management, thus continually enhancing its risk prevention and control capacity. Closely tracking changes in economic and financial conditions and regulatory requirements, it strengthened credit asset quality management and enhanced country risk management. On this basis, the Bank maintained relatively stable asset quality. As at 30 June 2017, the Group's outstanding non-performing loans (NPLs) stood at RMB147.025 billion, with an NPL ratio of 1.38%. It stepped up efforts to collect and resolve NPLs, developed innovative means to eliminate NPLs and launched the Bank's first securitisation product for its personal housing mortgage and credit card NPLs. Furthermore, the Bank continued to improve the "three lines of defence" mechanism for internal control, further clarified the positioning and duties of each line, and continued to enhance compliance management to ensure compliant operations.

New features in financial reform efforts

Driven by innovation and transformation, the Bank promoted the prudent reform of its institutional mechanisms so as to provide lasting momentum for business development. In completing the equity transfer of Chiyu Banking Corporation Limited, it reduced overlap in its regional operations and improved financial services efficiency. At the same time, its ASEAN regional development progressed smoothly, with its Malaysia, Thailand and Jakarta businesses now successfully transferred to BOCHK. It devoted greater efforts to developing inclusive finance, establishing the Inclusive Finance Department so as to build a market-oriented, specialised inclusive financial services system. The Bank also pushed forward strategic merger and acquisition (M&A) of village banks, completing the equity acquisition of 15 village banks from China Development Bank, thus building the largest village bank group in the Chinese mainland.

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

In the first half of 2017, the global economy continued to recover and international trade picked up. The US economy maintained mild growth, with its unemployment rate remaining on at the downward trend. The Eurozone economy experienced a steady recovery and political and economic risks gradually reduced. Japan's economy continued to recover, with exports growing at a faster pace. Growth momentum in emerging economies was strong and countries such as Russia and Brazil moved out of recession.

International financial markets became more stable and policy uncertainty decreased to a certain extent. Regarding interest rate, the US Federal Reserve raised its benchmark interest rate twice, but inflation was lower than expected and US long-term interest rates declined rather than increased. Regarding exchange rate, the US dollar index fell from a high point at the beginning of the year; the Euro jolted upwards and emerging market currency exchange rates experienced an overall rise. The stock markets of the world's major economies performed well, while bulk commodity markets recorded differentiated performances.

China's economy maintained stable and on a positive track, and its economic efficiency improved. The country's economic performance rebounded, demonstrating a sound pattern of steady employment, stable prices and improved balance of payments. Significant progress was made in supply-side structural

reform, industrial structure optimisation and updating forged ahead, new growth drivers gradually gained momentum. In the first half of 2017, gross domestic product (GDP) grew by 6.9% year-on-year and the consumer price index (CPI) rose by 1.4%. Total retail sales of consumer goods (TRSCG) increased by 10.4%. Total fixed asset investments (TFAI) grew by 8.6%. China's trade surplus increased to RMB1.28 trillion.

The Chinese government continued to implement a sound monetary policy and strengthened deleveraging and the prevention of financial risks. Financial markets opened up at an accelerated pace, and a bond trading link between Hong Kong and the Chinese mainland ("Bond Connect") was launched. Financial markets functioned smoothly, monetary credit realised steady growth and the RMB exchange rate remained stable. As at 30 June 2017, the broad money supply (M2) was RMB163.13 trillion, an increase of 9.4% year-on-year, and the balance of RMB deposits was RMB159.66 trillion, an increase of 9.2% year-on-year. In the first half of 2017, RMB loans increased by RMB7.97 trillion, RMB0.4362 trillion more than that of the same period of the prior year. The balance of all-system financing increased by RMB11.17 trillion, RMB1.36 trillion more than that of the same period of the prior year. As at 30 June 2017, the USD/RMB middle rate was 6.7744, up 2.4% from the end of the prior year; the SSE Composite Index rose by 89 points and the floating market value of the Shanghai and Shenzhen stock markets increased by 5.7% compared with the prior year-end.

Income Statement Analysis

In the first half of 2017, the Group achieved a profit for the period of RMB110.549 billion, an increase of 3.02% compared with the same period of the prior year. It realised a profit attributable to equity holders of the Bank of RMB103.690 billion, an increase of 11.45% compared with the same period of the prior year. Return on average total assets (ROA) was 1.18%, and return on average equity (ROE) was 15.20%.

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

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2017	For the six month period ended 30 June 2016	Change	Change (%)
Net interest income	165,042	154,858	10,184	6.58%
Non-interest income	83,326	107,761	(24,435)	(22.68%)
Including: net fee and commission income	49,187	47,827	1,360	2.84%
Operating income	248,368	262,619	(14,251)	(5.43%)
Operating expenses	(81,663)	(83,572)	1,909	(2.28%)
Impairment losses on assets	(26,960)	(49,946)	22,986	(46.02%)
Operating profit	139,745	129,101	10,644	8.24%
Profit before income tax	140,378	129,617	10,761	8.30%
Income tax expense	(29,829)	(22,309)	(7,520)	33.71%
Profit for the period	110,549	107,308	3,241	3.02%
Profit attributable to equity holders of the Bank	103,690	93,037	10,653	11.45%

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

Unit: RMB million

Items	For the three-month period ended					
	30 June 2017	31 March 2017	31 December 2016	30 September 2016	30 June 2016	31 March 2016
Operating income	118,845	129,523	115,377	107,660	139,506	123,113
Profit attributable to equity holders of the Bank	57,041	46,649	29,765	41,776	46,418	46,619
Net cash flow from operating activities	237,007	384,691	234,765	(87,017)	184,996	(150,663)

Net Interest Income and Net Interest Margin

In the first half of 2017, the Group achieved a net interest income of RMB165.042 billion, an increase of RMB10.184 billion or 6.58% 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, 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:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2017			For the six month period ended 30 June 2016			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	10,386,246	200,494	3.89%	9,559,923	198,487	4.18%	34,540	(32,533)	2,007
Investments	4,176,164	62,391	3.01%	3,612,628	56,994	3.17%	17,864	(12,467)	5,397
Balances with central banks and due from and placements with banks and other financial institutions	3,510,857	37,749	2.17%	3,212,499	28,784	1.80%	5,370	3,595	8,965
Total	18,073,267	300,634	3.35%	16,385,050	284,265	3.49%	57,774	(41,405)	16,369
Interest-bearing liabilities									
Due to customers	13,386,551	100,770	1.52%	12,234,748	100,504	1.65%	19,005	(18,739)	266
Due to and placements from banks and other financial institutions	2,815,659	27,485	1.97%	2,559,022	23,135	1.82%	4,671	(321)	4,350
Bonds issued	399,041	7,337	3.71%	292,330	5,768	3.97%	4,236	(2,667)	1,569
Total	16,601,251	135,592	1.65%	15,086,100	129,407	1.73%	27,912	(21,727)	6,185
Net interest income		165,042			154,858		29,862	(19,678)	10,184
Net interest margin			1.84%			1.90%			(6) 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 and due from and placements with banks and other financial institutions include the mandatory reserves, the surplus reserves, other placement with central banks and due from and placements with banks and other financial institutions.
- Due to and placements from banks and other financial institutions include due to and placements from banks and other financial institutions, due to central banks and other funds.

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.

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

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2017		For the six month period ended 30 June 2016		Change	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
Domestic RMB businesses						
Loans						
Corporate loans	4,434,259	4.41%	4,283,750	4.88%	150,509	(47) Bps
Personal loans	3,123,174	4.26%	2,548,462	4.65%	574,712	(39) Bps
Trade bills	201,005	3.68%	234,503	3.52%	(33,498)	16 Bps
Total	7,758,438	4.33%	7,066,715	4.75%	691,723	(42) Bps
Including:						
Medium and long term loans	5,309,769	4.53%	4,670,652	4.97%	639,117	(44) Bps
Short term loans within 1 year and others	2,448,669	3.90%	2,396,063	4.32%	52,606	(42) Bps
Due to customers						
Corporate demand deposits	2,841,451	0.61%	2,425,820	0.60%	415,631	1 Bp
Corporate time deposits	2,215,367	2.77%	2,232,543	3.06%	(17,176)	(29) Bps
Personal demand deposits	1,808,100	0.63%	1,597,019	0.48%	211,081	15 Bps
Personal time deposits	2,642,726	2.74%	2,532,684	2.99%	110,042	(25) Bps
Other	371,320	3.44%	326,434	3.29%	44,886	15 Bps
Total	9,878,964	1.77%	9,114,500	1.94%	764,464	(17) Bps
Domestic foreign currency businesses						
Unit: USD million, except percentages						
Loans	50,675	2.37%	57,787	2.23%	(7,112)	14 Bps
Due to customers						
Corporate demand deposits	42,571	0.19%	35,160	0.12%	7,411	7 Bps
Corporate time deposits	21,353	1.28%	18,219	1.13%	3,134	15 Bps
Personal demand deposits	28,173	0.05%	25,112	0.07%	3,061	(2) Bps
Personal time deposits	20,641	0.59%	18,528	0.58%	2,113	1 Bp
Other	2,324	2.17%	2,210	2.27%	114	(10) Bps
Total	115,062	0.47%	99,229	0.43%	15,833	4 Bps

Note: "Due to customers – Other" includes structured deposits.

In the first half of 2017, the Group's net interest margin was 1.84%, a decrease of 6 basis points compared with the same period of the prior year. Major factors that affected the Group's net interest margin include:

First, 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 in the first half of 2017.

Second, 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 2017, the proportion of the average balance of demand deposits to the Group's due to customers increased by 2.21 percentage points and the proportion of the average balance of medium and long-term loans to RMB loans in the Group's domestic RMB business increased by 2.35 percentage points year-on-year.

Non-interest Income

In the first half of 2017, the Group reported a non-interest income of RMB83.326 billion, a decrease of RMB24.435 billion or 22.68% compared with the same period of the prior year. Non-interest income represented 33.55% of operating income.

Net Fee and Commission Income

The Group earned a net fee and commission income of RMB49.187 billion, an increase of RMB1.360 billion

or 2.84% compared with the same period of the prior year. Net fee and commission income represented 19.80% of operating income. This was primarily because the Bank made solid efforts to better serve the real economy, grasped consumer finance development and international trade opportunities and stepped up business expansion efforts for credit cards, settlement and clearing, and syndicated loans. As a result, related business income achieved rapid growth. 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 RMB34.139 billion, a decrease of RMB25.795 billion or 43.04% compared with the same period of the prior year. This was primarily owing to the sale of Nanyang Commercial Bank, Limited (NCB) and the recognised related gain on the investment disposal in the first half of 2016. Please refer to Notes III.3, 4, 5 to the Condensed Consolidated Interim Financial Information.

Operating Expenses

In the first half of 2017, the Group recorded operating expenses of RMB81.663 billion, a decrease of RMB1.909 billion or 2.28% compared with the same period of the prior year. The Group's cost to income ratio (calculated under domestic regulations) was 25.39%. The Bank continued to operate its business prudently. It further optimised its cost structure, 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. Please refer to Notes III.6, 7 to the Condensed Consolidated Interim Financial Information.

Impairment Losses on Assets

In the first half of 2017, the Group's impairment losses on assets amounted to RMB26.960 billion, a decrease of RMB22.986 billion or 46.02% compared with the same period of the prior year. Specifically, impairment losses on loans and advances amounted to RMB26.589 billion, a decrease of RMB22.547 billion or 45.89% compared with the same period of the prior year. 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 sound risk provisioning policy

and maintained an adequate capacity of risk mitigation. Please refer to the section "Risk Management — Credit Risk Management" and Notes III.8, 17 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 2017, the Group's total assets amounted to RMB19,425.980 billion, an increase of RMB1,277.091 billion or 7.04% compared with the prior year-end. The Group's total liabilities amounted to RMB17,898.108 billion, an increase of RMB1,236.311 billion or 7.42% compared with the prior year-end.

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

Unit: RMB million, except percentages

Items	As at 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Assets				
Loans and advances to customers, net	10,426,548	53.67%	9,735,646	53.64%
Investments	4,350,945	22.40%	3,972,884	21.89%
Balances with central banks	2,523,755	12.99%	2,271,640	12.52%
Due from and placements with banks and other financial institutions	1,196,043	6.16%	1,176,482	6.48%
Other assets	928,689	4.78%	992,237	5.47%
Total assets	19,425,980	100.00%	18,148,889	100.00%
Liabilities				
Due to customers	13,732,059	76.72%	12,939,748	77.66%
Due to and placements from banks and other financial institutions and due to central banks	2,926,819	16.35%	2,590,413	15.55%
Other borrowed funds	464,620	2.60%	389,470	2.34%
Other liabilities	774,610	4.33%	742,166	4.45%
Total liabilities	17,898,108	100.00%	16,661,797	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 demands of the real economy, the Bank fully implemented national macroeconomic policy, made rational arrangements for credit extension and expanded its lending scale at a stable and moderate pace. The Bank continuously improved its credit structure and proactively supported the credit needs of key areas and industries, so as to provide credit support to 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. It continued to implement differentiated residential mortgage loan policy and steadily increased its personal loan business.

As at 30 June 2017, the Group’s loans and advances to customers amounted to RMB10,650.703 billion, an increase of RMB677.341 billion or 6.79% compared with the prior year-end. Specifically, the Group’s RMB loans and advances to customers totalled RMB8,070.174 billion, an increase of RMB462.444 billion or 6.08% compared with the prior year-end, while its foreign currency loans amounted to USD380.924 billion, an increase of USD39.907 billion or 11.70% compared with the prior year-end.

The Bank continuously improved its risk management, paid close attention to changes in the macroeconomic situation, strengthened risk identification and management in key areas and made greater efforts in disposal of non-performing loans, thus maintaining a relatively stable asset quality. As at 30 June 2017, the balance of the Group’s allowance for loan impairment losses amounted to RMB224.155 billion, a decrease of RMB13.561 billion compared with the prior year-end. The balance of the Group’s restructured loans amounted to RMB8.290 billion, a decrease of RMB1.409 billion compared with the prior year-end.

Investments

The Bank closely tracked financial market dynamics, increased its investment in both RMB and foreign currency bonds, and continuously optimised its investment structure. As at 30 June 2017, the Group held investments of RMB4,350.945 billion, an increase of RMB378.061 billion or 9.52% compared with the prior year-end. Specifically, the Group’s RMB investments totalled RMB3,376.309 billion, an increase of RMB375.374 billion or 12.51% compared with the prior year-end, while foreign currency investments totalled USD143.870 billion, an increase of USD3.759 billion or 2.68% compared with the prior year-end.

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

Unit: RMB million, except percentages

Items	As at 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	162,880	3.74%	124,090	3.12%
Financial investments available for sale	1,711,207	39.33%	1,609,830	40.52%
Debt securities held to maturity	2,060,889	47.37%	1,843,043	46.39%
Financial investments classified as loans and receivables	415,969	9.56%	395,921	9.97%
Total	4,350,945	100.00%	3,972,884	100.00%

Investments by Currency

Unit: RMB million, except percentages

Items	As at 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
RMB	3,376,309	77.60%	3,000,935	75.54%
USD	647,116	14.87%	619,420	15.59%
HKD	183,833	4.23%	153,460	3.86%
Other	143,687	3.30%	199,069	5.01%
Total	4,350,945	100.00%	3,972,884	100.00%

Top Ten Financial Bonds by Value Held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual Rate	Maturity Date	Impairment
Bond issued by policy banks in 2016	13,850	2.65%	2019-10-20	–
Bond issued by financial institutions in 2017	10,000	5.20%	2017-11-08	–
Bond issued by financial institutions in 2017	10,000	5.20%	2017-11-23	–
Bond issued by financial institutions in 2017	10,000	4.80%	2017-12-05	–
Bond issued by financial institutions in 2017	8,600	6.10%	2018-05-15	–
Bond issued by policy banks in 2014	8,386	5.44%	2019-04-08	–
Bond issued by policy banks in 2017	7,416	3.88%	2020-04-19	–
Bond issued by policy banks in 2017	6,930	3.54%	2020-01-06	–
Bond issued by financial institutions in 2015	5,500	4.95%	2018-01-19	–
Bond issued by financial institutions in 2017	5,000	5.90%	2017-11-13	–

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 trend towards interest rate liberalisation and the rapid development of internet finance, the Bank accelerated product and service innovation and constantly enhanced related financial service capabilities. 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 its base of administrative institution customers and solidified its relationship with basic settlement customers and cash management customers. As a result, due to customers grew stably.

As at 30 June 2017, the Group's due to customers amounted to RMB13,732.059 billion, an increase of RMB792.311 billion or 6.12% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB10,295.394 billion, an increase of RMB551.187 billion or 5.66% compared with the prior year-end, while its foreign currency due to customers stood at USD507.302 billion, an increase of USD46.650 billion or 10.13%.

Equity

As at 30 June 2017, the Group's total equity was RMB1,527.872 billion, an increase of RMB40.780 billion or 2.74% compared with the prior year-end. This was primarily attributable to the following reasons: (1) In the first half of 2017, the Group realised a profit for the period of RMB110.549 billion, of which profit attributable to equity holders of the Bank amounted to RMB103.690 billion. (2) As per the 2016 profit distribution plan approved at the Annual General Meeting, the cash dividend on ordinary shares was RMB49.457 billion. (3) The Bank paid a dividend on its preference shares of RMB1.540 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 2017, the balance of the Group's cash and cash equivalents was RMB1,388.948 billion, an increase of RMB369.701 billion compared with the prior year-end.

In the first half of 2017, net cash flow from operating activities was an inflow of RMB621.698 billion, an increase of RMB587.365 billion compared with the same period of the prior year. This was mainly attributable to the increase of net changes in due to and placements from banks and other financial institutions and the decrease of net changes in balances with central banks compared with the same period of the prior year.

Net cash flow from investing activities was an outflow of RMB311.650 billion, compared with an inflow of RMB11.961 billion in the same period of the prior year. This was mainly attributable to the increase of net cash outflow from financial investments compared with the same period of the prior year.

Net cash flow from financing activities was an inflow of RMB67.066 billion, compared with an outflow of RMB22.877 billion in the same period of the prior year. This was primarily attributable to the following reasons: (1) There was an increase of proceeds from issuance of bonds compared with the same period of the prior year. (2) The Bank did not pay a cash dividend on ordinary shares in the first half of 2017, which had been paid on 14 July 2017, whereas the Bank paid a cash dividend on ordinary shares in the first half of 2016.

Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value

Unit: RMB million

Items	Opening balance	Closing balance	Change	Impact on profit for the period
Financial assets at fair value through profit or loss				
Debt securities	106,172	138,581	32,409	
Loans	6,022	5,921	(101)	
Equity securities	7,547	9,379	1,832	2,181
Fund investments and other	4,349	8,999	4,650	
Investment securities available for sale				
Debt securities	1,535,963	1,632,767	96,804	
Equity securities	33,936	34,452	516	11
Fund investments and other	39,931	43,988	4,057	
Derivative financial assets	130,549	73,643	(56,906)	(291)
Derivative financial liabilities	(107,109)	(71,909)	35,200	
Placements from banks and other financial institutions at fair value	(1,968)	(520)	1,448	(2)
Due to customers at fair value	(350,311)	(353,070)	(2,759)	(915)
Bonds issued at fair value	–	(1,957)	(1,957)	1
Short position in debt securities	(9,990)	(17,471)	(7,481)	(25)

The Bank has put in place a sound internal control mechanism for fair value measurement. In accordance with the *Guidelines on Market Risk Management in Commercial Banks*, *Regulatory Guidelines on Valuation of Financial Instruments in Commercial Banks*, CAS and IFRS, with reference to the New Basel Capital Accord, and drawing on the best practices of leading international banks regarding valuations, the Bank formulated the *Valuation Policy of Financial Instrument Fair Values of Bank of China Limited* to standardise the fair value measurement of financial instruments and enable timely and accurate financial information disclosure. Please refer to Note IV.4 to the Condensed Consolidated Interim Financial Information for more detailed information related to the fair value measurement.

Other Financial Information

There are no differences in the equity and profit for the period of the Group prepared in accordance with IFRS to those prepared in accordance with CAS. Please refer to Supplementary Information I to the Consolidated Financial Statement for detailed information.

The operating performance and financial position of the Group's geographical and business segments are set forth in Note III.31 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:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2017		For the six month period ended 30 June 2016	
	Amount	% of total	Amount	% of total
Commercial banking business	224,692	90.47%	217,317	82.75%
Including: Corporate banking business	104,192	41.95%	108,718	41.40%
Personal banking business	80,811	32.54%	77,434	29.49%
Treasury operations	39,689	15.98%	31,165	11.86%
Investment banking and insurance	14,174	5.70%	11,433	4.35%
Others and elimination	9,502	3.83%	33,869	12.90%
Total	248,368	100.00%	262,619	100.00%

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

Unit: RMB million

Items	As at 30 June 2017	As at 31 December 2016	As at 31 December 2015
Corporate deposits			
Domestic: RMB	5,489,898	5,213,790	4,818,850
Foreign currency	429,646	378,368	314,162
Hong Kong, Macau, Taiwan and overseas operations	1,483,062	1,401,055	1,310,194
Subtotal	7,402,606	6,993,213	6,443,206
Personal deposits			
Domestic: RMB	4,644,965	4,349,300	3,982,160
Foreign currency	323,371	342,045	257,439
Hong Kong, Macau, Taiwan and overseas operations	933,311	869,441	759,726
Subtotal	5,901,647	5,560,786	4,999,325
Corporate loans			
Domestic: RMB	4,690,210	4,496,888	4,402,258
Foreign currency	338,005	336,294	398,103
Hong Kong, Macau, Taiwan and overseas operations	1,943,430	1,735,787	1,569,551
Subtotal	6,971,645	6,568,969	6,369,912
Personal loans			
Domestic: RMB	3,250,668	2,983,945	2,397,327
Foreign currency	1,238	1,381	1,406
Hong Kong, Macau, Taiwan and overseas operations	427,152	419,067	367,215
Subtotal	3,679,058	3,404,393	2,765,948

Commercial Banking

Domestic Commercial Banking

In the first half of 2017, the Bank's domestic commercial banking business recorded an operating income of RMB188.437 billion, an increase of RMB3.909 billion or 2.12% compared with the same period of the prior year. Details are set forth below:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2017		For the six month period ended 30 June 2016	
	Amount	% of total	Amount	% of total
Corporate banking business	91,735	48.68%	93,704	50.79%
Personal banking business	72,086	38.25%	68,875	37.32%
Treasury operations	23,536	12.49%	21,463	11.63%
Other	1,080	0.58%	486	0.26%
Total	188,437	100.00%	184,528	100.00%

Corporate Banking

Corporate Deposits

The Bank accelerated the development of its corporate liability business, strengthened active liability management, vigorously sought more stable deposits and enhanced business guidance for its branches, so as to strengthen its risk prevention and control capability and promote the health and steady growth of corporate deposits. Seizing business opportunities arising from key areas, the Bank actively increased its administrative institutions deposits, strengthened refined management for non-loan customers, made full use of the contribution of cash management and basic settlement businesses to deposit business, expanded corporate deposit sources and exploited the growth potential of deposits. As at 30 June 2017, RMB corporate deposits in the Bank's domestic operations totalled RMB5,489.898 billion, an increase of RMB276.108 billion or 5.30% compared with the prior year-end.

Foreign currency corporate deposits totalled USD63.422 billion, an increase of USD8.879 billion or 16.28% compared with the prior year-end.

Corporate Loans

The Bank continued to strengthen its support for the real economy, fully carried out supply-side structural reform, actively supported key investment areas 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 its existing credit assets, and provided more credit support for the "Made in China 2025" initiative, the "mass entrepreneurship and innovation" initiative, people's livelihood consumption, strategic emerging industries and green and low-carbon industries. The Bank stepped up the transformation of its corporate banking services and helped customers to broaden their financing channels so as to meet their diverse financing needs. As at 30 June 2017, RMB corporate loans of the Bank's domestic operations totalled RMB4,690.210

billion, an increase of RMB193.322 billion or 4.30% compared with the prior year-end. Foreign currency corporate loans totalled USD49.894 billion, an increase of USD1.416 billion or 2.92% compared with the prior year-end.

Trade Finance and Services

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 vigorously developed supply chain financial services and achieved breakthroughs in terms of online supply chain finance, overseas supply chain finance and aircraft leasing factoring services. It accelerated the innovation and promotion of structured financial products for the global bulk commodity business and further consolidated its competitive advantages in key products such as letter of guarantee, forfaiting and factoring. It supported the Shanghai Commercial Paper Exchange Corporation Ltd. and promoted its electronic commercial draft business. The Bank continuously improved its basic settlement account service capacity, thus achieving steady growth in payment service volume. In the first half of 2017, the Bank’s domestic institutions maintained its leading market share in international trade services and cross-border RMB payment services.

Cash Management

Leveraging the advantages arising from its globalised operations, the Bank continued to improve its global cash management services, and developed a product ecosystem comprised of four subsystems, namely the “Global Cash Management Platform, Swift Direct Connection, Bank Host-to-Host Direct Connection and Multi-Bank Cash Management System”. With

this capacity, the Bank not only provided integrated onshore-offshore cash management services for multinational corporations, but also delivered standardised, one-stop comprehensive financial solutions to local customers, thus constantly improving customer experience.

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. It enhanced its integrated financial services platform and maintained a leading position in terms of financial institution customer coverage. The Bank established correspondent relationships with more than 1,600 institutions in 176 countries and regions and opened 1,480 cross-border RMB clearing accounts for correspondent banks from 120 countries and regions, holding a leading position among domestic banks. It also promoted the RMB Cross-Border Interbank Payment System (CIPS) and signed cooperation agreements for indirect participants with 183 domestic and overseas financial institutions, seizing the largest market share. 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 was appointed as the sole USD clearing bank by the Asian Infrastructure Investment Bank, and signed comprehensive strategic cooperation agreement with Shenzhen Stock Exchange and Dalian Commodity Exchange. To support the “Belt and Road” initiative, the Bank served as the partner bank of the Department of Finance of the Philippines for the 12th ASEAN Finance Ministers’ Investor Seminar (AFMIS), helped to organise the working meeting on

the establishment of the Asian Financial Cooperation Association, and invited senior executives of financial institutions of the “Belt and Road” countries to attend the “Belt and Road” Forum for International Cooperation. In the first half of 2017, the Bank ranked first in terms of 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. In addition, the market share of its bancassurance business further increased.

SME Finance

The Bank fully implemented national policy measures for the development of SMEs, and actively developed innovative service models to support their sustainable development. In the first half of 2017, 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 enterprises borrowers of no less than that of the same period of the prior year. The Bank followed the “Belt and Road” initiative and supported “mass entrepreneurship and innovation” by promoting cross-border investment and trade cooperation between SMEs, in order to solve the financing difficulties for SMEs. It further improved its cross-border matchmaking services to help SMEs break geographical, language and cultural barriers and boost the interconnection of global markets, technologies, talents and capital.

Since 2014, the Bank has organised 35 cross-border matchmaking events, attracting over 20,000 SMEs from 80 countries and regions, and covering five continents. In the first half of 2017, the Bank successfully held SME cross-border investment and trade cooperation conferences in the EU, the Philippines, Thailand, Tianjin and Liaoning. In addition, the Bank continuously strengthened risk control and compliance management, improved its early-warning mechanisms on asset quality management, and further enhanced its capabilities in identifying and mitigating credit risk, thus keeping SME loan quality stable and controllable. As at 30 June 2017, the Bank’s outstanding loans to micro and small-sized enterprises³ amounted to RMB1,375.8 billion, an increase of RMB90.9 billion compared with the prior year-end. The Bank served 2.89 million SME customers and granted SME loans of RMB2,000.9 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 2017, the total number of individual pension accounts held by the Bank reached 4.2548 million, an increase of 85.8 thousand or 2.06% compared with the prior year-end. Assets under custody amounted to RMB175.464 billion, an increase of RMB18.144 billion or 11.53% compared with the prior year-end, with the Bank serving more than 10,000 clients.

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).

Personal Banking

Personal Deposits

The Bank leveraged its advantages in comprehensive financial services, ramped up innovation in personal deposit products and provided customers with deposit products of flexible terms and types with the aim of meeting their diverse needs. It actively expanded fundamental businesses such as salary payment agency, collection and payment agency, sweep agency and escrow agency, thus promoting steady growth in its personal deposit business. It made great efforts to formulate a “BOC Good Accounts” system, providing customers with a more convenient, safer and more intelligent service experience. It continuously enriched its personal foreign exchange services. The number of currencies offered for personal deposit and withdrawal increased to 25 and the number of convertible foreign currencies increased to 33, allowing the Bank to maintain its competitive advantage in foreign exchange services. Leveraging the advantage of the Group’s remittance network, the Bank launched cross-border remittance services within the Group covering 34 countries and regions, including the UK, Canada, Australia, the USA, Hong Kong and Macau, so as to improve the customers’ experience continually. As at 30 June 2017, the Bank’s domestic RMB personal deposits totalled RMB4,644.965 billion, an increase of RMB295.665 billion or 6.80% compared with the prior year-end. Personal foreign currency deposits amounted to USD47.734 billion, maintaining a leading position in terms of market share.

Personal Loans

The Bank implemented the national policies of expanding domestic demand, promoting consumption and supporting the real economy by steadily expanding

its personal loan business. It continued to implement differentiated residential mortgage loan policy, prioritised the needs of residents seeking to buy owner-occupied and extended residential mortgage loans on a rational basis. It promoted “BOC E-Credit” products to render faster and more efficient its whole-process online credit consumer loan service. The Bank made greater efforts in the development of campus loans, having served as the host bank for government-sponsored student loans of central government-administered colleges for many years (2004–2020). It launched the “BOC E-Credit • Campus Loan”, the first of its kind offered by banks, to serve colleges all over the country, with coverage already achieved for colleges in Hubei, Jiangsu and Guangdong Province. As at 30 June 2017, the total amount of RMB personal loans of the Bank’s domestic operations stood at RMB3,250.668 billion, an increase of RMB266.723 billion or 8.94% 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 teams, made unremitting efforts to enhance customer relationships and improve customer experience, thereby recording a fast growth in the number of mid- and high-end customers and their assets under management (AUM). Drawing on the competitive advantages arising from its diversified operations and integrated domestic and overseas resources, the Bank continued to build an integrated financial services platform to provide high quality wealth management services for mid- and high-end customers. It diversified its exclusive private banking product system, optimised the product research and development model,

enhanced its capability to innovate investment products and built up an open-architecture multi-level product screening and selection platform. The Bank provided customised family trust and discretionary asset management services to its private banking customers, and pioneered to launch a combined service of family trust and discretionary asset management. Centring on the themes of education and philanthropy, the Bank continued to diversify the exclusive service offering of “BOC Private Banking Prestigious Activities” and carried out the “Spring Buds Programme” to assist students. In view of the cross-border financial needs of its customers, the Bank successfully held 11 road shows to promote cross-border services. 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 2017, the Bank had set up 7,711 wealth management centres, 498 prestigious wealth management centres and 39 private banking centres in the Chinese mainland.

Bank Card

The Bank actively pushed forward credit card innovation and enhanced its products for mid- and high-end, cross-border, business travel, youth and fashionable urban customers so as to increase cardholders’ interests and deliver better card use experience for them. It offered such star products as BOC Diamond Cards, BOC Great Wall World Elite Credit Cards, BOC Car Cards, BOC Titanium Lady Cards, BOC Overseas Student Cards and BOC City Fun Cards, and issued such new cards as PyeongChang Olympic Winter Games Cards, American Express Multi-Currency Cards, Australia Travel Cards and JIL Overseas Education Co-branded Cards. It devoted efforts to building up three consumer finance products, namely EasyPay Instalments, Scenario-oriented Instalments and Customer-oriented

Instalments. It also comprehensively deepened its “White List” management mechanism, launched an automatic instalment function, improved advanced credit extension and accelerated the professionalisation of its consumer finance operations. The Bank created an internet-based and resource-light customer attraction model. Relying on online consumption and service scenarios, it provided multiple channels for customers to realise fast card application, approval and issuance. It improved its mobile payment product portfolio, launching the UnionPay Standard QR code payment products and wearable payment products for Huawei Watch, etc. It upgraded online service platforms such as the official “BOC Credit Card” WeChat account and the “Colourful Life” mobile app, and enriched new dimensions of services offered by the “Smart Buy” and preferential merchants platform, so as to immerse customers in an all-round high quality experience when using online mobile applications. The Bank launched a stereoscopic marketing system and focused on the four brand activities of “BOC VIP Day”, “Global Splendours in One Card”, “BOC Overseas E-shopping” and “More Instalments, More Gifts”. It advanced the 360-degree management of the customer card usage life cycle and launched dynamic credit limit management, thus forging an integrated service system. As at 30 June 2017, the Bank’s cumulative number of effective credit cards totalled 64.2743 million, an increase of 8.32% compared with the prior year-end. In the first half of 2017, the instalment volume reached RMB133.444 billion, an increase of 37.45% compared with the same period of the prior year.

The Bank continued to improve its debit card product and service system. Leveraging its strengths in foreign exchange and cross-border services, it unveiled the Great Wall Cross-border Debit Card, the first EMV international multi-currency debit card in the Chinese mainland, to provide cross-border customers with more

convenient payment and settlement services. It stepped up efforts in mobile payment scenario applications and promoted debit card payment by QR code scanning. It enabled B2C and C2C payment by QR code scanning and the automatic triggering of “BOC E-Credit” in scenarios such as consumption, thus realising such debit cards functions as online and offline consumption, ATM withdrawal, transfer and real-time lending. Rolling out the “People’s Livelihood Finance” service, the Bank issued social security cards with financial functions in nearly 30 provinces (including municipalities directly under the Central Government) in cooperation with local Human Resources and Social Security Bureaux. These functions deliver financial services including collection and payment agency in social insurance funds (including pension insurance funds, medical insurance funds, unemployment insurance funds, work-related injury insurance funds and maternity insurance funds), investment of wealth management products and preferential measures for settlement. It also issued the “resident health card with financial function” in provinces such as Guangdong, Liaoning, Hebei, Guizhou, Sichuan and Shandong, offering treatment payment and health management services to cardholders. The Bank actively expanded its network of cooperative merchants in a variety of sectors such as social security, healthcare, travel, shopping and food services, thus enhancing the rights and interests system of debit card holders.

Financial Markets Business

Securities Investment

The Bank strengthened its research and judgment capabilities regarding market interest rates, actively seized market opportunities arising from interest rate changes, increased its investment in RMB interest rate bonds and high quality credit bonds and rationally

adjusted its investment portfolio duration, thus further optimising its investment structure. Consistent with national macroeconomic policy, the Bank participated in local government bond investment in a professionally sound manner. The Bank tracked trends in international bond markets and optimised its foreign currency investment portfolio, managing interest rate risk and credit risk more effectively.

Trading

Actively responding to market changes, the Bank constantly strived for innovation-driven development and endeavoured to set up an internationalised trading product system and customer system, thus driving stable and rapid growth in its trading business. Specifically, it explored the construction of an integrated global marketing system, intensified its strategic marketing planning and enhanced its brand image. It strengthened the marketing support and professional services offered to branches by the Head Office by building a far-reaching mechanism for cooperation between them, thereby boosting its marketing efficiency. The Bank improved mechanisms for its spot exchange trading business and promoted the diversified and sustainable development of its forward exchange trading business. It also reinforced customer segmentation in its foreign exchange business and the expansion of its key customer bases, held the first “BOC Foreign Exchange and Option Trading Competition”, pushed forward the balanced development of its RMB and foreign currency option business, enlarged its customer base for precious metals and commodities and promoted its RMB and foreign currency interest rate-related hedging business, further improving its business structure. The Bank kept enhancing product innovation and bolstered its support to the real economy and to customers engaged in projects related to the “Belt and Road” initiative. It

launched agency trading of quanto options, expanded 14 underlying for commodities trading, and conducted RMB gold enquiry options trading business on the Shanghai Gold Exchange. It officially launched “Interest Bearing Gold”, further diversifying its hedging and trading instruments. Following trends in e-finance and big data, it improved its mechanisms for promoting online trading, optimised its “E Rong Hui” trading services and launched the “Jin Qiu” precision marketing project, effectively increasing its online trading volume. Actively playing its part in the opening up of domestic financial markets, the Bank promoted its agency business in the interbank bond market and foreign exchange market to overseas institutional investors and established trading relationships. The Bank also continuously sharpened its risk management capacity and advanced the building of a credit risk mitigation mechanism to ensure sound business development. The Bank secured its leading market share in foreign currency exchange against the RMB.

Investment Banking and Asset Management

The Bank put service of the real economy at its core, while fully utilising its internationalised and diversified operations. Operating compliantly and developing steadily, it provided customers with comprehensive, professional and customised investment banking and asset management services. It facilitated the building of China’s multi-layered capital markets system and the bi-directional opening-up of its financial markets, as well as supporting customers’ onshore and offshore financing needs. It assisted overseas issuers in issuing Panda Bonds, and acted as global coordinator for the first Chinese enterprise’s green euro-denominated bond issuance. It also acted as the only Chinese underwriter for Luxembourg’s issuance of EUR2 billion of sovereign bonds. The Bank strengthened the build-up of its professional investment capacity,

optimised asset allocation structure and launched the Global Asset Management System (GAMS), achieving integrated operation among its front, middle and back offices. It enhanced the quality of its financial advisory services, providing professional advisory services in the areas of financing plans, cross-border investment and financing, M&A and corporate restructuring, so as to satisfy customers’ fundraising and professional advisory requirements. It steadily promoted its credit asset-backed securitisation business, issuing four credit asset-backed securities with a total amount of RMB15.853 billion, including two residential mortgage-backed securities, its first non-performing residential mortgage-backed security and its first non-performing credit card asset-backed security.

In the first half of 2017, the Bank led the way in terms of interbank market Panda Bond underwriting amounts, ranked first among domestic peers in terms of market share for underwriting offshore RMB-denominated bonds, and ranked first in terms of market share as an underwriter of Chinese enterprises’ investment grade offshore G3 currency (i.e. USD, EUR and JPY) bonds. It had issued 3,936 wealth management products with a total outstanding value of RMB1,438.6 billion, including RMB1,100.4 billion of non-principal-guaranteed products and RMB338.2 billion of principal-guaranteed products.

Custody Business

Faced with a changing environment, the Bank pushed forward product innovation, tailored its services to different customers, optimised its business processes and practised all-round risk control so as to achieve continued growth of custody assets. The Bank seized market opportunities, accelerated the promotion of custody products including pension fund, securitisation, industry fund, Panda Bond fund and fund

administration, and built on the sales performance of its basic pension fund business. The Bank constantly improved the competitiveness of its global custody services by setting up a cross-border product system, creating a linked sales network, promoting the functional integration of its global custody system, enhancing both the scale and service level of its overseas custody centres and building a cross-border custody service network with overseas institutions and foreign custodian banks complementing each other. The Bank also sped up the construction of its online custody service so as to improve the “smart” experience of the client. As at 30 June 2017, the Group’s asset under custody reached RMB8.68 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”. BOC Fullerton Community Bank 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 2017, 82 BOC Fullerton Community Banks and 86 sub-branches had been established in 12 provinces (including municipalities directly under the Central Government). In particular, 78% of BOC Fullerton Community Banks and sub-branches were located in central and western regions, and 33% were in official poverty-level counties. BOC Fullerton Community Bank has become the largest domestic village bank in terms of total institutions and business scope. As at 30 June 2017,

BOC Fullerton Community Bank served 1.1924 million customers, an increase of 13.79% compared with the prior year-end. The registered capital amounted to RMB3.353 billion and the total assets and net assets of these banks stood at RMB32.287 billion and RMB3.942 billion respectively. The balances of total deposits and loans of these banks were RMB21.569 billion and RMB20.384 billion respectively, an increase of 6.67% and 10.12% compared with the prior year-end, among which loans to farmers and micro and small-sized enterprises accounted for 92.54%. The NPL ratio was 1.91% and the ratio of allowance for loan impairment losses to NPLs stood at 210.97%. As at 30 June 2017, BOC Fullerton Community Bank achieved a profit for the period of RMB67.68 million.

Overseas Commercial Banking

In the first half of 2017, the Bank practically implemented national strategies and seized market opportunities arising from the construction of the financial artery of the “Belt and Road” initiative and Chinese enterprises’ “Going Global” initiative. It promoted the establishment of overseas institutions in an organised manner and pushed forward the integrated development of its domestic and overseas operations, thus continually enhancing its global service and support capacities and sharpening its market competitiveness.

As at 30 June 2017, the balance of due to customers and loans of the Bank’s overseas commercial banking operations amounted to USD410.248 billion and USD347.628 billion respectively, an increase of 10.04% and 12.65% compared with the prior year-end. In the first half of 2017, the Bank’s overseas commercial banking operations achieved a profit before income tax of USD4.561 billion, accounting for 22.29% 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 distribution of institutions in countries along the “Belt and Road”, so as to improve its global service network and provide comprehensive financial services for customers. As at 30 June 2017, overseas institutions of the Bank totalled 542, covering 51 countries and regions across six continents, of which 20 countries are 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 with their “Going Global” initiative 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 domestic policy financial institutions, international multilateral organisations and guarantee agencies, so as to provide more 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. Its account opening witness service covered 18 countries and regions. The Bank pushed forward the

characteristic development of its cross-border payment business and continued to build cross-border credit card marketing brands such as “Global Splendours in One Card” and “BOC Overseas E-shopping”. Targeting customers making cross-border business trips, studying abroad and shopping overseas, it launched the “Traveller’s Credit Card + Multi-currency Credit Card + Overseas Student Card” product portfolio and upgraded the “basic cashback + products cashback + additional special offers” marketing system in order to diversify its cross-border services. The Bank accelerated the issuance of credit cards and the development of overseas acquiring business, advanced the R&D of such new products as Sydney UnionPay Cards, Malaysia Diamond Cards and Singapore Sheng Siong Co-branded Cards, and supported overseas branches to expand their MPOS and online acquiring business so as to further enhance their influence in local payment markets. The Bank continued to build its system platform for the issuance of overseas debit cards and launched UnionPay dual-currency (RMB and local currency) debit cards and Visa and MasterCard single currency debit cards. Overseas institutions of the Bank that issued debit card products now cover 17 countries and regions.

For financial markets business, the Bank continued to leverage the advantages arising from its integrated domestic and overseas businesses, enriched its overseas trading products and leveraged its overseas trading centres to give more support to regional branches, thus building a more solid basis for its overseas trading business. 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 QDII and other “Going Global” customers. Following the issuances of the first bonds

with “Belt and Road” concept in 2015, the Bank successfully issued another two bonds in the same theme totalling USD3.6 billion equivalent. These bonds have attracted global funds to the “Belt and Road” projects, effectively supporting the construction of the financial artery of the “Belt and Road” initiative.

For clearing business, the Bank continuously improved its cross-border RMB clearing capabilities and consolidated its position on the leading edge of international payments. In the first half of 2017, the Bank’s cross-border RMB clearing transactions totalled RMB167.92 trillion, up by nearly 12% compared with the same period of the prior year, maintaining first place in global markets. The Bank successfully joined the UK’s Clearing House Automatic Payment System (CHAPS) as a shareholder and as the first Asian full direct participant. It joined SWIFT Global Payment Innovation (GPI), sent out the first GPI payment globally and launched “BOC-GPI” (Bank of China, Global Payment Intelligence) remittance product, significantly enhancing customer experience in the field of cross-border payment.

For e-banking, the Bank further expanded the coverage of its overseas e-channel services, promoting overseas online services in Bank of China Srbija A.D. Beograd and Bank of China (UK) Limited Dublin Branch, etc., thus extending its overseas presence to 46 countries and regions. It accelerated the expansion of its overseas mobile financial services, making personal mobile banking services available for Bank of China (Canada) and Vientiane Branch. In addition, it further improved service functions for overseas online banking, telephone banking and SMS banking.

BOCHK

In the first half of 2017, BOCHK implemented the Group’s strategies, captured development opportunities in the market and achieved satisfactory performance in its core businesses. Its major financial indicators remained at solid levels with good results achieved in key business areas. It expedited the regional development plan, with steady progress achieved in business restructuring in the ASEAN region. It continued to develop the Hong Kong market and remained committed to expanding its cross-border business. It also accelerated business diversification and saw good results in the development of its key business platforms. BOCHK continued to integrate its business channels and promote technological innovation in order to raise the intelligent service levels of its products and services. As at 30 June 2017, BOCHK’s issued share capital was HKD52.864 billion, total assets amounted to HKD2,639.964 billion and net assets reached HKD241.737 billion. In the first half of 2017, BOCHK achieved a profit for the period of HKD17.603 billion.

BOCHK stepped up the implementation of its regional development plan with orderly progress made in asset integration. On 27 March 2017, it successfully completed the disposal of Chiyu Banking Corporation Limited. On 9 January 2017, it completed the share acquisition of Bank of China (Thailand) Public Company Limited. On 28 February 2017, it entered into asset purchase agreements with the Bank in relation to the acquisition of the Indonesia Business and the Cambodia Business, respectively, and completed the acquisition of the Indonesia Business on 10 July 2017, which represented another step forward in its business restructuring in ASEAN. BOCHK further refined the management system and mechanism of its ASEAN entities, while continuing to integrate its operations and promote collaboration to create further regional synergy.

By leveraging its competitive edge, BOCHK outperformed the market in key business areas. Total deposits and loans grew satisfactorily ahead of the market, which further increased BOCHK's market share in Hong Kong. Its asset and liability structure was also optimised, with asset quality outperforming the local market. In addition, it diversified its corporate finance business and arranged a number of major syndicated loans, financing projects for cross-border merger and acquisition transactions and major bilateral financing. As a result, BOCHK remained the top mandated arranger in the Hong Kong — Macau syndicated loan market. It also made progress in product and service innovation and continued to increase its market share in the local industrial and commercial sector. Moreover, BOCHK maintained its leadership in the UnionPay merchant acquiring and card issuing business in Hong Kong. Other developments during the period included the acquisition of government and institutional customers and the deepening of the new service model for its wealth management business. It also continued to enrich its product offering and refine its business structure, which resulted in further growth in the number of mid- to high-end customers and the scale of assets under wealth management.

BOCHK capitalised on the Group's global network coverage and expanded its cross-border business. Through strengthened collaboration within the Group and a focus on product and service innovation, BOCHK remained committed to providing a diversified range of financial services to Chinese enterprises' "Going Global" initiatives and corporates in countries along the "Belt and Road", with the aim of helping the Group's construction of the financial artery of the "Belt and Road" initiative. It also made a concerted effort to acquire major projects in the region and broadened its cooperation with non-Chinese and leading local enterprises, which further increased its market share

and influence in the ASEAN region. Additionally, BOCHK enhanced its business development in Free Trade Zones, captured opportunities arising from the Guangdong-Hong Kong-Macau Bay Area, expedited the establishment of its cross-border financial service centre and expanded its cross-border financing and cross-border cash pooling businesses. With outstanding products and a new cross-border service model in place, BOCHK met demand from Chinese mainland customers for overseas asset deployment and succeeded in increasing the number of these customers.

BOCHK elevated its competitive edge in the financial markets and expedited the development of its key business platforms. In the course of proactive expansion of its treasury business, progress was made in enhancing its trading capabilities and income generation through product innovation and service optimisation. It continued to establish business relationships with overseas central banks and international sovereign institutions for diversified income generation. In addition, BOCHK consolidated and enhanced its leading position in the banknotes market, reinforced its cross-border business and explored the ASEAN market. In the global RMB clearing business, BOCHK expanded its competitive advantage and achieved stable growth in clearing business conducted through China's Cross-border Interbank Settlement System (CIPS). It also continued to step up efforts to diversify its operations and build key business platforms, including credit cards, private banking, life insurance, asset management, cash management, custody and trust as well as securities and futures, achieving growth in both the number of clients acquired and business scale.

BOCHK refined business processes and promoted innovation in FinTech. Both online and offline channels were integrated so that they are more customer-

centric as part of the overall drive to bring technology and business closer together for more intelligent products and services. In the branch transformation project, BOCHK fully utilised its most extensive network coverage in Hong Kong and continued to transform its single brand retail branches into multi brand branches for serving personal and corporate customers. This increased its overall service capabilities for SME customers and mid- to high-end personal clients. BOCHK also invested further in technological innovation by pioneering blockchain technology for trade finance and completed the first case with this technology. Moreover, it launched applications in biometric authentication, such as logins for mobile banking through fingerprint authentication and the pilot use of artificial intelligence, all of which were part of the effort to raise the intelligent service levels in its network and promote development of FinTech in Hong Kong. BOCHK also stepped up the development of mobile payment services and became one of the first banks to provide Apple Pay for UnionPay debit cardholders. It began cooperating with internet and telecommunication companies to provide a better customer experience.

BOCHK was awarded “Best Trade Finance Bank in Hong Kong” and “Best Trade Finance Deal in Thailand” from *The Asian Banker*, “Hong Kong Domestic Cash Management Bank of the Year” and “Hong Kong Domestic Foreign Exchange Bank of the Year” from *Asian Banking and Finance*, and “Best FinTech (Emerging Solutions/Payment Innovation) Gold Award” at the “Hong Kong ICT Awards 2017”. It received the “Best SME’s Partner Gold Award 2017” from the Hong Kong General Chamber of Small and Medium Business for having achieved the Best SME’s Partner Award for ten consecutive years.

(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 actively seized opportunities arising from the “Belt and Road” initiative and the development of national multi-layered 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. As at 30 June 2017, BOCI had issued share capital of HKD3.539 billion, total assets of HKD71.971 billion, net assets of HKD16.715 billion, and realised a profit for the period of HKD0.922 billion.

BOCI proactively grasped the strategic opportunities arising from the “Belt and Road” and Chinese enterprises’ “Going Global” initiatives, mixed ownership reforms of state-owned enterprises and the development of the Guangdong-Hong Kong-Macau Bay Area. It constantly strengthened market judgment capabilities, reinforced internal controls and improved risk management practices. With the guiding principle of “customer-led, technology-assisted, innovation-driven”, BOCI strived to establish interconnected and multilateral partnerships and to build a customer-focused ecosystem based on “cooperation for mutual growth and prosperity”.

Optimising its merger and acquisition business structures while enhancing its global service capabilities, BOCI steadily expanded its equity underwriting and financial advisory business. Its bond issuance and underwriting businesses continued to maintain a leading position in the debt capital markets, and it

continued to expand its footprint in Southeast Asia and Europe. Developing and enhancing its trading system at a steady pace, it remained a leader in the Hong Kong brokerage and warrant markets.

BOCI broadened the scope of cross-border cooperation, expanded its sales and service network and accurately captured market trends. Having published an in-depth bilingual “Belt and Road” report, the value and influence of its research “think tank” continued to increase. BOCI-Prudential Asset Management Limited maintained its position as a top-ranked service provider in the Hong Kong Mandatory Provident Fund market and Macau pension market. The new “BOCIP Shenzhen Growth Fund” was also launched to further enrich its investment fund portfolio.

By tapping the opportunities arising from capital market development in the Chinese mainland and by exploring promising projects in newly emerging industries, BOCI effectively grew its RMB equity investments. It established a bulk commodity business platform in the Chinese mainland and built up a cross-border trading channel. By fully leveraging its self-clearing system, BOCI provided clearing services on the London Metal Exchange (LME) and InterContinental Exchange Europe (ICE Europe) to other Chinese securities firms. Strengthening and enhancing its private banking and asset management businesses, BOCI recorded steady development in trust services. Adapting to market trends, BOCI launched several new products to further diversify its revenue sources.

BOCI China

The Bank is engaged in securities-related business in the Chinese mainland through BOCI China. As at 30 June 2017, the registered capital, total assets and net assets of BOCI China were RMB2.500 billion, RMB43.575 billion and RMB11.082 billion, respectively. It realised a profit for the period of RMB0.562 billion for the first half of 2017.

BOCI China adhered to a robust and aggressive development principle, complying with regulation trends and holding fast to the compliance bottom line. Emphasising a customer-centric approach, BOCI China firmly implemented the “Transition + Synergy” strategy. It further transformed its investment banking business to a diversified model, namely “investment bank + commercial bank”, “investment bank + investment” and “domestic + overseas”, aiming to enhance its core competitiveness and improve its brand reputation and market influence as an investment bank with commercial banking features. In particular, it promoted a shift towards wealth management for its brokerage business, a shift to active management for its asset management business and a shift to integrated financial solution packages for its investment banking division.

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at 30 June 2017, BOCIM’s registered capital, total assets and net assets totalled RMB0.1 billion, RMB3.003 billion and RMB2.305 billion respectively. BOCIM realised a profit for the period of RMB0.446 billion compared with the same period of the prior year, up by 6.44%, as a result of steadily improving profitability.

BOCIM performed stable and sound internal control and risk management, and its brand and market reputation improved. As at 30 June 2017, BOCIM’s AUM for publicly offered funds reached RMB285.9 billion.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at 30 June 2017, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD7.980 billion and net assets of HKD4.015 billion. In the first half of 2017, BOCG Insurance achieved gross written premiums of HKD1.088 billion and a profit for the period of HKD76 million, remaining at the forefront of the Hong Kong general insurance market.

BOCG Insurance accelerated its business restructuring and intensified the expansion of its high-quality business. It continuously reinforced channel building, strengthened intra-group synergies and provided comprehensive financial services to customers. In coordination with the interactive development between corporate and individual businesses, BOCG Insurance developed featured products to cater to the needs of targeted customer groups. It improved the effectiveness of its marketing, mining potential demand by providing “multiple insurances to one client”. It continued to expand its sales channels with the aim of discovering potential business opportunities in the life insurance market. In addition, the company used the bancassurance mechanism to pursue win-win cooperation. Through active collaboration with agents and various Chinese-funded enterprises, BOCG Insurance also launched specialised products such as aircraft insurance and hull insurance. It established stronger business relationships with international reinsurers and agents and built innovative reinsurance channels, thus satisfying customers’ needs more effectively.

BOC Life

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at 30 June 2017, BOC Life’s issued share capital was HKD3.538 billion, total assets amounted to HKD121.837 billion and net assets amounted to HKD8.239 billion. In the first half of 2017, BOC Life recorded a gross premium income of HKD10.539 billion and a profit for the period of HKD0.582 billion.

BOC Life made use of its multiple distribution channels to develop innovative products and value-added services, which further enhanced its competitiveness. Products launched during the review period included SmartUp Whole Life Insurance Plan, Target 5 Years Plus Insurance Plan, Enhanced Hospital & Surgical Rider, BestCare-Pro Critical Illness Plan and MaxiGrowth ULife Insurance Plan. These products have been meeting the needs of local and high net worth customers as well as visitors to Hong Kong. BOC Life also made use of innovative technology to improve customer experience by launching the first online hospital cash claims platform in Hong Kong, namely “Easy Claims”, for real-time approval. Additionally, it pioneered the adoption of Electronic Bill Presentment and Payment service for premium payments. New customer service centres were also set up by BOC Life, which came equipped with facilities such as a “pre-underwriting engine”, the first of its kind in the market. This enabled it to provide a one-stop integrated life insurance services for visitors to Hong Kong and high-end customers.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at 30 June 2017, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB13.046 billion

and net assets of RMB4.995 billion. In the first half of 2017, it achieved gross written premiums and a profit for the period of RMB2.978 billion and RMB88 million respectively.

In response to the opportunities brought about by the implementation of the “Belt and Road” initiative, BOC Insurance accelerated the pace of its overseas business development. For large-sized domestic “Going Global” enterprises, it successfully provided overseas property insurance, erection-all-risks and advance-loss-of-profits (EAR & ALOP) insurance and employer’s liability insurance services for employees assigned abroad. In the first half of 2017, BOC Insurance provided insurance services for 75 overseas projects with associated written premiums of RMB170 million, an increase of 79% year-on-year. It vigorously followed the requirements of the China Insurance Regulatory Commission (CIRC) regarding the second commercial auto insurance premium reform. It also accelerated innovative business development. Telesales and internet-based insurance business maintained steady growth. In addition, it actively shouldered its social responsibilities by responding immediately and working tirelessly to handle a variety of insurance claims. It launched a timely emergency mechanism to deal with natural disasters and major accidents. By taking such measures as providing a green channel for claims, prepaid claims and introducing well-known third-party institutions at home and abroad, it ensured claims were treated fairly, impartially and quickly, thus reducing pressure on customers after disasters and providing strong support to customers in terms of restoring production. In this way, it gained high recognition among customers. 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. As at 30 June 2017, BOC-Samsung Life recorded registered capital of RMB1.667 billion, total assets of RMB11.466 billion and net assets of RMB1.250 billion. In the first half of 2017, it realised written premiums of RMB3.533 billion and a profit for the period of RMB -6 million.

BOC-Samsung Life focused on the core essence of insurance and vigorously developed regular premium sales and high-value business so as to optimise its business portfolio. In the first half of 2017, BOC-Samsung Life realised a 198% year-on-year increase in regular premiums sales and a 286% year-on-year increase in long-term savings revenues and risk protection business premiums. It accelerated the promotion of its investment capability, improved its credit rating system, developed its investment management system and obtained CIRC credit risk management qualification recordation. Aiming to improve customer services, it added life insurance sales to BOC “smart counters” and promoted WeChat-based services, for which the self-service policy endorsement items available increased to 20. Its official WeChat account enrolled more than 26% of its policyholders. It also launched a mobile app for group medical insurance self-service claims and updated the follow-up service for new policies to 7×12 hours. More than 98% of its claims were awarded. It also innovated its product package, introducing pension annuity product “ZunXiangJinSheng” for retired people and medical insurance product “AnYouXiangBan” for heavy medical costs coverage need, and upgrading the life insurance product “ZunXiangJiaYing 2” for mid- and high-end customers.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. As at 30 June 2017, BOCG Investment recorded issued share capital of HKD34.052 billion, total assets of HKD100.544 billion and net assets of HKD58.299 billion. In the first half of 2017, it recorded a profit for the period of HKD1.340 billion.

BOCG Investment implemented the Group's overall strategies and continuously strengthened the guiding role of business innovation. By pushing forward its transformation from investment to investment management, BOCG Investment made steady progress in business performance. It grasped the strategic opportunities brought by the "Belt and Road" initiative and expanded its investment layout. BOCG Investment took advantage of its fund platform and increased the size of its managed assets. It initiated the establishment of the "BOC Feature Towns Construction Fund". It exploited investment opportunities in emerging industries and invested in DJI-Innovations. It expanded its asset securitisation businesses and successfully launched the "BOC — CMS Beijing Metro World Centre ABS", the first of its kind for a bank. BOCG Investment diversified its financing channels and issued the first interbank venture capital Panda Bond in the public market. It actively fulfilled its social responsibilities by investing RMB1 billion to set up the "BOC Western China Logistics Fund" and by establishing "BOC Philanthropy", a platform for targeted poverty alleviation. By strengthening post-investment management and exit management, BOCG Investment realised its sustainable development objectives.

BOC Aviation

The Bank is engaged in the aircraft leasing business through BOC Aviation. BOC Aviation is one of the world's leading aircraft operating leasing companies and is the largest aircraft operating leasing company headquartered in Asia, as measured by the value of owned aircraft. As at 30 June 2017, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD14.405 billion and net assets of USD3.537 billion. In the first half of 2017, it recorded a profit for the period of USD0.240 billion.

BOC Aviation continued to pursue sustainable growth, expanded its balance sheet steadily and promoted its position and influence in the aircraft leasing industry. Actively supporting the "Belt and Road" initiative, it leased more than 60% of its aircraft to airlines of the "Belt and Road" countries. BOC Aviation maintains an active aircraft portfolio management strategy and had an average owned fleet age of 3.1 years as at 30 June 2017, one of the youngest aircraft portfolios in the aircraft leasing industry. The company actively targets customer demand, builds on its existing order book and invests in new technology aircraft to pursue sustainable growth. As at 30 June 2017, it had an owned and managed fleet of 297 aircraft. Including the 29 additional new aircraft committed for purchase, BOC Aviation had commitments to acquire 196 aircraft, delivering through to 2021. BOC Aviation continues to maintain solid financial strength. In the first half of 2017, it raised around USD1.1 billion in debt financing, including a USD0.5 billion benchmark bond offering in the Regulation S market, further diversifying its debt investor base. 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 many 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 has streamlined its banking services and ensured that “one-point access” will trigger “whole-process response”, allowing it to satisfy customers’ needs anytime, anywhere.

Outlet Development

The Bank continued to carry forward its programme to upgrade outlets towards smarter functionality. Triggered by the investment in “smart counters”, it promoted the transformation of outlets in terms of outlet hall management, labour integration, sales service concepts and risk control systems. In this way, it enhanced its outlets’ adaptability to the “new normal”

of financial competition in the internet era. As at the end of June 2017, a total of 5,495 outlets in the Chinese mainland had completed the further upgrade and transformation towards smarter functionality, which led to significantly optimised business processes.

The Bank consistently improved the management and operations of its outlets. It continued to optimise its outlet performance evaluation system. The Bank differentiated the competitive advantages of its outlets, accelerated their development and transformation, extended its service channels and improved its financial services in county regions. It 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 improve comprehensive efficiency in business growth.

As at 30 June 2017, the Bank’s domestic commercial banking network (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised 10,674 branches and outlets, domestic non-commercial banking institutions totalled 339, and institutions in Hong Kong, Macau, Taiwan and other countries and regions totalled 542.

Unit: single item, except percentages

Items	As at 30 June 2017	As at 31 December 2016	Change (%)
ATM	45,210	46,810	(3.42%)
Smart counter	11,245	253	4,344.66%
Self-service terminal	34,302	36,083	(4.94%)
Self-service bank	14,735	14,444	2.01%

Internet Finance

With the increasingly rapid development of its internet finance business, 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 2017, the Bank's substitution ratio

of e-banking channels for outlet-based business transactions reached 94.36%, while its e-channel transaction amount reached RMB89.65 trillion, an increase of 18.88% year-on-year. Specifically, mobile banking transaction volumes hit RMB4.81 trillion, an increase of 50.78% compared with the same period of the prior year, making mobile banking become the online trading channel that has the most active customers.

Unit: million customers, except percentages

Items	As at 30 June 2017	As at 31 December 2016	Change (%)
Number of corporate online banking customers	3.2719	3.1408	4.17%
Number of personal online banking customers	140.9395	133.7110	5.41%
Number of mobile banking customers	104.2376	94.3995	10.42%
Number of telephone banking customers	113.1982	111.2993	1.71%

The Bank continuously intensified its mobile finance strategy and fully enhanced its e-channel service capability. For mobile banking, through entrance integration, product integration, information integration and process integration, the Bank initially established an integrated mobile finance portal. Through revisions to page display and interaction and the application of fingerprint and image recognition and other technologies, the portal delivered a significant improved customer experience. In addition, featured modules based on special scenarios were introduced, including cross-border finance, asset management, consumer finance and mobile payment. For WeChat banking, the Bank introduced a "one-on-one" customer relationship manager service and diversified information push notification service, as well as launching "Quotation" and other features to its WeChat client. It further upgraded the functions of its online banking, telephone banking and SMS banking, thus improving customer experience.

The Bank's competitive advantages in its key internet finance businesses began to emerge. Continuing to innovate in internet payment products, the Bank took the lead in launching a QR code-based payment product, meeting the requirements of China UnionPay. It launched the near field payment product "AND Quick Pass" in collaboration with China Mobile and a wearable payment product with Huawei, and successfully completed its first transaction on the internet payment clearing platform for non-bank payment institutions, as the first online bank on the platform. The Bank pushed forward the building of a one-stop BOC financial supermarket, upgrading 11 kinds of investing and financing services including BOC wealth management, consigned funds and two-way foreign exchange trading, with a focus on "optimising process and promoting experience". It enhanced the "E Rong Hui" mobile treasury operation service, enriching professional market analysis such as Everyday Forex News and evaluation. In the first half of 2017,

trading volumes achieved an increase of more than 100% compared with the same period of prior year. It continued to expand the customer base for the “BOC E-Credit” online consumption-oriented credit product and promoted rapid and sound business development by fully adopting big data analysis and scenario fusion technology. The “BOC Easy-trade Cyber-tariff” business continued to maintain a leading position in the market, with market share increasing by 0.77 percentage point compared with the prior year-end. The Bank improved its big data-based insight ability and optimised its customer profiling through big data applications. It also deepened the application of big data in risk control and developed big data risk control models and enterprise association map applications.

The Bank sped up the development of a new-generation customer service system. By building a smart customer service centre with new internet technologies and enhancing services through system integration, it promoted the transformation of its customer service centres towards decision-making support and customer relationship management.

Information Technology Development

Unswervingly guided by innovations in information technology, the Bank kept improving its IT governance system and promoted the integrated development of information technology within the Group to vigorously facilitate implementation of the Group’s diversification strategy.

The Bank reinforced the construction of its globally integrated information technology. It steadily rolled out its overseas information system integration and transformation project in Hong Kong and Macau, supported information system development in newly established overseas institutions, successfully realised information system version unification, centralised deployment and integrated operation and management of over 50 overseas institutions across the world. It launched key projects including asset management, cross-border matchmaking services for SMEs, “Mobile Banking 3.0”, “smart counters”, bank-wide customer information integration and others, which enabled it to handle business more efficiently and offer better customer services, thus supporting its business development.

The Bank followed a technical development route that gives equal emphasis to centralised and distributed architectures, so as to boost the strategic transformation of its technical architecture. It carried out a series of foundational projects such as building a distributed private cloud platform, creating a big data technical platform and exploring scenario applications. It also continued to enhance its high-availability and disaster-recovery backup systems so as to lay a foundation for the long-term development of the Bank’s information technology capacity. Adapting to development trends in the digital era, the Bank conducted research into the advancement and applications of such novel technologies as artificial intelligence (AI), biometric identification, blockchain and quantum communication, and focused on studying how to apply AI technology to risk prevention and control, customer experience, business transactions, security operation, etc.

Risk Management

Based on its status as a Global Systemically Important Bank, the Bank actively responded to the “new normal” of economic development and continued to meet external regulatory requirements. Adhering to the principles of taking an issues-focused approach and implementing top-level design, the Bank pushed forward the establishment of its risk management system aligned with its business model. The Bank refined its consolidated risk management mechanism and improved procedures for product risk management. In addition, it advanced the building of the “three lines of defence” in risk management, specifying the role and responsibility of each line. The Bank implemented advanced approaches to capital management, actively promoted the improvement of its risk measurement model, built its risk management information system at a faster pace and integrated its risk database, thus improving its risk reporting capability.

Credit Risk Management

Closely tracking changes in macroeconomic and financial conditions as well as regulatory requirements, 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 periodic inventory system, list management of overdue loans and management of material credit risk events, all with the aim of strengthening the proactive control of potential risks. It promoted centralised approval for group customers and strengthened customer concentration management so as to control concentration risk. 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 key products.

The Bank continuously 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 macroeconomic regulation 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 related to national macroeconomic policy and industry policies, to ensure that the industrial structure is rational 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 use of loans through limit management, and prevented and mitigated risk from overcapacity industries. It reinforced risk control over local government debts to practically prevent related risks. In addition, the Bank implemented the government's macro-control policies and regulatory measures in the real estate sector and carried out credit control over the real estate sector by classification, so as to strengthen the risk management of real estate loans. In terms of personal banking, the Bank enforced regulatory requirements on residential mortgage loans and continued to strictly implement differentiated policies. It revised policies on personal credit management and strengthened uniform personal credit management covering personal loans, credit cards and other businesses. It continued to strengthen risk control of key products and regions. Moreover, the Bank strengthened risk control over financial institutions by risk screening small and medium-sized banks and non-bank financial institutions.

The Bank strengthened country risk management and incorporated it into the comprehensive risk management system. Each year, the Bank performs an annual review of country risk ratings. It also implements limit management of country risk exposures. The Bank adopted the Country Risk Exposure and Limit Monitoring 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 the timely reporting of material risk events, which made it possible to regularly publish country risk analysis reports inside the Group. It organised for overseas institutions to provide updates on the country risk monitoring tables, make timely assessments of the impact of material country risk events and release risk prompts within the Group. In

addition, the Bank differentiated the management of potentially high-risk and sensitive countries and regions. In this way, it managed to control overall country risk at a reasonable level.

The Bank also stepped up the collection of NPAs. It 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 integrated various measures to expand the disposal channels for NPLs in its bank card and personal banking businesses, and successfully issued NPL-backed securities drawn from those businesses. 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 explored various channels to resolve NPAs, 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 2017, the Group's NPLs totalled RMB147.025 billion, representing an increase of RMB1.022 billion compared with the prior year-end. The NPL ratio was 1.38%, down by 0.08 percentage point compared with the prior year-end. The balance of the Group's allowance for loan impairment losses amounted to RMB224.155 billion, a decrease of RMB13.561 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 152.46%.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Group				
Pass	10,208,658	95.85%	9,516,729	95.43%
Special-mention	295,020	2.77%	310,630	3.11%
Substandard	63,873	0.60%	61,247	0.61%
Doubtful	31,869	0.30%	36,817	0.37%
Loss	51,283	0.48%	47,939	0.48%
Total	10,650,703	100.00%	9,973,362	100.00%
NPLs	147,025	1.38%	146,003	1.46%
Domestic				
Pass	7,860,270	94.93%	7,387,949	94.49%
Special-mention	277,063	3.35%	289,101	3.70%
Substandard	61,678	0.74%	58,763	0.75%
Doubtful	30,715	0.37%	35,758	0.46%
Loss	50,395	0.61%	46,937	0.60%
Total	8,280,121	100.00%	7,818,508	100.00%
NPLs	142,788	1.72%	141,458	1.81%

Migration Ratio

Unit: %

Items	For the six month period ended		
	30 June 2017	2016	2015
Pass	0.88	3.05	2.22
Special-mention	15.62	19.39	22.07
Substandard	38.42	36.67	48.25
Doubtful	23.35	44.31	46.25

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 2017, the Group's identified impaired loans totalled RMB146.522 billion, representing an increase of RMB1.211 billion compared with the prior year-end. The impaired loans to total loans ratio was 1.38%, a decrease of 0.08 percentage point compared with the prior year-end. In the first half of 2017, the Group's impairment losses on loans amounted to RMB26.589

billion, a decrease of RMB22.547 billion compared with the same period of the prior year; credit cost accounted for 0.52%, a decrease of 0.52 percentage point compared with the same period of the prior year. Please refer to Notes III.17 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.

Unit: %

Indicator	Regulatory Standard	As at 30 June 2017	As at 31 December 2016	As at 31 December 2015
Loan concentration ratio of the largest single borrower	≤10	4.2	2.3	2.3
Loan concentration ratio of the ten largest borrowers	≤50	18.0	14.2	14.0

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 2017.

Unit: RMB million, except percentages

Industry	Related Parties or not	Outstanding loans	% of total loans
Customer A Manufacturing	No	67,744	0.64%
Customer B Manufacturing	No	36,180	0.34%
Customer C Transportation, storage and postal services	No	33,689	0.32%
Customer D Transportation, storage and postal services	No	32,145	0.30%
Customer E Commerce and services	No	23,350	0.22%
Customer F Mining	No	20,951	0.20%
Customer G Transportation, storage and postal services	No	20,411	0.19%
Customer H Commerce and services	No	20,185	0.19%
Customer I Production and supply of electricity, heating, gas and water	No	17,761	0.17%
Customer J Transportation, storage and postal services	No	17,112	0.16%

Market Risk Management

In response to changes in the market environment, 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.

The Bank adjusted the market risk limit framework and upgraded the limit stress testing scenario to proactively accommodate changes in business models. It established a detection and early warning mechanism for abnormal changes in the Group's interest rate risk, exchange rate risk and contagion risks in order to improve its capacities to deal with risk. It also continuously pushed forward the building of its market risk management information system to enhance risk data accuracy and improve system functions. The Bank continued to carry out quantitative impact studies of market risk capital in line with new regulatory requirements and consolidated the theoretical and systematic basis of implementation related to the new requirements. Please refer to Note IV.2 to the Condensed Consolidated Interim Financial Information for detailed information regarding market risk.

The Bank strengthened bond investment risk management by closely tracking market fluctuations and performing forward-looking risk analysis. In addition, in order to improve credit risk and contagion risk management, the Bank established and promoted the mechanism of Group credit review of bond investment, and perfected its risk warning mechanism for credit-related bonds.

The Bank assessed the interest rate risk in its banking book mainly by analysing 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 foreign exchange sales, 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 the 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 the liquidity risk management at both Group and branch levels. It 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 plan and performed stress tests on a quarterly basis. The results of stress testing showed that the Bank had adequate payment capability to address distressed scenarios.

As at 30 June 2017, the Group's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio is shown in the table below (in accordance with relevant provisions of domestic regulatory authorities):

Unit: %

Indicator		Regulatory standard	As at 30 June 2017	As at 31 December 2016	As at 31 December 2015
Liquidity ratio	RMB	≥25	50.4	45.6	48.6
	Foreign currency	≥25	53.0	52.7	62.0

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 so as to improve the compliance management of the Group.

The Bank continued to implement 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 management functions in the course of their business operations, 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 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 use of the Group's operational risk monitoring and analysis platform, so as to realise regular monitoring of material risks 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 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". The Bank continued to push forward the implementation of the reform of its human resource management system for the audit line, and further intensified the vertical management of its audit function. It enhanced team building and deepened IT application in audit and the use of IT-based audit approaches. Taking an issue-oriented approach, the Bank focused on the comprehensive audit of institutions and special audits of businesses, strengthened audits and inspections of the high-risk institutions and businesses, as well as on fields under the Group's control priorities and those of special concern to regulators. The Bank concentrated attention on matters of systemic importance, emerging trends and concerning tendencies, so as to further improve rectification management, achieve the effective rectification of problems and continue to improve the Bank's internal governance and control mechanism.

The Bank promoted an all-round rectification campaign according to the banking regulations to combat "violations against laws, rules and regulations", attempts of "regulatory arbitrage, idle funding arbitrage, connected transactions arbitrage", situations of "improper innovation, improper trading, improper incentives, and improper charges" as well as "market

irregularities". It also enhanced specialised rectification practices for "strengthening risk prevention and control" and "improving regulatory shortcomings and enhancing regulatory effect". It organised look-back rectification accountability with a focus on the "Two Strengthen and Two Curbing", carried out internal control case prevention activities of "process optimisation, fundamental resolutions and foundation reinforcement", searched for significant risk and promoted process optimisation, so as to lay a more solid foundation for effective internal control. In addition, the Bank improved and implemented 50 measures for risk control and management of branch outlets so as to enhance their risk control. It also promoted staff compliance archive and internal control management evaluation system, so as to enhance staff behaviour management and daily management and control of its branches.

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 set standards in the qualification of accounting, 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 2017, the Bank succeeded in preventing 69 external cases involving RMB51 million.

Operational Risk Management

The Bank continuously improved its operational risk management system. It promoted the application of operational risk management tools, using various management tools including Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC) to continually identify, assess and monitor operational risks. The Bank enhanced its system supporting capability by optimising its operational risk management information system. It strengthened its business continuity management system, optimised its operating mechanism to enhance its business operating sustainability, carried out disaster recovery drill and improved the Group's capacity for continuous business operation.

Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process. It continued to track compliance risk information including the latest regulatory changes, inspections and evaluations, and complied with domestic and overseas regulatory requirements. It monitored and assessed compliance risk and adopted a reporting mechanism for compliance risk information and material risk events, hence enhancing its compliance risk management ability.

The Bank defined and implemented its anti-money laundering (AML) regime building plan, committed more resource, continuously improved governance structure and IT system supporting capacity, fostered talents and increased the weight of AML in performance evaluation. It introduced working regulation for sanction compliance to implement UN and local sanction compliance requirement, and standardised customer and transaction due diligence and enhanced centralised management of its correspondent banks. It enhanced system and model building, researched and developed risk-based suspicious transaction monitoring models, improved

AML system and optimised group sanction name list screening rules. It also implemented the All Employee AML Training Plan by conducting various forms of AML training.

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

Capital Management

With the aim of maintaining adequate capital and risk mitigation capacity, increasing capital efficiencies and enhancing value creation capability, the Bank has established a comprehensive capital management system featuring broad management coverage of the capital plan, capital budget and assessment, capital measurement and monitoring, the internal capital adequacy assessment process (ICAAP) and external capital replenishment.

The Bank adhered to the principle of linking capital input with output and further improved its capital budget allocation mechanism. It reinforced capital assessment in order to guide all business lines and units of the Bank to improve their awareness of value creation and capital constraints. With the aim of preserving capital, improving customers' comprehensive returns and increasing overall value contribution, it continuously optimised its on-balance sheet and off-balance sheet asset structures, developed capital-lite businesses, reduced the proportion of high-capital-consumption assets and reasonably controlled increases

in off-balance sheet risk assets. The Bank continuously implemented its ICAAP and completed its 2017 capital adequacy assessment. As at 30 June 2017, the Bank's capital adequacy ratio maintained robust and met the regulation's requirement.

Capital Adequacy Ratios

As at 30 June 2017, 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	31 December	30 June	31 December
	2017	2016	2017	2016
Calculated in accordance with the <i>Capital Rules for Commercial Banks (Provisional)</i>				
Net common equity tier 1 capital	1,311,853	1,280,841	1,134,846	1,106,112
Net tier 1 capital	1,415,758	1,384,364	1,234,560	1,205,826
Net capital	1,608,425	1,609,537	1,411,562	1,414,052
Common equity tier 1 capital adequacy ratio	10.93%	11.37%	10.60%	10.98%
Tier 1 capital adequacy ratio	11.80%	12.28%	11.53%	11.96%
Capital adequacy ratio	13.41%	14.28%	13.18%	14.03%
Calculated in accordance with the <i>Regulation Governing Capital Adequacy of Commercial Banks</i>				
Core capital adequacy ratio	11.86%	11.77%	11.52%	11.65%
Capital adequacy ratio	14.45%	14.67%	14.10%	14.50%

Please refer to Note IV.5 to the Condensed Consolidated Interim Financial Information and Supplementary Information II.5 to the Interim Financial Information for detailed information.

Leverage Ratio

As at 30 June 2017, 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:

Unit: RMB million, except percentages

Items	As at 30 June 2017	As at 31 December 2016
Net tier 1 capital	1,415,758	1,384,364
Adjusted on- and off-balance sheet assets	20,915,888	19,604,737
Leverage ratio	6.77%	7.06%

Please refer to Supplementary Information II.6 to the Interim Financial Information for detailed information.

Social Responsibilities

The Bank thoroughly implemented its development strategy of “Serving Society, Delivering Excellence”, and proactively fulfilled its social responsibilities as a large state-owned bank by making charitable donations in a legal and compliant manner, organising various charity activities, supporting inclusive finance and participating in building a harmonious society.

The Bank supported poverty alleviation work in the Yongshou, Changwu, Xunyi and Chunhua counties of Xianyang, Shaanxi Province (the “Four North Counties”) for the 15th consecutive year. In the first half of 2017, the Bank injected RMB59.68 million to support the “Four North Counties”, lifted 989 registered impoverished persons out of poverty, benefited a population of 99,000 impoverished people and funded 175 underprivileged students. The Bank formulated an annual plan for targeted poverty alleviation with the aim of carrying out work in an orderly fashion throughout the year. It established a featured public welfare sharing platform to support the targeted poverty alleviation efforts of the government and the fulfilment of corporate social responsibilities by cooperative enterprises. Leveraging the strengths of the Group, the Bank devoted financial resources to

poverty relief. It continued to support poverty alleviation work in Xinjiang Province by carrying out programmes in infrastructure construction, featured agriculture, hygiene and healthcare and other fields.

The Bank has supported the “Rainbow Bridge” programme for six consecutive years, sponsoring 290 outstanding students from low-income families in China and America to study in each other’s countries. It continually provided government-sponsored student loans to financially support students’ education. It has promoted international cultural exchanges in strategic cooperation with the National Centre for the Performing Arts for nine consecutive years. The Bank joined hands with renowned charities and charitable persons in Hong Kong to establish the Student and Teacher Fund of BOC Xianyang “Four North Counties”, so as to support students and teachers.

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 the electric evaluation and convening video and telephone conferences.

The Bank made preparations to set up the BOC Charity Fund, integrated its domestic and overseas social responsibility resources and fulfilled its social responsibilities in a more systematic, planned and forward-looking manner, so as to better perform its social responsibilities and play its role in promoting bank-wide development and building its corporate culture.

The Bank's fulfilment of its social responsibilities was widely recognised by society. In the 2016 Corporate Social Responsibility Performance Assessment given by the China Banking Association, the Bank won awards for "Most Socially Responsible Financial Institution", "Best Outlets with Special Contribution to Corporate Social Responsibility" and "Best Charitable Project". At the first High-level Forum of Chinese Financial Brands, the Bank was awarded "Outstanding Socially Responsible Financial Brand".

Outlook

In the second half of 2017, carrying forward its development strategy of "Serving Society, Delivering Excellence", the Bank will earnestly follow China's macro-economic policies, give full play to the competitive advantages of its internationalised and diversified operations, adhere to the overall theme of seeking progress while maintaining stability and focus on three major tasks, serving the real economy, preventing and controlling financial risks and stepping up financial reform efforts. It will continue to step up its efforts to build an excellent bank, press ahead with the Group's strategic transformation, promote technological innovation, enhance comprehensive risk control, push forward strict discipline of the CPC and strive to create new prospects for the Group's development.

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Share Capital

Unit: Share

	As at 1 January 2017		Increase/decrease during the reporting period					As at 30 June 2017	
	Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	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 2017, 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 2017, 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 2017: 824,193 (including 625,728 A-Share Holders and 198,465 H-Share Holders)

The top ten ordinary shareholders as at 30 June 2017 are set forth below:

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	14,611,637	81,812,488,097	27.79%	—	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	(85,342,003)	7,518,876,555	2.55%	—	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	The Bank of Tokyo-Mitsubishi UFJ Ltd.	—	520,357,200	0.18%	—	Unknown	Foreign legal person	H
7	HKSCC Limited	128,030,501	441,739,052	0.15%	—	None	Foreign legal person	A
8	China Life Insurance Company Limited — dividend — personal dividend — 005L — FH0025H	250,302,300	250,302,300	0.09%	—	None	Other	A
9	Anbang Property & Casualty Insurance Co., Ltd. — Traditional Product	—	208,018,959	0.07%	—	None	Other	A
10	Anbang Life Insurance Co., Ltd. — Conservative Investment Portfolio	(327,187,729)	149,835,883	0.05%	—	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 2017. 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 Property & Casualty Insurance Co., Ltd. and Anbang Life 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 2017, 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 BlackRock, Inc.	Beneficial owner	7,518,157,041	H	–	8.99%	2.55%
	Interest of controlled corporations	5,837,628,331	H	–	6.98%	1.98%
		27,000(S)	H	–	0.00003%	0.00001%
JPMorgan Chase & Co.	Beneficial owner	2,152,000,896	H	–	2.57%	0.73%
		180,789,229(S)	H	–	0.22%	0.06%
	Investment manager	325,820,115	H	–	0.39%	0.11%
	Trustee	28,075	H	–	0.00003%	0.00001%
	Custodian corporation/ approved lending agent	2,482,887,298(P)	H	–	2.97%	0.84%
	Total	4,960,736,384	H	–	5.93%	1.69%
		180,789,229(S)	H	–	0.22%	0.06%
		2,482,887,298(P)	H	–	2.97%	0.84%

Notes:

- 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 5,837,628,331 H Shares and a short position of 27,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 5,837,628,331 H Shares, 8,910,000 H Shares are held through derivatives. The total 27,000 H Shares in the short position are held through derivatives as well.
- 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 4,960,736,384 H Shares and a short position of 180,789,229 H Shares of the Bank through JPMorgan Chase Bank, N.A. and other corporations controlled by it. In the long position of 4,960,736,384 H Shares, 2,482,887,298 H Shares are held in the lending pool and 162,206,912 H Shares are held through derivatives. In the short position of 180,789,229 H Shares, 180,446,728 H Shares are held through derivatives.
- “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 2017, 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 2017: 48 (including 47 domestic preference shareholders and 1 offshore preference shareholder)

The top ten preference shareholders as at 30 June 2017 are set forth below:

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 2017, 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.

As at 30 June 2017, China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH is one of both the Bank's top ten ordinary shareholders and top ten preference shareholders.

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.

Profit Distribution of the Preference Shares

For the profit distribution policy of the preference shares and the profit distribution arrangement during the reporting period, please refer to the section "Significant Events".

Other Information regarding 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. 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
CHEN Siqing	Chairman	Nout WELLINK	Independent Director
REN Deqi	Executive Director and Executive Vice President	LU Zhengfei	Independent Director
GAO Yingxin	Executive Director and Executive Vice President	LEUNG Cheuk Yan	Independent Director
ZHANG Xiangdong	Non-executive Director	WANG Changyun	Independent Director
LI Jucai	Non-executive Director	Angela CHAO	Independent Director
ZHAO Jie	Non-executive Director		

Notes:

- The information listed in the above table pertains to the incumbent directors.
- Ms. Angela CHAO began to serve as Independent Director and 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 4 January 2017.
- Mr. WANG Wei ceased to serve as Non-executive Director and member of the Strategic Development Committee and the Risk Policy Committee of the Board of Directors of the Bank as of 19 January 2017 due to the change of job.
- Mr. ZHANG Qi ceased to serve as Non-executive Director and member of the Strategic Development Committee and the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 30 June 2017 due to the expiration of his term of office.
- Mr. LIU Xianghui ceased to serve as Non-executive Director and member of the Strategic Development Committee and the Risk Policy Committee of the Board of Directors of the Bank as of 30 June 2017 due to the expiration of his term of office.
- Mr. ZHAO Jie began to serve as Non-executive Director as of 4 August 2017, and member of the Audit Committee and the Risk Policy Committee of the Board of Directors of the Bank as of 28 August 2017.
- Mr. TIAN Guoli ceased to serve as Chairman of the Board of Directors, Executive Director and Chairman and member of the Strategic Development Committee of the Board of Directors of the Bank as of 16 August 2017 due to the change of job.
- Mr. CHEN Siqing began to serve as Chairman of the Board of Directors and Chairman of the Strategic Development Committee of the Board of Directors of the Bank, and ceased to serve as Vice Chairman of the Board of Directors of the Bank, all with effect from 29 August 2017.
- The 2016 Annual General Meeting of the Bank held on 29 June 2017 considered and approved the proposal on the election of Ms. XIAO Lihong to be appointed as Non-executive Director of the Bank and the proposal on the election of Ms. WANG Xiaoya to be appointed as Non-executive Director of the Bank. The qualifications of Ms. XIAO Lihong and Ms. WANG Xiaoya as Non-executive Directors of the Bank are subject to the approval by CBRC.
- During the reporting period, none of the directors held any share of the Bank.

Board of Supervisors

Name	Position	Name	Position
WANG Xiquan	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. GAO Zhaogang began to serve as member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 20 February 2017.
- 3 Mr. CHEN Yuhua began to serve as Chairman of the Financial and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 20 February 2017.
- 4 During the reporting period, none of the supervisors held any share of the Bank.

Senior Management

Name	Position	Name	Position
REN Deqi	Executive Director and Executive Vice President	FAN Dazhi	Secretary of Party Discipline Committee
GAO Yingxin	Executive Director and Executive Vice President	PAN Yuehan	Chief Risk Officer
ZHANG Qingsong	Executive Vice President and Chief Information Officer	XIAO Wei	Chief Audit Officer
LIU Qiang	Executive Vice President	GENG Wei	Secretary to the Board of Directors and Company Secretary

Notes:

- 1 The information listed in the above table pertains to the incumbent senior management members.
- 2 Mr. ZHANG Qingsong began to serve concurrently as Chief Information Officer of the Bank as of 31 March 2017.
- 3 Mr. XU Luode ceased to serve as Executive Vice President of the Bank as of 11 June 2017.
- 4 Mr. CHEN Siqing ceased to serve as President of the Bank as of 16 August 2017. Mr. CHEN Siqing will perform the duties as President of the Bank before the new President is appointed by the Bank and approved by CBRC.
- 5 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 2017, the Bank had a total of 11,555 domestic and overseas institutions, including 11,013 institutions in the Chinese mainland and 542 institutions in Hong Kong, Macau, Taiwan and other countries. Its domestic commercial banking business comprised 10,674 institutions, including 37 tier-1 and direct branches, 328 tier-2 branches and 10,308 outlets.

Geographic distribution of institutions and employees:

Unit: RMB million/unit/person, except percentages

Items	Assets		Institutions		Employees	
	Total assets	% of total	Number of institutions	% of total	Number of employees	% of total
Northern China	6,006,073	28.44%	1,940	16.78%	58,722	19.29%
Northeastern China	700,083	3.31%	952	8.24%	25,567	8.40%
Eastern China	4,163,899	19.71%	3,606	31.21%	92,506	30.38%
Central and Southern China	3,051,433	14.44%	2,796	24.20%	67,730	22.24%
Western China	1,555,968	7.37%	1,719	14.88%	37,625	12.36%
Hong Kong, Macau and Taiwan	3,656,432	17.31%	409	3.54%	17,029	5.59%
Other countries	1,990,950	9.42%	133	1.15%	5,313	1.74%
Elimination	(1,698,858)					
Total	19,425,980	100.00%	11,555	100.00%	304,492	100.00%

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

Human Resources Development and Management

As at 30 June 2017, the Bank had a total of 304,492 employees. There were 282,150 employees in the operations of the Chinese mainland, of which 273,124 worked in the Bank's domestic commercial banking operations. There were 22,342 employees in the Bank's operations in Hong Kong, Macau, Taiwan and other countries. As at 30 June 2017, the Bank bore costs for a total of 5,761 retirees.

In the first half of 2017, in line with the Group's development strategy and priorities, the Bank continued to improve its organisational structure, refine its anti-money laundering system, increase resource input to anti-money laundering efforts, and enhance risk control capacity. It adhered to its performance-focused personnel allocation mechanism, endeavoured to adjust and improve its personnel structure, and extended more human resources to its strategic, core, and emerging businesses, so as to continually enhance the effectiveness of personnel allocation. Moreover, the Bank thoroughly implemented the national strategy of targeted poverty alleviation, selecting and dispatching outstanding personnel to poverty-stricken regions to support local economic development.

Based on the Group's strategic priorities, the Bank vigorously enhanced the input and output efficiency of resources, and improved personnel expense allocation as well as its performance assessment system. It comprehensively implemented its honorary award system, in a bid to encourage institutions and personnel of all levels to improve performance and devote themselves to making outstanding contributions in an all-around way.

The Bank played an active role in the economic development efforts under the "Belt and Road" initiative, successfully holding the "Belt and Road" international financial cooperation seminars for eight Pacific islands, including Vanuatu, the Federated States of Micronesia, Fiji, Papua New Guinea, Samoa, Tonga, Cook Islands and Niue. In this way, the Bank contributed to the implementation of national strategies, effectively promoted cross-border economic and trade cooperation as well as cultural and educational exchanges, and demonstrated its international vision and sense of responsibility as a major bank. During the first half of 2017, 30,693 training courses were offered in its domestic commercial banking institutions, with an aggregate of 1,233,321 participants.

Corporate Governance

The Bank strictly follows the regulatory rules on capital markets and industries, closely tracks 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.

The Bank continued to improve rules and policies on corporate governance in accordance with laws and regulations and regulatory requirements. The Bank considered and approved the proposal on amendments to the Articles of Association at the 2016 First Extraordinary General Meeting held on 18 November 2016. During the reporting period, the above-mentioned amendments to the Articles of Association became effective upon approval by CBRC. In accordance with the relevant legal provisions and the overall request to incorporate Party-building work requirement into companies' articles of association, the Bank made amendments to its Articles of Association, based on its actual practices. The above-mentioned amendments to the Articles of Association were considered and approved at the 2016 Annual General Meeting of the Bank held on 29 June 2017, pending approval by CBRC.

During the reporting period, the Bank further improved its corporate governance mechanisms. It conducted 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* 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 and trainings for the directors and improved the communication mechanisms, thus continuously enhancing its decision-making efficiency and capability.

During the reporting period, the Bank continued to strengthen the protection of shareholders' rights, ensuring that shareholders are properly informed and entitled to participate and make decisions.

Corporate Governance Compliance

During the reporting period, the Bank's corporate governance was consistent 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 29 June 2017, the Bank held its 2016 Annual General Meeting in Beijing and Hong Kong by way of real time video conference. This meeting considered and approved the proposals including the 2016 work report of the Board of Directors, the 2016 work report of the Board of Supervisors, the 2016 annual financial report, the 2016 profit distribution plan, the 2017 annual budget for fixed assets investment, the appointment of Ernst & Young Hua Ming as the Bank's external auditor for 2017, the election of Mr. CHEN Siqing to be re-appointed as Executive Director of the Bank, the election of Mr. ZHANG Xiangdong to be re-appointed as Non-executive Director of the Bank, the election of Ms. XIAO Lihong to be appointed as Non-executive Director of the Bank, the election of Ms. WANG Xiaoya to be appointed as Non-executive Director of the Bank, the election of Mr. ZHAO Jie to be appointed as Non-executive Director of the Bank, as well as the proposals regarding the issuance of bonds and the amendments to the Articles of Association. The meeting also heard the report on the connected transactions for 2016, the duty report of independent directors for 2016 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 2016. The proposals regarding the issuance of bonds and amendments to the Articles of Association were made through special resolutions, while the rest of the proposals were made through 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 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. For details, please refer to the Bank's announcements published on the websites of SSE, HKEX and the Bank on 29 June 2017.

Directors and the Board of Directors

Currently, the Board of Directors comprises eleven members, with three executive directors, three non-executive directors and five independent directors. The total number of independent directors accounts for no less than one-third of the Board of Directors, which is in compliance with the Articles of Association of the Bank and the relevant regulatory provisions.

For any information related to positions served by Mr. CHEN Siqing and Mr. ZHAO Jie respectively, please refer to the Bank's announcements published on the websites of SSE, HKEX and the Bank. Save as disclosed above, to the best knowledge of the Bank, information regarding the Bank's directors including their appointments during the reporting period is the same as that disclosed in the 2016 Annual Report of the Bank.

During the reporting period, the Bank convened five on-site meetings of the Board of Directors on 23 January, 31 March, 28 April, 9 June and 30 June and one meeting of the Board of Directors by written resolution on 20 February. At these meetings, the Board of Directors mainly considered and approved proposals regarding the 2016 work report of the Board of Directors, the 2016 profit distribution plan, the 2016 internal control self-assessment report, the 2016 corporate social responsibility report, the 2016 annual report, the capital adequacy ratio report of 2016, the 2017 first quarter report, the nomination of candidates for directorships, the issuance of bonds and the amendments to the Articles of Association, among other proposals.

The Board of Directors has set up the Strategic Development Committee, the Audit Committee, the Risk Policy Committee, the Personnel and Remuneration Committee, and the Connected Transactions Control Committee as well as the US Risk and Management Committee established under the Risk Policy Committee, to assist the Board of Directors in performing its functions under the authorisation of the Board of Directors. The positions of Chairman of the Board of Directors and President of the Bank are assumed by two persons. Mr. CHEN Siqing ceased to serve as President of the Bank as of 16 August 2017. Mr. CHEN Siqing will perform the duties as President of the Bank before the new President is appointed by the Bank and approved by CBRC. Mr. CHEN Siqing began to serve as Chairman of the Board of Directors of the Bank as of 29 August 2017. Independent directors serve as chairmen of the Audit Committee, the Risk Policy Committee, the 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 four meetings, at which it mainly reviewed and approved the proposal on profit distribution for 2016, the business plan and financial budget for 2017, the proposal on the dividend distribution of domestic preference shares (second tranche), the 2016 corporate social responsibility report, the proposal on the issuance of bonds, among others. The committee also heard the report on strategy implementation of 2013–2016.
Audit Committee	The committee held two meetings, at which it mainly reviewed and approved the 2017 work plan and financial budget for internal audit. It reviewed the 2016 financial report, the 2017 first quarter financial report, the 2016 internal control work report, the 2016 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 2016, the three-year plan for IT application in audit, the 2016 report on the overseas supervision information, the report on asset quality in the first quarter of 2017, among others.
Risk Policy Committee	The committee held two meetings, at which it mainly reviewed and approved the <i>Internal Capital Adequacy Assessment Report of Bank of China for 2017</i> , the <i>Bank of China Limited Capital Adequacy Ratio Report of 2016</i> , the <i>Application for the Trading Book Market Risk Limits (Level A) of Bank of China in 2017</i> , the <i>Market Risk Management Policy of Bank of China Limited (2017 Edition)</i> , the <i>Internal Rating System Policy for Credit Risk of Bank of China Limited (2017 Edition)</i> and the proposal regarding Optimisation of Large Enterprise Rating Model. The committee also regularly reviewed the Group's risk reports.
Personnel and Remuneration Committee	The committee held two meetings, at which the committee mainly reviewed and approved the proposals on nominating Mr. CHEN Siqing and Mr. ZHANG Xiangdong to be re-appointed as directors of the Bank, the proposals on nominating Ms. XIAO Lihong, Ms. WANG Xiaoya and Mr. ZHAO Jie as candidates of non-executive directors of the Bank, the proposal on nominating Mr. CHEN Siqing to be re-appointed as Vice Chairman of the Bank, the proposal on nominating Mr. ZHANG Qingsong to serve concurrently as Chief Information Officer of the Bank, as well as the proposal on the performance evaluation results of the Chairman of the Board of Directors, executive directors and senior management members in 2016. It also heard the circular on performance evaluation results of the Chairman of the Board of Supervisors and shareholder supervisors in 2016.
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 2016 and the report on the request for confirmation of the connected party list of the Bank. The committee also reviewed reports including the statement of the Bank's connected transactions in 2016.

Supervisors and the Board of Supervisors

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

During the reporting period, the Board of Supervisors studied the approaches to play its role appropriate to new conditions, focused on prominent issues, and implemented its supervisory duty so as to give full play to its constructive supervisory function in corporate governance. Following regulatory requirements, it enhanced the supervision and assessment of duty performance of directors, supervisors and senior management members. It organised interviews with directors and senior management members on their annual duty performance, conducted self-assessment and peer assessment of duty performance by supervisors, and urged directors, supervisors and senior management members to proactively assume their responsibilities and improve their performance. It performed its new supervisory responsibilities as defined in the Articles of Association. Based on financial supervision and through the review and supervision of regular reports, it supervised over strategies implementation and financial activities, and made suggestions and gave guidance to the Board of Directors and the Senior Management. It earnestly explored and set the requirements for personnel responsible for risk monitoring, and supervised and gave guidance on efforts to enhance control over credit risk and to improve the credit management mechanism. It also deepened the supervision and assessment of internal control, and intensified the tracking and supervision of the implementation of rectifications required by regulatory opinions. It fulfilled its role as supervisor and advisor, and organised special researches regarding the strategic development and regulatory compliance of the Bank's overseas institutions, the control over customer credit risk, the operational management of the Bank's domestic branches and the risk management of its subsidiaries. It supported and guaranteed the supervisors in fulfilling their roles, organised them to attend the shareholders' meetings and the meetings of the Board of Directors, and added members to two special committees to give full play to their fundamental role.

During the reporting period, the Board of Supervisors convened two on-site meetings on 31 March and 28 April, at which it reviewed and approved proposals including the 2016 annual report, the 2016 profit distribution plan, the 2016 internal control self-assessment report, 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 2016, the 2016 work report of the Board of Supervisors, the 2017

first quarter report and other proposals. The Duty Performance and Due Diligence Supervision Committee held one meeting, and the Finance and Internal Control Supervision Committee held two meetings. The two special committees reviewed related proposals respectively in advance of submission to the Board of Supervisors for review and approval.

Senior Management

In the first half of 2017, the Senior Management of the Bank managed the Bank's operations in accordance with the powers bestowed upon them by the Articles of Association and the authorisations of the Board of Directors. In line with the annual performance objectives approved by the Board of Directors, the Senior Management adhered to the development strategy of "Serving Society, Delivering Excellence". Following the working guidelines of "making progress in structural adjustments while keeping the asset size stable, making progress in liability business while keeping asset business stable, making progress in overseas operations while keeping domestic businesses stable, making progress in non-interest income while keeping interest income stable, making progress in service quality while keeping service base stable and making progress in resolving non-performing assets while keeping asset quality stable", it pushed forward work on all fronts, thus realising continuous improvement in business performance.

During the reporting period, the Senior Management of the Bank held 13 regular meetings, at which it discussed and decided upon a series of significant matters, including the Group's business development, performance management, risk management, internet finance, IT system development and targeted poverty alleviation efforts. It also convened 40 special meetings to study and make arrangements for matters relating to international operations, corporate banking, personal banking, financial markets, product and service innovation, channel building and compliance management.

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, the Securities Investment and Management Committee and the Internet Finance 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 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 further 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 distribute cash dividend where there is profit in that year and the accumulated undistributed profit is positive. The cash distributed every year 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 enable shareholders to vote online when considering amendments to profit distribution policy and profit distribution plan.

The procedure to formulate the aforementioned profit distribution policy was compliant, transparent and the decision procedure was complete. The criterion and ratio of the dividend were explicit and clear. The independent directors fully expressed their opinions and the legitimate rights and interests of minority shareholders were fully respected and protected. In these regards, they were 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 the first half of 2017, the Bank distributed dividends on ordinary shares for 2016 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.

In the first half of 2017, the Bank distributed dividends on domestic preference shares in strict compliance with the Articles of Association, the terms of issuance of preference shares and the Board of Directors' resolutions on dividend distribution.

Profit Distribution during the Reporting Period

The 2016 Annual General Meeting on 29 June 2017 considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus reserve of RMB14.310 billion; appropriation to general and regulatory reserves of RMB15.245 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, RMB0.168 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 appeared on the register of members of the Bank as at market close on 13 July 2017, amounting to approximately RMB49.457 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 2017, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

At the Board meeting held on 23 January 2017, 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 13 March 2017, 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 2017, 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 23 October 2017. 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 2017 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

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 a sale and purchase agreement in relation to the sale and purchase of the entire issued share capital of Bank of China (Thai) Public Company Limited. All the conditions precedent set out in the sale and purchase agreement have been satisfied and completion of the transfer took place on 9 January 2017 in accordance with the terms and conditions of the sale and purchase agreement. On 28 February 2017, the Bank (as seller) and BOCHK (as buyer) entered into sale and purchase agreements in relation to sale and purchase of the banking businesses operated by the Bank in Indonesia through Bank of China Limited, Jakarta Branch and its eight sub-branches and the banking businesses operated by the Bank in Cambodia through Bank of China Limited, Phnom Penh Branch, Cambodia and its two sub-branches, respectively. The completion of the transfer of banking businesses operated by Bank of China Limited, Jakarta Branch and its eight sub-branches took place on 10 July 2017 in accordance with the terms and conditions of the sale and purchase agreement. The proposed transfer of banking businesses operated by Bank of China Limited, Phnom Penh Branch and its two sub-branches, is subject to the satisfaction or waiver of the conditions precedent including the obtaining of the requisite approvals from domestic and overseas regulatory authorities.

BOCHK (as seller) entered into a sale and purchase agreement with Xiamen International Investment Limited and the Committee of Jimei Schools (as buyers) in relation to the proposed disposal of approximately 70.49% of the total issued shares of Chiyu Banking

Corporation Limited for a total consideration of HKD7.685 billion on 22 December 2016. The completion of the disposal took place on 27 March 2017 in accordance with the terms and conditions of the sale and purchase agreement. Chiyu Banking Corporation Limited ceased to be a subsidiary of the Bank, BOCHK (Holdings) and BOCHK respectively.

For details, please refer to relevant announcements of the Bank published on the websites of SSE, HKEX and the Bank.

Material Litigation, Arbitration

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. After consulting legal professionals, the Senior Management of the Bank holds the view 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.

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.30 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, or allow to subsist any significant custody of, sub-contract or lease assets from other companies, or allow its material business assets to be subject to such arrangements, in each case that is 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 respect of 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 or allow to subsist any material guarantee business that is required to be disclosed.

Other Major Contracts

During the reporting period, the Bank did not enter into or allow to subsist any other major contract that is required to be disclosed.

Undertakings

Central Huijin Investment Ltd. made a “non-competing commitment” when the Bank launched its IPO. As at 30 June 2017, Central Huijin Investment Ltd. strictly observed its commitment and no breach of the commitment was found.

Disciplinary Actions Imposed on the Bank, its Directors, Supervisors, Senior Management Members and Controlling Shareholder

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or controlling shareholder was subject to any investigation, compulsory measures or criminal responsibilities by relevant authorities or any investigation, administrative punishment or regulatory measures by CSRC, or had material administrative punishment imposed on them by other administrative authorities, or were publicly reprimanded by any stock exchange.

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 published 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 2017, the total number of the Bank’s treasury shares was approximately 36.95 million.

Implementation of Stock Incentive Plan and Employee Stock Ownership Plan

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.

Audit Committee

The Audit Committee of the Bank comprises seven members, including Non-executive Directors Mr. LI Jucai, Mr. ZHAO Jie and Independent Directors Mr. Nout WELLINK, Mr. LU Zhengfei, Mr. LEUNG Cheuk Yan, Mr. WANG Changyun and Ms. Angela CHAO. Independent Director Mr. LU Zhengfei serves as the Chairman of the committee. Following the principle of independence, the committee assists the Board of Directors 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 external auditor for 2017 to provide audit services on its financial statements and internal control pursuant to CAS and engaged Ernst & Young as its international auditor for 2017 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 legal entity.

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

To the best knowledge of the Bank, as at 30 June 2017, 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*. All the directors and supervisors of the Bank have confirmed that they have complied with the standards set out in both the *Management Rules* and the *Model Code* throughout the reporting period.

Consumer Rights Protection

The Bank attaches great importance to the protection of consumer rights and interests, strictly implements national laws and regulations on consumer protection, and earnestly protects the legitimate rights and interests of financial consumers. In the first half of 2017, the Bank further improved its consumer protection working mechanism, established the Consumer Protection Office, and carried out all kinds of works in a steady and orderly manner. In accordance with regulatory requirements, it launched specialised sales areas for wealth management products as well as video and audio recording. It carried out various financial knowledge promotional activities, with the themes such as the "3.15 Rights • Responsibilities • Risks, Financial

Consumer Rights Day", the "Financial Knowledge on Campus" and the "Promoting Financial Knowledge, Protecting Personal Wealth", and won awards such as the "Most Socially Responsible Financial Institution in 2016", the "Best Outlets with Special Contribution in Corporate Social Responsibility in 2016" and the "Outstanding Charity Project in 2016" from the China Banking Association.

Integrity of the Bank and its Controlling Shareholder

During the reporting period, neither the Bank nor its controlling shareholder failed to perform effective judgment of the court or pay off any due debt in large amount.

Other Significant Events

For announcements regarding other significant events during the reporting period in accordance with the regulatory requirements, please refer to the websites of SSE, HKEX and the Bank.

Compliance with International Accounting Standard No. 34

The 2017 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 contact 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



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Board of Directors of Bank of China Limited

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

Introduction

We have reviewed the accompanying interim financial information set out on pages 65 to 141, which comprises the condensed consolidated statement of financial position of Bank of China Limited (the "Bank") and its subsidiaries (the "Group") as at 30 June 2017 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 2017

Interim Financial Information

CONTENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENT	65
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	66
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	67
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	69
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	71

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

I.	BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES	73
II.	CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES	75
III.	NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION	
1	Net interest income	76
2	Net fee and commission income	76
3	Net trading gains	77
4	Net gains on financial investments	77
5	Other operating income	77
6	Operating expenses	78
7	Staff costs	78
8	Impairment losses on assets	79
9	Income tax expense	79
10	Earnings per share (basic and diluted)	81
11	Other comprehensive income	82
12	Cash and due from banks and other financial institutions	83
13	Balances with central banks	83
14	Placements with and loans to banks and other financial institutions	84
15	Financial assets at fair value through profit or loss	85
16	Derivative financial instruments	86
17	Loans and advances to customers	87
18	Financial investments	89
19	Property and equipment	91
20	Investment properties	93
21	Other assets	93
22	Due to customers	94
23	Share appreciation rights plan	95
24	Deferred income taxes	95
25	Other liabilities	97
26	Dividends	98
27	Changes in consolidation	98
28	Contingent liabilities and commitments	99
29	Note to the condensed consolidated statement of cash flows	102
30	Related party transactions	102
31	Segment reporting	105
32	Transfers of financial assets	111
33	Interests in the structured entities	112
34	Events after the financial reporting date	114
IV.	FINANCIAL RISK MANAGEMENT	
1	Credit risk	115
2	Market risk	125
3	Liquidity risk	132
4	Fair value	134
5	Capital management	138
	SUPPLEMENTARY INFORMATION	
I.	DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL INFORMATION	141
II.	UNAUDITED SUPPLEMENTARY INFORMATION	
1	Liquidity ratios and liquidity coverage ratio	141
2	Currency concentrations	143
3	International claims	143
4	Overdue assets	144
5	Capital adequacy ratio supplementary information	145
6	Leverage ratio	163

Condensed Consolidated Income Statement

For the six month period ended 30 June 2017 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2017 Unaudited	2016 Unaudited
Interest income	III.1	300,634	284,265
Interest expense	III.1	(135,592)	(129,407)
Net interest income		165,042	154,858
Fee and commission income	III.2	54,348	52,119
Fee and commission expense	III.2	(5,161)	(4,292)
Net fee and commission income		49,187	47,827
Net trading gains	III.3	4,877	5,129
Net gains on financial investments	III.4	1,516	6,380
Other operating income	III.5	27,746	48,425
Operating income		248,368	262,619
Operating expenses	III.6	(81,663)	(83,572)
Impairment losses on assets	III.8	(26,960)	(49,946)
Operating profit		139,745	129,101
Share of results of associates and joint ventures		633	516
Profit before income tax		140,378	129,617
Income tax expense	III.9	(29,829)	(22,309)
Profit for the period		110,549	107,308
Attributable to:			
Equity holders of the Bank		103,690	93,037
Non-controlling interests		6,859	14,271
		110,549	107,308
Earnings per share (RMB)	III.10		
— Basic		0.35	0.31
— Diluted		0.35	0.31

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

Condensed Consolidated Statement of Comprehensive Income

For the six month period ended 30 June 2017 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2017 Unaudited	2016 Unaudited
Profit for the period		110,549	107,308
Other comprehensive income:	III.11		
Items that will not be reclassified to profit or loss			
— Actuarial (losses)/gains on defined benefit plans		(218)	9
— Other		3	9
Subtotal		(215)	18
Items that may be reclassified subsequently to profit or loss			
— Net fair value losses on available for sale financial assets		(8,506)	(2,893)
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method		364	(134)
— Exchange differences from the translation of foreign operations		(6,487)	5,682
— Other		60	371
Subtotal		(14,569)	3,026
Other comprehensive income for the period, net of tax		(14,784)	3,044
Total comprehensive income for the period		95,765	110,352
Total comprehensive income attributable to:			
Equity holders of the Bank		90,516	94,678
Non-controlling interests		5,249	15,674

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2017 (Amount in millions of Renminbi, unless otherwise stated)

		As at 30 June 2017 Unaudited	As at 31 December 2016 Audited
	Note		
ASSETS			
Cash and due from banks and other financial institutions	III.12	645,519	659,982
Balances with central banks	III.13	2,523,755	2,271,640
Placements with and loans to banks and other financial institutions	III.14	622,486	594,048
Government certificates of indebtedness for bank notes issued		125,080	117,421
Precious metals		150,996	161,417
Financial assets at fair value through profit or loss	III.15	162,880	124,090
Derivative financial assets	III.16	73,643	130,549
Loans and advances to customers, net	III.17	10,426,548	9,735,646
Financial investments	III.18	4,188,065	3,848,794
— available for sale		1,711,207	1,609,830
— held to maturity		2,060,889	1,843,043
— loans and receivables		415,969	395,921
Investment in associates and joint ventures		16,142	14,059
Property and equipment	III.19	197,499	194,897
Investment properties	III.20	21,654	21,659
Deferred income tax assets	III.24	31,821	34,341
Assets held for sale		—	50,371
Other assets	III.21	239,892	189,975
Total assets		19,425,980	18,148,889

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

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2017 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 30 June 2017 Unaudited	As at 31 December 2016 Audited
LIABILITIES			
Due to banks and other financial institutions		1,591,213	1,420,527
Due to central banks		916,062	867,094
Bank notes in circulation		125,005	117,656
Placements from banks and other financial institutions		419,544	302,792
Derivative financial liabilities	III.16	71,909	107,109
Due to customers	III.22	13,732,059	12,939,748
— at amortised cost		13,378,989	12,589,437
— at fair value		353,070	350,311
Bonds issued		435,433	362,318
Other borrowings		29,187	27,152
Current tax liabilities		27,207	28,055
Retirement benefit obligations		3,400	3,439
Deferred income tax liabilities	III.24	4,594	4,501
Liabilities classified as held for sale		—	42,488
Other liabilities	III.25	542,495	438,918
Total liabilities		17,898,108	16,661,797
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		142,219	141,972
Treasury shares		(123)	(53)
Other comprehensive income	III.11	(17,028)	(3,854)
Statutory reserves		125,670	125,714
General and regulatory reserves		194,032	193,462
Undistributed profits		612,506	560,339
		1,451,378	1,411,682
Non-controlling interests		76,494	75,410
Total equity		1,527,872	1,487,092
Total equity and liabilities		19,425,980	18,148,889

Approved and authorised for issue by the Board of Directors on 30 August 2017.

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



CHEN Siqing
Director



REN Deqi
Director

Condensed Consolidated Statement of Changes in Equity

For the six month period ended 30 June 2017 (Amount in millions of Renminbi, unless otherwise stated)

		Unaudited									
		Attributable to equity holders of the Bank									
	Note	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 2017		294,388	99,714	141,972	(3,854)	125,714	193,462	560,339	(53)	75,410	1,487,092
Total comprehensive income for the period	III.11	-	-	-	(13,174)	-	-	103,690	-	5,249	95,765
Appropriation to statutory reserves		-	-	-	-	142	-	(142)	-	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	662	(662)	-	-	-
Dividends	III.26	-	-	-	-	-	-	(50,997)	-	(2,325)	(53,322)
Net change in treasury shares		-	-	-	-	-	-	-	(70)	-	(70)
Disposal of subsidiaries and other		-	-	247	-	(186)	(92)	278	-	(1,840)	(1,593)
As at 30 June 2017		294,388	99,714	142,219	(17,028)	125,670	194,032	612,506	(123)	76,494	1,527,872

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

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six month period ended 30 June 2017 (Amount in millions of Renminbi, unless otherwise stated)

	Unaudited										
	Note	Attributable to equity holders of the Bank								Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares		
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 other	–	–	(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	
Total comprehensive income for the period	–	–	–	(3,150)	–	–	71,541	–	7,704	76,095	
Appropriation to statutory reserves	–	–	–	–	14,052	–	(14,052)	–	–	–	
Appropriation to general and regulatory reserves	–	–	–	–	–	14,707	(14,707)	–	–	–	
Dividends	–	–	–	–	–	–	(5,178)	–	(3,781)	(8,959)	
Net change in treasury shares	–	–	–	–	–	–	–	(27)	–	(27)	
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	8	8	
Disposal of subsidiaries and other	–	–	264	–	–	–	(4)	–	(588)	(328)	
As at 31 December 2016	294,388	99,714	141,972	(3,854)	125,714	193,462	560,339	(53)	75,410	1,487,092	

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

Condensed Consolidated Statement of Cash Flows

For the six month period ended 30 June 2017 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2017 Unaudited	2016 Unaudited
Cash flows from operating activities			
Profit before income tax		140,378	129,617
Adjustments:			
Impairment losses on assets		26,960	49,946
Depreciation of property and equipment		6,584	6,296
Amortisation of intangible assets and other assets		1,361	1,368
Net gains on disposal of property and equipment, intangible assets and other long-term assets		(301)	(260)
Net gains on disposal of investment in subsidiaries, associates and joint ventures		(3,828)	(29,050)
Share of results of associates and joint ventures		(633)	(516)
Interest income arising from financial investments		(60,303)	(55,310)
Dividends arising from investment securities		(346)	(398)
Net gains on financial investments		(1,516)	(6,380)
Interest expense arising from bonds issued		7,337	5,768
Accreted interest on impaired loans		(1,035)	(1,177)
Net changes in operating assets and liabilities:			
Net decrease/(increase) in balances with central banks		37,804	(149,816)
Net decrease/(increase) in due from and placements with and loans to banks and other financial institutions		31,688	(47,453)
Net decrease/(increase) in precious metals		10,351	(4,055)
Net increase in financial assets at fair value through profit or loss		(19,118)	(13,541)
Net increase in loans and advances to customers		(715,722)	(619,850)
Net decrease/(increase) in other assets		40,447	(74,519)
Net increase/(decrease) in due to banks and other financial institutions		170,686	(298,850)
Net increase in due to central banks		48,968	390,855
Net increase/(decrease) in placements from banks and other financial institutions		118,312	(78,474)
Net increase in due to customers		793,055	820,141
Net increase/(decrease) in other borrowings		2,035	(917)
Net increase in other liabilities		15,020	48,976
Cash inflow from operating activities		648,184	72,401
Income tax paid		(26,486)	(38,068)
Net cash inflow from operating activities		621,698	34,333

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

Condensed Consolidated Statement of Cash Flows (Continued)

For the six month period ended 30 June 2017 (Amount in millions of Renminbi, unless otherwise stated)

		For the six month period ended 30 June	
		2017 Unaudited	2016 Unaudited
	Note		
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		4,966	4,707
Proceeds from disposal of investment in subsidiaries, associates and joint ventures		3,490	25,800
Dividends received		380	422
Interest income received from financial investments		57,523	54,827
Proceeds from disposal/maturity of financial investments		1,125,811	1,012,775
Increase in investment in subsidiaries, associates and joint ventures		(1,791)	(1,653)
Purchase of property and equipment, intangible assets and other long-term assets		(17,550)	(7,133)
Purchase of financial investments		(1,484,479)	(1,077,784)
Net cash (outflow)/inflow from investing activities		(311,650)	11,961
Cash flows from financing activities			
Proceeds from issuance of bonds		161,850	49,750
Proceeds from non-controlling shareholders investment		–	7,725
Repayments of debts issued		(87,811)	(35,083)
Cash payments for interest on bonds issued		(4,978)	(4,536)
Dividend payments to equity holders of the Bank		(1,540)	(38,412)
Dividend payments to non-controlling shareholders		(385)	(2,222)
Other net cash flows from financing activities		(70)	(99)
Net cash inflow/(outflow) from financing activities		67,066	(22,877)
Effect of exchange rate changes on cash and cash equivalents		(7,413)	18,158
Net increase in cash and cash equivalents		369,701	41,575
Cash and cash equivalents at beginning of the period		1,019,247	1,052,078
Cash and cash equivalents at end of the period	III.29	1,388,948	1,093,653

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 2017

(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 2017 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 2016.

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 2016.

Standards, amendments and interpretations effective in 2017

On 1 January 2017, the Group adopted the following new standards, amendments and interpretations.

IAS 7 Amendments	<i>Statement of Cash Flows</i>
IAS 12 Amendments	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Annual Improvements to IFRSs	
2014–2016 cycle	
(issued in December 2016):	
IFRS 12	<i>Disclosure of Interests in Other Entities</i>

The amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments to IAS 12 clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)**Standards, amendments and interpretations effective in 2017 (Continued)**

Annual Improvements to IFRSs 2014–2016 cycle:

IFRS 12 Disclosure of Interests in Other Entities

The amendments clarify that the disclosure requirements in IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

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 2017

		Effective for annual periods beginning on or after
IAS 40 Amendments	<i>Transfers of Investment Property</i>	1 January 2018
IFRS 2 Amendments	<i>Share-based Payment</i>	1 January 2018
IFRS 4 Amendments	<i>Insurance Contracts</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
IFRIC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IFRS 16	<i>Leases</i>	1 January 2019
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
IFRS 17	<i>Insurance Contracts</i>	1 January 2021
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
Annual Improvements to IFRSs 2014–2016 cycle (issued in December 2016):		
IAS 28	<i>Investments in Associates and Joint Ventures</i>	1 January 2018
IFRS 1	<i>First-time Adoption of International Financial Reporting Standards</i>	1 January 2018

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2017 (Continued)

The Group is considering the impact of these standards, amendments and interpretations on the consolidated financial statements. Particularly, in IFRS 9: (1) Investments in debt instruments are classified into three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are required to be measured at fair value through profit or loss, unless an option is irrevocably exercised at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to profit or loss in the future. (2) The standard requires transition to an expected credit loss model from the incurred loss model. On initial recognition of these financial assets, the entity should recognise a loss allowance based on 12-month expected credit losses. If credit risk increases significantly subsequent to initial recognition, then the entity should recognise a loss allowance based on the lifetime expected credit losses for the financial instrument. The expected credit loss model is more forward-looking than the incurred loss model. (3) The new hedge accounting model aims to provide a better link among an entity's risk management strategy, the rationale for hedging and the impact of hedging on the financial statements. Greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group has set up a project team to carry out preparatory work of IFRS 9, including revising the Group accounting policies, establishing impairment measurement methods and upgrading the process and relevant IT system, in order to obtain an in-depth analysis of the impact of applying the new standard.

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 2016.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	For the six month period ended 30 June	
	2017	2016
Interest income		
Loans and advances to customers	200,494	198,487
Financial investments and financial assets at fair value through profit or loss ⁽¹⁾	62,391	56,994
Due from and placements with and loans to banks, other financial institutions and central banks	37,749	28,784
Subtotal	300,634	284,265
Interest expense		
Due to customers	(100,770)	(100,504)
Due to and placements from banks and other financial institutions	(27,170)	(22,423)
Bonds issued and other	(7,652)	(6,480)
Subtotal	(135,592)	(129,407)
Net interest income ⁽²⁾	165,042	154,858
Interest income accrued on impaired financial assets (included within interest income)	1,043	1,209

- (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 RMB298,436 million (for the six month period ended 30 June 2016: RMB282,486 million) and RMB129,142 million (for the six month period ended 30 June 2016: RMB124,009 million) for financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

2 Net fee and commission income

	For the six month period ended 30 June	
	2017	2016
Bank card fees	12,299	11,736
Agency commissions	12,149	13,621
Credit commitment fees	8,662	8,621
Settlement and clearing fees	7,014	5,965
Consultancy and advisory fees	4,646	3,478
Spread income from foreign exchange business	4,241	3,502
Custodian and other fiduciary service fees	1,818	1,786
Other	3,519	3,410
Fee and commission income	54,348	52,119
Fee and commission expense	(5,161)	(4,292)
Net fee and commission income	49,187	47,827

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

3 Net trading gains

	For the six month period ended 30 June	
	2017	2016
Net gains from foreign exchange and foreign exchange products	2,390	3,527
Net gains from interest rate products	1,506	1,246
Net gains/(losses) from equity products	722	(50)
Net gains from commodity products	259	406
Total ⁽¹⁾	4,877	5,129

- (1) Included in "Net trading gains" above for the six month period ended 30 June 2017 are losses of RMB185 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (for the six month period ended 30 June 2016: gains of RMB2,760 million).

4 Net gains on financial investments

	For the six month period ended 30 June	
	2017	2016
Net gains from investment securities available for sale	730	5,458
Net gains from debt securities held to maturity	787	766
Other	(1)	156
Total	1,516	6,380

5 Other operating income

	For the six month period ended 30 June	
	2017	2016
Insurance premiums		
— Life insurance contracts	6,979	5,390
— Non-life insurance contracts	2,612	2,437
Revenue from sale of precious metal products	5,857	4,248
Aircraft leasing income	4,163	3,373
Gains on disposal of subsidiaries, associates and joint ventures ⁽¹⁾	3,828	29,050
Dividend income	494	554
Gains on disposal of property and equipment, intangible assets and other assets	339	281
Changes in fair value of investment properties (Note III.20)	282	74
Other ⁽²⁾	3,192	3,018
Total	27,746	48,425

- (1) For the six month period ended 30 June 2017, "Gains on disposal of subsidiaries, associates and joint ventures" mainly represents the gains on disposal of Chiyu Banking Corporation Limited ("Chiyu Bank"). For the six month period ended 30 June 2016, it mainly represents the gains on disposal of Nanyang Commercial Bank, Limited ("NCB").
- (2) For the six month period ended 30 June 2017, the government subsidy income from operating activities, as part of other operating income, was RMB782 million.

(Amount in millions of Renminbi, unless otherwise stated)

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

6 Operating expenses

	For the six month period ended 30 June	
	2017	2016
Staff costs (Note III.7)	39,461	39,102
General operating and administrative expenses	17,105	17,953
Insurance benefits and claims		
— Life insurance contracts	8,362	6,131
— Non-life insurance contracts	1,613	1,626
Depreciation and amortisation	6,453	6,445
Cost of sales of precious metals products	5,304	3,805
Taxes and surcharges	2,456	7,565
Other	909	945
Total ⁽¹⁾	81,663	83,572

(1) Included in the "Operating expenses" are operating lease expenses of RMB3,630 million and premises and equipment related expenses (mainly comprised of property management and building maintenance expenses and taxes) of RMB4,733 million (for the six month period ended 30 June 2016: RMB3,629 million and RMB4,763 million, respectively).

7 Staff costs

	For the six month period ended 30 June	
	2017	2016
Salary, bonus and subsidy	27,896	27,225
Staff welfare	846	791
Retirement benefits	6	26
Social insurance		
— Medical	1,603	1,522
— Pension	3,263	3,316
— Annuity	1,025	1,032
— Unemployment	121	182
— Injury at work	44	57
— Maternity insurance	105	99
Housing funds	2,301	2,668
Labour union fee and staff education fee	978	970
Reimbursement for cancellation of labour contract	3	2
Other	1,270	1,212
Total	39,461	39,102

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

8 Impairment losses on assets

	For the six month period ended 30 June	
	2017	2016
Loans and advances ⁽¹⁾		
— Individually assessed	20,692	18,094
— Collectively assessed	5,897	31,042
Subtotal	26,589	49,136
Financial investments		
— available for sale	(11)	(10)
— held to maturity	—	(15)
— loans and receivables	(13)	459
Subtotal	(24)	434
Other	395	376
Total	26,960	49,946

(1) Details of new allowances and reversal of impairment losses on loans and advances are disclosed in Note III.17.

9 Income tax expense

	For the six month period ended 30 June	
	2017	2016
Current income tax		
— Chinese mainland income tax	18,351	19,060
— Hong Kong profits tax	2,687	2,220
— Macau, Taiwan and other countries and regions taxation	3,036	1,954
Adjustments in respect of current income tax of prior years	(30)	(210)
Subtotal	24,044	23,024
Deferred income tax (Note III.24.3)	5,785	(715)
Total	29,829	22,309

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.

(Amount in millions of Renminbi, unless otherwise stated)

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

9 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	
	2017	2016
Profit before income tax	140,378	129,617
Tax calculated at the applicable statutory tax rate	35,095	32,404
Effect of different tax rates on Hong Kong, Macau, Taiwan and other countries and regions	(2,047)	(4,304)
Supplementary PRC tax on overseas income	2,843	2,829
Income not subject to tax ⁽¹⁾	(9,474)	(11,558)
Items not deductible for tax purposes ⁽²⁾	4,109	3,703
Other	(697)	(765)
Income tax expense	29,829	22,309

(1) Income not subject to tax mainly comprises 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.

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

10 Earnings per share (basic and diluted)

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.

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 2017 and 30 June 2016.

	For the six month period ended 30 June	
	2017	2016
Profit attributable to equity holders of the Bank	103,690	93,037
Less: dividends on preference shares declared	(1,540)	(1,540)
Profit attributable to ordinary shareholders of the Bank	102,150	91,497
Weighted average number of ordinary shares in issue (in million shares)	294,363	294,373
Basic and diluted earnings per share (RMB)	0.35	0.31

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

	For the six month period ended 30 June	
	2017	2016
Issued ordinary shares as at 1 January	294,388	294,388
Less: weighted average number of treasury shares	(25)	(15)
Weighted average number of ordinary shares in issue	294,363	294,373

(Amount in millions of Renminbi, unless otherwise stated)

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

11 Other comprehensive income

Accrual amount of other comprehensive income:

	For the six month period ended 30 June	
	2017	2016
Items that will not be reclassified to profit or loss		
Actuarial (losses)/gains on defined benefit plans	(218)	9
Other	3	9
Subtotal	(215)	18
Items that may be reclassified subsequently to profit or loss		
Fair value (losses)/gains on available for sale financial assets	(10,639)	1,904
Less: related income tax impact	2,828	(325)
Amount transferred to the income statement	(841)	(5,855)
Less: related income tax impact	146	1,383
	(8,506)	(2,893)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	363	(138)
Less: related income tax impact	1	4
	364	(134)
Exchange differences on translation of foreign operations	(6,264)	6,162
Less: net amount transferred to the income statement from other comprehensive income	(223)	(480)
	(6,487)	5,682
Other	60	371
Subtotal	(14,569)	3,026
Total	(14,784)	3,044

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 2016	16,980	(20,048)	723	(2,345)
Changes in amount for the previous year	(14,850)	11,825	1,516	(1,509)
As at 1 January 2017	2,130	(8,223)	2,239	(3,854)
Changes in amount for the period	(9,037)	(4,314)	177	(13,174)
As at 30 June 2017	(6,907)	(12,537)	2,416	(17,028)

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

12 Cash and due from banks and other financial institutions

	As at 30 June 2017	As at 31 December 2016
Cash	71,962	77,548
Due from banks in Chinese mainland	514,251	521,567
Due from other financial institutions in Chinese mainland	7,214	6,579
Due from banks in Hong Kong, Macau, Taiwan and other countries and regions	52,004	54,201
Due from other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	88	87
Total	645,519	659,982

13 Balances with central banks

	As at 30 June 2017	As at 31 December 2016
Mandatory reserves ⁽¹⁾	1,709,889	1,723,495
Surplus reserves ⁽²⁾	217,303	118,166
Other ⁽³⁾	596,563	429,979
Total	2,523,755	2,271,640

(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 2017, mandatory reserve funds placed with the PBOC were calculated at 16.5% (31 December 2016: 17.0%) and 5.0% (31 December 2016: 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 primarily represented the surplus reserve funds placed with the PBOC by branches in Chinese mainland and other funds.

(3) This mainly represented balances other than mandatory reserves and surplus reserves placed with the PBOC and the central banks in Hong Kong, Macau, Taiwan and other countries and regions.

(Amount in millions of Renminbi, unless otherwise stated)

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

14 Placements with and loans to banks and other financial institutions

	As at 30 June 2017	As at 31 December 2016
Placements with and loans to:		
Banks in Chinese mainland	161,697	206,246
Other financial institutions in Chinese mainland	365,590	285,122
Banks in Hong Kong, Macau, Taiwan and other countries and regions	84,832	100,291
Other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	10,533	2,589
Subtotal ⁽¹⁾	622,652	594,248
Allowance for impairment losses	(166)	(200)
Total	622,486	594,048
Impaired placements	157	158
Percentage of impaired placements to total placements with and loans to banks and other financial institutions	0.03%	0.03%

- (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 2017	As at 31 December 2016
Debt securities		
— Governments	59,729	40,853
— Policy banks	47,422	56,696
— Financial institutions	10,319	9,408
— Corporate	3,020	3,162
Total	120,490	110,119

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

15 Financial assets at fair value through profit or loss

	As at 30 June 2017	As at 31 December 2016
Trading financial assets		
Debt securities		
Issuers in Chinese mainland		
— Government	5,368	3,399
— Public sectors and quasi-governments	—	49
— Policy banks	7,495	4,525
— Financial institutions	40,888	31,773
— Corporate	13,640	4,044
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	22,667	16,371
— Public sectors and quasi-governments	124	587
— Financial institutions	4,312	4,886
— Corporate	3,271	2,921
	97,765	68,555
Equity securities	5,793	5,567
Fund investments and other	3,908	1,503
Subtotal	107,466	75,625
Financial assets designated as at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	219	224
— Policy banks	343	136
— Financial institutions	1,811	1,815
— Corporate	4,000	4,213
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	4,911	5,721
— Financial institutions	23,919	20,952
— Corporate	5,613	4,556
	40,816	37,617
Loans ⁽¹⁾	5,921	6,022
Equity securities	3,586	1,980
Fund investments	5,091	2,846
Subtotal	55,414	48,465
Total	162,880	124,090
Analysed as follows:		
Listed in Hong Kong	31,485	25,260
Listed outside Hong Kong ⁽²⁾	79,982	64,555
Unlisted	51,413	34,275
Total	162,880	124,090

(1) There was no significant change during the six month period ended 30 June 2017 and the year ended 31 December 2016 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".

(Amount in millions of Renminbi, unless otherwise stated)

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

16 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 currency 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 2017			As at 31 December 2016		
	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⁾	6,333,964	56,445	(56,298)	5,364,363	109,007	(86,779)
Currency options	381,519	2,111	(1,494)	302,945	2,224	(3,873)
Currency futures	4,772	139	(4)	953	1	(4)
Subtotal	6,720,255	58,695	(57,796)	5,668,261	111,232	(90,656)
Interest rate derivatives						
Interest rate swaps	2,033,768	9,560	(8,222)	1,779,761	10,616	(8,654)
Interest rate options	11,026	14	(15)	9,910	18	(24)
Interest rate futures	9,736	15	(1)	3,304	3	(8)
Subtotal	2,054,530	9,589	(8,238)	1,792,975	10,637	(8,686)
Equity derivatives	16,178	316	(524)	12,168	224	(225)
Commodity derivatives and other	344,514	5,043	(5,351)	405,541	8,456	(7,542)
Total ⁽²⁾	9,135,477	73,643	(71,909)	7,878,945	130,549	(107,109)

(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.

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

17 Loans and advances to customers

17.1 Analysis of loans and advances to customers

	As at 30 June 2017	As at 31 December 2016
Corporate loans and advances		
— Loans and advances	6,779,684	6,270,728
— Discounted bills	191,961	298,241
Subtotal	6,971,645	6,568,969
Personal loans		
— Mortgages	2,860,973	2,635,960
— Credit cards	337,671	302,302
— Other	480,414	466,131
Subtotal	3,679,058	3,404,393
Total loans and advances	10,650,703	9,973,362
Less: allowance for impairment losses		
— Individually assessed	(66,925)	(70,093)
— Collectively assessed	(157,230)	(167,623)
Total allowance for impairment losses	(224,155)	(237,716)
Loans and advances to customers, net	10,426,548	9,735,646

17.2 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.

17.3 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	Total	
As at 30 June 2017						
Total loans and advances	10,504,181	43,666	102,856	146,522	10,650,703	1.38%
Allowance for impairment losses	(130,690)	(26,540)	(66,925)	(93,465)	(224,155)	
Loans and advances to customers, net	10,373,491	17,126	35,931	53,057	10,426,548	
As at 31 December 2016						
Total loans and advances	9,828,051	44,225	101,086	145,311	9,973,362	1.46%
Allowance for impairment losses	(139,957)	(27,666)	(70,093)	(97,759)	(237,716)	
Loans and advances to customers, net	9,688,094	16,559	30,993	47,552	9,735,646	

(Amount in millions of Renminbi, unless otherwise stated)

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

17 Loans and advances to customers (Continued)

17.3 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).

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

	Six month period ended 30 June 2017	Year ended 31 December 2016
As at 1 January	237,716	200,665
Impairment losses for the period/year	51,671	127,436
Reversal	(25,082)	(40,641)
Write-off and transfer out	(40,392)	(52,476)
Transfer in		
— Recovery of loans and advances written off	1,896	3,343
— Unwind of discount on allowance	(1,035)	(2,480)
— Exchange differences	(619)	1,869
As at 30 June/31 December	224,155	237,716

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

18 Financial investments

	As at 30 June 2017	As at 31 December 2016
Investment securities available for sale		
Debt securities		
Issuers in Chinese mainland		
— Government	519,608	505,537
— Public sectors and quasi-governments	25,165	21,919
— Policy banks	206,043	152,188
— Financial institutions	254,042	174,998
— Corporate	122,149	133,362
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	230,018	272,531
— Public sectors and quasi-governments	35,732	33,682
— Financial institutions	158,071	160,399
— Corporate	81,939	81,347
	1,632,767	1,535,963
Equity securities	34,452	33,936
Fund investments and other	43,988	39,931
Total investment securities available for sale ⁽¹⁾	1,711,207	1,609,830
Debt securities held to maturity		
Issuers in Chinese mainland		
— Government	1,524,565	1,336,609
— Public sectors and quasi-governments	35,323	30,047
— Policy banks	235,814	231,425
— Financial institutions	68,157	51,696
— Corporate	38,153	42,111
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	59,587	47,728
— Public sectors and quasi-governments	41,677	41,878
— Financial institutions	28,603	31,185
— Corporate	29,050	30,408
	2,060,929	1,843,087
Allowance for impairment losses	(40)	(44)
Total debt securities held to maturity ⁽²⁾	2,060,889	1,843,043
Financial investments classified as loans and receivables		
Debt securities		
Issuers in Chinese mainland		
— Government	192,191	158,958
— Policy banks	1,500	1,500
— Financial institutions	36,038	32,579
— Corporate	6,528	6,548
— China Orient Asset Management Corporation	160,000	160,000
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	677	347
— Public sectors and quasi-governments	10,024	13,995
— Financial institutions	132	135
— Corporate	1,361	1,394
	408,451	375,456
Investment trusts, asset management plans and other	9,977	22,938
Allowance for impairment losses	(2,459)	(2,473)
Total financial investments classified as loans and receivables	415,969	395,921
Total financial investments	4,188,065	3,848,794

(Amount in millions of Renminbi, unless otherwise stated)

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

18 Financial investments (Continued)

	As at 30 June 2017	As at 31 December 2016
Analysed as follows:		
Investment securities available for sale		
Debt securities		
— Listed in Hong Kong	109,412	81,136
— Listed outside Hong Kong	1,152,364	1,070,542
— Unlisted	370,991	384,285
Equity, fund and other		
— Listed in Hong Kong	6,993	7,102
— Listed outside Hong Kong	2,074	1,188
— Unlisted	69,373	65,577
Debt securities held to maturity⁽³⁾		
— Listed in Hong Kong	33,905	36,990
— Listed outside Hong Kong	1,927,167	1,701,213
— Unlisted	99,817	104,840
Financial investments classified as loans and receivables		
— Unlisted	415,969	395,921
Total	4,188,065	3,848,794
Listed in Hong Kong	150,310	125,228
Listed outside Hong Kong	3,081,605	2,772,943
Unlisted	956,150	950,623
Total	4,188,065	3,848,794

- (1) The Group's accumulated impairment charge on the above available for sale debt securities, equity instruments and other as at 30 June 2017 amounted to RMB1,105 million and RMB5,562 million, respectively (31 December 2016: RMB1,295 million and RMB5,808 million, respectively).
- (2) During the six month period ended 30 June 2017, due to management's change of investment intention, the Group reclassified certain debt securities with a total carrying value of RMB5,292 million from "Investment securities available for sale" to "Debt securities held to maturity" (2016: RMB1,635 million), and reclassified certain debt securities with amortised cost of RMB150 million from "Debt securities held to maturity" to "Investment securities available for sale" (2016: RMB4,243 million).
- (3) The market values of the above listed debt securities held to maturity are set out below:

	As at 30 June 2017		As at 31 December 2016	
	Carrying value	Market value	Carrying value	Market value
Debt securities held to maturity				
— Listed in Hong Kong	33,905	34,322	36,990	37,196
— Listed outside Hong Kong	1,927,167	1,898,170	1,701,213	1,711,302

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

19 Property and equipment

	Six month period ended 30 June 2017				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	111,323	69,621	26,160	82,876	289,980
Additions	113	1,875	4,534	10,062	16,584
Transfer to investment properties (Note III.20)	(110)	–	(10)	–	(120)
Construction in progress transfer in/(out)	1,346	234	(6,936)	5,356	–
Deductions	(71)	(958)	(305)	(4,891)	(6,225)
Exchange differences	(414)	(208)	(364)	(2,013)	(2,999)
As at 30 June	112,187	70,564	23,079	91,390	297,220
Accumulated depreciation					
As at 1 January	(31,771)	(53,889)	–	(8,358)	(94,018)
Additions	(1,778)	(3,314)	–	(1,492)	(6,584)
Deductions	63	922	–	605	1,590
Transfer to investment properties (Note III.20)	12	–	–	–	12
Exchange differences	81	147	–	221	449
As at 30 June	(33,393)	(56,134)	–	(9,024)	(98,551)
Allowance for impairment losses					
As at 1 January	(768)	–	(221)	(76)	(1,065)
Additions	(32)	–	–	(108)	(140)
Deductions	–	–	–	31	31
Exchange differences	3	–	–	1	4
As at 30 June	(797)	–	(221)	(152)	(1,170)
Net book value					
As at 1 January	78,784	15,732	25,939	74,442	194,897
As at 30 June	77,997	14,430	22,858	82,214	197,499

(Amount in millions of Renminbi, unless otherwise stated)

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

19 Property and equipment (Continued)

	Year ended 31 December 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	404	5,152	5,349	18,476	29,381
Transfer from investment properties (Note III.20)	1,495	–	–	–	1,495
Construction in progress transfer in/(out)	7,279	639	(9,184)	1,266	–
Deductions	(1,341)	(2,903)	(133)	(13,047)	(17,424)
Exchange differences	1,039	445	1,028	4,878	7,390
As at 31 December	111,323	69,621	26,160	82,876	289,980
Accumulated depreciation					
As at 1 January	(28,658)	(49,468)	–	(7,555)	(85,681)
Additions	(3,504)	(6,878)	–	(2,516)	(12,898)
Deductions	462	2,773	–	2,337	5,572
Transfer to investment properties (Note III.20)	174	–	–	–	174
Exchange differences	(245)	(316)	–	(624)	(1,185)
As at 31 December	(31,771)	(53,889)	–	(8,358)	(94,018)
Allowance for impairment losses					
As at 1 January	(768)	–	(221)	(437)	(1,426)
Additions	–	–	–	(32)	(32)
Deductions	–	–	–	424	424
Exchange differences	–	–	–	(31)	(31)
As at 31 December	(768)	–	(221)	(76)	(1,065)
Net book value					
As at 1 January	73,021	16,820	28,879	63,311	182,031
As at 31 December	78,784	15,732	25,939	74,442	194,897

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

20 Investment properties

	Six month period ended 30 June 2017	Year ended 31 December 2016
As at 1 January	21,659	23,281
Additions	158	2,932
Transfer from/(to) property and equipment, net (Note III.19)	108	(1,669)
Deductions	(2)	(5,292)
Fair value changes (Note III.5)	282	1,134
Exchange differences	(551)	1,273
As at 30 June/31 December	21,654	21,659

21 Other assets

	As at 30 June 2017	As at 31 December 2016
Accounts receivable and prepayments	123,944	81,489
Interest receivable ⁽¹⁾	86,192	79,836
Land use rights	7,458	7,679
Intangible assets	6,883	6,863
Long-term deferred expense	3,073	3,235
Repossessed assets ⁽²⁾	2,676	2,775
Goodwill	2,437	2,473
Other	7,229	5,625
Total	239,892	189,975

(1) Interest receivable

	As at 30 June 2017	As at 31 December 2016
Financial investments and financial assets at fair value through profit or loss	50,259	47,121
Loans and advances to customers	28,572	25,531
Due from and placements with and loans to banks, other financial institutions and central banks	7,361	7,184
Total	86,192	79,836

The movements of interest receivable are as follows:

	Six month period ended 30 June 2017	Year ended 31 December 2016
As at 1 January	79,836	77,354
Accrued during the period/year	298,018	561,670
Received during the period/year	(291,662)	(559,188)
As at 30 June/31 December	86,192	79,836

(Amount in millions of Renminbi, unless otherwise stated)

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

21 Other assets (Continued)

(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 2017	As at 31 December 2016
Commercial properties	1,986	1,913
Residential properties	684	691
Other	661	821
Subtotal	3,331	3,425
Allowance for impairment	(655)	(650)
Repossessed assets, net	2,676	2,775

The total book value of repossessed assets disposed for the six month period ended 30 June 2017 amounted to RMB269 million (for the year ended 31 December 2016: RMB257 million). The Group plans to dispose of the repossessed assets held at 30 June 2017 by auction, bidding or transfer.

22 Due to customers

	As at 30 June 2017	As at 31 December 2016
At amortised cost		
Demand deposits		
— Corporate deposits	3,909,618	3,620,945
— Personal deposits	2,679,047	2,490,309
Subtotal	6,588,665	6,111,254
Time deposits		
— Corporate deposits	3,251,332	3,100,383
— Personal deposits	3,111,186	2,992,051
Subtotal	6,362,518	6,092,434
Certificates of deposit	363,856	327,908
Other deposits	63,950	57,841
Total due to customers at amortised cost	13,378,989	12,589,437
At fair value		
Structured deposits		
— Corporate deposits	241,656	271,885
— Personal deposits	111,414	78,426
Total due to customers at fair value ⁽¹⁾	353,070	350,311
Total due to customers ⁽²⁾	13,732,059	12,939,748

- (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 abovementioned structured deposits during the six month period ended 30 June 2017 and the year ended 31 December 2016.

- (2) Due to customers included margin deposits for security received by the Group as at 30 June 2017 of RMB360,632 million (31 December 2016: RMB339,216 million).

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

23 Share appreciation rights plan

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

24 Deferred income taxes

24.1 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 2017		As at 31 December 2016	
	Temporary difference	Deferred tax assets/ (liabilities)	Temporary difference	Deferred tax assets/ (liabilities)
Deferred income tax assets	114,712	31,821	129,323	34,341
Deferred income tax liabilities	(26,143)	(4,594)	(25,998)	(4,501)
Net	88,569	27,227	103,325	29,840

(Amount in millions of Renminbi, unless otherwise stated)

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

24 Deferred income taxes (Continued)

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

	As at 30 June 2017		As at 31 December 2016	
	Temporary difference	Deferred tax assets/(liabilities)	Temporary difference	Deferred tax assets/(liabilities)
Deferred income tax assets				
Asset impairment allowances	130,790	32,949	150,865	37,952
Pension, retirement benefits and salary payables	15,107	3,772	19,504	4,871
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	62,305	15,508	89,688	22,339
Fair value changes of available for sale investment securities credited to other comprehensive income	19,933	4,889	7,318	1,617
Other temporary differences	13,311	2,711	14,004	2,924
Subtotal	241,446	59,829	281,379	69,703
Deferred income tax liabilities				
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	(64,802)	(16,204)	(100,862)	(25,216)
Fair value changes of available for sale investment securities charged to other comprehensive income	(9,249)	(2,089)	(7,690)	(1,792)
Depreciation of property and equipment	(19,255)	(3,278)	(18,671)	(3,207)
Revaluation of property and investment properties	(6,784)	(1,447)	(8,351)	(1,555)
Other temporary differences	(52,787)	(9,584)	(42,480)	(8,093)
Subtotal	(152,877)	(32,602)	(178,054)	(39,863)
Net	88,569	27,227	103,325	29,840

As at 30 June 2017, deferred tax liabilities relating to temporary differences of RMB117,745 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2016: RMB100,428 million).

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

24 Deferred income taxes (Continued)

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

	Six month period ended 30 June 2017	Year ended 31 December 2016
As at 1 January	29,840	17,955
Credited/(charged) to the income statement (Note III.9)	(5,785)	6,867
Credited to other comprehensive income	2,975	4,580
Other	197	438
As at 30 June/31 December	27,227	29,840

24.4 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	
	2017	2016
Asset impairment allowances	(5,003)	4,007
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	2,181	(580)
Pension, retirement benefits and salary payables	(1,099)	(1,094)
Other temporary differences	(1,864)	(1,618)
Total	(5,785)	715

25 Other liabilities

	As at 30 June 2017	As at 31 December 2016
Interest payable	175,761	183,516
Items in the process of clearance and settlement	105,076	51,838
Insurance liabilities		
— Life insurance contracts	86,642	82,166
— Non-life insurance contracts	9,216	8,725
Dividend payable	51,396	—
Salary and welfare payables	23,184	27,817
Short position in debt securities	17,471	9,990
Deferred income	8,370	8,000
Provision	4,224	6,065
Bonds issued at fair value ⁽¹⁾	1,957	—
Placements from banks and other financial institutions at fair value ⁽¹⁾	520	1,968
Other	58,678	58,833
Total	542,495	438,918

(1) Certain financial liabilities related to placements from banks and other financial institutions and bonds issued 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 2017, the fair value of the abovementioned financial liabilities 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 and bonds issued that were attributable to changes in credit risk were considered not significant during the six month period ended 30 June 2017 and the year ended 31 December 2016.

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

26 Dividends

Dividends for Ordinary Shares

A dividend of RMB0.168 per ordinary share in respect of the profit for the year ended 31 December 2016 amounting to RMB49,457 million was approved at the Annual General Meeting held on 29 June 2017. The undistributed portion of RMB49,457 million was recorded in other liabilities as at 30 June 2017. Such dividend was distributed on 14 July 2017 and 9 August 2017 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 23 January 2017 and the dividend was distributed on 13 March 2017.

27 Changes in consolidation

Disposal of investment in subsidiaries

On 22 December 2016, Bank of China (Hong Kong) Limited ("BOCHK"), a subsidiary directly wholly owned by BOC Hong Kong (Holdings) Limited ("BOCHK (Holdings)"), entered into a Sale and Purchase Agreement with Xiamen International Investment Limited and the Committee of Jimei Schools in relation to the sale and purchase of approximately 70.49% of the total issued shares of Chiyu Bank. The sale was completed in accordance with the terms and conditions of the Sale and Purchase Agreement for a total consideration of HKD7,685 million on 27 March 2017. Upon completion, Chiyu Bank ceased to be a subsidiary of the Bank and BOCHK (Holdings).

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

28 Contingent liabilities and commitments

28.1 Legal proceedings and arbitrations

As at 30 June 2017, 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. As at 30 June 2017, provisions of RMB723 million (31 December 2016: RMB727 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.

28.2 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 2017	As at 31 December 2016
Debt securities	858,012	804,425
Bills	685	656
Total	858,697	805,081

28.3 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 2017, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB21,169 million (31 December 2016: RMB11,468 million). As at 30 June 2017, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB3,365 million (31 December 2016: RMB1,098 million). These transactions are conducted under standard terms in the normal course of business.

(Amount in millions of Renminbi, unless otherwise stated)

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

28 Contingent liabilities and commitments (Continued)

28.4 Capital commitments

	As at 30 June 2017	As at 31 December 2016
Property and equipment		
— Contracted but not provided for	62,983	61,237
— Authorised but not contracted for	2,247	1,967
Intangible assets		
— Contracted but not provided for	910	860
— Authorised but not contracted for	85	15
Investment properties		
— Contracted but not provided for	36	13
— Authorised but not contracted for	7	1
Total	66,268	64,093

28.5 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 2017	As at 31 December 2016
Within 1 year	6,397	6,446
Between 1 and 2 years	4,888	5,049
Between 2 and 3 years	3,658	3,711
Over 3 years	7,090	7,157
Total	22,033	22,363

28.6 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 2017, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB48,555 million (31 December 2016: RMB46,737 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.

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

28 Contingent liabilities and commitments (Continued)

28.7 Credit commitments

	As at 30 June 2017	As at 31 December 2016
Loan commitments ⁽¹⁾		
— with an original maturity of less than 1 year	248,957	179,110
— with an original maturity of 1 year or over	1,032,563	992,264
Undrawn credit card limits	771,258	673,669
Letters of guarantee issued ⁽²⁾	1,098,526	1,097,448
Bank bill acceptance	301,802	331,138
Letters of credit issued	128,072	151,155
Accepted bill of exchange under letters of credit	101,543	119,490
Other	32,593	45,334
Total ⁽³⁾	3,715,314	3,589,608

(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 2017, the unconditionally revocable loan commitments of the Group amounted to RMB242,465 million (31 December 2016: RMB255,527 million).

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

(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 2017	As at 31 December 2016
Credit commitments	1,071,386	1,057,647

28.8 Underwriting obligations

As at 30 June 2017, there was no firm commitment in underwriting securities of the Group (31 December 2016: Nil).

(Amount in millions of Renminbi, unless otherwise stated)

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

29 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 2017	As at 30 June 2016
Cash and due from banks and other financial institutions	368,556	314,872
Balances with central banks	746,140	527,837
Placements with and loans to banks and other financial institutions	204,342	197,022
Financial investments	69,910	53,922
Total	1,388,948	1,093,653

30 Related party transactions

30.1 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.

30.2 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.
Unified social credit code	911000007109329615

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

30 Related party transactions (Continued)

30.2 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 2017	Year ended 31 December 2016
As at 1 January	13,349	17,944
Received during the period/year	1,733	52,762
Repaid during the period/year	(13,529)	(57,357)
As at 30 June/31 December	1,553	13,349

Bonds issued by Huijin

As at 30 June 2017, the Bank held government backed bonds issued by Huijin in the carrying value of RMB6,415 million (31 December 2016: RMB6,430 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.

(3) Transactions with companies under Huijin

Companies under Huijin include its equity interests in subsidiaries, associates and joint ventures 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 2017	As at 31 December 2016
Due from banks and other financial institutions	65,572	117,584
Placements with and loans to banks and other financial institutions	85,864	106,948
Financial investments and financial assets at fair value through profit or loss	269,836	229,305
Derivative financial assets	2,641	7,606
Loans and advances to customers	12,477	12,868
Due to customers, banks and other financial institutions	(154,187)	(184,894)
Placements from banks and other financial institutions	(100,430)	(71,632)
Derivative financial liabilities	(3,618)	(4,022)
Credit commitments	7,131	4,599

(Amount in millions of Renminbi, unless otherwise stated)

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

30 Related party transactions (Continued)

30.3 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.

30.4 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 2017	As at 31 December 2016
Loans and advances to customers	2,751	2,464
Due to customers, banks and other financial institutions	(12,704)	(8,270)
Credit commitments	765	16,845

30.5 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 2017 and the year ended 31 December 2016.

30.6 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 2017 and the year ended 31 December 2016, there were no material transactions and balances with key management personnel on an individual basis.

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

30 Related party transactions (Continued)

30.7 Transactions with Connected Natural Persons

As at 30 June 2017, 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 RMB120 million (31 December 2016: RMB109 million) and RMB10 million (31 December 2016: RMB11 million) respectively.

30.8 Balances with subsidiaries

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

	As at 30 June 2017	As at 31 December 2016
Due from banks and other financial institutions	69,574	47,406
Placements with and loans to banks and other financial institutions	82,490	71,543
Due to banks and other financial institutions	(42,992)	(27,300)
Placements from banks and other financial institutions	(60,177)	(98,073)

31 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. The Group regularly examines the transfer price and adjusts the price to reflect current situation.

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

31 Segment reporting (Continued)

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 (“BOCHK 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.

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

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

31 Segment reporting (Continued)

As at and for the six month period ended 30 June 2017

	Hong Kong, Macau and Taiwan				Other countries and regions	Elimination	Total
	Chinese mainland	BOCHK Group	Other	Subtotal			
Interest income	260,352	21,122	14,383	35,505	17,838	(13,061)	300,634
Interest expense	(122,006)	(5,838)	(10,551)	(16,389)	(10,258)	13,061	(135,592)
Net interest income	138,346	15,284	3,832	19,116	7,580	–	165,042
Fee and commission income	42,620	6,448	3,501	9,949	3,127	(1,348)	54,348
Fee and commission expense	(2,830)	(1,621)	(586)	(2,207)	(778)	654	(5,161)
Net fee and commission income	39,790	4,827	2,915	7,742	2,349	(694)	49,187
Net trading gains	1,470	1,176	714	1,890	1,517	–	4,877
Net gains on financial investments	926	371	212	583	7	–	1,516
Other operating income ⁽¹⁾	12,316	9,028	7,120	16,148	65	(783)	27,746
Operating income	192,848	30,686	14,793	45,479	11,518	(1,477)	248,368
Operating expenses ⁽¹⁾	(62,388)	(11,750)	(5,763)	(17,513)	(2,693)	931	(81,663)
Impairment losses on assets	(25,685)	(318)	(290)	(608)	(667)	–	(26,960)
Operating profit	104,775	18,618	8,740	27,358	8,158	(546)	139,745
Share of results of associates and joint ventures	–	4	629	633	–	–	633
Profit before income tax	104,775	18,622	9,369	27,991	8,158	(546)	140,378
Income tax expense							(29,829)
Profit for the period							110,549
Segment assets	15,427,023	2,267,813	1,372,477	3,640,290	1,990,950	(1,648,425)	19,409,838
Investment in associates and joint ventures	–	167	15,975	16,142	–	–	16,142
Total assets	15,427,023	2,267,980	1,388,452	3,656,432	1,990,950	(1,648,425)	19,425,980
Include: non-current assets ⁽²⁾	95,614	25,876	114,195	140,071	5,535	(161)	241,059
Segment liabilities	14,257,539	2,081,577	1,275,569	3,357,146	1,931,687	(1,648,264)	17,898,108
Other segment items:							
Intersegment net interest (expense)/income	(3,886)	325	5,840	6,165	(2,279)	–	–
Intersegment net fee and commission income/ (expense)	129	14	677	691	(126)	(694)	–
Capital expenditure	2,399	709	14,232	14,941	147	–	17,487
Depreciation and amortisation	5,478	496	1,850	2,346	121	–	7,945
Credit commitments	3,183,340	257,130	128,445	385,575	511,066	(364,667)	3,715,314

(Amount in millions of Renminbi, unless otherwise stated)

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

31 Segment reporting (Continued)

As at 31 December 2016 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	14,341,792	2,048,841	1,193,626	3,242,467	1,812,521	(1,261,950)	18,134,830
Investment in associates and joint ventures	–	170	13,889	14,059	–	–	14,059
Total assets	14,341,792	2,049,011	1,207,515	3,256,526	1,812,521	(1,261,950)	18,148,889
Include: non-current assets ⁽²⁾	98,685	25,544	109,091	134,635	5,522	(161)	238,681
Segment liabilities	13,198,402	1,870,712	1,096,909	2,967,621	1,757,564	(1,261,790)	16,661,797
Other segment items:							
Intersegment net interest (expense)/income	(2,039)	501	3,290	3,791	(1,752)	–	–
Intersegment net fee and commission income/ (expense)	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	3,062,802	267,190	128,792	395,982	481,663	(350,839)	3,589,608

(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.

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

31 Segment reporting (Continued)

As at and for the six month period ended 30 June 2017

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	147,040	99,435	93,192	575	1,551	359	(41,518)	300,634
Interest expense	(66,630)	(45,000)	(63,768)	(148)	(30)	(1,534)	41,518	(135,592)
Net interest income/(expense)	80,410	54,435	29,424	427	1,521	(1,175)	–	165,042
Fee and commission income	23,337	21,877	7,550	2,065	–	566	(1,047)	54,348
Fee and commission expense	(1,286)	(2,025)	(860)	(496)	(1,360)	(18)	884	(5,161)
Net fee and commission income/(expense)	22,051	19,852	6,690	1,569	(1,360)	548	(163)	49,187
Net trading gains	745	462	1,970	218	1,277	177	28	4,877
Net gains on financial investments	11	2	1,070	27	247	159	–	1,516
Other operating income	975	6,060	535	90	10,158	11,159	(1,231)	27,746
Operating income	104,192	80,811	39,689	2,331	11,843	10,868	(1,366)	248,368
Operating expenses	(25,687)	(34,028)	(8,039)	(1,035)	(11,004)	(3,236)	1,366	(81,663)
Impairment losses on assets	(25,456)	(1,174)	(30)	–	(52)	(248)	–	(26,960)
Operating profit	53,049	45,609	31,620	1,296	787	7,384	–	139,745
Share of results of associates and joint ventures	–	–	–	230	(8)	436	(25)	633
Profit before income tax	53,049	45,609	31,620	1,526	779	7,820	(25)	140,378
Income tax expense								(29,829)
Profit for the period								110,549
Segment assets	7,131,345	3,713,345	8,147,158	70,245	134,931	306,805	(93,991)	19,409,838
Investment in associates and joint ventures	–	–	–	4,310	–	11,900	(68)	16,142
Total assets	7,131,345	3,713,345	8,147,158	74,555	134,931	318,705	(94,059)	19,425,980
Segment liabilities	8,772,992	5,908,685	2,932,490	57,991	120,260	199,519	(93,829)	17,898,108
Other segment items:								
Intersegment net interest income/(expense)	12,050	28,917	(40,609)	15	27	(400)	–	–
Intersegment net fee and commission income/(expense)	50	808	34	(148)	(716)	135	(163)	–
Capital expenditure	744	822	39	39	73	15,770	–	17,487
Depreciation and amortisation	2,309	2,960	668	44	86	1,878	–	7,945
Credit commitments	2,830,155	885,159	–	–	–	–	–	3,715,314

(Amount in millions of Renminbi, unless otherwise stated)

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

31 Segment reporting (Continued)

As at 31 December 2016 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/(expense)	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	7,039,052	3,475,983	7,219,165	61,634	126,461	297,078	(84,543)	18,134,830
Investment in associates and joint ventures	–	–	–	4,114	–	10,013	(68)	14,059
Total assets	7,039,052	3,475,983	7,219,165	65,748	126,461	307,091	(84,611)	18,148,889
Segment liabilities	8,378,306	5,675,800	2,366,627	49,998	112,474	162,974	(84,382)	16,661,797
Other segment items:								
Intersegment net interest income/(expense)	5,745	33,883	(39,324)	44	44	(392)	–	–
Intersegment net fee and commission income/(expense)	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	2,803,340	786,268	–	–	–	–	–	3,589,608

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

32 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 value of securities increases or decreases, 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 2017		As at 31 December 2016	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	71,195	70,360	45,558	44,695

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 RMB2,040 million as at 30 June 2017 (31 December 2016: RMB1,719 million), which also approximates the Group's maximum exposure to loss.

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

32 Transfers of financial assets (Continued)

Credit assets transfers (Continued)

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. For the six month period ended 30 June 2017, 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 RMB16,829 million (for the six month period ended 30 June 2016: RMB9,736 million) and the carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB4,258 million as at 30 June 2017 (31 December 2016: RMB3,370 million).

33 Interests in the structured entities

The Group is principally involved with structured entities through financial investments, asset management and credit assets transfers. 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.

33.1 Interests in the unconsolidated structured entities

The interests held by the Group in the unconsolidated structured entities are mainly set out as below:

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 2017, the balance of the above unconsolidated bank wealth management products sponsored by the Group amounted to RMB1,100,451 million (31 December 2016: RMB1,176,824 million). For the six month period ended 30 June 2017, fee and commission income from wealth management business, which includes commission, custodian fee and management fee amounted to RMB4,301 million (for the six month period ended 30 June 2016: RMB4,954 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 2017, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB8,000 million (for the six month period ended 30 June 2016: RMB26,000 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 30 June 2017, the balance of above tradings was RMB3,850 million (31 December 2016: 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 RMB15,874 million during the six month period ended 30 June 2017 (for the six month period ended 30 June 2016: RMB301 million). For description of the portion of asset-backed securities issued by above structured entities and held by the Group, refer to Note III.32.

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

33 Interests in the structured entities (Continued)

33.1 Interests in the unconsolidated structured entities (Continued)

Structured entities sponsored by other financial institutions

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 2017						
Fund	6,015	20,942	–	–	26,957	26,957
Wealth management plans	–	15,000	–	–	15,000	15,000
Investment trusts and asset management plans	–	–	–	5,809	5,809	5,809
Asset-backed securitisations	–	19,848	31,572	1,355	52,775	52,775
As at 31 December 2016						
Fund	3,409	17,148	–	–	20,557	20,557
Wealth management plans	–	15,000	–	–	15,000	15,000
Investment trusts and asset management plans	–	–	–	15,852	15,852	15,852
Asset-backed securitisations	–	21,572	31,838	1,387	54,797	54,797

33.2 Interests in the consolidated structured entities

The Group's consolidated structured entities are mainly bond-investment open-end funds. These funds are issued and managed by the Group and the Group earn interest from the funds due to owning the majority of shares. The Group do not provide financial or other support to the consolidated structured entities.

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

34 Events after the financial reporting date

Issuance of overseas bonds

On 3 July 2017, the Bank issued USD1.05 billion notes, which was then listed on 12 July 2017 on the Stock Exchange of Hong Kong Limited, as part of the Bank's USD30 billion Medium Term Note Programme. The issuance details had been set out in the Bank's announcement dated 11 July 2017.

Strategic restructuring plan in the ASAEN region

As part of the Group's strategic restructuring plan in the ASAEN region, on 28 February 2017, the Bank (as seller) and BOCHK (as buyer) entered into sale and purchase agreements in relation to sale and purchase of the banking businesses operated by the Bank in Indonesia through Bank of China Limited, Jakarta Branch and its eight sub-branches; and the banking businesses operated by the Bank in Cambodia through Bank of China Limited, Phnom Penh Branch, Cambodia and its two sub-branches, respectively. The equity transfer in relation to Jakarta Branch was completed on 10 July 2017. The completion of equity transfer in relation to Phnom Penh Branch is subject to the satisfaction or waiver of the precondition.

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 2017. The annual dividend rate is 6.75% (calculated on the basis of RMB and paid out in US Dollars per a fixed exchange rate) for the Offshore Preference Shares amounting to approximately USD439 million in total after tax and the dividend is to be paid on 23 October 2017. The annual dividend for the Domestic Preference Shares (First Tranche) amounting to RMB1,920 million before tax is set to be paid on 21 November 2017 at a dividend rate of 6.00%. The dividend payable is not reflected in liabilities of the financial statements.

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 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Chinese mainland	8,280,121	77.74%	7,818,508	78.40%
Hong Kong, Macau and Taiwan	1,330,676	12.50%	1,220,962	12.24%
Other countries and regions	1,039,906	9.76%	933,892	9.36%
Total loans and advances to customers	10,650,703	100.00%	9,973,362	100.00%

Chinese mainland

	As at 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Northern China	1,330,324	16.07%	1,254,192	16.04%
Northeastern China	513,903	6.21%	494,595	6.33%
Eastern China	3,255,467	39.32%	3,096,019	39.60%
Central and Southern China	2,122,722	25.63%	1,979,793	25.32%
Western China	1,057,705	12.77%	993,909	12.71%
Total loans and advances to customers	8,280,121	100.00%	7,818,508	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

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 2017			
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	Total
Corporate loans and advances				
— Trade bills	634,925	103,238	150,959	889,122
— Other	4,393,290	835,442	853,791	6,082,523
Personal loans	3,251,906	391,996	35,156	3,679,058
Total loans and advances to customers	8,280,121	1,330,676	1,039,906	10,650,703

	As at 31 December 2016			
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	Total
Corporate loans and advances				
— Trade bills	687,283	86,887	166,922	941,092
— Other	4,145,899	745,297	736,681	5,627,877
Personal loans	2,985,326	388,778	30,289	3,404,393
Total loans and advances to customers	7,818,508	1,220,962	933,892	9,973,362

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 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,713,957	16.09%	1,632,912	16.37%
Commerce and services	1,544,039	14.50%	1,313,693	13.17%
Transportation, storage and postal services	1,037,046	9.74%	988,773	9.91%
Real estate	815,134	7.65%	751,035	7.53%
Production and supply of electricity, heating, gas and water	552,838	5.19%	519,161	5.21%
Mining	355,564	3.34%	352,706	3.54%
Financial services	338,504	3.18%	426,023	4.27%
Construction	218,024	2.05%	193,318	1.94%
Water, environment and public utility management	148,172	1.39%	159,660	1.60%
Public utilities	111,600	1.05%	107,372	1.08%
Other	136,767	1.28%	124,316	1.25%
Subtotal	6,971,645	65.46%	6,568,969	65.87%
Personal loans				
Mortgages	2,860,973	26.86%	2,635,960	26.43%
Credit cards	337,671	3.17%	302,302	3.03%
Other	480,414	4.51%	466,131	4.67%
Subtotal	3,679,058	34.54%	3,404,393	34.13%
Total loans and advances to customers	10,650,703	100.00%	9,973,362	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

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 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,394,526	16.84%	1,361,631	17.42%
Commerce and services	1,096,779	13.25%	890,841	11.40%
Transportation, storage and postal services	896,832	10.83%	846,349	10.83%
Real estate	404,334	4.88%	394,156	5.04%
Production and supply of electricity, heating, gas and water	448,419	5.42%	414,180	5.30%
Mining	183,762	2.22%	201,186	2.57%
Financial services	160,288	1.94%	291,587	3.73%
Construction	175,094	2.11%	157,465	2.01%
Water, environment and public utility management	138,668	1.68%	147,995	1.89%
Public utilities	97,837	1.18%	98,654	1.26%
Other	31,676	0.38%	29,138	0.37%
Subtotal	5,028,215	60.73%	4,833,182	61.82%
Personal loans				
Mortgages	2,551,780	30.82%	2,335,210	29.87%
Credit cards	324,931	3.92%	288,788	3.69%
Other	375,195	4.53%	361,328	4.62%
Subtotal	3,251,906	39.27%	2,985,326	38.18%
Total loans and advances to customers	8,280,121	100.00%	7,818,508	100.00%

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 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Unsecured loans	3,316,012	31.13%	2,913,913	29.22%
Guaranteed loans	1,997,648	18.76%	2,025,819	20.31%
Collateralised and other secured loans				
— Loans secured by property and other immovable assets	4,272,371	40.11%	3,991,922	40.03%
— Other pledged loans	1,064,672	10.00%	1,041,708	10.44%
Total loans and advances to customers	10,650,703	100.00%	9,973,362	100.00%

Chinese mainland

	As at 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Unsecured loans	2,252,222	27.20%	2,005,701	25.65%
Guaranteed loans	1,628,030	19.66%	1,667,546	21.33%
Collateralised and other secured loans				
— Loans secured by property and other immovable assets	3,629,768	43.84%	3,363,869	43.03%
— Other pledged loans	770,101	9.30%	781,392	9.99%
Total loans and advances to customers	8,280,121	100.00%	7,818,508	100.00%

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

Group

	As at 30 June 2017			As at 31 December 2016		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	142,788	97.45%	1.72%	141,458	97.35%	1.81%
Hong Kong, Macau and Taiwan	1,623	1.11%	0.12%	1,630	1.12%	0.13%
Other countries and regions	2,111	1.44%	0.20%	2,223	1.53%	0.24%
Total	146,522	100.00%	1.38%	145,311	100.00%	1.46%

(Amount in millions of Renminbi, unless otherwise stated)

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)

(i) Impaired loans and advances by geographical area (Continued)

Chinese mainland

	As at 30 June 2017			As at 31 December 2016		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	26,898	18.84%	2.02%	15,863	11.22%	1.26%
Northeastern China	31,446	22.02%	6.12%	26,342	18.62%	5.33%
Eastern China	49,116	34.40%	1.51%	54,521	38.54%	1.76%
Central and Southern China	23,452	16.42%	1.10%	28,774	20.34%	1.45%
Western China	11,876	8.32%	1.12%	15,958	11.28%	1.61%
Total	142,788	100.00%	1.72%	141,458	100.00%	1.81%

(ii) Impaired loans and advances by customer type

Group

	As at 30 June 2017			As at 31 December 2016		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	118,417	80.82%	1.70%	116,314	80.04%	1.77%
Personal loans	28,105	19.18%	0.76%	28,997	19.96%	0.85%
Total	146,522	100.00%	1.38%	145,311	100.00%	1.46%

Chinese mainland

	As at 30 June 2017			As at 31 December 2016		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	115,015	80.55%	2.29%	112,763	79.71%	2.33%
Personal loans	27,773	19.45%	0.85%	28,695	20.29%	0.96%
Total	142,788	100.00%	1.72%	141,458	100.00%	1.81%

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 2017			As at 31 December 2016		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Manufacturing	58,327	39.81%	4.18%	58,433	40.22%	4.29%
Commerce and services	30,896	21.08%	2.82%	33,918	23.34%	3.81%
Transportation, storage and postal services	6,583	4.49%	0.73%	5,395	3.71%	0.64%
Real estate	2,913	1.99%	0.72%	3,411	2.35%	0.87%
Production and supply of electricity, heating, gas and water	1,449	0.99%	0.32%	3,018	2.08%	0.73%
Mining	9,684	6.61%	5.27%	4,232	2.91%	2.10%
Financial services	141	0.10%	0.09%	2	–	–
Construction	3,044	2.08%	1.74%	2,832	1.95%	1.80%
Water, environment and public utility management	346	0.24%	0.25%	295	0.20%	0.20%
Public utilities	235	0.16%	0.24%	221	0.15%	0.22%
Other	1,397	0.95%	4.41%	1,006	0.69%	3.45%
Subtotal	115,015	78.50%	2.29%	112,763	77.60%	2.33%
Personal loans						
Mortgages	9,230	6.29%	0.36%	9,675	6.66%	0.41%
Credit cards	9,301	6.35%	2.86%	9,954	6.85%	3.45%
Other	9,242	6.31%	2.46%	9,066	6.24%	2.51%
Subtotal	27,773	18.95%	0.85%	28,695	19.75%	0.96%
Total for Chinese mainland	142,788	97.45%	1.72%	141,458	97.35%	1.81%
Hong Kong, Macau, Taiwan and other countries and regions						
	3,734	2.55%	0.16%	3,853	2.65%	0.18%
Total	146,522	100.00%	1.38%	145,311	100.00%	1.46%

(Amount in millions of Renminbi, unless otherwise stated)

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 2017			
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	Net
Chinese mainland	142,788	(64,714)	(26,363)	51,711
Hong Kong, Macau and Taiwan	1,623	(652)	(83)	888
Other countries and regions	2,111	(1,559)	(94)	458
Total	146,522	(66,925)	(26,540)	53,057

	As at 31 December 2016			
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	Net
Chinese mainland	141,458	(67,915)	(27,472)	46,071
Hong Kong, Macau and Taiwan	1,630	(773)	(82)	775
Other countries and regions	2,223	(1,405)	(112)	706
Total	145,311	(70,093)	(27,666)	47,552

For description of allowances on identified impaired loans and advances, refer to Note III.17.3.

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.

Rescheduled loans are generally 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 2017 and 31 December 2016.

As at 30 June 2017 and 31 December 2016, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

(4) Overdue loans and advances to customers

Analysis of overdue loans and advances by geographical area

	As at 30 June 2017	As at 31 December 2016
Chinese mainland	200,676	205,943
Hong Kong, Macau and Taiwan	6,761	6,032
Other countries and regions	2,707	2,616
Subtotal	210,144	214,591
Percentage	1.97%	2.15%
Less: total loans and advances to customers which have been overdue for less than 3 months	(76,819)	(102,281)
Total loans and advances to customers which have been overdue for more than 3 months	133,325	112,310
Individually assessed impairment allowance — for loans and advances to customers which have been overdue for more than 3 months	(59,919)	(51,834)

(Amount in millions of Renminbi, unless otherwise stated)

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 2017					Total
	Unrated	AAA	AA	A	Lower than A	
Issuers in Chinese mainland						
— Government	–	–	2,229,954	11,997	–	2,241,951
— Public sectors and quasi-governments	60,488	–	–	–	–	60,488
— Policy banks	–	–	10,546	440,649	–	451,195
— Financial institutions	126,623	–	403	134,659	139,251	400,936
— Corporate	61,595	–	1,322	105,685	15,812	184,414
— China Orient Asset Management Corporation	160,000	–	–	–	–	160,000
Subtotal	408,706	–	2,242,225	692,990	155,063	3,498,984
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	–	273,892	28,493	8,869	6,606	317,860
— Public sectors and quasi-governments	32,007	34,186	17,406	3,918	–	87,517
— Financial institutions	5,550	2,529	49,217	108,942	48,799	215,037
— Corporate	11,149	27,349	7,858	56,721	18,151	121,228
Subtotal	48,706	337,956	102,974	178,450	73,556	741,642
Total ⁽¹⁾	457,412	337,956	2,345,199	871,440	228,619	4,240,626

	As at 31 December 2016					Total
	Unrated	AAA	AA	A	Lower than A	
Issuers in Chinese mainland						
— Government	–	–	1,998,068	6,659	–	2,004,727
— Public sectors and quasi-governments	52,015	–	–	–	–	52,015
— Policy banks	–	–	128,754	261,020	–	389,774
— Financial institutions	86,434	–	4,419	125,664	76,344	292,861
— Corporate	72,278	–	10,938	92,341	14,665	190,222
— China Orient Asset Management Corporation	160,000	–	–	–	–	160,000
Subtotal	370,727	–	2,142,179	485,684	91,009	3,089,599
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	–	221,516	85,990	30,351	4,841	342,698
— Public sectors and quasi-governments	31,785	32,917	21,319	4,080	–	90,101
— Financial institutions	6,396	2,734	58,288	107,053	43,083	217,554
— Corporate	13,769	27,432	9,563	53,039	16,817	120,620
Subtotal	51,950	284,599	175,160	194,523	64,741	770,973
Total ⁽¹⁾	422,677	284,599	2,317,339	680,207	155,750	3,860,572

- (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 2017 amounted to RMB1,105 million and RMB40 million, respectively (31 December 2016: RMB1,295 million and RMB44 million). The carrying values of the available for sale and held to maturity debt securities considered impaired as at 30 June 2017 were both nil (31 December 2016: RMB507 million and RMB4 million).

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 the 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 2017	As at 31 December 2016
Risk-weighted assets for default risk		
Currency derivatives	58,968	81,344
Interest rate derivatives	3,672	3,431
Equity derivatives	366	298
Commodity derivatives and other	3,296	3,674
	66,302	88,747
Risk-weighted assets for CVA	67,901	75,387
Risk-weighted assets for CCPs	1,414	594
Total	135,617	164,728

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.21.

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.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

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.

The table below shows the VaR of the trading book by type of risk for the six month periods ended 30 June 2017 and 2016:

Unit: USD million

	Six month period ended 30 June					
	2017			2016		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	14.68	17.58	11.60	10.04	13.01	7.77
Foreign exchange risk	9.14	12.18	6.12	4.55	8.59	2.62
Volatility risk	0.46	1.21	0.25	0.71	1.55	0.46
Commodity risk	1.26	1.58	1.01	0.84	1.47	0.01
Total of the Bank's trading VaR	16.51	20.91	12.43	10.04	12.97	6.75

The Bank's VaR for the six month periods ended 30 June 2017 and 2016 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.

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					
	2017			2016		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	6.81	10.61	3.54	3.41	7.37	1.97
Foreign exchange risk	4.94	6.97	3.02	4.28	5.40	3.28
Equity risk	0.34	0.68	0.09	0.12	0.40	0.00
Commodity risk	0.20	0.26	0.15	0.00	0.01	0.00
Total BOCHK (Holdings)'s trading VaR	7.37	10.43	4.87	5.53	7.52	3.88
BOCI's trading VaR⁽ⁱ⁾						
Equity derivatives unit	1.06	1.48	0.71	1.45	2.68	1.01
Fixed income unit	0.94	1.47	0.63	0.91	1.57	0.56
Global commodity unit	0.29	0.45	0.08	0.08	0.22	0.04
Total BOCI's trading VaR	2.29	2.84	1.53	1.47	2.77	1.05

- (i) 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.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis

The tables below summarise the Group's exposure to interest rate risk. 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 2017						Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	
Assets							
Cash and due from banks and other financial institutions	288,002	76,399	205,069	1,934	–	74,115	645,519
Balances with central banks	2,346,857	1,063	823	367	–	174,645	2,523,755
Placements with and loans to banks and other financial institutions	219,184	113,291	209,167	80,844	–	–	622,486
Financial assets at fair value through profit or loss	13,500	40,150	33,884	22,839	34,129	18,378	162,880
Derivative financial assets	–	–	–	–	–	73,643	73,643
Loans and advances to customers, net	2,308,770	2,133,633	5,480,291	105,224	44,953	353,677	10,426,548
Financial investments							
— available for sale	65,433	172,158	300,723	737,397	372,578	62,918	1,711,207
— held to maturity	64,027	84,785	171,659	1,152,956	587,462	–	2,060,889
— loans and receivables	4,453	5,282	14,491	245,141	145,126	1,476	415,969
Other	6,386	5,127	4,636	–	–	766,935	783,084
Total assets	5,316,612	2,631,888	6,420,743	2,346,702	1,184,248	1,525,787	19,425,980
Liabilities							
Due to banks and other financial institutions	825,872	354,988	173,057	74,451	–	162,845	1,591,213
Due to central banks	351,336	89,405	468,302	6,998	–	21	916,062
Placements from banks and other financial institutions	247,198	65,025	107,174	147	–	–	419,544
Derivative financial liabilities	–	–	–	–	–	71,909	71,909
Due to customers	7,928,878	1,287,050	2,657,241	1,626,392	31,152	201,346	13,732,059
Bonds issued	67,321	62,109	47,571	205,111	53,321	–	435,433
Other	18,375	21,784	6,602	5,063	1,460	678,604	731,888
Total liabilities	9,438,980	1,880,361	3,459,947	1,918,162	85,933	1,114,725	17,898,108
Total interest repricing gap	(4,122,368)	751,527	2,960,796	428,540	1,098,315	411,062	1,527,872

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2016						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	176,032	223,847	178,222	2,020	–	79,861	659,982
Balances with central banks	2,064,238	1,431	1,364	781	–	203,826	2,271,640
Placements with and loans to banks and other financial institutions	231,961	110,994	224,351	26,742	–	–	594,048
Financial assets at fair value through profit or loss	9,184	19,636	29,709	23,198	30,467	11,896	124,090
Derivative financial assets	–	–	–	–	–	130,549	130,549
Loans and advances to customers, net	2,641,864	2,056,767	4,581,188	104,586	54,745	296,496	9,735,646
Financial investments							
— available for sale	73,205	175,806	245,619	662,649	394,030	58,521	1,609,830
— held to maturity	17,739	63,545	216,412	966,564	578,783	–	1,843,043
— loans and receivables	4,341	15,611	16,767	234,036	123,788	1,378	395,921
Assets held for sale	27,428	5,973	5,630	4,285	3	7,052	50,371
Other	3,536	578	3,413	–	–	726,242	733,769
Total assets	5,249,528	2,674,188	5,502,675	2,024,861	1,181,816	1,515,821	18,148,889
Liabilities							
Due to banks and other financial institutions	921,705	97,435	180,102	73,590	–	147,695	1,420,527
Due to central banks	343,246	131,312	380,647	11,862	–	27	867,094
Placements from banks and other financial institutions	178,931	62,562	61,150	149	–	–	302,792
Derivative financial liabilities	–	–	–	–	–	107,109	107,109
Due to customers	7,405,926	1,341,350	2,391,472	1,611,515	13,319	176,166	12,939,748
Bonds issued	27,287	27,661	56,063	198,432	52,875	–	362,318
Liabilities classified as held for sale	25,716	6,645	6,392	60	–	3,675	42,488
Other	15,558	20,804	4,522	2,144	605	576,088	619,721
Total liabilities	8,918,369	1,687,769	3,080,348	1,897,752	66,799	1,010,760	16,661,797
Total interest repricing gap	(3,668,841)	986,419	2,422,327	127,109	1,115,017	505,061	1,487,092

(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 2017 and 31 December 2016. 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 2017							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	457,594	134,804	13,853	6,085	12,617	4,757	15,809	645,519
Balances with central banks	2,095,649	267,227	9,045	34,827	43,033	38,720	35,254	2,523,755
Placements with and loans to banks and other financial institutions	439,540	112,612	20,752	10,345	–	406	38,831	622,486
Financial assets at fair value through profit or loss	73,576	55,423	30,049	2,329	847	646	10	162,880
Derivative financial assets	28,072	8,261	26,453	1,140	169	6,115	3,433	73,643
Loans and advances to customers, net	7,873,434	1,254,470	766,409	218,136	11,804	41,612	260,683	10,426,548
Financial investments								
— available for sale	1,012,087	433,890	147,018	32,141	11,977	5,916	68,178	1,711,207
— held to maturity	1,889,118	155,771	4,381	1,440	729	1,426	8,024	2,060,889
— loans and receivables	401,528	2,032	2,385	–	–	–	10,024	415,969
Other	297,059	137,174	171,612	2,043	1,409	1,916	171,871	783,084
Total assets	14,567,657	2,561,664	1,191,957	308,486	82,585	101,514	612,117	19,425,980
Liabilities								
Due to banks and other financial institutions	989,869	339,800	38,884	35,719	15,427	9,223	162,291	1,591,213
Due to central banks	645,772	252,655	11,792	4,832	–	881	130	916,062
Placements from banks and other financial institutions	104,228	233,395	12,986	19,775	17,575	12,471	19,114	419,544
Derivative financial liabilities	29,931	3,474	27,473	1,569	171	6,960	2,331	71,909
Due to customers	10,295,394	1,667,287	1,053,351	185,105	61,601	65,586	403,735	13,732,059
Bonds issued	185,820	188,792	816	31,976	–	18,404	9,625	435,433
Other	421,105	82,671	206,687	2,394	783	1,954	16,294	731,888
Total liabilities	12,672,119	2,768,074	1,351,989	281,370	95,557	115,479	613,520	17,898,108
Net on-balance sheet position	1,895,538	(206,410)	(160,032)	27,116	(12,972)	(13,965)	(1,403)	1,527,872
Net off-balance sheet position	(603,882)	233,858	321,847	(18,148)	13,358	15,175	37,124	(668)
Credit commitments	2,367,459	846,980	252,375	105,524	8,873	41,222	92,881	3,715,314

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2016							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	498,095	107,735	14,324	6,477	15,944	1,700	15,707	659,982
Balances with central banks	1,807,526	340,513	4,510	32,245	21,640	33,772	31,434	2,271,640
Placements with and loans to banks and other financial institutions	379,735	123,994	36,454	2,286	3,886	255	47,438	594,048
Financial assets at fair value through profit or loss	50,702	47,475	23,527	1,540	360	475	11	124,090
Derivative financial assets	56,291	4,507	52,945	695	286	12,085	3,740	130,549
Loans and advances to customers, net	7,399,294	1,167,127	722,240	190,822	11,866	31,372	212,925	9,735,646
Financial investments								
— available for sale	894,034	416,315	125,060	22,604	87,159	7,609	57,049	1,609,830
— held to maturity	1,676,845	153,896	4,035	1,941	720	516	5,090	1,843,043
— loans and receivables	379,354	1,734	838	—	—	—	13,995	395,921
Assets held for sale	10,556	8,860	29,185	229	78	224	1,239	50,371
Other	263,114	125,563	160,709	2,472	1,213	1,415	179,283	733,769
Total assets	13,415,546	2,497,719	1,173,827	261,311	143,152	89,423	567,911	18,148,889
Liabilities								
Due to banks and other financial institutions	785,818	394,408	31,258	41,011	15,053	6,685	146,294	1,420,527
Due to central banks	610,339	242,546	9,931	2,448	—	1,830	—	867,094
Placements from banks and other financial institutions	115,806	146,285	3,816	21,877	4,815	7,215	2,978	302,792
Derivative financial liabilities	33,338	3,299	50,653	771	204	12,118	6,726	107,109
Due to customers	9,744,207	1,538,408	1,000,075	178,965	56,706	60,916	360,471	12,939,748
Bonds issued	202,744	137,355	1,287	14,709	—	2,034	4,189	362,318
Liabilities classified as held for sale	5,044	7,278	28,398	253	76	215	1,224	42,488
Other	341,041	71,241	186,466	2,482	1,398	1,415	15,678	619,721
Total liabilities	11,838,337	2,540,820	1,311,884	262,516	78,252	92,428	537,560	16,661,797
Net on-balance sheet position	1,577,209	(43,101)	(138,057)	(1,205)	64,900	(3,005)	30,351	1,487,092
Net off-balance sheet position	(313,211)	84,443	298,500	10,334	(64,129)	4,699	2,668	23,304
Credit commitments	2,249,059	861,382	255,971	94,639	7,432	39,121	82,004	3,589,608

2.4 Price risk

The Group is exposed to equity price risk on its available for sale listed equity securities. As at 30 June 2017, a 5 percentage variance in listed equity prices from the 30 June 2017 price would impact the fair value of available for sale listed equity positions by RMB454 million (31 December 2016: RMB415 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).

(Amount in millions of Renminbi, unless otherwise stated)

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 2017							
	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	183,966	175,412	76,399	207,786	1,934	–	645,519
Balances with central banks	1,728,065	731,979	13,821	9,025	40,498	367	–	2,523,755
Placements with and loans to banks and other financial institutions	–	–	210,527	108,763	214,075	89,121	–	622,486
Financial assets at fair value through profit or loss	18,378	–	12,712	37,922	32,423	25,974	35,471	162,880
Derivative financial assets	–	9,781	12,578	13,248	26,675	8,814	2,547	73,643
Loans and advances to customers, net	50,081	111,146	384,306	991,805	2,452,100	2,849,536	3,587,574	10,426,548
Financial investments								
— available for sale	61,377	–	40,368	113,573	312,935	803,868	379,086	1,711,207
— held to maturity	–	–	59,352	62,478	173,254	1,164,158	601,647	2,060,889
— loans and receivables	1,476	–	4,103	4,932	12,316	244,676	148,466	415,969
Other	263,343	328,164	51,418	42,258	41,254	39,344	17,303	783,084
Total assets	2,122,742	1,365,036	964,597	1,460,403	3,513,316	5,227,792	4,772,094	19,425,980
Liabilities								
Due to banks and other financial institutions	–	802,479	173,127	354,329	180,807	80,471	–	1,591,213
Due to central banks	–	187,557	163,690	89,514	468,302	6,999	–	916,062
Placements from banks and other financial institutions	–	–	247,198	65,025	107,174	147	–	419,544
Derivative financial liabilities	–	6,219	12,108	10,340	31,825	8,792	2,625	71,909
Due to customers	–	6,689,891	1,394,087	1,281,572	2,653,905	1,671,871	40,733	13,732,059
Bonds issued	–	–	47,125	37,945	53,254	242,100	55,009	435,433
Other	–	206,493	163,542	81,697	139,053	85,332	55,771	731,888
Total liabilities	–	7,892,639	2,200,877	1,920,422	3,634,320	2,095,712	154,138	17,898,108
Net liquidity gap	2,122,742	(6,527,603)	(1,236,280)	(460,019)	(121,004)	3,132,080	4,617,956	1,527,872

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 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	171,837	84,034	223,847	178,222	2,020	–	659,982
Balances with central banks	1,743,459	448,607	16,841	15,383	46,569	781	–	2,271,640
Placements with and loans to banks and other financial institutions	–	–	229,651	106,802	229,002	28,593	–	594,048
Financial assets at fair value through profit or loss	11,896	–	8,783	18,065	28,217	25,495	31,634	124,090
Derivative financial assets	–	13,239	15,745	23,369	62,855	12,310	3,031	130,549
Loans and advances to customers, net	52,413	82,783	410,546	1,002,740	2,208,527	2,555,287	3,423,350	9,735,646
Financial investments								
— available for sale	56,897	–	45,239	131,697	256,484	718,220	401,293	1,609,830
— held to maturity	–	–	10,623	45,020	212,939	983,275	591,186	1,843,043
— loans and receivables	1,378	–	4,291	14,221	14,073	234,830	127,128	395,921
Assets held for sale	6,652	4,144	5,432	4,143	8,722	16,193	5,085	50,371
Other	259,332	301,848	36,294	30,690	45,714	42,247	17,644	733,769
Total assets	2,132,049	1,022,458	867,479	1,615,977	3,291,324	4,619,251	4,600,351	18,148,889
Liabilities								
Due to banks and other financial institutions	–	891,046	166,691	96,552	180,941	85,297	–	1,420,527
Due to central banks	–	170,646	172,626	131,312	380,647	11,863	–	867,094
Placements from banks and other financial institutions	–	–	178,624	62,562	61,150	149	307	302,792
Derivative financial liabilities	–	9,443	11,081	21,432	49,358	12,953	2,842	107,109
Due to customers	–	6,208,198	1,355,804	1,319,746	2,380,204	1,652,646	23,150	12,939,748
Bonds issued	–	–	19,669	16,851	57,014	214,169	54,615	362,318
Liabilities classified as held for sale	–	21,680	6,882	6,679	6,428	819	–	42,488
Other	–	223,724	87,018	34,244	136,457	80,010	58,268	619,721
Total liabilities	–	7,524,737	1,998,395	1,689,378	3,252,199	2,057,906	139,182	16,661,797
Net liquidity gap	2,132,049	(6,502,279)	(1,130,916)	(73,401)	39,125	2,561,345	4,461,169	1,487,092

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 when it is unable to obtain open market quotation in active markets.

The main parameters used in valuation techniques 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.

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

	As at 30 June 2017			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
— Debt securities	5,594	130,303	2,684	138,581
— Loans	—	5,921	—	5,921
— Equity securities	9,379	—	—	9,379
— Fund investments and other	8,999	—	—	8,999
Derivative financial assets	10,519	63,124	—	73,643
Investment securities available for sale				
— Debt securities	106,321	1,525,143	1,303	1,632,767
— Equity securities	7,787	3,236	23,429	34,452
— Fund investments and other	6,647	16,171	21,170	43,988
Financial liabilities measured at fair value				
Placements from banks and other financial institutions at fair value	—	(520)	—	(520)
Due to customers at fair value	—	(353,070)	—	(353,070)
Bonds issued at fair value	—	(1,957)	—	(1,957)
Short position in debt securities	(2,901)	(14,570)	—	(17,471)
Derivative financial liabilities	(6,834)	(65,072)	(3)	(71,909)
	As at 31 December 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	5,257	98,206	2,709	106,172
— Loans	—	6,022	—	6,022
— Equity securities	7,547	—	—	7,547
— Fund investments and other	4,349	—	—	4,349
Derivative financial assets	14,914	115,635	—	130,549
Investment securities available for sale				
— Debt securities	196,730	1,337,577	1,656	1,535,963
— Equity securities	7,744	2,830	23,362	33,936
— Fund investments and other	4,883	15,895	19,153	39,931
Financial liabilities measured at fair value				
Placements from banks and other financial institutions at fair value	—	(1,968)	—	(1,968)
Due to customers at fair value	—	(350,311)	—	(350,311)
Short position in debt securities	(840)	(9,150)	—	(9,990)
Derivative financial liabilities	(11,235)	(95,874)	—	(107,109)

(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 liabilities
		Debt securities	Equity securities	Fund investments and other	
As at 1 January 2017	2,709	1,656	23,362	19,153	—
Total gains and losses					
— profit/(loss)	106	14	13	144	(3)
— other comprehensive income	—	43	392	395	—
Sales	(131)	(119)	(418)	(1,080)	—
Purchases	68	—	33	2,558	—
Settlements	—	—	—	—	—
Transfers (out of)/into Level 3, net	(68)	13	—	—	—
Reclassification from available for sale to held to maturity securities	—	(304)	—	—	—
Other changes	—	—	47	—	—
As at 30 June 2017	2,684	1,303	23,429	21,170	(3)
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 30 June 2017	127	—	—	5	(3)
As at 1 January 2016	1,531	954	22,269	13,955	—
Total gains and losses					
— profit/(loss)	12	2	(177)	(448)	—
— other comprehensive income	—	(35)	1,069	1,974	—
Sales	—	(10)	(195)	(1,613)	—
Purchases	1,166	1,184	401	5,285	—
Settlements	—	—	—	—	—
Transfers into Level 3, net	—	77	—	—	—
Other changes	—	(516)	(5)	—	—
As at 31 December 2016	2,709	1,656	23,362	19,153	—
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2016	12	2	(181)	(848)	—

Total gains or losses for the six month period ended 30 June 2017 and for the year ended 31 December 2016 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 2017 and 31 December 2016 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.

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

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

	For the six month period ended 30 June 2017			For the six month period ended 30 June 2016		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the period	145	129	274	299	199	498

The financial assets and liabilities measured at fair value have been no significant transfers between Level 1 and Level 2 during the six month period ended 30 June 2017.

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.

	As at 30 June 2017		As at 31 December 2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities ⁽¹⁾				
— held to maturity	2,060,889	2,031,726	1,843,043	1,853,050
— loans and receivables	408,389	402,350	375,394	374,161
Financial liabilities				
Bonds issued ⁽²⁾	435,433	440,686	362,318	369,686

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

The China Orient Asset Management Corporation 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 stated interest rate 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.

(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 fair values of three levels of “Debt securities” classified as held to maturity and loans and receivables (excluding the China Orient Asset Management Corporation Bond and Special Purpose Treasury Bond), and “Bonds issued” not presented at fair value on the statement of financial position.

	As at 30 June 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities				
— held to maturity	53,994	1,977,420	312	2,031,726
— loans and receivables	–	198,206	1,644	199,850
Financial liabilities				
Bonds issued	–	440,686	–	440,686

	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities				
— held to maturity	45,967	1,807,083	–	1,853,050
— loans and receivables	–	170,041	1,620	171,661
Financial liabilities				
Bonds issued	–	369,686	–	369,686

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.

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.

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

- 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 the 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.

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, 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.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

	As at 30 June 2017	As at 31 December 2016
Common equity tier 1 capital adequacy ratio	10.93%	11.37%
Tier 1 capital adequacy ratio	11.80%	12.28%
Capital adequacy ratio	13.41%	14.28%
Composition of the Group's capital base		
Common equity tier 1 capital	1,328,521	1,297,421
Common shares	294,388	294,388
Capital reserve	139,691	139,443
Surplus reserve	125,274	125,109
General reserve	193,908	193,338
Undistributed profits	575,601	526,804
Eligible portion of minority interests	24,869	30,051
Other ⁽²⁾	(25,210)	(11,712)
Regulatory deductions	(16,668)	(16,580)
Goodwill	(96)	(96)
Other intangible assets (except land use rights)	(6,560)	(6,498)
Gains on sales related to securitisation transactions	–	–
Direct or indirect investments in own shares	(123)	(53)
Reserve relating to cash-flow hedge items not measured at fair value	6	20
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,895)	(9,953)
Net common equity tier 1 capital	1,311,853	1,280,841
Additional tier 1 capital	103,905	103,523
Preference shares and related premium	99,714	99,714
Eligible portion of minority interests	4,191	3,809
Net tier 1 capital	1,415,758	1,384,364
Tier 2 capital	193,067	225,173
Tier 2 capital instruments issued and related premium	132,472	149,406
Excess loan loss provisions	51,782	64,572
Eligible portion of minority interests	8,813	11,195
Regulatory deductions	(400)	–
Significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation	(400)	–
Net capital	1,608,425	1,609,537
Risk-weighted assets	11,998,479	11,269,592

(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.

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

I 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 2017 and 2016 or total equity as at 30 June 2017 and as at 31 December 2016 presented in the Group's condensed consolidated interim financial information prepared under IFRS and those prepared under CAS.

II UNAUDITED SUPPLEMENTARY INFORMATION

1 Liquidity ratios and liquidity coverage ratio

	As at 30 June 2017	As at 31 December 2016
RMB current assets to RMB current liabilities	50.43%	45.60%
Foreign currency current assets to foreign currency current liabilities	53.00%	52.73%

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 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

Since 2017, the Group measured the LCR on a day-to-day consolidated basis⁽²⁾. In the second quarter of 2017, the Group measured 91-day LCR on this basis, with average ratio standing at 117.22%⁽³⁾, representing a decrease of 2.32 percentage points over the previous quarter, which was primarily due to the increase of unsecured wholesale funding that led to the increase of total cash outflows under stress scenarios.

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)*.

	2017		2016	
	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December	Quarter ended 30 September
Average value of LCR	117.22%	119.54%	117.17%	117.54%

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios and Liquidity coverage ratio (Continued)

The Group's liquidity coverage ratio (Continued)

The Group's average values of LCR individual line items in the second quarter of 2017 are as follows:

No.	Total un-weighted value	Total weighted value
High-quality liquid assets		
1 Total high-quality liquid assets (HQLA)		3,394,933
Cash outflows		
2 Retail deposits and deposits from small business customers, of which:	6,380,098	462,031
3 Stable deposits	3,384,916	162,513
4 Less stable deposits	2,995,182	299,518
5 Unsecured wholesale funding, of which:	8,152,355	3,211,477
6 Operational deposits (excluding those generated from correspondent banking activities)	4,207,060	1,041,508
7 Non-operational deposits (all counterparties)	3,913,899	2,138,573
8 Unsecured debt	31,396	31,396
9 Secured funding		6,286
10 Additional requirements, of which:	2,106,903	1,429,456
11 Outflows related to derivative exposures and other collateral requirements	1,370,902	1,370,902
12 Outflows related to loss of funding on debt products	3,505	3,505
13 Credit and liquidity facilities	732,496	55,049
14 Other contractual funding obligations	62,257	62,225
15 Other contingent funding obligations	3,001,591	51,093
16 Total cash outflows		5,222,568
Cash inflows		
17 Secured lending (including reverse repos and securities borrowing)	90,066	77,457
18 Inflows from fully performing exposures	1,141,557	775,243
19 Other cash inflows	1,545,235	1,469,045
20 Total cash inflows	2,776,858	2,321,745
		Total adjusted value
21 Total HQLA		3,394,933
22 Total net cash outflows		2,900,823
23 Liquidity coverage ratio (%)		117.22%

- (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 of LCR and the averages of all related individual items for the second quarter of 2017 are the simple arithmetic averages of figures for 91 days ended 30 June 2017. For each quarters of 2016, the average of LCR is the simple arithmetic average of figures for 3 months ended as at the end of each quarter.

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

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 2017				
Spot assets	1,262,163	22,465	329,059	1,613,687
Spot liabilities	(1,497,599)	(392,105)	(397,972)	(2,287,676)
Forward purchases	5,050,409	639,684	1,292,863	6,982,956
Forward sales	(4,680,934)	(316,074)	(1,238,292)	(6,235,300)
Net options position*	(61,056)	(279)	(5,627)	(66,962)
Net long/(short) position	72,983	(46,309)	(19,969)	6,705
Structural position	34,952	211,358	58,184	304,494
As at 31 December 2016				
Spot assets	1,312,715	22,870	353,621	1,689,206
Spot liabilities	(1,382,623)	(361,995)	(321,029)	(2,065,647)
Forward purchases	4,624,107	569,469	1,023,746	6,217,322
Forward sales	(4,439,207)	(254,529)	(1,073,565)	(5,767,301)
Net options position*	(51,861)	(515)	(141)	(52,517)
Net long/(short) position	63,131	(24,700)	(17,368)	21,063
Structural position	32,534	201,228	54,047	287,809

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

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.

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

3 International claims (Continued)

	Banks	Official sector	Non-bank private sector	Total
As at 30 June 2017				
Asia Pacific				
Chinese mainland	660,718	413,696	757,465	1,831,879
Hong Kong	15,403	11	476,450	491,864
Other Asia Pacific locations	91,646	31,566	323,586	446,798
Subtotal	767,767	445,273	1,557,501	2,770,541
North and South America	49,745	183,022	164,144	396,911
Other	74,057	55,193	166,794	296,044
Total	891,569	683,488	1,888,439	3,463,496
As at 31 December 2016				
Asia Pacific				
Chinese mainland	601,461	200,367	709,491	1,511,319
Hong Kong	15,532	3,188	423,094	441,814
Other Asia Pacific locations	125,198	102,622	343,365	571,185
Subtotal	742,191	306,177	1,475,950	2,524,318
North and South America	64,201	190,282	148,600	403,083
Other	70,327	51,652	145,130	267,109
Total	876,719	548,111	1,769,680	3,194,510

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.

4.1 Total amount of overdue loans and advances to customers

	As at 30 June 2017	As at 31 December 2016
Total loans and advances to customers which have been overdue		
within 3 months	76,819	102,281
between 3 and 6 months	30,720	20,203
between 6 and 12 months	46,659	37,864
over 12 months	55,946	54,243
Total	210,144	214,591
Percentage		
within 3 months	0.72%	1.03%
between 3 and 6 months	0.29%	0.20%
between 6 and 12 months	0.44%	0.38%
over 12 months	0.52%	0.54%
Total	1.97%	2.15%

4.2 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 2017 and 31 December 2016 is not considered material.

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information

5.1 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.

5.2 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 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Net common equity tier 1 capital	1,311,853	1,280,841	1,134,846	1,106,112
Net tier 1 capital	1,415,758	1,384,364	1,234,560	1,205,826
Net capital	1,608,425	1,609,537	1,411,562	1,414,052
Common equity tier 1 capital adequacy ratio	10.93%	11.37%	10.60%	10.98%
Tier 1 capital adequacy ratio	11.80%	12.28%	11.53%	11.96%
Capital adequacy ratio	13.41%	14.28%	13.18%	14.03%

5.3 Risk-weighted assets

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

	As at 30 June 2017	As at 31 December 2016
Credit risk-weighted assets	11,048,713	10,355,205
Market risk-weighted assets	129,025	93,646
Operational risk-weighted assets	820,741	820,741
Risk-weighted assets increment required to reach capital floor	–	–
Total risk-weighted assets	11,998,479	11,269,592

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

5.4 Credit risk exposures

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

	As at 30 June 2017			
	On- balance sheet credit risk	Off- balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by Internal Ratings-based Approach	8,605,724	1,225,693	14,896	9,846,313
Corporate exposures	5,526,219	1,042,829	14,896	6,583,944
Retail exposures	3,079,505	182,864	–	3,262,369
Exposures not covered by Internal Ratings-based Approach	10,560,811	323,503	251,874	11,136,188
Of which: Asset securitisation	8,724	–	–	8,724
Total	19,166,535	1,549,196	266,770	20,982,501

	As at 31 December 2016			
	On- balance sheet credit risk	Off- balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by Internal Ratings-based Approach	8,017,604	1,326,432	15,101	9,359,137
Corporate exposures	5,170,150	1,152,605	15,101	6,337,856
Retail exposures	2,847,454	173,827	–	3,021,281
Exposures not covered by Internal Ratings-based Approach	9,882,714	299,030	283,747	10,465,491
Of which: Asset securitisation	11,332	–	–	11,332
Total	17,900,318	1,625,462	298,848	19,824,628

5.5 Capital requirements on market risk

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

	As at 30 June 2017	As at 31 December 2016
Covered by Internal Model Approach	6,551	5,373
Not covered by Internal Model Approach	3,771	2,119
Interest rate risk	3,096	1,641
Equity risk	482	323
Foreign exchange risk	–	–
Commodity risk	193	155
Total	10,322	7,492

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

5.6 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 2017			
	Average	Maximum	Minimum	End
VaR	388	579	244	540
Stressed VaR	1,619	1,834	1,412	1,551

	For the year ended 31 December 2016			
	Average	Maximum	Minimum	End
VaR	233	452	125	318
Stressed VaR	1,455	1,781	1,229	1,728

5.7 Operational risk management

During the reporting period, the Group used the Standardised Approach to measure the consolidated operational risk capital requirement, which amounted to RMB65,659 million. Please refer to the section "Management Discussion and Analysis-Risk Management".

5.8 Interest rate risk in the banking book

The Group measures interest rate risk mainly by making gap analysis of interest rate repricing, 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 2017	As at 31 December 2016
Interest rate basis points move		
+25 basis points	(4,811)	(3,010)
-25 basis points	4,811	3,010

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital

	As at 30 June 2017	As at 31 December 2016	Code
Common equity tier 1 capital			
1 Paid-in capital	294,388	294,388	j
2 Retained earnings	894,783	845,251	
2a Surplus reserve	125,274	125,109	q
2b General reserve	193,908	193,338	r
2c Undistributed profits	575,601	526,804	s
3 Accumulated other comprehensive income (and disclosed reserves)	114,481	127,731	
3a Capital reserve	139,691	139,443	l
3b Currency translation differences	(14,141)	(11,570)	p
3c Others	(11,069)	(142)	n-p
4 Amount attributable to common equity tier 1 capital in transitional period	–	–	
5 Eligible portion of minority interests	24,869	30,051	t
6 Common equity tier 1 capital before regulatory adjustment	1,328,521	1,297,421	
Common equity tier 1 capital: regulatory adjustment			
7 Prudential valuation adjustment	–	–	
8 Goodwill (net of deferred tax liabilities deduction)	(96)	(96)	-h
9 Other intangible assets (excluding land use rights) (net of deferred tax liabilities deduction)	(6,560)	(6,498)	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	6	20	-o
12 Shortfall of provisions to loan losses	–	–	
13 Gains on sale of securitisation	–	–	
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	(123)	(53)	m
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	–	–	

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2017	As at 31 December 2016	Code
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	–	–	
26a Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,895)	(9,953)	-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	(16,668)	(16,580)	
29 Net common equity tier 1 capital	1,311,853	1,280,841	
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	4,191	3,809	u
35 Of which: Part of instruments non-attributable to additional tier 1 capital after transitional period	–	–	
36 Additional tier 1 capital before regulatory adjustment	103,905	103,523	
Additional tier 1 capital: Regulatory adjustment			
37 Direct or indirect investments in additional tier 1 capital of own banks	–	–	
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 deductions from additional tier 1 capital	–	–	
42 Non-deducted gaps deductible from tier 2 capital	–	–	
43 Total regulatory adjustment of additional tier 1 capital	–	–	
44 Net additional tier 1 capital	103,905	103,523	
45 Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)	1,415,758	1,384,364	

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2017	As at 31 December 2016	Code
Tier 2 capital			
46 Tier 2 capital instruments issued and related premiums	132,472	149,406	
47 Of which: Part of instruments non-attributable to tier 2 capital after transitional period	82,279	98,734	i
48 Eligible portion of minority interests	8,813	11,195	
49 Of which: Part of minority interests non-attributable to tier 2 capital after transitional period	–	2,116	
50 Excess provision included in tier 2 capital	51,782	64,572	-b-d
51 Tier 2 capital before regulatory adjustment	193,067	225,173	
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	(400)	–	
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 deductions from tier 2 capital	–	–	
57 Total regulatory adjustment of tier 2 capital	(400)	–	
58 Net tier 2 capital	192,667	225,173	
59 Total net capital (net tier 1 capital + net tier 2 capital)	1,608,425	1,609,537	
60 Total risk-weighted assets	11,998,479	11,269,592	

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2017	As at 31 December 2016	Code
Capital adequacy ratio and reserve capital requirement			
61 Common equity tier 1 capital adequacy ratio	10.93%	11.37%	
62 Tier 1 capital adequacy ratio	11.80%	12.28%	
63 Capital adequacy ratio	13.41%	14.28%	
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	5.93%	6.37%	
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)	83,347	80,951	
73 Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	4,700	4,484	
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)	31,141	33,673	
Limit of excess loan loss reserve attributable to tier 2 capital			
76 Actual accrued loan loss reserve amount under the Regulatory Weighting Approach	23,262	21,058	-a
77 Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	10,257	8,361	-b
78 Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	41,820	68,236	-c
79 Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	41,525	56,211	-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	82,279	98,734	i
85 Amount non-attributable to tier 2 capital of the current period derived from transitional period arrangement	21,651	5,196	

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 2: Financial and regulatory consolidated balance sheet

	As at 30 June 2017		As at 31 December 2016	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
ASSETS				
Cash and balances with central banks	2,595,717	2,595,715	2,349,188	2,349,188
Due from banks and other financial institutions	573,557	569,311	582,434	577,253
Precious metals	150,996	150,996	161,417	161,417
Placements with and loans to banks and other financial institutions	501,996	499,142	483,929	482,281
Financial assets at fair value through profit or loss	162,880	130,157	124,090	97,002
Derivative financial assets	73,643	73,470	130,549	130,407
Reverse repurchase transactions	120,490	120,432	110,119	109,408
Interest receivable	86,192	85,358	79,836	78,951
Loans and advances to customers	10,426,548	10,425,381	9,735,646	9,734,544
Financial investments				
— available for sale	1,711,207	1,643,935	1,609,830	1,541,655
— held to maturity	2,060,889	2,042,868	1,843,043	1,829,767
— receivables	415,969	411,060	395,921	389,785
Long term equity investment	16,142	44,283	14,059	44,127
Investment properties	21,654	14,872	21,659	14,741
Property and equipment	197,499	95,886	194,897	98,656
Intangible assets	14,341	13,285	14,542	13,420
Goodwill	2,437	96	2,473	96
Deferred income tax assets	31,821	31,141	34,341	33,673
Assets held for sale	—	—	50,371	44,569
Other assets	262,002	217,025	210,545	170,547
Total assets	19,425,980	19,164,413	18,148,889	17,901,487

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

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

	As at 30 June 2017		As at 31 December 2016	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
LIABILITIES				
Due to central banks	916,062	916,062	867,094	867,094
Due to banks and other financial institutions	1,591,213	1,591,213	1,420,527	1,420,527
Placements from banks and other financial institutions	312,462	306,452	186,417	184,768
Financial liabilities at fair value through profit or loss	19,948	19,948	11,958	11,958
Derivative financial liabilities	71,909	70,816	107,109	105,607
Repurchase transactions	107,082	107,082	116,375	116,375
Due to customers	13,732,059	13,735,089	12,939,748	12,941,957
Employee benefits payable	26,584	26,126	31,256	30,719
Current tax liabilities	27,207	26,450	28,055	27,603
Interest payable	175,761	175,759	183,516	183,515
Contingent liabilities	4,224	4,224	6,065	6,065
Bonds issued	435,433	398,336	362,318	329,128
Deferred income tax liabilities	4,594	414	4,501	324
Liabilities classified as held for sale	–	–	42,488	41,761
Other liabilities	473,570	313,686	354,370	198,510
Total liabilities	17,898,108	17,691,657	16,661,797	16,465,911
EQUITY				
Share capital	294,388	294,388	294,388	294,388
Other equity instruments	99,714	99,714	99,714	99,714
Of which: Preference shares	99,714	99,714	99,714	99,714
Capital reserve	142,219	139,691	141,972	139,443
Less: Treasury shares	(123)	(123)	(53)	(53)
Other comprehensive income	(17,028)	(25,210)	(3,854)	(11,712)
Surplus reserve	125,670	125,274	125,714	125,109
General reserve	194,032	193,908	193,462	193,338
Undistributed profits	612,506	575,601	560,339	526,804
Capital and reserves attributable to equity holders of the Bank	1,451,378	1,403,243	1,411,682	1,367,031
Non-controlling interests	76,494	69,513	75,410	68,545
Total equity	1,527,872	1,472,756	1,487,092	1,435,576
Total equity and liabilities	19,425,980	19,164,413	18,148,889	17,901,487

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 3: Reconciliation and illustration of balance sheet items

	As at 30 June 2017	As at 31 December 2016	Code
ASSETS			
Cash and balances with central banks	2,595,715	2,349,188	
Due from banks and other financial institutions	569,311	577,253	
Precious metals	150,996	161,417	
Placements with and loans to banks and other financial institutions	499,142	482,281	
Financial assets at fair value through profit or loss	130,157	97,002	
Derivative financial assets	73,470	130,407	
Reverse repurchase transactions	120,432	109,408	
Interest receivable	85,358	78,951	
Loans and advances to customers	10,425,381	9,734,544	
Of which: Actual accrued loan loss reserve amount under the Regulatory Weighting Approach	(23,262)	(21,058)	a
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	(10,257)	(8,361)	b
Of which: Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	(41,820)	(68,236)	c
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	(41,525)	(56,211)	d
Financial investments			
— available for sale	1,643,935	1,541,655	
— held to maturity	2,042,868	1,829,767	
— receivables	411,060	389,785	
Long term equity investment	44,283	44,127	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,895	9,953	e
Investment properties	14,872	14,741	
Property and equipment	95,886	98,656	
Intangible assets	13,285	13,420	f
Of which: Land use rights	6,725	6,922	g
Goodwill	96	96	h
Deferred income tax assets	31,141	33,673	
Assets held for sale	—	44,569	
Other assets	217,025	170,547	
Total assets	19,164,413	17,901,487	

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

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

	As at 30 June 2017	As at 31 December 2016	Code
LIABILITIES			
Due to central banks	916,062	867,094	
Due to banks and other financial institutions	1,591,213	1,420,527	
Placements from banks and other financial institutions	306,452	184,768	
Financial liabilities at fair value through profit or loss	19,948	11,958	
Derivative financial liabilities	70,816	105,607	
Repurchase transactions	107,082	116,375	
Due to customers	13,735,089	12,941,957	
Employee benefits payable	26,126	30,719	
Current tax liabilities	26,450	27,603	
Interest payable	175,759	183,515	
Contingent liabilities	4,224	6,065	
Bonds issued	398,336	329,128	
Of which: Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	82,279	98,734	i
Deferred income tax liabilities	414	324	
Liabilities classified as held for sale	–	41,761	
Other liabilities	313,686	198,510	
Total liabilities	17,691,657	16,465,911	
EQUITY			
Share capital	294,388	294,388	j
Other equity instruments	99,714	99,714	
Of which: Preference shares	99,714	99,714	k
Capital reserve	139,691	139,443	l
Less: Treasury shares	(123)	(53)	m
Other comprehensive income	(25,210)	(11,712)	n
Of which: Reserve relating to cash-flow hedge items not measured at fair value	(6)	(20)	o
Of which: Currency translation differences	(14,141)	(11,570)	p
Surplus reserve	125,274	125,109	q
General reserve	193,908	193,338	r
Undistributed profits	575,601	526,804	s
Capital and reserves attributable to equity holders of the Bank	1,403,243	1,367,031	
Non-controlling interests	69,513	68,545	
Of which: Amount attributable to common equity tier 1 capital	24,869	30,051	t
Of which: Amount attributable to additional tier 1 capital	4,191	3,809	u
Total equity	1,472,756	1,435,576	
Total equity and liabilities	19,164,413	17,901,487	

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
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
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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
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	6.00% (dividend yield, before tax)	The dividend yield fixed at 6.75% (after tax) for the first five years, is reset based on the five-year U.S. treasury rate plus a fixed interest spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	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
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): (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	(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): (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	(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): (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

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
Dividend or interest payment (Continued)						
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Whole/part	Whole/part	Whole/part
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 (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	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 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 (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	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 (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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
Dividend or interest payment (Continued)						
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed (Continued)			price to reflect distribution of cash dividends for ordinary shares	Current Market Price per H Share on the date of the 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	price to reflect distribution of cash dividends for ordinary shares

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
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 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
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
37	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	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)	29,979	20,214
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
16	Of which: Subsequent redemption date (if any)	Subject to the Redemption Conditions, the bonds 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 bonds are outstanding which has the effect that the bonds, 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 bonds 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 bonds are outstanding which has the effect that the bonds, 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

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)			
17	Of which: Fixed or floating dividend or interest payment	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	5.80%	5.00%
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
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 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
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
37	Of which: If yes, please specify such attribute	Not applicable	Not applicable

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

6 Leverage ratio

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⁾:

	As at 30 June 2017	As at 31 March 2017	As at 31 December 2016	As at 30 September 2016
Net tier 1 capital	1,415,758	1,416,373	1,384,364	1,362,159
Adjusted on- and off-balance sheet assets	20,915,888	20,397,353	19,604,737	19,251,144
Leverage ratio	6.77%	6.94%	7.06%	7.08%

No.	Items	As at 30 June 2017
1	Total consolidated assets	19,425,980
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(9,895)
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	102,470
5	Adjustments for securities financing transactions	46,213
6	Adjustments for off-balance sheet exposures	1,619,229
7	Other adjustments	(268,109)
8	Adjusted on- and off-balance sheet assets	20,915,888

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

6 Leverage ratio (Continued)

No.	Items	As at 30 June 2017
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	18,970,511
2	Less: Tier 1 capital deductions	(16,668)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	18,953,843
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	73,470
5	Add-on amounts for potential future exposure associated with all derivative transactions	102,643
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	176,113
12	Accounting balance for securities financing transaction assets	120,432
13	Less: Deducted amounts for securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction assets	46,271
15	Agent transaction exposures	–
16	Balance of assets in securities financing transactions	166,703
17	Off-balance sheet items	4,120,260
18	Less: Adjustments for conversion to credit equivalent amounts	(2,501,031)
19	Adjusted off-balance sheet exposures	1,619,229
20	Net tier 1 capital	1,415,758
21	Adjusted on- and off-balance sheet exposures	20,915,888
22	Leverage ratio	6.77%

- (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)*.

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