BANK OF CHINA

北 京 2022 年 冬 奥 會 官 方 合 作 夥 伴
Official Partner of the Olympic Winter Games Beijing 2022

BUILD A WORLD-CLASS BANK IN THE NEW ERA

2019 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	20
Risk Management	42
Social Responsibilities	51
Outlook	53
Changes in Share Capital and Shareholdings of Shareholders	54
Directors, Supervisors, Senior Management Members and Staff	59
Corporate Governance	64
Significant Events	69
Report on Review of Interim Financial Information	73
Interim Financial Information	74

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 Asset Investment	BOC Financial Asset Investment Co., Ltd.
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, 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) Co., Ltd.
BOC-Samsung Life	BOC-Samsung Life Ins. Co., Ltd.
CBIRC	China Banking and Insurance 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, 360033)
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 2019 Interim Report and the 2019 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 2019. The number of directors who should attend the meeting is 12, with 12 directors attending the meeting in person. 12 directors of the Bank exercised their voting rights at the meeting. Supervisors and senior management members of the Bank attended the meeting as non-voting attendees.

The 2019 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, who is also responsible for the Bank's finance and accounting LIU Liange, and the person in charge of the accounting office JIANG Dong warrant the authenticity, accuracy and completeness of the financial statements in this report.

As considered and approved by the 2018 Annual General Meeting, the Bank distributed the 2018 cash dividend of RMB0.184 per share (before tax) to ordinary shareholders whose names appeared on the register of members of the Bank as at market close on 31 May 2019, amounting to approximately RMB54.167 billion (before tax) in total. The Bank has not declared 2019 interim dividend on ordinary shares, nor has it proposed any capitalisation of capital reserve into share capital during the reporting period.

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 that 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 the 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 adequate 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
LIU Liange

Secretary to the Board of Directors and Company Secretary
MEI Feiqi
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:
No. 1 Fuxingmen Nei Dajie, Beijing, China
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, China

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 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

Third Tranche
Stock Name: 中行優3
Stock Code: 360033

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
Office Address:
3/F, China Insurance Building,
166 East Lujiazui Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-3887 4800

H-Share Registrar
Computershare Hong Kong Investor Services Limited
Office Address:
17M, Hopewell Centre,
183 Queen’s Road East, Wan Chai,
Hong Kong, China
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Domestic Preference Share Registrar
Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Office Address:
3/F, China Insurance Building,
166 East Lujiazui Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-3887 4800

Joint Sponsors for Domestic Preference Share (Third Tranche)
CITIC Securities Company Limited
Office Address:
North Tower, Excellence Times Plaza II,
No. 8 Zhongxinsan Road, Futian District,
Shenzhen, Guangdong Prov., China
Sponsor Representatives:
MA Xiaolong, WANG Chen

BOC International (China) Co., Ltd.
Office Address:
39/F, BOC Building,
200 Mid. Yincheng Road,
Pudong New Area, Shanghai, China
Sponsor Representatives:
DONG Wendan, LIU Guoqiang

Continuous Supervision Period
From 17 July 2019 to 31 December 2020

Financial Highlights

Note: The financial information in this report has been prepared in accordance with IFRS[1]. 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 2019**	For the six-month period ended 30 June 2018	For the six-month period ended 30 June 2017
Results of operations				
Net interest income		**181,684**	172,451	165,042
Non-interest income	2	**95,004**	79,031	83,326
Operating income		**276,688**	251,482	248,368
Operating expenses		**(91,130)**	(82,132)	(81,663)
Impairment losses on assets		**(33,670)**	(28,270)	(26,960)
Operating profit		**151,888**	141,080	139,745
Profit before income tax		**152,558**	141,961	140,378
Profit for the period		**121,442**	115,575	110,549
Profit attributable to equity holders of the Bank		**114,048**	109,088	103,690
Basic earnings per share (RMB)		**0.38**	0.37	0.35
Key financial ratios				
Return on average total assets (%)	3	**1.12**	1.16	1.18
Return on average equity (%)	4	**14.56**	15.29	15.20
Net interest margin (%)	5	**1.83**	1.88	1.84
Non-interest income to operating income (%)	6	**34.34**	31.43	33.55
Cost to income ratio (calculated under domestic regulations, %)	7	**24.63**	25.78	25.39
Credit cost (%)	8	**0.59**	0.57	0.52
		As at 30 June 2019	As at 31 December 2018	As at 31 December 2017
Statement of financial position				
Total assets		**22,266,024**	21,267,275	19,467,424
Loans, gross		**12,569,734**	11,819,272	10,896,558
Allowance for loan impairment losses	9	**(312,254)**	(303,781)	(252,254)
Investments	10	**5,361,318**	5,054,551	4,554,722
Total liabilities		**20,358,572**	19,541,878	17,890,745
Due to customers		**15,644,634**	14,883,596	13,657,924
Capital and reserves attributable to equity holders of the Bank		**1,790,418**	1,612,980	1,496,016
Share capital		**294,388**	294,388	294,388
Net assets per share (RMB)	11	**5.36**	5.14	4.74
Capital ratios	12			
Common equity tier 1 capital		**1,549,186**	1,488,010	1,377,408
Additional tier 1 capital		**222,677**	109,524	105,002
Tier 2 capital		**338,053**	347,473	264,652
Common equity tier 1 capital adequacy ratio (%)		**11.21**	11.41	11.15
Tier 1 capital adequacy ratio (%)		**12.85**	12.27	12.02
Capital adequacy ratio (%)		**15.33**	14.97	14.19
Asset quality				
Credit-impaired loans to total loans (%)	13	**1.40**	1.42	1.45
Non-performing loans to total loans (%)	14	**1.40**	1.42	1.45
Allowance for loan impairment losses to non-performing loans (%)	15	**177.52**	181.97	159.18
Allowance for loan impairment losses to total loans (%)	16	**2.97**	3.07	2.77

Notes:

1 Starting on 1 January 2018, the Bank has applied *International Financial Reporting Standard No. 9 Financial Instruments* ("IFRS 9"), published by the International Accounting Standards Board ("IASB").

2 Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on financial asset transfers + other operating income.

3 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.

4 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 CSRC.

5 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).

6 Non-interest income to operating income = non-interest income ÷ operating income × 100%.

7 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.

8 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. Total loans are exclusive of accrued interest when used to calculate credit cost.

9 Allowance for loan impairment losses = allowance for loans at amortised cost + allowance for loans at fair value through other comprehensive income.

10 The data on investments as at 30 June 2019 and 31 December 2018 are presented under IFRS 9 and include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost. The comparative data of the previous reporting period has not been restated accordingly.

11 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.

12 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, adopting advanced approaches.

13 Credit-impaired loans to total loans = credit-impaired loans at the end of reporting period ÷ total loans at the end of reporting period × 100%. Total loans are exclusive of accrued interest when used to calculate credit-impaired loans to total loans.

14 Non-performing loans to total loans = non-performing loans at the end of reporting period ÷ total loans at the end of reporting period × 100%. Total loans are exclusive of accrued interest when used to calculate non-performing loans to total loans.

15 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%. Total loans are exclusive of accrued interest when used to calculate allowance for loan impairment losses to non-performing loans.

16 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. Total loans are exclusive of accrued interest when used to calculate allowance for loan impairment losses to total loans.

Overview of Operating Performance

In the first half of 2019, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank remained committed to its strategic goal of building a world-class bank in the new era. Making great efforts to serve the real economy, anticipate and mitigate risks and deepen reform and innovation, it advanced the implementation of its development strategies across the board. As a result, the Bank's business development sustained a healthy momentum and made progress while ensuring stability.

Actively shouldering its responsibilities to serve the high-quality development of the real economy

Steadfastly pursuing its mission of serving the real economy, the Bank actively served major national strategies and initiatives, extended significant support to the development of key sectors, shored up weak links in the economy with innovative services and endeavoured to provide more efficient and high-quality services to the real economy. As at 30 June 2019, the Group's loans and advances to customers recorded an increase of RMB750.462 billion or 6.35% compared with the prior year-end. Among these, outstanding loans in key areas such as the Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei Region continued to account for a significant share. The Bank continued to support the Belt and Road Initiative. As at 30 June 2019, it had followed up on over 600 major Belt and Road projects accumulatively and granted total credit of more than USD140.0 billion. The Bank did its utmost to support the development of inclusive finance and private enterprises. As at 30 June 2019, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises[1] grew by 27.07% over the prior year-end, outpacing the overall loan growth of the Bank.

Deepening reforms to achieve fruitful outcomes in strategy implementation

The Bank diligently implemented its strategic development plan and steadily advanced each of its key tasks, thus lifting its overall reform and development to new heights. Enabling advancement through technology, the Bank accelerated digitalisation by giving full play to the critical roles of mobile banking, transaction banking and smart counters. Driving development through innovation, the Bank further optimised its innovation mechanism, achieved rapid development across a range of signature business lines such as cross-border RMB settlement, cross-border RMB clearing and pilot free trade zone business, increased efforts in the R&D and promotion of innovative products such as "BOC Wealth Accumulator" and "BOC Robot Advisor", and thus sharpened its unique competitive edges. Delivering performance through transformation, the Bank enhanced its value-creation capabilities by making further headway in asset-light business, business globalisation and service diversification. Enhancing strength through reform, the Bank improved its organisational frameworks for inclusive finance, transaction banking and integrated operation management, as well as mechanisms for incentives and constraints and corporate governance, in order to invigorate the internal dynamism of the Group.

1 Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Circular of the General Office of China Banking and Insurance Regulatory Commission on Further Improving the Quality and Effect of Financial Services for Micro and Small-sized Enterprises in 2019* (Yin Bao Jian Ban Fa [2019] No. 48).

Recording sound growth in business results by making progress while maintaining stability

The Bank earnestly acted upon the requirement for high-quality development, steadily pushed forward its business development and constantly strengthened its internal management. As a result, it registered strong business performance and steadily improved its development quality. As at 30 June 2019, the Group's assets totalled RMB22,266.024 billion and its liabilities stood at RMB20,358.572 billion, representing a growth of 4.70% and 4.18% respectively compared with the prior year-end, thus maintaining a reasonable growth level. In the first half of 2019, the Group achieved a profit for the period of RMB121.442 billion and a profit attributable to equity holders of the Bank of RMB114.048 billion, an increase of 5.08% and 4.55% respectively compared with the same period of the prior year, demonstrating the improvement and steady footing of its financial performance. Its main indicators remained stable, return on average total assets (ROA) stood at 1.12% and return on average equity (ROE) was 14.56%.

Defending the bottom line to further enhance risk resilience

Always mindful of worst-case scenarios, the Bank continued to improve its comprehensive risk management system, strengthened its efforts in preventing potential risks, vigorously promoted the collection and mitigation of non-performing assets (NPA) and managed to maintain the Group's asset quality at a stable level. As at 30 June 2019, the Group's outstanding non-performing loans (NPLs) stood at RMB175.899 billion, with an NPL ratio of 1.40%. The Bank continuously improved its compliance risk governance mechanism and management process, and made great efforts to strengthen anti-money-laundering (AML) management. It optimised its capital management mechanism and steadily promoted its external capital replenishment. In the first half of the year, the Bank successively completed the issuance of RMB40.0 billion of undated capital bonds and RMB73.0 billion of domestic preference shares, which further strengthened its capital adequacy level.

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

In the first half of 2019, global economic growth slowed and international trade and investment slumped. The pace of US economic recovery was slowing, the Eurozone's economy remained sluggish, while the Japanese economy witnessed a modest expansion. Emerging economies suffered from dwindling growth impetus.

International financial markets were roughly stable, although volatility increased in the second quarter. Regarding interest rates, there was a decrease in long-term Treasury bond yields, and some countries entered into a rate-cutting cycle. Regarding exchange rates, the USD Index fell after an initial increase, the Euro declined slightly, and the currencies of some emerging economies strengthened. The stock markets of major economies performed well, while the prices of commodities such as crude oil and gold rose amid fluctuations.

China's economic growth remained resilient and continued maintaining a trend of smooth and steady development, with key economic indicators operating within a reasonable range. Structural adjustment went ahead, and overall supply and demand were basically balanced. Consumption and investment grew steadily, trade surplus increased, and CPI and employment remained stable. However, internal and external uncertainties increased. In the first half of 2019, China's gross domestic product (GDP) grew by 6.3% year on year and the consumer price index (CPI) rose by 2.2% year on year. Total retail sales of consumer goods (TRSCG) increased by 8.4% year on year, total fixed asset investments (TFAI) recorded a nominal increase of 5.8% year on year, and imports and exports grew by 3.9% year on year, with a trade surplus of RMB1.2 trillion.

The Chinese government continued to implement a sound monetary policy, made moderate, well-timed counter-cyclical adjustments, deepened financial supply-side structural reform, and strengthened support for the real economy. Money supply and all-system financing aggregates grew moderately, and RMB exchange rate remained stable as a whole. Financial market saw steady operation. The Scientific and Technological Innovation Board and the "Shanghai-London Stock Connect" programme was launched, and the two-way opening-up of the capital market has been advancing steadily. By the end of June 2019, the broad money supply (M2) was RMB192.1 trillion, an increase of 8.5% year on year. The balance of RMB loans reached RMB146.0 trillion, an increase of 13.0% year on year. The outstanding RMB deposits stood at RMB187.6 trillion, an increase of 8.4% year on year. The outstanding all-system financing aggregates was RMB213.3 trillion, an increase of 10.9% year on year. As at 30 June 2019, the central parity rate of RMB against USD was 6.8747, a depreciation of 0.17% compared with the prior year-end. The SSE Composite Index rose by 485 points compared with the prior year-end. The combined market capitalisation of the Shanghai and Shenzhen Stock Exchange stood at RMB44.3 trillion, an increase of 10.2% year on year.

Income Statement Analysis

In the first half of 2019, the Group achieved a profit for the period of RMB121.442 billion, an increase of 5.08% compared with the same period of the prior year. It realised a profit attributable to equity holders of the Bank of RMB114.048 billion, an increase of 4.55% compared with the same period of the prior year. Return on average total assets (ROA) was 1.12%, and return on average equity (ROE) was 14.56%.

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 2019**	For the six-month period ended 30 June 2018	Change	Change (%)
Net interest income	**181,684**	172,451	9,233	5.35%
Non-interest income	**95,004**	79,031	15,973	20.21%
Including: net fee and commission income	**50,564**	48,188	2,376	4.93%
Operating income	**276,688**	251,482	25,206	10.02%
Operating expenses	**(91,130)**	(82,132)	(8,998)	10.96%
Impairment losses on assets	**(33,670)**	(28,270)	(5,400)	19.10%
Operating profit	**151,888**	141,080	10,808	7.66%
Profit before income tax	**152,558**	141,961	10,597	7.46%
Income tax expense	**(31,116)**	(26,386)	(4,730)	17.93%
Profit for the period	**121,442**	115,575	5,867	5.08%
Profit attributable to equity holders of the Bank	**114,048**	109,088	4,960	4.55%

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

Unit: RMB million

	For the three-month period ended					
Items	30 June 2019	31 March 2019	31 December 2018	30 September 2018	30 June 2018	31 March 2018
Operating income	135,682	141,006	127,947	124,377	125,396	126,086
Profit attributable to equity holders of the Bank	63,083	50,965	26,812	44,186	60,087	49,001
Net cash flow from operating activities	144,262	(235,156)	91,303	211,986	(23,613)	382,682

Net Interest Income and Net Interest Margin

In the first half of 2019, the Group achieved a net interest income of RMB181.684 billion, an increase of RMB9.233 billion or 5.35% compared with the same period of the prior year. The average balances[2] 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 factor[3], are summarised in the following table:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2019			For the six-month period ended 30 June 2018			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
Interest-earning assets									
Loans	**11,834,692**	**253,135**	**4.31%**	10,864,310	224,817	4.17%	20,066	8,252	28,318
Investments	**4,789,954**	**76,251**	**3.21%**	4,393,348	69,379	3.18%	6,254	618	6,872
Balances with central banks and due from and placements with banks and other financial institutions	**3,362,876**	**35,978**	**2.16%**	3,245,424	36,013	2.24%	1,305	(1,340)	(35)
Total	**19,987,522**	**365,364**	**3.69%**	18,503,082	330,209	3.60%	27,625	7,530	35,155
Interest-bearing liabilities									
Due to customers	**15,012,842**	**134,919**	**1.81%**	13,859,827	110,411	1.61%	9,205	15,303	24,508
Due to and placements from banks and other financial institutions	**2,968,579**	**34,365**	**2.33%**	2,970,986	37,911	2.57%	(31)	(3,515)	(3,546)
Bonds issued	**757,581**	**14,396**	**3.83%**	515,867	9,436	3.69%	4,423	537	4,960
Total	**18,739,002**	**183,680**	**1.98%**	17,346,680	157,758	1.83%	13,597	12,325	25,922
Net interest income		**181,684**			172,451		14,028	(4,795)	9,233
Net interest margin			**1.83%**			1.88%			(5) Bps

Notes:

1 Investments include debt securities at fair value through other comprehensive income, debt securities at amortised cost, investment trusts and asset management plans, etc.

2 Balances with central banks and due from and placements with banks and other financial institutions include mandatory reserves, surplus reserves, other placements with central banks and due from and placements with banks and other financial institutions.

3 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.

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

3 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 2019 Average balance	For the six-month period ended 30 June 2019 Average interest rate	For the six-month period ended 30 June 2018 Average balance	For the six-month period ended 30 June 2018 Average interest rate	Change Average balance	Change Average interest rate
Domestic RMB businesses						
Loans						
Corporate loans	**5,041,073**	**4.50%**	4,713,585	4.44%	327,488	6 Bps
Personal loans	**3,785,264**	**4.80%**	3,348,018	4.65%	437,246	15 Bps
Trade bills	**245,828**	**3.52%**	148,901	4.83%	96,927	(131) Bps
Total	**9,072,165**	**4.60%**	8,210,504	4.53%	861,661	7 Bps
Including:						
Medium and long-term loans	**6,521,215**	**4.78%**	5,727,133	4.73%	794,082	5 Bps
Short-term loans within 1 year and others	**2,550,950**	**4.12%**	2,483,371	4.08%	67,579	4 Bps
Due to customers						
Corporate demand deposits	**3,138,872**	**0.68%**	3,057,703	0.64%	81,169	4 Bps
Corporate time deposits	**2,402,044**	**2.83%**	2,241,171	2.76%	160,873	7 Bps
Personal demand deposits	**2,354,160**	**1.14%**	1,910,825	0.64%	443,335	50 Bps
Personal time deposits	**2,656,736**	**2.84%**	2,593,768	2.69%	62,968	15 Bps
Other	**655,167**	**3.95%**	511,545	4.29%	143,622	(34) Bps
Total	**11,206,979**	**1.94%**	10,315,012	1.80%	891,967	14 Bps
Domestic foreign currency businesses			Unit: USD million, except percentages			
Loans	**38,469**	**3.41%**	53,906	2.87%	(15,437)	54 Bps
Due to customers						
Corporate demand deposits	**45,442**	**0.77%**	45,607	0.44%	(165)	33 Bps
Corporate time deposits	**28,856**	**2.72%**	31,897	1.67%	(3,041)	105 Bps
Personal demand deposits	**25,418**	**0.05%**	27,889	0.05%	(2,471)	–
Personal time deposits	**18,004**	**0.69%**	19,619	0.63%	(1,615)	6 Bps
Other	**1,678**	**2.16%**	2,169	2.23%	(491)	(7) Bps
Total	**119,398**	**1.09%**	127,181	0.72%	(7,783)	37 Bps

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

In the first half of 2019, the Group's net interest margin was 1.83%, a decrease of 5 basis points compared with the same period of the prior year. This was mainly due to an increase in deposit costs. To mitigate the impact of this cost increase, the Bank continuously optimised its assets and liabilities structure, proactively adjusting and optimising its existing assets and liabilities and efficiently allocating their increments. In the first half of 2019, the proportion of the average balance of the Group's domestic RMB medium and long-term loans within its domestic RMB loan business increased by 2.13 percentage points compared with the same period of the prior year.

Non-interest Income

In the first half of 2019, the Group reported a non-interest income of RMB95.004 billion, an increase of RMB15.973 billion or 20.21% compared with the same period of the prior year. Non-interest income represented 34.34% of operating income.

Net Fee and Commission Income

The Group earned a net fee and commission income of RMB50.564 billion, an increase of RMB2.376 billion or 4.93% compared with the same period of the prior year. Net fee and commission income represented 18.27% of operating income. This was mainly due to the Bank actively seizing the opportunities arising from the rapid development of consumer finance and the recovery of the insurance market and expanding its business in credit cards, internet payment and agency insurance. As a result, the Bank's fee and commission income from bank cards business, settlement and clearing business and insurance agency business grew well. 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 RMB44.440 billion, an increase of RMB13.597 billion or 44.08% compared with the same period of the prior year. This was primarily attributable to an increase in net gains from foreign exchange derivatives trading compared with the same period of the prior year, affected by market price fluctuations. Please refer to Notes III.3, 4, 5 to the Condensed Consolidated Interim Financial Information.

Operating Expenses

In the first half of 2019, the Group recorded operating expenses of RMB91.130 billion, an increase of RMB8.998 billion or 10.96% compared with the same period of the prior year. The Group's cost to income ratio (calculated under domestic regulations) was 24.63%. The Bank continued to operate its business in a prudent manner. It optimised its cost structure, increased investment in technological innovation, allocated greater resources to key products, areas and regions, and made greater efforts to support mobile finance, RMB internationalisation, and the construction of intelligent outlets. Please refer to Notes III.6, 7 to the Condensed Consolidated Interim Financial Information.

Impairment Losses on Assets

In the first half of 2019, the Group's impairment losses on assets amounted to RMB33.670 billion, an increase of RMB5.400 billion or 19.10% compared with the same period of the prior year. Specifically, the Group's impairment losses on loans and advances amounted to RMB35.721 billion, an increase of RMB3.864 billion or 12.13% 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 prudent and solid risk provisioning policy and maintained adequate capacity for risk mitigation. Please refer to the section "Risk Management — Credit Risk Management" and Notes III.8, 16 and Note IV.1 to the Condensed Consolidated Interim Financial Information for more information on loan quality and allowance for loan impairment losses.

Financial Position Analysis

As at 30 June 2019, the Group's total assets amounted to RMB22,266.024 billion, an increase of RMB998.749 billion or 4.70% compared with the prior year-end. The Group's total liabilities amounted to RMB20,358.572 billion, an increase of RMB816.694 billion or 4.18% 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

	As at 30 June 2019		As at 31 December 2018	
Items	**Amount**	**% of total**	Amount	% of total
Assets				
Loans and advances to customers, net	**12,257,784**	**55.05%**	11,515,764	54.15%
Investments	**5,361,318**	**24.08%**	5,054,551	23.77%
Balances with central banks	**2,069,564**	**9.29%**	2,331,053	10.96%
Due from and placements with banks and other financial institutions	**1,577,492**	**7.08%**	1,405,534	6.61%
Other assets	**999,866**	**4.50%**	960,373	4.51%
Total assets	**22,266,024**	**100.00%**	21,267,275	100.00%
Liabilities				
Due to customers	**15,644,634**	**76.85%**	14,883,596	76.16%
Due to and placements from banks and other financial institutions and due to central banks	**3,227,068**	**15.85%**	3,250,997	16.64%
Other borrowed funds	**857,279**	**4.21%**	814,888	4.17%
Other liabilities	**629,591**	**3.09%**	592,397	3.03%
Total liabilities	**20,358,572**	**100.00%**	19,541,878	100.00%

Note: "Other borrowed funds" includes bonds issued and other borrowings.

Loans and Advances to Customers

Centring on the financial demands of the real economy, the Bank implemented national macroeconomic policies, rationally allocated 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. The Bank strictly controlled credit facilities granted to industries characterised by high pollution, high energy consumption and overcapacity. It also continued to implement a differentiated residential mortgage loan policy and steadily expanded its personal loan business. As at 30 June 2019, the Group's loans and advances to customers amounted to RMB12,569.734 billion, an increase of RMB750.462 billion or 6.35% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB9,736.098 billion, an increase of RMB640.536 billion or 7.04% compared with the prior year-end, while its foreign currency loans amounted to USD412.183 billion, an increase of USD15.326 billion or 3.86% compared with the prior year-end.

The Bank continuously improved its risk management system, paid close attention to changes in the macroeconomic situation, strengthened risk identification and management in key areas and made greater efforts in the disposal of non-performing loans, thus maintaining a relatively stable asset quality. As at 30 June 2019, the balance of the Group's allowance for loan impairment losses amounted to RMB312.254 billion, an increase of RMB8.473 billion compared with the prior year-end. The balance of the Group's restructured loans amounted to RMB12.721 billion, an increase of RMB2.719 billion compared with the prior year-end.

Unit: RMB million, except percentages

	As at 30 June 2019		As at 31 December 2018	
Items	Amount	% of total	Amount	% of total
Corporate Loans	**7,781,599**	**61.90%**	7,347,598	62.17%
Personal Loans	**4,753,381**	**37.82%**	4,440,085	37.57%
Accrued Interest	**34,754**	**0.28%**	31,589	0.26%
Total Loans	**12,569,734**	**100.00%**	11,819,272	100.00%

Investments

The Bank closely monitored financial market dynamics, increased its bond investments and continuously improved its investment structure. As at 30 June 2019, the Group held investments of RMB5,361.318 billion, an increase of RMB306.767 billion or 6.07% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB4,114.027 billion, an increase of RMB135.391 billion or 3.40% compared with the prior year-end, while its foreign currency investments totalled USD181.432 billion, an increase of USD24.666 billion or 15.73% compared with the prior year-end.

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

Unit: RMB million, except percentages

	As at 30 June 2019		As at 31 December 2018	
Items	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	443,792	8.28%	370,491	7.33%
Financial assets at fair value through other comprehensive income	2,084,968	38.89%	1,879,759	37.19%
Financial assets at amortised cost	2,832,558	52.83%	2,804,301	55.48%
Total	**5,361,318**	**100.00%**	5,054,551	100.00%

Investments by Currency

Unit: RMB million, except percentages

	As at 30 June 2019		As at 31 December 2018	
Items	Amount	% of total	Amount	% of total
RMB	4,114,027	76.74%	3,978,636	78.71%
USD	768,731	14.34%	740,206	14.64%
HKD	229,114	4.27%	192,853	3.82%
Other	249,446	4.65%	142,856	2.83%
Total	**5,361,318**	**100.00%**	5,054,551	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 Allowance
Bond issued by policy banks in 2017	16,074	3.88%	2020-04-19	–
Bond issued by policy banks in 2016	15,050	2.65%	2019-10-20	–
Bond issued by policy banks in 2018	13,880	4.98%	2025-01-12	–
Bond issued by policy banks in 2017	11,150	4.39%	2027-09-08	–
Bond issued by policy banks in 2017	9,740	3.98%	2020-04-19	–
Bond issued by policy banks in 2017	9,490	3.54%	2020-01-06	–
Bond issued by policy banks in 2018	9,430	4.73%	2025-04-02	–
Bond issued by policy banks in 2018	8,730	4.99%	2023-01-24	–
Bond issued by commercial banks in 2019	8,000	4.28%	2029-03-19	–
Bond issued by commercial banks in 2018	7,600	4.86%	2028-09-25	–

Note: Financial bonds refer to 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

The Bank aligned itself with interest rate liberalisation trends, accelerated product and service innovation and thus enhanced its financial services offering. 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 administrative institution customer base, and solidified its relationships with basic settlement and cash management customers. As a result, it steadily grew its customer deposits.

As at 30 June 2019, the Group's due to customers amounted to RMB15,644.634 billion, an increase of RMB761.038 billion or 5.11% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB11,892.454 billion, an increase of RMB636.000 billion or 5.65% compared with the prior year-end, while its foreign currency due to customers stood at USD545.795 billion, an increase of USD17.304 billion or 3.27% compared with the prior year-end.

Equity

As at 30 June 2019, the Group's total equity was RMB1,907.452 billion, an increase of RMB182.055 billion or 10.55% compared with the prior year-end. This was primarily attributable to the following reasons: (1) In the first half of 2019, the Group realised a profit for the period of RMB121.442 billion, of which profit attributable to equity holders of the Bank amounted to RMB114.048 billion. (2) The Bank pushed forward its external capital supplement project in a proactive and prudent manner, successfully issuing RMB40.0 billion of undated capital bonds and RMB73.0 billion of preference shares in the domestic market. (3) As per the 2018 profit distribution plan approved at the Annual General Meeting, a cash dividend of RMB54.167 billion was paid out on ordinary shares. (4) 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 2019, the balance of the Group's cash and cash equivalents was RMB1,519.866 billion, a decrease of RMB168.734 billion compared with the prior year-end.

In the first half of 2019, net cash flow from operating activities was an outflow of RMB90.894 billion, whereas it was an inflow of RMB359.069 billion in the same period of the prior year. This was mainly attributable to the increase of net increase in loans to customers and placements with and loans to banks and other financial institutions, and the decrease of net increase in due to banks and other financial institutions compared with the same period of the prior year.

Net cash flow from investing activities was an outflow of RMB156.224 billion, an increase of RMB27.351 billion compared with the same period of the prior year. This was mainly attributable to the increase of purchase of financial investments compared with the same period of the prior year.

Net cash flow from financing activities was an inflow of RMB75.058 billion, an increase of RMB43.255 billion compared with the same period of the prior year. This was primarily attributable to the increase of proceeds from issuance of other equity instruments compared with the same period of the prior year.

Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value

Unit: RMB million

Items	As at 30 June 2019	As at 31 December 2018	Change	Impact on profit for the period
Financial assets at fair value through profit or loss				
Debt securities	**315,516**	273,447	42,069	
Equity instruments	**59,700**	47,061	12,639	6,770
Fund investments and other	**68,576**	49,983	18,593	
Loans and advances to customers at fair value	**280,485**	227,643	52,842	66
Financial assets at fair value through other comprehensive income				
Debt securities	**2,065,534**	1,862,232	203,302	(251)
Equity instruments and other	**19,434**	17,527	1,907	
Derivative financial assets	**86,982**	124,126	(37,144)	(4,566)
Derivative financial liabilities	**(82,861)**	(99,254)	16,393	
Due to and placements from banks and other financial institutions at fair value	**(6,016)**	(876)	(5,140)	(2)
Due to customers at fair value	**(19,354)**	(24,141)	4,787	–
Bonds issued at fair value	**(25,879)**	(20,517)	(5,362)	(40)
Short position in debt securities	**(18,273)**	(14,327)	(3,946)	(58)

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 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 between the equity and profit for the period of the Group prepared in accordance with IFRS and those prepared in accordance with CAS. Please refer to Supplementary Information I to the Interim Financial Information for detailed information.

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

Business Review

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

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	Amount	**% of total**	Amount	% of total
Commercial banking business	**249,000**	**89.99%**	230,579	91.69%
Including: Corporate banking business	**112,719**	**40.74%**	106,244	42.25%
Personal banking business	**92,092**	**33.28%**	86,448	34.38%
Treasury operations	**44,189**	**15.97%**	37,887	15.06%
Investment banking and insurance	**17,856**	**6.46%**	12,612	5.01%
Others and elimination	**9,832**	**3.55%**	8,291	3.30%
Total	**276,688**	**100.00%**	251,482	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 2019	As at 31 December 2018	As at 31 December 2017
Corporate deposits			
Domestic: RMB	**6,060,613**	5,884,433	5,495,494
Foreign currency	**487,675**	453,815	436,458
Hong Kong, Macao, Taiwan and overseas operations	**1,697,915**	1,594,165	1,451,822
Subtotal	**8,246,203**	7,932,413	7,383,774
Personal deposits			
Domestic: RMB	**5,486,871**	5,026,322	4,551,168
Foreign currency	**291,315**	302,256	310,253
Hong Kong, Macao, Taiwan and overseas operations	**1,136,394**	1,093,892	969,807
Subtotal	**6,914,580**	6,422,470	5,831,228
Corporate loans			
Domestic: RMB	**5,413,939**	5,057,654	4,761,874
Foreign currency	**265,894**	280,878	338,379
Hong Kong, Macao, Taiwan and overseas operations	**2,101,766**	2,009,066	1,872,448
Subtotal	**7,781,599**	7,347,598	6,972,701
Personal loans			
Domestic: RMB	**4,213,390**	3,933,840	3,481,682
Foreign currency	**1,220**	1,177	1,250
Hong Kong, Macao, Taiwan and overseas operations	**538,771**	505,068	440,925
Subtotal	**4,753,381**	4,440,085	3,923,857

Commercial Banking

Domestic Commercial Banking

In the first half of 2019, the Bank's domestic commercial banking business recorded an operating income of RMB210.290 billion, an increase of RMB15.791 billion or 8.12% 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 2019**		For the six-month period ended 30 June 2018	
	Amount	**% of total**	Amount	% of total
Corporate banking business	**98,115**	**46.66%**	92,811	47.72%
Personal banking business	**80,669**	**38.36%**	76,562	39.36%
Treasury operations	**30,563**	**14.53%**	23,845	12.26%
Other	**943**	**0.45%**	1,281	0.66%
Total	**210,290**	**100.00%**	194,499	100.00%

Corporate Banking

The Bank made great efforts to expedite the transformation of its corporate banking business. It further consolidated its corporate customer base, continuously optimised its customer and business structure and endeavoured to improve its global service capabilities for its corporate banking customers, thus achieving high quality development in its corporate banking business. In the first half of 2019, the Bank's domestic corporate banking business realised an operating income of RMB98.115 billion, an increase of RMB5.304 billion or 5.71% year on year.

Corporate Deposits

The Bank achieved stable growth in corporate deposits by seizing business opportunities arising from key industries and regions and improving its service capabilities for key projects. It accelerated the upgrading of product functions and strengthened promotion efforts for its settlement, cash management and CDs products. It expanded its corporate customer base by improving the multi-layered management of its customers and service system and by intensifying its marketing efforts directed at customers along the upstream and downstream of supply chains and industrial chains. The Bank managed to attract more administrative institution customers by improving its products and services for those engaged in industries relating to public finance and social security, education and public health, and cultural tourism, thus achieving rapid growth in deposits from such institutions. In addition, the Bank enhanced the service functions of its outlets so as to improve their customer service capabilities and increase their contribution to the Bank's deposits. As at 30 June 2019, RMB corporate deposits in the Bank's domestic operations totalled RMB6,060.613 billion, an increase of RMB176.180 billion or 2.99% compared with the prior year-end. Foreign currency corporate deposits amounted to USD70.938 billion, an increase of USD4.815 billion or 7.28% compared with the prior year-end.

Corporate Loans

The Bank continued to step up its efforts in serving the real economy, deeply implemented requirements on supply-side structural reform, actively supported key investment fields and assisted in the transformation and upgrading of the domestic economy. It provided stronger support for the improvement of weak links in infrastructure, the high-quality development of manufacturing industry, modern service industry and technologically innovative enterprises, and improved services for privately-owned businesses. In addition, the Bank allocated more resources to strategic regions such as the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze-River Economic Belt, and the Hainan Free Trade Zone, and played an active role in serving key sectors, such as social welfare and people's livelihood, internet, rural revitalisation, pensions and the Winter Olympic Games. As at 30 June 2019, RMB corporate loans of the Bank's domestic operations totalled RMB5,413.939 billion, an increase of RMB356.285 billion or 7.04% compared with the prior year-end. Foreign currency corporate loans totalled USD38.677 billion, a decrease of USD2.248 billion or 5.49% compared with the prior year-end.

Financial Institutions Business

The Bank continued to deepen its wide-ranging cooperation with various global financial institutions including domestic banks, overseas correspondent banks, non-bank financial institutions and multilateral financial institutions. It built its integrated financial service platform and maintained a leading position in terms of financial institution customer coverage. The Bank has established correspondent relationships with nearly 1,600 institutions and opened 1,450 cross-border RMB clearing accounts for correspondent banks from 112 countries and regions, thus carving out a leading position among domestic banks. It also promoted the RMB Cross-Border Interbank Payment System (CIPS) and signed cooperation agreements for CIPS indirect participants from more than 260 domestic and overseas financial institutions, seizing the largest market share among its peers. The Bank's custodian service for Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII) and its agency service for overseas central banks and other sovereign institutions ranked among the top in the industry in terms of both customer base and business size. The Bank strengthened its cooperation with the Asian Infrastructure Investment Bank, New Development Bank and Silk Road Fund. It served as the lead underwriter of the issuance of the first USD-denominated bond by the Asian Infrastructure Investment Bank. By the end of June 2019, the Bank ranked first in terms of market share in foreign currency deposits from financial institutions, and its market share in terms of the number of third-party custody customers with outstanding balances also further increased.

Transaction Banking

Actively adapting to the trend of FinTech innovation and integrated customer financial needs, the Bank vigorously developed transaction banking in order to further improve the quality and efficiency of its service to the real economy. It fully implemented the requirement of stabilising foreign trade and continued to lead its peers in market share of cross-border settlement. It actively participated in the Belt and Road Initiative, RMB internationalisation and the building of pilot free trade zones and free trade ports. The Bank supported the National Office of Port Administration in the construction of the financial service function of the standard version of "Single Window" and was one of few pilot banks to launch this program. In addition, the Bank continued to roll out new products and services and strengthened the development of application scenarios for transaction banking. It further improved the comprehensive product system of "Global Cash Management Platform+" and expanded the global integration on key products, and provided customers with multi-currency, multi-channel, multi-area and one-stop products and services. Moreover, the Bank improved the service quality of its settlement accounts, thus realising a steady increase in the scale of settlement business.

Inclusive Finance

Actively implementing national policies and measures to support the development of micro and small-sized enterprises, the Bank continuously improved and refined its inclusive financial services and steadily enhanced the quality and efficiency of its services for micro and small-sized enterprises. As at 30 June 2019, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises reached RMB379.2 billion, up by 27.07% compared with the prior year-end, outpacing the overall loan growth of the Bank. The number of micro and small-sized customers stood at approximately 400,000, an increase compared with the beginning of the year. The average interest rate of micro and small-sized enterprises' inclusive finance loans granted in the first half of 2019 was 4.59%. The quality of loans granted to micro and small-sized enterprises remained at a stable and controllable level. Focusing on the themes of the 16+1 Cooperation and the Belt and Road Initiative, the Bank expanded its cross-border matchmaking services by holding the 2019 China-CEEC SMEs Cross-Border Matchmaking Event in Croatia and the Belt and Road CEO Conference B2B Matchmaking Session of the Second Belt and Road Forum for International Cooperation in Beijing, so as to offer global SMEs a connectivity and cooperation platform and facilitate their integration into the global capital chain, value chain and industrial chain. It has held 55 cross-border matchmaking events since 2014, attracting the participation of 30,000 enterprises from 108 countries and regions across the globe.

Pension Business

Focusing on the development of China's social security system, the Bank continuously extended its pension business coverage, promoted product innovation and improved system functions. It provided a range of products including enterprise annuities, occupational annuities, employee benefit plans and pension security management products, thus continuously enhancing customer satisfaction. It also vigorously supported the development of China's pension finance system, promoted whole-process business services, and facilitated financial supply-side structural reform. As at 30 June 2019, pension funds under custody reached RMB30.984 billion, and the total number of individual pension accounts held by the Bank reached 5.2508 million, an increase of 0.2389 million or 4.77% compared with the prior year-end. Assets under custody amounted to RMB255.471 billion, an increase of RMB34.313 billion or 15.52% compared with the prior year-end, with the Bank serving more than 15,000 clients.

Personal Banking

The Bank always puts customers at the centre of its business. It innovated and improved its personal banking product and service system and endeavoured to enhance the capability of its online, scenario-based and smart services. It grasped development opportunities in cross-border business, consumer finance and wealth management so as to continuously enhance the market competitiveness of its personal banking business. In the first half of 2019, the Bank's domestic personal banking business realised an operating income of RMB80.669

billion, an increase of RMB4.107 billion or 5.36% compared with the same period of the prior year.

Personal Deposits

In response to the trend of interest rate liberalisation, the Bank took its advantages of comprehensive personal financial services, and enriched its deposit product offerings so as to meet customers' diverse needs. It solidified its capacity in funds pooling by expanding advantageous businesses such as salary payment agency, "BOC Wealth Accumulator", online margin and Service Platform for construction workers. It further developed its foreign exchange services by increasing the number of foreign currencies offered by its personal deposit and withdrawal businesses to 25 and the number of convertible foreign currencies available to customers to 39, thus maintaining its leading position among peers. In addition, the Bank improved customer experience by launching a cash exchange reservation service for 23 currencies via e-channels such as mobile banking, online banking and WeChat banking in major cities in the Chinese mainland. As at 30 June 2019, the Bank's domestic RMB personal deposits totalled RMB5,486.871 billion, an increase of RMB460.549 billion or 9.16% compared with the prior year-end. Personal foreign currency deposits amounted to USD42.375 billion, maintaining a leading market share.

Personal Loans

The Bank stepped up efforts to serve the real economy and support consumption upgrade by steadily expanding its personal loan business. It actively put into practice the state's regulatory policies on real estate and continued to implement a differentiated residential mortgage loan policy, with a particular focus on serving the needs of households seeking to buy owner-occupied homes for the first time, thus maintaining the sound development of its residential mortgage loan business. The Bank accelerated its consumer finance business, promoted its featured "BOC E-Credit" product, a whole-process online consumer loan service, and refined online application for government-sponsored student loans. It improved the product policy and business process for personal business loans, thereby effectively reducing the comprehensive financing costs of inclusive finance customers, including micro and small-sized business owners and privately-owned businesses. As at 30 June 2019, the total amount of RMB personal loans of the Bank's domestic operations stood at RMB4,213.390 billion, an increase of RMB279.550 billion or 7.11% compared with the prior year-end.

Wealth Management and Private Banking

The Bank enhanced its wealth management and private banking services by accelerating product and service model innovation with a focus on customer demands, so as to consolidate its development foundation. It implemented a strategy of enabling advancement through technology, and refined its asset allocation tactics. In the first half of 2019, the "BOC Robot Advisor", an intelligent investment advisory service, generated sales of RMB4.7 billion with more than 100,000 customers. The Bank continued to carry out targeted marketing campaigns based on big data, and further enhanced its customer relationship management competence. It intensified efforts in product and service innovation, and improved its sales management mechanism, which helped enhance its personal insurance and investment product sales capabilities. In addition, the Bank continued to upgrade its personal customer marketing model and service system, which resulted in a rapid growth in terms of the number of customers and the scale of customer financial assets. It continuously raised its professional service capabilities by improving the management mechanism for its relationship managers. It delivered better services to cross-border customers, including achieving positive results in providing integrated cross-border services to personal customers in the Guangdong-Hong Kong-Macao Greater Bay Area. It explored new marketing mechanisms for private banking products and customers, and enhanced its family trust service, thus further improving its services for private banking customers. As at 30 June 2019, the Bank had set up 8,082 wealth management centres, 1,105 prestigious wealth management centres and 44 private banking centres in the Chinese mainland.

Bank Card

Closely following changes in market and customer demand patterns, the Bank launched star products for key customer groups, while continuously improving the benefits of its core products. Implementing national policy requirements for the acceleration of the development of the electronic toll collection (ETC), the Bank refined the products of Car Credit Card and ETC Co-branded Credit Card. It responded to the national call to speed up the development of winter sports by issuing the world's first Olympic Winter Games Beijing themed credit card. Focused on variety of active-usage scenarios and popular social media platforms, the Bank acquired online customers based on scenarios, and improved the efficiency of customer acquisition through light and agile tools. To support the demands of consumption upgrade, the Bank established an online, scenario-based and diversified instalment service system by launching "BOC E-Instalment", enriching its auto scenario instalment product series, upgrading its home decoration instalment products and releasing diversified scenario instalment services across the customer life cycle. It continued to promote the "BOC Smart Payment" brand, intensified pilot programmes for the newly-emerging function of "non-medium payment", and accelerated the online and digitalisation-driven transformation of its acquiring business. Drawing on artificial intelligence and big data technologies, the Bank deepened the construction of its merchant value-added service system, and conducted 360-degree customer life cycle maintenance. It also carried out invitation-based marketing campaigns for targeted customer groups to continuously boost customer activation. As at 30 June 2019, the cumulative number of credit cards issued by the Bank reached 118.3296 million, and the credit card transaction amount stood at RMB862.284 billion for the first half of 2019, while the instalments volume of credit cards amounted to RMB166.338 billion.

The Bank steadily promoted its online and offline debit card business, and expanded scenario-based applications for mobile payment, thus continuing to improve customer experience. It gave full play to its advantages in campus services and made efforts in creating a "Whole Education" scene by expanding its service scope to primary and high schools, kindergartens, training institutions and other "blue ocean" educational markets. The Bank, in cooperation with local Human Resources and Social Security Bureaux, has accumulatively issued over 100 million social security cards equipped with financial functions at the end of June 2019. It also launched innovative online products including electronic social security cards and electronic health cards, providing customers with integrated "online + offline" and "financial + non-financial" services.

Financial Markets Business

In order to further enhance its financial market influence, the Bank closely tracked market developments and actively aligned itself with the trends towards interest rate and exchange rate liberalisation and RMB internationalisation. It leveraged its professional advantages, continued to deepen adjustments to its business structure, enhanced its efforts in financial market innovation and made steady progress in compliance with international regulatory requirements.

Securities Investment

The Bank strengthened its capacities for research and judgment regarding market interest rates while proactively seizing market opportunities. It also rationally adjusted the duration of its investment portfolio and further optimised its investment structure. Consistent with national macroeconomic policies, the Bank supported the economic development of local governments and properly participated in local government bond investment. Following trends in global bond markets, the Bank optimised its foreign currency investment portfolio and managed to prevent interest rate risk and credit risk.

Trading

The Bank accelerated the construction of an integrated global financial markets business system founded on the three core product lines of interest rates, exchange rates and commodities. It endeavoured to improve a new customer-centric service model, in order to boost stable and rapid development of its financial markets business. The Bank continued to outperform its peers in market share of foreign currency exchange against RMB business, and brought the number of currency pairs available for exchange up to 39. It also increased the total number of tradable foreign currencies to 63, among which 52 are currencies of emerging economies and 29 are currencies of countries along the Belt and Road, covering almost all convertible currencies. It expanded its over-the-counter (OTC) bond business by introducing new types of OTC local government bonds and completing the first sales. It enriched its personal trading product system by launching convertible precious metals savings products, in order to meet the asset allocation needs of personal customers. The Bank continuously deepened its global integrated development and further enhanced its quotation and service capabilities for overseas institutional investors by strengthening business support from the Head Office and its overseas trading centres to its regional branches. During the reporting period, its volume of bond trading with overseas institutional investors continued to maintain leading positions in the market. Making full use of its advantages in professional quotation and its paramount focus on compliance, the Bank steadily created demands for financial institutions. In line with the financial demands of the real economy, the Bank provided professional hedging against risks relating to exchange rates, interest rates and commodity prices. It also increased support for private enterprises and small and medium-sized enterprises by offering expedient and effective hedging services under the precondition of compliant operation.

Investment Bank and Asset Management

The Bank leveraged the competitive advantages of its international and diversified operations, centred on serving the real economy, and vigorously expanded its investment banking and asset management business and worked to deliver an integrated "commercial banking + investment banking" service system. Following national strategies, the Bank intensified efforts in coordinated operations, made greater efforts to develop direct financing and investment advisory business including domestic and overseas bond underwriting and distribution as well as asset securitisation, and managed to meet customers' all-round needs for comprehensive financial services based on the concepts of "domestic + overseas" and "financing + intelligent". The Bank actively promoted its asset management business transformation and product development, launching net value products such as "BOC Strategy — Steady Wealth Creation" and "BOC Strategy — Intelligent Wealth Creation", further expanding its product system and scale. BOC Wealth Management Co., Ltd. obtained regulatory approval to open for business on 27 June 2019 and completed company registration on 1 July 2019. The Bank boosted its underwriting business for financial institutions with its financial bond underwriting volume and market share improving at a stable pace. It enhanced the cross-border competitiveness of its underwriting business, assisted issuers such as the Republic of the Philippines, the Republic of Portugal and United Overseas Bank in issuing Panda Bonds and Asian Infrastructure Investment Bank in issuing its first USD2.5 billion bond. In the first half of 2019, the Bank underwrote debt financing instruments for non-financial institutions in the China interbank market with a total amount of RMB208.495 billion, and successfully issued residential mortgage-backed securities with a total amount of RMB17.991 billion. As at 30 June 2019, the balance of the Bank's wealth management products amounted to RMB1,335.4 billion. The Bank maintained the largest market share in China offshore bond underwriting and consecutively leading the market share in Panda Bond underwriting. As a result, the brand influence of "BOC Debt Capital Markets" was continuously enhanced.

Custody Business

Focusing on serving the real economy and improving the development quality of its custody business, the Bank endeavoured to enhance the overall competitiveness of its custody business by strengthening and refining its custody products. It actively supported pension security system reform and secured a leading position among peers by winning all of the bids for custodian bank services made by provisional and municipal occupational annuities. It bolstered capital market development and mixed ownership reform of state-owned enterprises, and became the custodian bank for multiple science and technology-themed funds and state-owned enterprise reform ETFs. Capturing opportunities arising from capital market connectivity, the Bank signed an agreement with MUFG Bank on cross-border custodian service for RQFII. Catering to the shift towards net value-based wealth management products, the Bank cooperated with a number of banks in wealth management custody and outsourcing schemes. In addition, the Bank pushed forward advancement through technology and system building, thus further enhancing its custody service capability. As at 30 June 2019, the Group's assets under custody stood at RMB10.37 trillion, of which its cross-border custody business accounted for RMB288.2 billion, maintaining a leading position among Chinese banks.

Village Bank

BOC Fullerton Community Bank actively implemented national strategies for rural revitalisation 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 expedited the construction of its institutional distribution network so as to support financial development in county areas. As at 30 June 2019, BOC Fullerton Community Bank controlled 125 village banks and 157 sub-branches in 22 provinces (including municipalities directly under the Central Government) through self-establishment and acquisition, of which 65% are located in China's central and western regions. BOC Fullerton Community Bank has become the largest domestic village bank in terms of total institutions and business scope. It continuously improved its product and service system, and its customer base was further expanded. As at 30 June 2019, the registered capital of BOC Fullerton Community Bank amounted to RMB7.524 billion, with its total assets and net assets standing at RMB63.072 billion and RMB10.410 billion respectively. The balances of total deposits and loans of these banks were RMB41.808 billion and RMB42.109 billion respectively. The NPL ratio was 2.50% and the coverage ratio of allowance for loan impairment losses to NPLs stood at 211.36%. It achieved a profit for the period of RMB378 million in the first half of 2019.

Overseas Commercial Banking

In the first half of 2019, the Bank further enhanced its global service and support capabilities and sharpened its market competitiveness by continuously promoting the establishment of overseas institutions, pushing forward the integrated development of its domestic and overseas operations, actively deepening the construction of the financial artery of the Belt and Road Initiative, and pushing forward RMB internationalisation across the board.

As at 30 June 2019, the Bank's overseas commercial banking customer deposits and loans totalled USD449.230 billion and USD383.236 billion respectively, an increase of 3.64% and 4.92% compared with the prior year-end. In the first half of 2019, the Bank's overseas commercial banking operations achieved a profit before income tax of USD4.809 billion, accounting for 21.34% of the Group's total profit before income tax.

Regarding branch distribution, the Bank closely tracked the financial services needs of global customers and accelerated the development and distribution of institutions in countries along the Belt and Road, so as to improve its global service network. As at 30 June 2019, the overseas institutions of the Bank totalled 553, covering 57 countries and regions across the world, of which 24 countries were along the Belt and Road.

For corporate banking business, by giving full play to the advantages arising from its diversified operations, the Bank provided a full spectrum of premium, efficient, tailor-made and comprehensive financial services for "Going Global" and "Bringing In" customers, "Fortune Global 500" enterprises and local corporate customers. It further improved its globalised customer service system and continually enhanced its middle and high-end products and services. Through core products including syndicated loans, project financing, cross-border M&A, export credit, global cash management and letters of guarantee, the Bank provided strong support to key projects related to infrastructure construction, energy resource development, international production capacity cooperation and overseas industrial parks, with the aim of enhancing financial support and services for major projects in countries along the Belt and Road.

For personal banking business, the Bank provided "one-stop" financial services for personal "Going Global" customers by leveraging its extensive overseas institution network. It continued to expand its overseas account opening witness service, which now covers 18 countries and regions in North America, Europe, Asia and Oceania. The Bank also enhanced its services for customers studying abroad through such brands as "Brilliant Tomorrow" in the US, "Golden Age" and "UK Manager" in the UK, "Home in Canada" in Canada, "Golden Years" in Australia, "Sail in Lion City" in Singapore and "Splendid Life" in Macao. The Bank actively built up cross-border scenarios and improved its cross-border credit card services, so as to provide customers with preferential and convenient cross-border credit card services. It launched a series of promoting activities for cross-border consumption, further expanding the brand influence of cross-border business. It also cooperated with overseas education and business travel agencies to acquire cross-border customers from the source by holding salons, lectures and institutional activities. In addition, the Bank expanded its overseas credit card issuance and acquiring business, developing new products such as Macao MasterCard Credit Card, supporting overseas "integrated payment" business in Southeast Asia and establishing a unified "BOC Smart Payment" product system across its domestic and overseas operations, in order to further enhance its competitiveness in local payment markets. The Bank optimised the service coverage of its overseas debit cards by issuing UnionPay, Visa and MasterCard debit cards in 19 countries and regions. In addition to withdrawal, consumption and other basic functions, it introduced new features including contactless payment, non-card payment and 3D secure payment, which can be used via multiple channels including domestic and overseas counters, online banking and mobile banking, thereby better satisfying the world-wide consumption demands of overseas customers.

For financial markets business, the Bank gave full play to its advantages in integrated global operations and actively engaged in RMB futures market-making on the exchanges of Singapore, South Korea and Dubai, in line with national opening-up strategy. It also took its advantages of compliant operations, becoming the first Chinese banking group to serve as a central clearing member of the London Clearing House. It enhanced its capacity for customer base expansion in Asia, Europe and the Americas, with its professional service abilities further reaching the international standard. It kept optimising its product line structure for exchange rates, interest rates and commodities, and continuously improved its business scale and profitability. The Bank sped up efforts to shape its global custody service network and exerted every effort to deliver custody services to "Going Global" and "Bringing In" customers. It grasped opportunities arising from capital market connectivity to undertake the marketing of new businesses such as cross-border depository. The Bank successfully issued the fifth tranche of its Belt and Road-themed bonds with a total volume equivalent to approximately USD3.8 billion.

For clearing business, the Bank continuously improved its cross-border RMB clearing capabilities and consolidated its position at the leading edge of international payments. In the first half of 2019, the Group's cross-border RMB clearing transactions totalled RMB212.67 trillion, up by 22.64% compared with the same period of the prior year, maintaining first place in global markets. The Bank now accounts for 12 of the world's 26 authorised RMB clearing banks and continues to lead its peers. The Bank's Tokyo Branch launched its RMB clearing business as an RMB clearing bank in Japan. Moreover, the Bank also expanded its CIPS indirect participant client bases, and maintained first place in terms of market share.

For e-banking, the Bank further expanded the coverage of its overseas corporate online banking and continued to enhance its global internet financial service capacity for enterprises. With its internet financial service platform actively integrating overseas and domestic operations, the Bank further enriched service functions such as overseas corporate online banking and overseas bank-enterprise connection channels, and therefore continued to lead its peers in global capital management services. As at 30 June 2019, the Bank offered overseas corporate online banking services in 46 countries and regions, with 13 available languages. The Bank continued to improve overseas personal e-banking services, and upgraded the mobile banking services of London Branch, Seoul Branch, Frankfurt Branch, Paris Branch and other institutions, taking active steps to explore new service modes of virtual banking. As at 30 June 2019, the Bank's overseas personal online banking services covered 41 countries and regions across the world, and its mobile banking services covered 18 countries and regions, with services available in 14 languages.

BOCHK

In the first half of 2019, BOCHK remained committed to its strategy of building a top-class, full-service and internationalised regional bank. It actively responded to changes in the market environment and steadily pushed forward its business priorities, with major financial indicators remaining at solid levels. Striving to be customer-centric at all times, it continued to develop the local market in Hong Kong so as to enhance all-round sustainable development. BOCHK was actively involved in the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and endeavoured to sharpen its integrated competitive advantages by meeting people's livelihood financial needs. It promoted business development in Southeast Asia and enhanced regional synergies and development quality. It expedited its transformation into a digital bank and enhanced its innovation, infrastructure and application capability. Moreover, BOCHK closely monitored changes in the economic and financial environment and enhanced its risk management capabilities and internal compliance levels. It remained dedicated to cultivating its bank culture to ensure a balanced and sustainable development. As at the end of June 2019, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD2,988.440 billion and net assets reached HKD296.867 billion. In the first half of 2019, its profit for the period was HKD18.276 billion.

BOCHK continued to develop its local market in Hong Kong to support economic growth and make contributions towards people's livelihood. The growth of BOCHK's total customer deposits and loans was above the market average. Its asset and liability structure was further optimised, with asset quality outperforming the local market. BOCHK continued to expand its business in key financing projects and successfully arranged a number of significant syndicated loans and project finance deals with notable market influence. It remained the top mandated arranger in the Hong Kong-Macao syndicated loan market and maintained its leading market position as the main receiving bank for IPOs in Hong Kong. It continued to uplift its service levels for commercial customers in Hong Kong and supported the development of SMEs. Continuous enhancements were made to the product functions and scenario-based applications of the BoC Pay and BoC Bill payment systems in order to provide customers with personalised payment and settlement solutions, resulting in a greater market penetration. BOCHK accelerated the development of its cash pooling, treasury centre, cash management and trade finance businesses, thus achieving breakthroughs in key projects and continuous expansion in business scale. It catered to the different needs of personal clients and provided exclusive and all-round services to its middle and high-end clients, which led to continuous improvement in customer base structure and the scale. In addition, it further enhanced the efficiency of its payment services to better satisfy people's livelihood banking needs and improve service penetration to young customers.

BOCHK promoted integrated development and collaboration in the Greater Bay Area in order to expand featured cross-border services. BOCHK strengthened its collaboration and communication with branches and subsidiaries within the Group in order to establish an integrated sales and service system in the Greater Bay Area across four major aspects of cross-border activities: people flow, commodities flow, fund flow and information flow. It fully promoted sustainable business development in the Greater Bay Area and actively developed key products, including cross-border loans, cash pooling and payment services. To meet the demand of customers from Guangdong, Hong Kong and Macao for financial services, including account opening, payment services, wealth management and financing, BOCHK launched a "Greater Bay Area Account Opening" service to provide Chinese mainland personal account opening attestation service for Hong Kong residents, the "Greater Bay Area Service Connect" service to provide mutual service access to wealth management personal customers. As a result, it achieved an encouraging increase in the number of cross-border customers.

BOCHK deepened its regional integration in Southeast Asia and steadily pushed forward its integrated regional development. Following the completion of the acquisition of Bank of China Vientiane Branch, BOCHK's Southeast Asian entities now operate in eight Southeast Asian countries. BOCHK steadily pushed forward the operation and implementation of its regional management model, adopting differentiated development strategies for each Southeast Asian entity and reinforcing resource support. It continuously enriched its product and service portfolios for these entities so as to expand into local mainstream markets. It focused on major clients and projects, actively developing business with institutional clients and promoting its RMB products, treasury, payment and settlement businesses, resulting in a continuous expansion of customer base and business scale. Bank of China (Malaysia) Berhad launched a wealth management service and Bank of China (Thai) Public Company Limited helped a Thai asset management company client to become an RQFII. BOCHK Ho Chi Minh City Branch successfully handled the first cross-border RMB entrusted settlement business in Vietnam's non-border area and the payment function of BoC Pay was extended to Malaysia and Indonesia. The Southeast Asian entities comprehensively enhanced their capabilities in credit risk management, internal control and compliance, operating in accordance with more stringent standards stipulated by BOCHK, and ensure compliance with related regulatory requirements.

BOCHK implemented technology-based and innovation-driven development to expedite its transformation into a digital bank. BOCHK kept up with the FinTech development trends, strengthened O2O integration and upgraded the customer experience with intelligent products and services. It supported innovation-driven strategic research and further enriched the scenario-based applications of FinTech in order to boost the pace of innovation, accelerate adaptation to client demands and improve competitiveness. It upgraded the settlement function of mobile payments and achieved further expansion in client base. BOCHK also increased investment in strategic resources to support its transformation into a digital bank. It utilised artificial intelligence and biometric authentication in its financial products, service processes, operations management and risk control, upgrading its service capabilities and better meeting client needs. In addition, Livi VB Limited ("Livi"), a virtual banking joint venture company owned by BOC Hong Kong (Holdings) Limited, JD New Orbit Technology (Hong Kong) Limited and JSH Virtual Ventures Holdings Limited, was granted a banking licence by the Hong Kong Monetary Authority. Using various innovative technologies, Livi brings a unique banking experience to customers.

(Please refer to the results report of BOCHK for a full review of BOCHK's business performance and related information.)

Comprehensive Operation Platforms

The Bank gave full play to the competitive advantages inherent in its integrated operations and actively seized opportunities arising from the Belt and Road Initiative and the development of China's multi-layered capital markets. By focusing on its specialised business areas, deepening business collaboration and promoting cross-selling and product innovation, it provided comprehensive and high-quality financial services to customers.

Investment Banking Business

BOCI

The Bank is engaged in investment banking business through BOCI. As at 30 June 2019, BOCI had an issued share capital of HKD3.539 billion, total assets of HKD62.474 billion, and net assets of HKD19.315 billion. In the first half of 2019, BOCI realised a profit for the period of HKD932 million.

BOCI actively captured the strategic opportunities arising from the Belt and Road Initiative, Chinese enterprises' "Going Global" efforts, mixed ownership reform of state-owned enterprises and the development of the Guangdong-Hong Kong-Macao Greater Bay Area. It accelerated network expansion in countries along the Belt and Road, strengthened its marketing efforts, reinforced internal controls and enhanced risk management practices. With the aims of serving the real economy, BOCI improved and strengthened its core businesses and increased its integrated service capabilities.

BOCI made solid progress in providing services for global clients, established a Singapore-based team and actively explored opportunities in the Southeast Asian market. It leveraged its structural advantages in government services and its financial solution expert panel in order to promote cross-border collaboration with the Group's branches and subsidiaries. In addition, it achieved steady progress in its equity underwriting and financial advisory businesses, with its bond issuance and underwriting businesses continuing to maintain leading positions in the market. Deeply rooted in Hong Kong and Macao, BOCI leveraged its competitive edges in the Chinese mainland and continued to expand its sales network globally. Keeping abreast of market changes, it further improved its value and influence as a "think tank" in terms of research capability.

BOCI steadily upgraded its brokerage and trading system, thus improving its targeted marketing and customer services abilities. It solidified its leading position in brokerage and equity derivatives business in Hong Kong, and continuously enhanced the business structure of its wealth management services for high-end individuals by providing integrated private banking services and family inheritance succession planning. It launched the BOCI Equity Index Series, comprising three indices, which has registered satisfactory performance since inception. BOCI-Prudential Asset Management Limited, a subsidiary of BOCI, maintained its position as a top-ranked service provider in the Hong Kong Mandatory Provident Fund (MPF) and Macao Pension Fund businesses. In addition, BOCI actively participated in the Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme.

The Bank achieved steady progress in worldwide commodity business and maintained a leading position among its Chinese peers in terms of commodity business platform and market shares. It provided a series of hedging products and trading services for domestic and overseas customers engaged in the metal and energy businesses, assisting them with market and price risk management. BOCI strengthened cross-border business cooperation, and explored high quality technological projects in line with industry development trends. Moreover, it explored a new digital business model, and expanded the application scenarios of its securities sales, wealth management and traditional investment banking services using big data and artificial intelligence (AI) technologies.

BOCI China

The Bank is engaged in securities-related business in the Chinese mainland through BOCI China. As at 30 June 2019, the registered capital, total assets and net assets of BOCI China were RMB2.500 billion, RMB51.307 billion and RMB12.467 billion, respectively. It realised a profit for the period of RMB540 million for the first half of 2019.

BOCI China followed a robust and aggressive development principle and adopted a customer-centric approach. Implementing its "Technology-empowered Development, Transition and Synergy" strategy, it made further progress in business transformation while holding fast to the risk compliance bottom line. It endeavoured to outperform its peers by pushing forward wealth management transformation for personal customers and transaction ecosystem management transformation for institutional customers. Deepening the synergistic advantages of "investment bank + commercial bank", "investment bank + investment" and "domestic + overseas" in its investment banking business, BOCI China shifted its investment banking focus towards transaction-driven comprehensive financial services, its asset management business focus towards active management, and its brokerage business focus towards wealth management, while improving the versatility of its branches. As a result, its customer service capability and market influence steadily strengthened.

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at 30 June 2019, BOCIM's registered capital amounted to RMB100 million, its total assets stood at RMB4.622 billion and its net assets totalled RMB3.415 billion. It realised a profit for the period of RMB406 million in the first half of 2019.

BOCIM steadily expanded its asset management business, maintained sound internal control and risk management, continuously improved its brand and market reputation and further enhanced its comprehensive strengths. As at 30 June 2019, BOCIM's assets under management reached RMB692.1 billion. In particular, its public-offered funds reached RMB374.9 billion, and its non-monetary public-offered funds reached RMB208.8 billion, ranking seventh among domestic fund management companies.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at 30 June 2019, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD9.133 billion and net assets of HKD4.158 billion. In the first half of 2019, BOCG Insurance recorded gross written premiums of HKD1.521 billion and realised a profit for the period of HKD35 million. It remained at the forefront of the Hong Kong general insurance market in terms of gross written premium.

Upholding the market development strategy of "deepen services in Hong Kong, refine business approach in the Chinese Mainland, reach out to overseas markets and widen brand awareness", BOCG Insurance made solid progress in expanding its business. In response to the relatively saturated and highly competitive market in Hong Kong, the Bank actively grasped market trends, made timely adjustments to its product structure and achieved sound results by strengthening the promotion of tourism insurance and other products. It actively supported the development of the Guangdong-Hong Kong-Macao Greater Bay Area, launched a number of Greater Bay Area-specific products for local customers. It also strengthened cooperation with the Group's institutions in the Greater Bay Area and launched an insurance product covering cars passing over the Hong Kong-Zhuhai-Macao Bridge, so as to take the lead in the market. In addition, BOCG Insurance closely cooperated with BOCHK in implementing its Southeast Asian development strategy, improved its customer sharing and mutual marketing mechanism, and collaborated with Vientiane Branch and Phnom Penh Branch to conduct a number of insurance schemes with an aggregate underwriting amount of HKD7.4 billion.

The Bank pushed forward the development of its comprehensive risk management system, further improved its relevant risk control management system and mechanism, optimised its risk appetite setting and transmission mechanism and, properly managed various risks in a coordinated manner, and thereby continuously enhancing its risk management capabilities.

BOC Life

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at 30 June 2019, BOC Life's issued share capital was HKD3.538 billion, total assets amounted to HKD146.269 billion and net assets amounted to HKD9.772 billion. In the first half of 2019, it realised a profit for the period of HKD493 million.

BOC Life continued to push forward its product and service innovation. To support the tax deductible Voluntary Health Insurance Scheme (VHIS) and deferred annuity products promoted by the HKSAR government, BOC Life was amongst the first batch of insurers to introduce relevant products to the market, including "BOC Life Standard VHIS", "BOC Life Deferred Annuity Plan (fixed term)" and "BOC Life Deferred Annuity Plan (life time)", thus offering customers a more diverse product range. The "iTarget 3 Years Savings Insurance Plan" was simultaneously launched on BOCHK's mobile and internet banking services for the first time, providing customers with a simple and convenient application service. BOC Life also launched "Forever Glorious ULife Plan II" in order to enhance service support for high-end customers and increase the value of new business and long-term profitability.

BOC Life proactively applied InsurTech to improve customer experience. With the launch of BOC Life's Live Chat service, customers now can be referred to customer service ambassadors via BOC Life's WeChat Official Account and website platform, enabling them to make enquiries in an easy and simple manner. Moreover, the inclusion of a policy binding function on BOC Life's WeChat Official Account effectively strengthened customer service support and communication.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at 30 June 2019, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB13.659 billion and net assets of RMB4.093 billion. In the first half of 2019, it realised gross written premiums of RMB3.615 billion, and a profit for the period of RMB108 million.

Following national strategies, BOC Insurance paid attention to market trends and customer needs, remained committed to serving the real economy and continued to improve its comprehensive financial service capabilities. It actively responded to the Belt and Road Initiative by supporting large domestic enterprises in their "Going Global" efforts. It maintained a leading position in overseas insurance business, covering nearly 30 industries in more than 70 countries and regions in Asia, Africa and South America. It pioneered customs bond insurance to make customs clearance more convenient for import enterprises. BOC Insurance supported enterprises' technological innovations, so as to facilitate technical equipment improvement. It supported regional development strategies and assisted in the development of the Guangdong-Hong Kong-Macao Greater Bay Area by providing insurance services for the Hong Kong-Zhuhai-Macao Bridge. In addition, it assumed its share of social responsibility by joining the China Nuclear Insurance Pool, the single-purpose pre-paid card performance bond insurance pool, the China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool and the Residential Project Inherent Defect Insurance (IDI) supplier list, and by obtaining qualification to provide serious illness insurance for urban and rural residents. It increasingly applied technology to claim settlement, innovated new forms of services, and addressed major incidents in a timely and appropriate manner, thus delivering expedient and high-quality claim settlement services to customers.

BOC-Samsung Life

The Bank is engaged in life insurance business in the Chinese mainland through BOC-Samsung Life. As at 30 June 2019, BOC-Samsung Life's registered capital stood at RMB1.667 billion, total assets amounted to RMB16.814 billion and net assets amounted to RMB1.404 billion. In the first half of 2019, BOC-Samsung Life recorded written premiums and premium deposits of RMB4.795 billion, and a profit for the period of RMB23 million.

BOC-Samsung Life continued to enhance its cross-selling capabilities and provided personal security, long-term savings, pension, medical care, travel insurance and other diversified insurance services to individual and corporate customers of the Group. As a result, it realised a year-on-year increase of 39% in premiums brokered by the Bank. It expanded its customer service channels by launching new branch in Shandong and new sub-branches in Zibo, Wuxi and Jinhua. BOC-Samsung Life also provided life insurance service through comprehensive financial service portal on the BOC mobile banking platform, and continuously upgraded the self-service functions of the WeChat official account and claims application, which were used by more than 60% of its customers. Moreover, BOC-Samsung Life continuously enhanced the research and development on products and strengthened the protection function of its product line, including introducing the lifetime multi-claim critical illness insurance with increasing sum assured "Xiang You Zhen Xiang" for individual customers, and a lifetime critical illness insurance "Shou Hu Yi Sheng" for group customers.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. As at 30 June 2019, BOCG Investment recorded issued share capital of HKD34.052 billion, total assets of HKD123.192 billion and net assets of HKD63.818 billion. In the first half of 2019, it recorded a profit for the period of HKD2.293 billion.

BOCG Investment strives for high quality development by firmly embracing the central task of business transformation and adhering to the strategies of integration, fund development and digitalisation. It worked side by side with the Group to build a direct financing strategic business unit, deepened cooperation in investment and loan linkage, cross-border M&A, and alternative asset allocation, etc., and assisted in enhancing the Group's comprehensive competitiveness in key regions. It took advantage of its direct investment platform, focused on new industries and businesses such as artificial intelligence, logistics, and healthcare, etc., and supported the development of the real economy. It strengthened investment portfolio management by implementing project phases and classification management. BOCG Investment committed itself to technology-driven development, benchmarked itself to market leaders, and promoted its intelligent and digital development. It pushed forward the timely exit of projects that met investment standard, and locked in investment return.

BOC Asset Investment

The Bank is engaged in debt-for-equity swap and related business in the Chinese mainland through BOC Asset Investment. As at 30 June 2019, the registered capital of BOC Asset Investment was RMB10.000 billion, with its total assets and net assets standing at RMB36.620 billion and RMB10.335 billion respectively. In the first half of 2019, it realised a profit for the period of RMB225 million.

BOC Asset Investment actively implemented the national strategic decision to deepen supply-side structural reform. It conducted debt-for-equity swap based on both market-oriented and law-based principles, with the aim of improving enterprises' business operations and helping them to reduce their leverage ratios and improve their market value, thus effectively serving the real economy and preventing and mitigating financial risks. As at 30 June 2019, the market-oriented debt-for-equity swap business of BOC Asset Investment reached RMB79.159 billion, an increase of RMB34.798 billion compared with the prior year-end. Twenty-five directors and supervisors were appointed to participate in the corporate governance of the enterprises that conducted the swap.

Leasing Business

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 2019, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD19.162 billion and net assets of USD4.292 billion. In the first half of 2019, it recorded a profit for the period of USD321 million.

Committed to pursuing sustainable growth, BOC Aviation continued to implement its proactive business strategy and steadily promoted its standing in the aircraft leasing industry. Actively supporting the Belt and Road Initiative, it had leased more than 68% of its aircraft to airlines of Belt and Road countries, as well as airlines based in the Chinese Mainland, Hong Kong, Macao and Taiwan, as of 30 June 2019. Continuously targeting customer demand, the company took delivery of 25 aircraft, including five aircraft that airline customers purchased at delivery, as it expands its owned fleet. All of these aircraft have been placed on long-term leases. During the first half of 2019, BOC Aviation signed 39 leases for future deliveries and added six new customers. The company consistently sought to optimise its asset structure and to improve its sustainable development. It sold nine owned and two managed aircraft in the first half of 2019, leaving it with an average owned fleet age of 3.1 years (weighted by net book value) as at 30 June 2019, one of the youngest aircraft portfolios in the aircraft leasing industry.

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

Service Channels

With a core focus on improving customer experience, the Bank pushed forward its service channel integration and outlet transformation so as to attract more active customers and to cultivate an ecosystem wherein online and offline channels are integrated and financial and non-financial scenarios are seamlessly connected.

Outlet Development

The Bank was the first in the industry to launch an intelligent outlet concept that deeply integrates 5G technology and life style, namely, "BOC 5G Intelligence + Life House". Relying on 5G, big data, artificial intelligence and other cutting-edge technologies, the Bank boldly innovated and actively explored future business models for outlets in order to build a comprehensive financial pattern integrating new finance, new retail banking and new lifestyle across different businesses. Closely following technological development trends and focusing on the core demands of customers, these new-generation intelligent outlets offer more thoughtful banking services and provide smart and convenient services covering cash and non-cash business, resident and non-resident customers, and RMB and foreign currencies by adopting multiple smart elements. By integrating aspects of various lifestyle scenarios, the Bank tapped contemporary trends when refining its outlets and provided financial services of higher quality and customers appeals.

The Bank pushed forward bank-wide outlet transformation, centred on its smart counters, so as to enhance its outlets' value-creating capacity. In the first half of 2019, the Bank completed eight smart counter upgrades to further refine its service system, making the smart counter a major channel of customer services, business processing and product sales. The Bank promoted mobile smart counters across the outlets of banking institutions under 36 tier-1 branches in the Chinese mainland, with the aim of encouraging a proactive approach to acquiring customers beyond the boundary of the outlet hall and effectively expanding the scope of services. Relying on channel innovation and process improvement, corporate account opening via mobile counters was implemented in 12 tier-1 branches in the Chinese mainland, door-to-door "one-stop" account opening and product contracting were realised, thus enhancing service levels for basic customers and basic accounts. The smart counters with cash withdraw function was piloted in more outlets, and has covered 33 tier-1 branches in the Chinese mainland. Taking RMB banknotes as the starting point, these smart counters provide smart cash services with higher limits and multiple denominations and mediums, solving the "last mile" problem in the migration of counter-based services. The Bank became the first bank to introduce a new O2O physical delivery model, realising smoother online-offline coordination by enabling customers to make online reservation and collect products offline by themselves. In addition, to develop "cardless" personal business, the Bank introduced mobile banking code scanning, and realised online and offline authentication and mutual trust, creating a new "contactless service" experience.

The Bank continued to optimise its outlet performance management and assessment system. It carried out the classified development of its outlets, built featured outlets at a faster pace, and further differentiated outlet services. It also extended its service channels and strengthened financial service capacity in county areas. In addition, the Bank refined the operational management of its outlets and adjusted the authority and responsibilities of outlet employee positions. It improved outlets' marketing service approaches, and strengthened the risk management of outlet business, thus enhancing comprehensive operational efficiency.

As at 30 June 2019, the Bank's domestic commercial banking network (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised 10,722 branches and outlets. Its domestic non-commercial banking institutions totalled 477, and the number of its institutions in Hong Kong, Macao, Taiwan and other countries and regions totalled 553.

Unit: single item, except percentages

Items	**As at 30 June 2019**	As at 31 December 2018	Change (%)
ATM	**41,060**	41,723	(1.59%)
Smart Counter	**29,939**	26,044	14.96%
Self-service terminal	**3,973**	17,627	(77.46%)

Internet Finance

The Bank realised rapid and sustained development in internet finance and sound growth in its mobile banking business. In the first half of 2019, the Bank's substitution ratio of e-banking channels for outlet-based business transactions reached 93.73%. Its e-channel transaction amount reached RMB115.48 trillion, among which, mobile banking transaction volume reached RMB13.65 trillion, an increase of 64.14% compared with the same period of the prior year.

Unit: million customers, except percentages

Items	As at 30 June 2019	As at 31 December 2018	Change (%)
Number of corporate online banking customers	**4.2503**	3.8905	9.25%
Number of personal online banking customers	**174.1907**	166.2361	4.79%
Number of mobile banking customers	**162.9251**	145.3118	12.12%
Number of telephone banking customers	**113.9211**	113.7678	0.13%

The Bank continually upgraded its mobile banking service to build a mobile portal for its integrated financial services across the Group. For corporate mobile banking, taking into account the needs of small and medium-sized enterprises for convenient mobile finance, the Bank started by improving basic services, enriching featured services and expanding new scenarios to push forward implementation in a tiered and step-by-step manner. It prioritised the promotion of basic service functions such as biometric identification login, account management, mobile reconciliation, remittance, deposit service and online reservation of account opening, covering the high-frequency transactions of corporate customers, so as to improve customer experience. For personal mobile banking, the Bank released version 6.0 of its mobile banking service, which improved its "thousand customers, thousand faces" personalised services, and added functions such as income and expense recording, voice navigation, voice-enabled fast transfer and new version of online customer services. Personal business loan services were launched, realising loan granting and repayment in real time based on online handling of application, approval, granting and repayment. The Bank released "Zhen Yu" mobile banking, using big data technology to provide users with select and customised products and services. In addition, the Bank adopted new security authentication methods to realise the online application and the open of Mobile Key and SIM Key for its mobile banking, further simplifying the authentication process, raising the transaction limit, and making transactions safer and more convenient. The Bank enriched the content and functions of BOC Live Platform by adding functions such as thumbs-up interaction, invitation sharing, one-click order placing and card activation, so as to build a multimedia interactive bridge between itself and customers. In addition, the Bank continued to improve its service experience in online banking, telephone banking, WeChat banking and SMS banking.

The Bank enhanced FinTech applications, promoting better integrated service scenarios and building signature products. For products and services, it accelerated the development of its payment business, achieving a substantial increase in the number of customers making online payments and mobile payments, as well as in related transaction volume. The Bank further refined its one-stop financial supermarket by adding investment and wealth management information, simulated trading of precious metals and other services. It continued to promote the scenario-based and digital development of online financing products, and built a digital sandbox as an innovative incubation mechanism for online financing. The Bank enriched products under the import and export mode, and proposed and reached cooperation intentions in foreign exchange business with multiple payment institutions. For scenario integration, the Bank continued to build its E-BOC scenario expansion platform and carry out extensive external cooperation, thus promoting the integration of accounts, foreign exchanges, precious metals and other products into online scenarios. Meanwhile, the Bank strengthened the construction of localised scenarios and vigorously expanded scenarios in utility service payment and contactless payment of parking fee. Leveraging its mobile banking service, the Bank enriched comprehensive financial services such as fund, securities, life insurance and property insurance, and took the lead in launching cross-border tuition payment, BOC foreign currency banknote recognition and other cross-border financial services. For basic capacity, the Bank refined the process of corporate online banking activation and launched the function of contracting at the counter, so as to make corporate online banking activation more efficient. It continuously deepened big data applications, developed more unified and comprehensive customer labelling and 360-degree portraits, and realised close-loop targeted marketing consisting of data mining, data analysis, marketing strategy and outcome feedback. The Bank continued to enhance its smart anti-fraud capability and, expanded the coverage of concurrent risk control, which so far covers major online transactions and transactions through UnionPay card and other offline channels. In addition, the Bank built a smart customer communication and contact centre based on its new-generation customer service system, improving the experience and efficiency of customer services provided in several channels.

Information Technology Development

Following the strategy of enabling advancement through technology, the Bank remained committed to building a digital bank characterised by rich scenarios, online and offline coordination, the ultimate user experience, flexible and innovative products, efficient operation and management, and intelligent risk control.

The Bank carried out extensive ecosystem building and practiced an open concept of digital transformation. It actively promoted the pilot application of new technologies in financial scenarios through three strategies, namely integrated scene, integration of scenes and self-built scene. With the integration of the advantages of its internal and external resources, accelerate the ecological layout of high-loyal, high-dynamic scenes so as to support the transformation and upgrading of its products and services.

The Bank vigorously promoted digital transformation in key areas to support business innovation and development. It pushed forward key projects such as mobile banking, transaction banking, smart counters, smart outlets, smart customer services, a quantitative trading platform, online financing for SMEs and big data-based risk control, etc. This helped to enrich its services and products, functions and channels, thus improving customer experience and promoting financial innovation.

The Bank proactively strengthened its capabilities in global comprehensive IT application, promoting the integrated development of the Group. It vigorously supported the construction of information technology system of newly-established overseas institutions, actively promoting its regional business development and creating predominate products in cross-border market.

The Bank also accelerated the implementation of strategic infrastructure projects so as to consolidate its foundations for digital development. The Bank boosted the all-round strategic transformation of its technical architecture, following a technical development route that gives equal emphasis to centralised and distributed architectures. It continuously improved the three fundamental platforms of cloud computing, big data and AI, and accelerated the construction of its IT infrastructure layout and next generation backbone network.

The Bank deepened reform of its scientific and technological mechanism and system, and explored new paths for FinTech development. To this end, it established BOC Finance Technology Co., Ltd., and improved its mechanisms for the deep integration of business and technology. It set up innovative R&D bases and a joint innovation and application laboratory, continuously carried out fundamental research in cutting-edge technologies, and actively promoted the application of new technologies such as 5G, Internet of Things (IOT), blockchain and virtual reality.

Risk Management

The Bank endeavoured to fulfil the regulatory requirement of preventing and mitigating material risks and continued to improve its risk management system in line with the Group's strategies. It followed local and overseas regulatory requirements and, vigorously pushed forward its remediation and accountability for issues arising from the governance of market disruption, on-site efficiency examination of risk management and internal control and quarterly supervision reports, as well as comprehensively pushing forward compliance work in relation to effective risk data aggregation and risk reporting, so as to ensure compliant operations. The Bank refined its comprehensive risk management mechanism, re-examined and updated the Group's risk appetite management system, promoted the implementation of a new model of market-oriented risk management pertaining to asset management business and systematically monitored the risk management status of its comprehensive operation platforms. The Bank continued to develop and refine its risk measurement model, promoted the overseas implementation of an internal ratings-based approach and pushed forward the development of online models for inclusive finance, thus gradually improving its risk measurement abilities. In addition, it comprehensively implemented its Global Risk Mitigation System and proactively promoted the construction of an intelligent risk management system.

Credit Risk Management

Closely tracking changes in macroeconomic and financial conditions, the Bank successfully controlled and mitigated credit risks during the reporting period. It pushed forward the optimisation of its credit structure, further improved its credit risk management policies, strengthened credit asset quality management and took a proactive and forward-looking stance on risk management.

The Bank continuously adjusted and optimised its credit structure. With the aim of advancing strategic implementation and balancing risk, capital and return, it improved the management plans of its credit portfolios. In line with the national industrial policies, the Bank intensified the support to the real economy, boosted the high-quality development of the manufacturing industry, and bolstered the improvement of weak links in infrastructure. It also enacted guidelines for industrial lending and continued to push forward the building of an industrial policy system so as to optimise its credit structure.

Taking a customer-centric approach, the Bank further strengthened its unified credit granting management and enhanced full-scope centralised credit risk management. It continuously improved its long-acting credit management mechanism and asset quality monitoring system and further enhanced potential risk identification, control and mitigation mechanisms by intensifying post-lending management and reinforcing customer concentration management and control. The Bank enhanced the supervision of risk analysis and asset quality control in key regions, and strengthened window guidance on all business lines. In addition, it constantly identified, measured and monitored large exposures in line with the management requirements of large exposures.

In terms of corporate banking, the Bank further strengthened risk identification and control in key fields, proactively reduced and exited credit relationships in such fields. It strictly controlled the outstanding amount and use of loans through limit management, preventing and mitigating risk from overcapacity industries. Under the precondition of policy compliance, the Bank actively assisted local governments in mitigating implicit debt risk. In addition, it implemented the government's macro-control policies and regulatory measures in the real estate sector so as to strengthen the risk management of real estate loans. In terms of personal banking, the Bank reinforced the management of credit granting approval, improved approval quality, and prevented the risks of excessive credit and cross-infection while supporting the development of its personal credit business. It also strengthened the risk control of key products and regions.

The Bank strengthened country risk management. It performed an annual review of country risk ratings and implemented limit management and control of country risk exposures. It collected statistics, assessed, monitored, analysed and reported its exposures on a regular basis. The Bank regularly published country risk analysis reports within the Group and made timely assessments of the impact of material country risk events. In addition, the Bank adopted differentiated management of potentially high-risk and sensitive countries and regions. The Bank's net exposure of country risk mainly concentrated on the countries that have relatively low or low ratings, and its overall country risk remained at a reasonable level.

The Bank further stepped up the collection of NPAs. It re-allocated internal and external collection resources, and continued to adopt centralised and tiered management of NPA projects. It reinforced the supervision and management of key regions and key projects, in order to improve the quality and efficiency of disposals. The Bank proactively explored the application of "Internet Plus" in NPA collection, and diversified its disposal channels. In addition, it adopted policies based on the actual conditions of individual enterprises and took multiple measures where necessary. It gave full play to the role of creditor committee and enhanced the application of debt-for-equity swaps and restructuring efforts to help enterprises get out of difficulties, with the aim of realising mutual benefit for the Bank and the enterprises, and to support the real economy.

The Bank reasonably measured and managed the quality of its credit assets based on the *Guidelines for Loan Credit Risk Classification*. As at 30 June 2019, the Group's NPLs[4] totalled RMB175.899 billion, an increase of RMB8.958 billion compared with the prior year-end. The NPL ratio was 1.40%, down by 0.02 percentage point compared with the prior year-end. The Group's allowance for loan impairment losses amounted to RMB312.254 billion, an increase of RMB8.473 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 177.52%.

[4] Total loans under the "Risk Management — credit risk management" part are exclusive of accrued interest.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 30 June 2019		As at 31 December 2018	
	Amount	**% of total**	Amount	% of total
Group				
Pass	**12,016,923**	**95.87%**	11,278,379	95.68%
Special-mention	**342,158**	**2.73%**	342,363	2.90%
Substandard	**71,652**	**0.57%**	49,788	0.42%
Doubtful	**42,159**	**0.34%**	49,341	0.42%
Loss	**62,088**	**0.49%**	67,812	0.58%
Total	**12,534,980**	**100.00%**	11,787,683	100.00%
NPLs	**175,899**	**1.40%**	166,941	1.42%
Domestic				
Pass	**9,430,642**	**95.32%**	8,818,838	95.10%
Special-mention	**293,156**	**2.96%**	291,933	3.15%
Substandard	**69,185**	**0.70%**	48,281	0.52%
Doubtful	**40,452**	**0.41%**	47,536	0.51%
Loss	**61,008**	**0.61%**	66,961	0.72%
Total	**9,894,443**	**100.00%**	9,273,549	100.00%
NPLs	**170,645**	**1.72%**	162,778	1.76%

Migration Ratio

Unit: %

Items	**For the six-month period ended 30 June 2019**	2018	2017
Pass	**0.86**	2.20	1.97
Special-mention	**13.62**	23.70	20.37
Substandard	**18.35**	51.89	57.97
Doubtful	**15.04**	33.57	31.98

In accordance with IFRS 9, the Bank assesses expected credit losses (ECL) with forward-looking information and makes relevant allowances. In particular, it makes allowances for assets classified as stage 1 and assets classified as stage 2 and 3 according to ECL of 12 months and ECL of the entire lifetime of the assets, respectively. As at 30 June 2019, the Group's stage 1, stage 2 and stage 3 loans totalled RMB11,939.782 billion, RMB415.739 billion and RMB175.899 billion respectively, accounting for 95.28%, 3.32% and 1.40% of total loans. In the first half of 2019, the Group's impairment losses on loans amounted to RMB35.721 billion, an increase of RMB3.864 billion compared with the same period of the prior year. Credit cost accounted for 0.59%, an increase of 0.02 percentage point compared with the same period of the prior year. Please refer to Notes III.16 and IV.1 to the Condensed Consolidated Interim Financial Information for detailed information regarding loan classification, the classification of ECL stages 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: %

Indicators	Regulatory Standard	**As at 30 June 2019**	As at 31 December 2018	As at 31 December 2017
Loan concentration ratio of the largest single borrower	≤10	**3.3**	3.6	3.8
Loan concentration ratio of the ten largest borrowers	≤50	**14.9**	15.3	17.4

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 2019.

Unit: RMB million, except percentages

	Industry	Related Parties or not	Outstanding loans	% of total loans
Customer A	Manufacturing	No	68,747	0.55%
Customer B	Transportation, storage and postal services	No	49,432	0.39%
Customer C	Transportation, storage and postal services	No	34,820	0.28%
Customer D	Transportation, storage and postal services	No	31,814	0.25%
Customer E	Commerce and services	No	25,861	0.21%
Customer F	Real estate	No	22,000	0.18%
Customer G	Production and supply of electricity, heating, gas and water	No	20,648	0.16%
Customer H	Transportation, storage and postal services	No	20,430	0.16%
Customer I	Commerce and services	No	20,185	0.16%
Customer J	Transportation, storage and postal services	No	17,200	0.14%

Market Risk Management

In response to changes in the market environment, the Bank continued to enhance its market risk management.

The Bank actively adapted to changes in its business and the market by improving the Group's market risk management policy system, and re-examining and adjusting the Group's market risk limit. Paying close attention to regulatory dynamics and development trends in the financial market, the Bank strengthened its forward-looking research and judgment regarding market risks, thus bolstering its risk warning and mitigation capabilities. It continuously advanced the improvement of its market risk data mart and management system, so as to enhance the accuracy of risk measurement and improve its ability to quantify risk. Please refer to Note IV.2 to the Condensed Consolidated Interim Financial Information for detailed information regarding market risk.

The Bank strengthened risk management of the Group's bond investments, closely tracked market fluctuations and changes on regulatory policy, explicitly specified the regulatory standards and requirements for major areas. The Bank continued to strengthen its efforts to monitor and screen high risk bonds, and regularly conducts risk inspection of credit bonds.

The Bank assessed the interest rate risk in its banking book mainly through analysis of interest rate re-pricing gaps, made timely adjustments to the structure of its 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 exchange rate risk management, the Bank sought to achieve currency matching between fund source and application and managed exchange rate risk through timely settlement and hedging, thus effectively controlling its foreign exchange exposure.

Liquidity Risk Management

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

Adhering to an appropriate balance of safety, liquidity and profitability, and following regulatory requirements, the Bank improved its liquidity risk management in a forward-looking and scientific manner. The Bank enhanced liquidity risk management at the institution and Group level, including that of branches, subsidiaries and business lines. It formulated sound liquidity risk management policies and contingency plans, periodically re-examined liquidity risk limits, upgraded the early warning system for liquidity risk and strengthened the management of high-quality liquid assets, in order to strike an appropriate balance between risk and return. In addition, the Bank regularly improved its liquidity stress-testing scheme and performed stress tests on a quarterly basis. The stress tests showed that the Bank had adequate payment ability to cope with distressed scenarios.

As at 30 June 2019, 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 2019**	As at 31 December 2018	As at 31 December 2017
Liquidity ratio	RMB	≥25	**52.4**	58.7	47.1
	Foreign currency	≥25	**60.0**	54.8	56.9

Reputational Risk Management

The Bank earnestly implemented regulatory requirements regarding reputational risk management, continued to enhance its reputational risk management system and mechanism and strengthened the consolidated management of reputational risk, so as to enhance the overall reputational risk management level of the Group. It attached great importance to the investigation and pre-warning of potential reputational risk factors, strengthened public opinion monitoring, continued to conduct reputational risk identification, assessment and reporting, 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. In addition, the Bank continued to roll out reputational risk training so as to enhance employees' awareness and foster a culture of reputational risk management across 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 Group's level of compliance operation.

The Bank continued to adopt the "three lines of defence" mechanism for internal control. The first line of defence consists of business departments and all banking outlets. They are the owners of, and are accountable for, local risks and controls. They undertake self-directed risk control and management functions in the course of their business operations, including formulating and implementing policies, conducting business examination, reporting control deficiencies and organising rectifications.

The internal control and risk management departments of the Bank's institutions at all levels form the second line of defence. They are responsible for the overall planning, implementing, examining and assessing of risk management and internal control, as well as for identifying, measuring, monitoring and controlling risks. They led the first line of defence to enhance its use of the Group's operational risk monitoring and analysis platform, and are responsible for staff non-compliance sanctions and management accountability. Through regular monitoring of material risks, the Bank identified and mitigated risks in a timely manner and promoted the optimisation of business processes and systems.

The third line of defence rests in the audit department 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 Bank continued to push forward the reform of its human resource management system for the audit line, and further intensified the vertical management of its audit function. It enhanced audit team building, pushed forward the implementation of its three-year plan for IT applications in audit, reinforced the use of IT-based audit approaches and further improved the audit circulatory monitoring mechanism. Taking an issue-oriented approach, the Bank focused on comprehensive audits of its institutions and special audits of its businesses. It strengthened audits and inspections of high-risk institutions and businesses, as well as fields prioritised by the Group and of special concern to regulators. The Bank concentrated its attention on systemic, trending, emerging and important issues, so as to practically perform its internal audit function. It continued to apply a normalised supervision mechanism for the rectification of audit findings, and urged the timely and effective rectification of issues, so as to continually improve the Bank's internal governance and control mechanism.

The Bank rigorously implemented the work arrangements made by CBIRC regarding "consolidating the results achieved in cracking down irregularities and boosting compliant operations", case-based warning education campaign, and illegal fund-raising risk investigation and rectification, and organised bank-wide risk inspections to actively identify and mitigate risks, raised the compliance awareness of staffs and fostered an internal control compliance culture. In addition, the Bank implemented internal control and compliance management evaluation so as to enhance the routine management and control of its branches.

The Bank continued to implement the *Basic Standard for Enterprise Internal Control* and its supporting guidelines, adhering to the primary goal of ensuring the effectiveness of its internal control over financial reporting and the accuracy of its financial information. It also constantly improved non-financial internal control. The Bank earnestly implemented the *Guidelines for Internal Control of Commercial Banks* by following the basic principles of "complete coverage, checks and balances, prudence and correspondence", so as to promote internal control governance and an organisational structure characterised by a reasonable delegation of work, well-defined responsibilities and clear reporting relationships.

The Bank established and earnestly implemented a systematic financial accounting policy framework in accordance with relevant accounting laws and regulations. Accordingly, its accounting basis was solidified and the level of standardisation and refinement of its financial accounting management was further improved. Since 2018, the Bank has endeavoured to enhance the qualification of its accounting groundwork and establish a long-term accounting management mechanism. It continuously strengthened the quality management of its accounting information, so as to ensure internal control effectiveness 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.

Focusing on fraud risk prevention and control, the Bank proactively identified, assessed, controlled and mitigated risks. In the first half of 2019, the Bank successfully prevented 131 external cases involving RMB90.5811 million.

Operational Risk Management

The Bank continuously improved its operational risk management system. It reviewed and refined the application of operational risk management tools, including Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC), etc., to identify, assess and monitor operational risks, thus continuously improving its risk management measures. The Bank enhanced its system support 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 drills and improved the Group's capacity for continuous business operation.

Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the stable and sound development and sustainable operation of the Group. It strengthened the construction of its AML system, and refined its AML policies and rules system. It pushed forward system and model building and improved its system functions. The Bank made timely amendments to sanction compliance policies, improved sanction compliance procedures and standardised list maintenance, due diligence, judgment, handling and strengthened sanctions compliance monitoring and management. It drove forward overseas compliance management and improved its cross-border compliance management system by tracking global regulatory trends, regulatory inspection and evaluation as well as other compliance risk information in a timely manner, so as to implement the requirements of regulators and improve its overseas compliance management capabilities. It implemented AML training plan for all employees by conducting various forms of AML training, so as to enhance all employees' compliance awareness and abilities.

The Bank enhanced the management of its connected transactions and internal transactions. It stepped up efforts in the management of connected parties and consolidated the foundation of its connected transaction management. It strengthened the routine monitoring and examination of connected transactions and strictly controlled their risks. In addition, it continuously implemented internal transaction monitoring and reporting, thereby improving the technological capabilities of its internal transaction management.

Capital Management

Based on the requirement for high-quality development, the Bank continuously strengthened its capital management system to focus on optimising its business structure and improving its value creation capabilities, while also carrying out its external capital replenishment programme and increasing its capital adequacy through a variety of measures.

The Bank deeply implemented the concepts of capital constraint and value creation, optimised its assessment on capital budget implementation, promoted differentiated capital management, improved its assessment mechanism and reinforced the construction of its capital management system, so as to refine its overall capital management. The Bank accelerated its external capital replenishment. In the first half of 2019, it successfully issued RMB40.0 billion of its debut undated capital bonds in the domestic market, as well as completing the issuance of RMB73.0 billion of domestic preference shares. During the reporting period, the capital efficiency was further enhanced, the Group's capital adequacy ratio reached 15.33% at the end of June 2019, an increase of 0.36 percentage point compared with the prior year-end.

Capital Adequacy Ratios

As at 30 June 2019, the capital adequacy ratios separately calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* are listed below:

Unit: RMB million, except percentages

	Group		Bank	
Items	**As at 30 June 2019**	As at 31 December 2018	**As at 30 June 2019**	As at 31 December 2018
Net common equity tier 1 capital	**1,526,628**	1,465,769	**1,302,655**	1,251,056
Net tier 1 capital	**1,749,305**	1,575,293	**1,515,341**	1,350,770
Net capital	**2,087,358**	1,922,350	**1,837,530**	1,683,893
Common equity tier 1 capital adequacy ratio	**11.21%**	11.41%	**10.97%**	11.08%
Tier 1 capital adequacy ratio	**12.85%**	12.27%	**12.77%**	11.96%
Capital adequacy ratio	**15.33%**	14.97%	**15.48%**	14.92%

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 2019, 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 2019**	As at 31 December 2018
Net tier 1 capital	**1,749,305**	1,575,293
Adjusted on- and off-balance sheet assets	**23,813,940**	22,700,133
Leverage ratio	**7.35%**	6.94%

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

Social Responsibilities

The Bank actively assumed its responsibilities as a state-owned commercial bank. Leveraging the competitive advantages arising from its global and integrated operations, it continually expanded and deepened its practices in fulfilling social responsibilities, devoted itself to win-win cooperation with stakeholders and created lasting value for the economy, society and environment.

Following the requirements on reducing poverty through financial measures and pursuing objectives of the national major tasks, including building a moderately prosperous society in all respects and poverty alleviation, the Bank refined its allocation of financial resources and increased resource input in certain areas, with focus on the five essential needs of food, clothing, compulsory education, medical care and safe housing for those living in poverty, and concentrated on severely impoverished areas and those industries that benefit the impoverished. It made innovations in financial products and services, introduced high-quality industrial poverty alleviation entities for poverty-stricken areas, and stimulated the internal growth drivers in these areas. In addition, the Bank granted small-amount loans for poverty alleviation and government-sponsored student loans to satisfy the funding needs of the registered poverty-stricken population.

The Bank has supported poverty alleviation in the Yongshou, Changwu, Xunyi and Chunhua counties of Xianyang, Shaanxi Province for 17 consecutive years. It continued to make every effort to fight against extreme poverty, consolidate and enhance the quality of poverty alleviation, and strengthen both poverty alleviation and rural revitalisation. With precision input and precision plans, the Bank fully supported targeted counties in completing poverty alleviation tasks to a high standard and pushed forward the economic and social development and living standards improvement. In the first half of 2019, the Bank provided more than RMB14 million of cost-free capital to the four targeted counties, gave training to more than 500 officials and technicians at the primary level, and purchased and helped to sell over RMB60 million worth of agricultural products from poverty-stricken areas.

The Bank continued to provide government-sponsored student loans to support education. As at 30 June 2019, it had granted student loans of RMB23.734 billion to sponsor 1.80 million financially underprivileged students to complete their studies. It has sponsored the Tan Kah Kee Science Award for 16 consecutive years, in order to honour scientists who have made original scientific and technological achievements. The Bank has also carried out strategic cooperation with the National Centre for the Performing Arts for 11 consecutive years, with the aim of popularising the arts through financial channels. Moreover, as the official banking partner of the Beijing 2022 Olympic and Paralympic Winter Games, the Bank vigorously pushed forward financial service for winter sports industry by carrying out Olympics-themed publicity campaigns such as "Olympic Day" and "1,000-day Countdown to the Beijing 2022 Games", issuing the first Winter Sports-themed Visa Credit Cards and Debit Cards in the world, and serving as the first rotating chair of the Beijing 2022 Olympic Winter Games Partner Club, jointly supporting the development of winter sports and related industries with other relevant sectors of the community.

The Bank earnestly implemented national policies on green credit and promoted innovation in green finance, so as to provide impetus for the transformation of the economic development model, the improvement of the economic structure and the development of the green economy. It increased support for green industries such as clean energy, environmental protection, energy-saving and green transportation. It advocated "green operation" and "green office" concepts across the Bank, promoted paperless counter-based services, and encouraged environmental awareness among employees and customers.

The Bank's fulfilment of its social responsibilities was widely recognised by society. It received awards including "2018 Achievements in Assisting with the Fight against 'Three Critical Battles'", "2018 Achievements in Belt and Road Initiative" and "2018 Best Social Responsibility Manager" from the China Banking Association.

Outlook

The banking sector will continue to face a complicated operating environment in the second half of 2019. Globally, economic growth drivers will weaken, financial markets will become more volatile, and the overall economic environment will tighten. The Chinese economy will maintain stable growth, albeit within an external context characterised by greater uncertainty and instability.

Adhering at all times to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will resolutely implement national decisions and strategies, work towards the strategic goal of building a world-class bank in the new era, actively address the new environment's emerging challenges while making the most of its newly arising opportunities. It will stimulate a new vitality, foster new growth drivers, achieve new breakthroughs and make further progress in strategy implementation. First, the Bank will deepen reforms and seek innovation in its mechanisms, optimise the Group's organisational structure and system, strengthen team and talent building and work hard to improve assessment and incentive mechanisms, thus stimulating a new vitality across the whole Bank. Second, the Bank will seize opportunities with agility, accelerate digitalisation, tap business potential in strategic fields, speed up the build of ecosystem, forge new frontiers of business growth and foster new momentum for strategy implementation. Third, the Bank will tackle problems, balance weaknesses by enhancing strengths, push forward integrated operation and take decisive measures to seize opportunities in key business lines and fields, thus striving constantly for new breakthroughs. Fourth, the Bank will defend the risk bottom line and adopt appropriate measures to cope with changes in the internal and external situation. It will speed up the transformation of its credit management system and mechanism, strengthen the collection and mitigation of NPAs, and step up the compliance and AML management of its overseas institutions. Moreover, it will strengthen the consolidated management of the Group's risks and devote great efforts to internal control and case prevention management, thus sustaining the Group's business development in a stable manner over a long period of time.

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Share Capital

Unit: Share

		As at 1 January 2019		Increase/decrease during the reporting period					As at 30 June 2019	
		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. Overseas listed foreign shares	83,622,276,395	28.41%	–	–	–	–	–	83,622,276,395	28.41%
III.	**Total Ordinary Shares**	**294,387,791,241**	**100.00%**	**–**	**–**	**–**	**–**	**–**	**294,387,791,241**	**100.00%**

Notes:

1 As at 30 June 2019, 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.

2 As at 30 June 2019, 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 2019: 709,181 (including 522,749 A-Share Holders and 186,432 H-Share Holders)

The top ten ordinary shareholders as at 30 June 2019 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	(1,034,855)	81,910,823,803	27.82%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	–	8,596,044,925	2.92%	–	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	China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH	546,554,148	965,255,704	0.33%	–	None	Other	A
7	HKSCC Limited	(2,889,614)	646,719,768	0.22%	–	None	Foreign legal person	A
8	MUFG Bank, Ltd.	–	520,357,200	0.18%	–	Unknown	Foreign legal person	H
9	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	264,799,783	518,074,010	0.18%	–	None	Other	A
10	China Pacific Life Insurance Co., Ltd. — China Pacific Life Insurance Dividend Equity Portfolio (Traditional) with management of Changjiang Pension Insurance Co., Ltd.	–	382,238,605	0.13%	–	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 2019. 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.

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

"China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH" and "China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH" are both under management of China Life Insurance Company Limited.

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 2019, the shareholders indicated in the following table were substantial shareholders having the following interests in shares of the Bank (as defined in the SFO):

Name of shareholder	Capacity (types of interest)	Number of shares held/Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A-Share capital	Percentage of total issued H-Share capital	Percentage of total issued ordinary share capital
Central Huijin Investment Ltd.	Beneficial owner	188,461,533,607	A	89.42%	–	64.02%
	Interest of controlled corporations	1,810,024,500	A	0.86%	–	0.61%
	Total	190,271,558,107	A	90.28%	–	64.63%
National Council for Social Security Fund	Beneficial owner	6,684,735,907	H	–	7.99%	2.27%
BlackRock, Inc.	Interest of controlled corporations	6,067,202,180	H	–	7.26%	2.06%
		1,808,000(S)	H	–	0.002%	0.001%
Citigroup Inc.	Person having a security interest in shares	528,800	H	–	0.0006%	0.0002%
	Interest of controlled corporations	550,405,706	H	–	0.66%	0.19%
		143,817,331(S)	H	–	0.17%	0.05%
	Approved lending agent	4,470,821,170(P)	H	–	5.35%	1.52%
	Total	5,021,755,676	H	–	6.01%	1.71%
		143,817,331(S)	H	–	0.17%	0.05%
		4,470,821,170(P)	H	–	5.35%	1.52%

Notes:

1 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 6,067,202,180 H Shares and a short position of 1,808,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 6,067,202,180 H Shares, 5,030,000 H Shares are held through derivatives. The total 1,808,000 H Shares in the short position are held through derivatives.

2 Citigroup Inc. holds the entire issued share capital of Citicorp LLC, while Citicorp LLC holds the entire issued share capital of Citibank, N.A. Thus Citigroup Inc. and Citicorp LLC are deemed to have equal interests in shares of the Bank as Citibank, N.A. under the SFO. Citigroup Inc. holds a long position of 5,021,755,676 H Shares and a short position of 143,817,331 H Shares of the Bank through Citibank, N.A. and other corporations controlled by it. In the long position of 5,021,755,676 H Shares, 4,470,821,170 H Shares are held in the lending pool and 257,525,840 H Shares are held through derivatives. The total 143,817,331 H Shares in the short position are held through derivatives.

3 "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 2019, 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

Issuance and Listing of the Preference Shares

During the reporting period, with the approvals of CBIRC (Yinbaojianfu [2019] No. 387) and CSRC (Zhengjianxuke [2019] No. 1051), the Bank made a non-public issuance of RMB73.0 billion Domestic Preference Shares on 24 June 2019 in the domestic market. With the approval of SSE (Shangzhenghan [2019] No. 1164), such Domestic Preference Shares have been traded on the Comprehensive Business Platform of SSE since 17 July 2019.

For the terms of issuance of the Domestic Preference Shares, please refer to the Bank's announcements published on the websites of SSE, HKEX and the Bank.

Number of Preference Shareholders and Shareholdings

Below are the number and shareholding of the Bank's preference shareholders of the Domestic Preference Shares (First Tranche), the Domestic Preference Shares (Second Tranche) and the Offshore Preference Shares as at 30 June 2019.

Number of preference shareholders as at 30 June 2019: 48 (including 47 domestic preference shareholders and 1 offshore preference shareholder)

The top ten preference shareholders as at 30 June 2019:

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 Group Co., Ltd.	–	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	Zhong Wei Capital Holdings 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 2019, 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. Zhong Wei Capital Holdings Co., Ltd. is a subsidiary of China Shuangwei Investment Co., Ltd.

As at 30 June 2019, "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.

The Bank has completed the registration process of the custodian service for the Domestic Preference Shares (Third Tranche) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 4 July 2019. For details of the preference shareholders of Domestic Preference Shares (Third Tranche), please refer to the Bank's announcements published on the websites of SSE, HKEX and the Bank.

Profit Distribution of the Preference Shares

For the profit distribution policy of the preference shares and the profit distribution arrangements 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.

At the Board meeting held on 29 April 2019, the Proposal on Exercising the Redemption Right of the Offshore Preference Shares was approved. The Bank has received a reply letter from CBIRC that raised no objections to the Bank's redemption of Offshore Preference Shares of USD6.4998 billion (equivalent to approximately RMB39.94 billion). The Bank proposes to redeem all of its Offshore Preference Shares on 23 October 2019 in accordance with relevant laws, regulations and the issue documents of the Offshore Preference Shares.

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
LIU Liange	Chairman	LIAO Qiang	Non-executive Director
WU Fulin	Executive Director and Executive Vice President	ZHANG Jiangang	Non-executive Director
LIN Jingzhen	Executive Director and Executive Vice President	LEUNG Cheuk Yan	Independent Director
ZHAO Jie	Non-executive Director	WANG Changyun	Independent Director
XIAO Lihong	Non-executive Director	Angela CHAO	Independent Director
WANG Xiaoya	Non-executive Director	JIANG Guohua	Independent Director

Notes:

1 The information listed in the above table pertains to the incumbent directors.

2 Mr. WU Fulin began to serve as Executive Director and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 3 February 2019.

3 Mr. LIN Jingzhen began to serve as Executive Director and member of the Risk Policy Committee of the Board of Directors of the Bank as of 3 February 2019.

4 Mr. CHEN Siqing 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 28 April 2019 due to change of job.

5 The 2018 Annual General Meeting of the Bank held on 17 May 2019 considered and approved the proposal on the election of Mr. Martin Cheung Kong LIAO to be appointed as Independent Director of the Bank. The qualification of Mr. LIAO as Independent Director of the Bank is subject to the approval by CBIRC.

6 The 2018 Annual General Meeting of the Bank held on 17 May 2019 considered and approved the proposal on the election of Mr. TAN Yiwu to be appointed as Non-executive Director of the Bank. For his personal reasons, the qualification approval procedure for Mr. TAN Yiwu to be appointed as Non-executive Director of the Bank has been terminated.

7 Mr. LI Jucai ceased to serve as Non-executive Director and member of the Strategic Development Committee and the Audit Committee of the Board of Directors of the Bank as of 25 June 2019 due to change of job.

8 Mr. ZHAO Jie began to serve as member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 28 June 2019.

9 Mr. LIAO Qiang began to serve as member of the Risk Policy Committee of the Board of Directors of the Bank and ceased to serve as member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 28 June 2019.

10 Mr. JIANG Guohua began to serve as member of the Strategic Development Committee of the Board of Directors of the Bank as of 28 June 2019.

11 Mr. LIU Liange 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 as of 5 July 2019.

12 Mr. ZHANG Jiangang began to serve as Non-executive Director and member of the Strategic Development Committee and the Audit Committee of the Board of Directors of the Bank as of 29 July 2019.

13 Mr. LU Zhengfei ceased to serve as Independent Director, Chairman and member of the Audit Committee, Chairman and member of the Personnel and Remuneration Committee, and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 1 August 2019 due to the expiration of his term of office.

14 Mr. WANG Changyun began to serve as Chairman of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 1 August 2019.

15 Mr. JIANG Guohua began to serve as Chairman of the Audit Committee of the Board of Directors of the Bank as of 1 August 2019.

16 Ms. WANG Xiaoya began to serve concurrently as Non-executive Director of China Reinsurance (Group) Corporation as of 7 August 2019.

17 Among the incumbent directors, Non-executive Directors Mr. ZHAO Jie, Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. LIAO Qiang and Mr. ZHANG Jiangang were recommended by Central Huijin Investment Ltd., shareholder of the Bank. In addition, Non-executive Director Mr. LI Jucai, also recommended by Central Huijin Investment Ltd., resigned during the reporting period.

18 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	LENG Jie	Employee Supervisor
WANG Zhiheng	Employee Supervisor	JIA Xiangsen	External Supervisor
LI Changlin	Employee Supervisor	ZHENG Zhiguang	External Supervisor

Notes:

1 The information listed in the above table pertains to the incumbent supervisors.

2 Mr. WANG Zhiheng began to serve as member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 15 January 2019.

3 Mr. LI Changlin began to serve as member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 15 January 2019.

4 Mr. LENG Jie began to serve as member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 15 January 2019.

5 Mr. CHEN Yuhua ceased to serve as External Supervisor and Chairman of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 17 May 2019 due to related regulations.

6 Mr. JIA Xiangsen began to serve as External Supervisor of the Bank as of 17 May 2019, and as Chairman of the Financial and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 9 August 2019.

7 Mr. ZHENG Zhiguang began to serve as External Supervisor of the Bank as of 17 May 2019, and as member of the Duty Performance and Due Diligence Supervision Committee, member of the Financial and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 9 August 2019.

8 Mr. LIU Wanming ceased to serve as Shareholder Supervisor and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 18 May 2019 due to the expiration of his term of office.

9 During the reporting period, none of the supervisors held any share of the Bank.

Senior Management Members

Name	Position	Name	Position
WU Fulin	Executive Director and Executive Vice President	XIAO Wei	Chief Audit Officer
LIN Jingzhen	Executive Director and Executive Vice President	LIU Qiuwan	Chief Information Officer
SUN Yu	Executive Vice President	LIU Jiandong	Chief Risk Officer
ZHENG Guoyu	Executive Vice President	MEI Feiqi	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. PAN Yuehan ceased to serve as Chief Risk Officer of the Bank as of 18 January 2019 due to change of job.

3 Mr. SUN Yu began to serve as Executive Vice President and ceased to serve as Chief Overseas Business Officer of the Bank as of 3 February 2019.

4 Mr. LIU Jiandong began to serve as Chief Risk Officer of the Bank as of 3 February 2019.

5 Mr. ZHENG Guoyu began to serve as Executive Vice President of the Bank as of 28 May 2019.

6 Mr. LIU Liange ceased to serve as President of the Bank as of 27 June 2019 due to the change of job arrangements. Mr. LIU Liange will perform the duties as President of the Bank until the new President is appointed by the Bank and approved by CBIRC.

7 During the reporting period, no senior management member, except Mr. SUN Yu who held 10,000 H shares of the Bank, held any share of the Bank.

Organisational Management, Human Resources Development and Management

Organisational Management

As at 30 June 2019, the Bank had a total of 11,752 institutions worldwide, including 11,199 institutions in the Chinese mainland and 553 institutions in Hong Kong, Macao, Taiwan and other countries and regions. Its domestic commercial banking business comprised 10,722 institutions, including 38 tier-1 and direct branches, 357 tier-2 branches and 10,326 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	6,934,478	29.28%	2,093	17.81%	61,451	20.09%
Northeastern China	754,593	3.19%	939	7.99%	24,475	8.00%
Eastern China	4,657,329	19.67%	3,598	30.62%	91,171	29.81%
Central and Southern China	3,472,771	14.67%	2,832	24.10%	67,085	21.94%
Western China	1,709,467	7.22%	1,737	14.78%	37,235	12.18%
Hong Kong, Macao and Taiwan	4,103,555	17.33%	428	3.64%	18,479	6.04%
Other countries and regions	2,045,707	8.64%	125	1.06%	5,927	1.94%
Elimination	(1,411,876)	N/A	N/A	N/A	N/A	N/A
Total	**22,266,024**	**100.00%**	**11,752**	**100.00%**	**305,823**	**100.00%**

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

Human Resources Development and Management

As at 30 June 2019, the Bank had a total of 305,823 employees. There were 281,417 employees in the Bank's operations of the Chinese mainland, of which 269,357 worked in the Bank's domestic commercial banking operations. There were 24,406 employees in the Bank's operations in Hong Kong, Macao, Taiwan and other countries and regions. As at 30 June 2019, the Bank bore costs for a total of 5,408 retirees.

In the first half of 2019, in line with the Group's strategies and annual priorities, the Bank continued to improve its organisational structure, and strengthened the Head Office's leadership of its overseas institutions, thus effectively improving the coordinated management of overseas business and regional integration. It increased resource investment in key strategic regions, promoted the integrated development of institutions in the Yangtze River Delta, renovated the institutional management mechanism in Xiongan New Area, and reinforced the research effort in Hainan Free Trade Zone to support national strategies.

The Bank adhered to its performance-based and strategy-oriented personnel allocation mechanism, continually improved its personnel structure, devoted great energy to enhancing the cultivation of its talent pool, and allocated more personnel to its strategically important businesses and to regions with strong output performance and rapid benefit increase, with the aim of continually increasing the input-output efficiency of personnel allocation. Moreover, the Bank thoroughly implemented the national strategy of targeted poverty alleviation, selecting and dispatching outstanding personnel to frontline outlets and to areas facing challenging conditions, so as to support local economic development.

Actively responding to the Belt and Road Initiative, the Bank successfully held the Belt and Road international financial exchange & cooperation seminars for five central Asian countries, namely, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. In this way, the Bank effectively promoted cross-border economic and trade cooperation as well as cultural and educational exchanges, and demonstrated its international vision and sense of responsibility.

During the first half of 2019, 28,923 training courses were offered in the Bank's domestic commercial banking institutions, with an aggregate of 1,252,958 participants.

Corporate Governance

The Bank strictly follows the regulatory rules governing 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.

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 Limited* and the *Measures of Authorisation to the President by the Board of Directors of Bank of China Limited*. The implementation was satisfactory with no approval in excess of authority identified.

The Board of Directors paid close attention to enhancing directors' continuing professional development, organised research activities and training 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 most of the recommended best practices set out in the *Code*.

Shareholders' Meeting

On 4 January 2019, the Bank held its 2019 First Extraordinary General Meeting in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved proposals including the general mandate to issue new shares of the Bank, the non-public issuance plan of domestic preference shares of the Bank, the non-public issuance plan of offshore preference shares of the Bank, the impact on dilution of current returns and remedial measures upon the issuance of preference shares of the Bank, formulating the *Shareholder Return Plan for 2018 to 2020 of Bank of China Limited*, the election of Mr. WU Fulin to be appointed as Executive Director of Bank of China Limited, and the election of Mr. LIN Jingzhen to be appointed as Executive Director of Bank of China Limited. The proposals regarding the general mandate to issue new shares of the Bank, the non-public issuance plan of domestic preference shares of the Bank, and the non-public issuance plan of offshore preference shares of the Bank were special resolutions, while the rest of the proposals were ordinary resolutions.

On 17 May 2019, the Bank held its 2018 Annual General Meeting in Beijing and Hong Kong on-site and connected by way of video conference. A-Share Holders could also cast votes online. This meeting considered and approved the proposals including the 2018 work report of the Board of Directors, the 2018 work report of the Board of Supervisors, the 2018 annual financial report, the 2018 profit distribution plan, the 2019 annual budget for fixed assets investment, the appointment of the Bank's external auditor for 2019, the election of Mr. ZHANG Jiangang to be appointed as Non-executive Director of the Bank, the election of Mr. Martin Cheung Kong LIAO to be appointed as Independent Non-executive Director of the Bank, the election of Mr. WANG Changyun to be re-appointed as Independent Non-executive Director of the Bank, the election of Ms. Angela CHAO to be re-appointed as Independent Non-executive Director of the Bank, the election of Mr. WANG Xiquan to be re-appointed as Shareholder Representative Supervisor of the Bank, the election of Mr. JIA Xiangsen to be appointed as External Supervisor of the Bank, the election of Mr. ZHENG Zhiguang to be appointed as External Supervisor of the Bank, the 2017 remuneration distribution plan for Chairman of the Board of Directors and Executive Directors, the 2017 remuneration distribution plan for Chairman of the Board of Supervisors and Shareholder Representative Supervisors, the general mandate to issue new shares of the Bank, the issuance of bonds, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments, and the election of Mr. TAN Yiwu to be appointed as Non-executive Director of the Bank. The meeting also heard the report on the connected transactions for 2018, the duty report of Independent Directors for 2018, and the report on the implementation on the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China Limited for 2018*. The proposals regarding the general mandate to issue new shares of the Bank, the issuance of bonds, the issuance of write-down undated capital bonds, and the issuance of qualified write-down tier 2 capital instruments were special resolutions, while the rest of the proposals were ordinary resolutions.

The above shareholders' meetings were 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 meetings and communicated with shareholders on issues of concern. The Bank published announcements on the resolutions and legal opinions of the aforementioned shareholders' meetings 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 4 January 2019 and 17 May 2019.

Directors and the Board of Directors

Currently, the Board of Directors comprises twelve members. Besides the Chairman, there are two executive directors, five non-executive directors and four independent directors. The proportion of independent directors reaches one-third of the total number of directors, which is in compliance with the Articles of Association of the Bank and the relevant regulatory provisions.

Save as disclosed in this report, 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 2018 Annual Report of the Bank.

During the reporting period, the Bank convened four on-site meetings of the Board of Directors respectively on 25 January, 29 March, 29 April and 28 June. At these meetings, the Board of Directors mainly considered and approved proposals regarding the 2018 work report of the Board of Directors, the 2018 profit distribution plan, the 2018 internal control self-assessment report, the 2018 corporate social responsibility report, the 2018 annual report, the 2018 capital adequacy ratio report, the 2019 first quarter report, the nomination of candidates for directorships, and the issuance of bonds, 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 it in performing its functions under the authorisation of the Board of Directors. Independent directors individually serve as the chairman of the Audit Committee, the Risk Policy Committee, the Personnel and Remuneration Committee and the Connected Transactions Control Committee.

The positions of Chairman of the Board of Directors and President of the Bank are assumed by two persons. Mr. LIU Liange ceased to serve as President of the Bank as of 27 June 2019, and began to serve as Chairman of the Board of Directors of the Bank as of 5 July 2019. Prior to the appointment of a new President by the Bank and the approval of the qualification by CBIRC, Mr. LIU Liange performs duties as President. The work performance of each special committee during the reporting period was as follows:

Special Committees	Work Performance
Strategic Development Committee	The committee held five meetings, at which it mainly reviewed and approved the profit distribution plan for 2018, the report on corporate social responsibility for 2018, the business plan and financial budget for 2019, the plan for the inclusive finance business in 2019, the green finance development plan of Bank of China, the proposal on establishment of financial leasing company, the proposal on issuance of the write-down undated capital bonds, the proposal on issuance of qualified write-down tier 2 capital instruments, among others.
Audit Committee	The committee held three meetings, at which it mainly reviewed and approved the 2019 work plan and financial budget for internal audit. It reviewed the 2018 financial report, the 2019 first quarter financial report, the 2018 internal control work report, the 2018 internal control self-assessment report, and the audit results on internal control and management proposal. In addition, it heard the work report on internal audit in 2018, the progress report on the three-year plan for IT application in audit, the 2018 report on the overseas supervision information, the progress report on internal control audit of Ernst & Young in 2018, updates on compliance with the principle of independence, the 2019 audit plan, and the report on asset quality in the first quarter of 2019, among others.
Risk Policy Committee	The committee held four meetings, at which it mainly reviewed and approved proposals including the Securities Investment Policy (Revision), the General Principles of Risk Management (2019 Edition), the Market Risk Management Policy, the Trading Book Market Risk Limits (Level A) in 2019, the Capital Adequacy Ratio Report of 2018, the Internal Capital Adequacy Assessment Report for 2019 and the Liquidity Risk Management Policy (2019 Edition). The committee also regularly reviewed Group risk reports and Progress Report on Compliance Work Plan for Effective Risk Data Aggregation and Risk Reporting.
Personnel and Remuneration Committee	The committee held five meetings, at which it mainly reviewed and approved the proposal to appoint Mr. WU Fulin and Mr. LIN Jingzhen as members of special committees of the Board of Directors, the proposal to appoint Mr, SUN Yu as Executive Vice President of the Bank, the proposal to appoint Mr. LIU Jiandong as Chief Risk Officer of the Bank, the proposal on nominating Mr. WANG Changyun and Ms. Angela CHAO to be re-appointed as Independent Non-executive Directors of the Bank, the proposal on nominating Mr. ZHANG Jiangang as candidate of Non-executive Director of the Bank, the proposal on nominating Mr. Martin Cheung Kong LIAO as candidate of Independent Non-executive Director of the Bank. It also reviewed and approved the proposal on the performance evaluation results of the Chairman of the Board of Directors, executive directors and senior management members in 2018, the proposal to appoint Mr. ZHENG Guoyu as Executive Vice President of the Bank, the proposal on adjusting the chairmen and members of special committees of the Board of Directors, and the proposal to elect Mr. LIU Liange as the Chairman of the Board of Directors of the Bank, among others.
Connected Transactions Control Committee	The Connected Transactions Control Committee held two meetings, at which it mainly reviewed and approved proposals including amendments to connected transaction management policy, the report on connected transactions in 2018 and the report on the connected party list, among others. It also reviewed the statement of connected transactions of the Bank in 2018, among others.

Supervisors and the Board of Supervisors

The Board of Supervisors currently comprises six members, with one shareholder supervisor (Chairman of the Board of Supervisors), three employee supervisors and two external supervisors.

During the reporting period, with the target of building a world-class bank in the new era, the Board of Supervisors of the Bank performed its supervisory duties in accordance with the law, took solid supervisory actions regarding the Bank's strategies, duty performance, finance, internal control and risk management, and actively played the supervisory and advisory role. To enhance the effectiveness of the Bank's internal supervision mechanism, it conducted 2018 duty performance assessment of the Board of Directors, the Senior Management and its members, carried out its annual assessment of duty performance of supervisors, and performed effective day-to-day supervision over duty performance. In order to enhance strategic and financial supervision, the Board of Supervisors developed an in-depth understanding of bank-wide dynamics in operation and management, carefully reviewed regular reports, and further strengthened strategy assessment. At the same time, it conducted effective forward-looking analysis and judgment, and issued prompt reminders to the Senior Management and relevant departments, in order to enhance its supervision over risk management and internal control. In addition, the Board of Supervisors strengthened information sharing with the Bank's discipline inspection and supervision, audit, risk, internal control functions and other departments, so as to improve the efficiency and effectiveness of coordinated supervision. Adhering to the goal of building a world-class bank in the new era, it earnestly performed its supervisory and advisory function by launching special surveys regarding various topics including strategy implementation and the business model of village banks.

During the reporting period, the Board of Supervisors held two on-site meetings on 29 March and 28 April, and convened three meetings via written resolutions, at which it mainly reviewed and approved the proposals regarding the Bank's 2018 annual report, 2018 profit distribution plan, 2018 internal control assessment report, 2018 corporate social responsibility report, evaluation opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors, the Senior Management and its members for 2018, the 2018 work report of the Board of Supervisors, and the report for the first quarter ended 31 March 2019, among others. The Duty Performance and Due Diligence Supervision Committee held two on-site meetings, and Finance and Internal Control Supervision Committee held two on-site meetings, at which the two committees carried out preliminary review of their respective issues of relevance and submitted them to the Board of Supervisors for review and approval.

During the reporting period, External Supervisors Mr. JIA Xiangsen, Mr. ZHENG Zhiguang and Mr. CHEN Yuhua performed their supervisory duties in strict accordance with the provisions of the Articles of Association of the Bank. Mr. JIA Xiangsen attended meetings of the Board of Directors as a non-voting attendee during his term of office, and attended one meeting via written resolutions held by the Board of Supervisors. He participated in the special surveys regarding the business model of village banks and strategy implementation, and visited a number of branch offices to learn about the local situation. Mr. ZHENG Zhiguang attended one meeting via written resolutions held by the Board of Supervisors, participated in the special surveys regarding the business model of village banks and strategy implementation, and visited a number of branch offices to learn about the local situation. Mr. CHEN Yuhua attended two on-site meetings and two meetings via written resolutions held by the Board of Supervisors, attended and chaired two meetings of the Finance and Internal Control Supervision Committee of the Board of Supervisors, and attended meetings of the Board of Directors and the Audit Committee, among others, as a non-voting attendee. He participated in the special survey regarding the business model of village banks, and visited a number of branch offices to learn about the local situation. The external supervisors expressed opinions independently and objectively during their terms of office, and put forward important suggestions on strategy implementation, business development and risk management, thus playing an active role in promoting the improvement of the Bank's corporate governance and management.

Senior Management

During the reporting period, 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. Closely adhering to the strategic goal of building a world-class bank in the new era and to the annual performance objectives approved by the Board of Directors, persistently enabling advancement through technology, driving development through innovation, delivering performance through transformation and enhancing strength through reform, it emphasised on stimulating vitality, making agile reaction and achieving breakthroughs in key areas, accelerated the implementation of various tasks in the development strategy. Thus the Group realised continuous and stable improvement in business performance.

During the reporting period, the Senior Management of the Bank held 16 regular meetings, at which it discussed and decided upon a series of significant matters, including the Group's business development, performance management, risk management, IT system development, product and service innovation, integrated operation, globalised development, inclusive finance, scenario building and pension financial services. It also convened special meetings to study and make arrangements for matters relating to corporate banking, personal banking, financial markets, channel building, compliance management and data governance.

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, the Asset Disposal Committee and the Credit Risk Management and Decision-making Committee), the Procurement Review Committee, the IT Management Committee, the Securities Investment and Management Committee, the Internet Finance Committee, the Innovation and Product Management Committee, the Integrated Operation Coordination Committee, and the Asset Management Business 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 pushed 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 the profit distribution policy and profit distribution plan.

The Bank considered and approved the *Shareholder Return Plan for 2018 to 2020* at the 2019 First Extraordinary General Meeting on 4 January 2019, specifying the basic principles, shareholder return plan and decision-making and supervisory mechanisms on the formulation, implementation and amendment of the shareholder return plan of the Bank.

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 2019, the Bank distributed dividends on ordinary shares for 2018 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 payment due date of the 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 2019, 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 2018 Annual General Meeting on 17 May 2019 considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus reserve of RMB16.217 billion; appropriation to general and regulatory reserves of RMB24.123 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, RMB0.184 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 31 May 2019, amounting to approximately RMB54.167 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 2019, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

At the Board meeting held on 25 January 2019, 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 2019, 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 2019, 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 2019. 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 2019 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

During the reporting period, the Bank did not undertake any purchase and sale of material assets that is need to be disclosed.

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 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 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.29 of the Condensed Consolidated Interim Financial Information.

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

During the reporting period, the Bank did not take, 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 CBIRC, 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 carries 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

There was no undertaking that has been fulfilled by the Bank during the reporting period. As at the end of the reporting period, there was no undertaking failed to be fulfilled by the Bank.

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, preference shares and undated capital bonds 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 2019, the total number of the Bank's treasury shares was approximately 19.49 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 six members, including Non-executive Directors Mr. ZHAO Jie and Mr. ZHANG Jiangang, Independent Directors Mr. LEUNG Cheuk Yan, Mr. WANG Changyun, Ms. Angela CHAO and Mr. JIANG Guohua. Independent Director Mr. JIANG Guohua 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 2019 to provide audit services on its financial statements and internal control pursuant to CAS and engaged Ernst & Young as its international auditor for 2019 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 2019, 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 and made active efforts in the protection of consumer rights and interests, strictly implements national laws and regulations on consumer protection, and protects the legitimate rights and interests of financial consumers according to law, thus continuously improving its consumer protection management system. In the first half of 2019, in accordance with regulatory requirements and market changes, the Bank improved its consumer protection policy system, enhanced the building of the consumer protection systems and mechanisms, raised the sense of responsibility and mission for consumer protection, and incorporated consumer protection efforts into its corporate governance, corporate culture and development strategy. In response to regulatory requirements, the Bank implemented the *Industry Standards for Statistical Classification and Coding of Complaints Filed by Financial Consumers of Banking Institutions*, stepped up efforts in standardising the handling of consumer complaints, and gave full play to the role of consumer complaints in helping to supervise and improve the quality of the Bank's products and services. In addition, the Bank carried out financial knowledge promotional and educational activities, with the themes such as the "3.15 Consumer Protection Education and Publicity Week", the "3.15 Rights • Responsibilities • Risks, Financial Consumer Rights Day", the "Promoting Financial Knowledge, Protecting Personal Wealth", and the "Financial Knowledge Popularisation", and was honoured as the excellent organiser in the "3.15 Consumer Protection Education and Publicity Week".

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 2019 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, China) 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 75 to 170, 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 2019 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

Ernst & Young
Certified Public Accountants

Hong Kong
30 August 2019

Interim Financial Information

CONTENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENT . . . 75
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME . . . 76
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION . . . 77
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY . . . 79
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS . . . 81

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

I. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES . . . 83
II. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES . . . 86
III. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income . . . 87
2 Net fee and commission income . . . 87
3 Net trading gains . . . 88
4 Net gains on financial asset transfers . . . 88
5 Other operating income . . . 89
6 Operating expenses . . . 89
7 Staff costs . . . 90
8 Impairment losses on assets . . . 90
9 Income tax expense . . . 91
10 Earnings per share (basic and diluted) . . . 93
11 Other comprehensive income . . . 94
12 Cash and due from banks and other financial institutions . . . 95
13 Balances with central banks . . . 96
14 Placements with and loans to banks and other financial institutions . . . 97
15 Derivative financial instruments . . . 98
16 Loans and advances to customers . . . 99
17 Financial investments . . . 103
18 Property and equipment . . . 109
19 Investment properties . . . 111
20 Other assets . . . 111
21 Financial liabilities held for trading . . . 113
22 Due to customers . . . 114
23 Deferred income taxes . . . 115
24 Other liabilities . . . 117
25 Other equity instruments . . . 118
26 Dividends . . . 120
27 Contingent liabilities and commitments . . . 120
28 Note to the condensed consolidated statement of cash flows . . . 124
29 Related party transactions . . . 124
30 Segment reporting . . . 129
31 Transfers of financial assets . . . 135
32 Interests in the structured entities . . . 136
33 Events after the financial reporting date . . . 139

IV. FINANCIAL RISK MANAGEMENT

1 Credit risk . . . 140
2 Market risk . . . 151
3 Liquidity risk . . . 158
4 Fair value . . . 160
5 Capital management . . . 167

SUPPLEMENTARY INFORMATION

I. DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL STATEMENTS . . . 170
II. UNAUDITED SUPPLEMENTARY INFORMATION

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio . . . 170
2 Currency concentrations . . . 179
3 International claims . . . 179
4 Overdue assets . . . 180
5 Capital adequacy ratio supplementary information . . . 181
6 Leverage ratio . . . 211

Condensed Consolidated Income Statement

For the six month period ended 30 June 2019 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2019	**2018**
	Note	**Unaudited**	**Unaudited (Restated)***
Interest income	III.1	**365,364**	330,209
Interest expense	III.1	**(183,680)**	(157,758)
Net interest income		**181,684**	172,451
Fee and commission income	III.2	**57,465**	53,641
Fee and commission expense	III.2	**(6,901)**	(5,453)
Net fee and commission income		**50,564**	48,188
Net trading gains	III.3	**14,584**	4,123
Net gains on financial asset transfers	III.4	**3,244**	1,852
Other operating income	III.5	**26,612**	24,868
Operating income		**276,688**	251,482
Operating expenses	III.6	**(91,130)**	(82,132)
Impairment losses on assets	III.8	**(33,670)**	(28,270)
Operating profit		**151,888**	141,080
Share of results of associates and joint ventures		**670**	881
Profit before income tax		**152,558**	141,961
Income tax expense	III.9	**(31,116)**	(26,386)
Profit for the period		**121,442**	115,575
Attributable to:			
Equity holders of the Bank		**114,048**	109,088
Non-controlling interests		**7,394**	6,487
		121,442	115,575
Earnings per share (in RMB)	III.10		
— Basic		**0.38**	0.37
— Diluted		**0.38**	0.37

* For details of the restatement, please refer to Basis of Preparation and Principal Accounting Policies.

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 2019 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2019	**2018**
	Note	**Unaudited**	**Unaudited**
Profit for the period		**121,442**	115,575
Other comprehensive income:	III.11		
Items that will not be reclassified to profit or loss			
— Actuarial gains/(losses) on defined benefit plans		**14**	(70)
— Changes in fair value on investments in equity instruments designated at fair value through other comprehensive income		**1,398**	(16)
— Other		**(41)**	(5)
Subtotal		**1,371**	(91)
Items that may be reclassified subsequently to profit or loss			
— Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income		**4,660**	7,172
— Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income		**217**	396
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method		**(313)**	(107)
— Exchange differences from the translation of foreign operations		**1,170**	2,406
— Other		**191**	251
Subtotal		**5,925**	10,118
Other comprehensive income for the period, net of tax		**7,296**	10,027
Total comprehensive income for the period		**128,738**	125,602
Total comprehensive income attributable to:			
Equity holders of the Bank		**120,079**	118,681
Non-controlling interests		**8,659**	6,921

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2019 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	As at 30 June 2019 Unaudited	As at 31 December 2018 Audited
ASSETS			
Cash and due from banks and other financial institutions	III.12	**472,588**	439,931
Balances with central banks	III.13	**2,069,564**	2,331,053
Placements with and loans to banks and other financial institutions	III.14	**1,170,100**	1,042,358
Government certificates of indebtedness for bank notes issued		**152,617**	145,010
Precious metals		**202,358**	181,203
Derivative financial assets	III.15	**86,982**	124,126
Loans and advances to customers, net	III.16	**12,257,784**	11,515,764
Financial investments	III.17	**5,361,318**	5,054,551
— financial assets at fair value through profit or loss		**443,792**	370,491
— financial assets at fair value through other comprehensive income		**2,084,968**	1,879,759
— financial assets at amortised cost		**2,832,558**	2,804,301
Investments in associates and joint ventures		**23,384**	23,369
Property and equipment	III.18	**232,579**	227,394
Investment properties	III.19	**22,788**	22,086
Deferred income tax assets	III.23	**37,115**	38,204
Other assets	III.20	**176,847**	122,226
Total assets		**22,266,024**	21,267,275

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

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2019 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	As at 30 June 2019 Unaudited	As at 31 December 2018 Audited
LIABILITIES			
Due to banks and other financial institutions		**1,784,482**	1,731,209
Due to central banks		**913,185**	907,521
Bank notes in circulation		**152,591**	145,187
Placements from banks and other financial institutions		**529,401**	612,267
Financial liabilities held for trading	III.21	**18,273**	14,327
Derivative financial liabilities	III.15	**82,861**	99,254
Due to customers	III.22	**15,644,634**	14,883,596
Bonds issued		**827,575**	782,127
Other borrowings		**29,704**	32,761
Current tax liabilities		**36,737**	27,894
Retirement benefit obligations		**2,660**	2,825
Deferred income tax liabilities	III.23	**4,959**	4,548
Other liabilities	III.24	**331,510**	298,362
Total liabilities		**20,358,572**	19,541,878
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital		**294,388**	294,388
Other equity instruments	III.25	**212,685**	99,714
Capital reserve		**142,219**	142,135
Treasury shares		**(57)**	(68)
Other comprehensive income	III.11	**7,423**	1,417
Statutory reserves		**157,887**	157,464
General and regulatory reserves		**231,674**	231,525
Undistributed profits		**744,199**	686,405
		1,790,418	1,612,980
Non-controlling interests		**117,034**	112,417
Total equity		**1,907,452**	1,725,397
Total equity and liabilities		**22,266,024**	21,267,275

Approved and authorised for issue by the Board of Directors on 30 August 2019.

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

LIU Liange
Director

WU Fulin
Director

Condensed Consolidated Statement of Changes In Equity

For the six month period ended 30 June 2019 (Amounts 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 2019		294,388	99,714	142,135	1,417	157,464	231,525	686,405	(68)	112,417	1,725,397
Total comprehensive income for the period		–	–	–	6,031	–	–	114,048	–	8,659	128,738
Appropriation to statutory reserves		–	–	–	–	423	–	(423)	–	–	–
Appropriation to general and regulatory reserves		–	–	–	–	–	149	(149)	–	–	–
Dividends	III.26	–	–	–	–	–	–	(55,707)	–	(3,968)	(59,675)
Net change in treasury shares		–	–	–	–	–	–	–	11	–	11
Capital contribution by other equity instruments holders	III.25	–	112,971	–	–	–	–	–	–	–	112,971
Other comprehensive income transferred to retained earnings		–	–	–	(25)	–	–	25	–	–	–
Other		–	–	84	–	–	–	–	–	(74)	10
As at 30 June 2019		294,388	212,685	142,219	7,423	157,887	231,674	744,199	(57)	117,034	1,907,452

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

For the six month period ended 30 June 2019 (Amounts 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 2018		294,388	99,714	141,880	(28,454)	141,247	207,402	605,277	(102)	79,910	1,541,262
Total comprehensive income for the period		–	–	–	9,593	–	–	109,088	–	6,921	125,602
Appropriation to statutory reserves		–	–	–	–	(48)	–	48	–	–	–
Appropriation to general and regulatory reserves		–	–	–	–	–	917	(917)	–	–	–
Dividends		–	–	–	–	–	–	(53,352)	–	(2,904)	(56,256)
Net change in treasury shares		–	–	–	–	–	–	–	51	–	51
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	2	2
Other comprehensive income transferred to retained earnings		–	–	–	(104)	–	–	104	–	–	–
Other		–	–	246	–	–	–	–	–	(246)	–
As at 30 June 2018		294,388	99,714	142,126	(18,965)	141,199	208,319	660,248	(51)	83,683	1,610,661
Total comprehensive income for the period		–	–	–	20,267	–	–	70,998	–	8,700	99,965
Appropriation to statutory reserves		–	–	–	–	16,265	–	(16,265)	–	–	–
Appropriation to general and regulatory reserves		–	–	–	–	–	23,206	(23,206)	–	–	–
Dividends		–	–	–	–	–	–	(5,251)	–	(2,197)	(7,448)
Net change in treasury shares		–	–	–	–	–	–	–	(17)	–	(17)
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	20,581	20,581
Other comprehensive income transferred to retained earnings		–	–	–	115	–	–	(115)	–	–	–
Other		–	–	9	–	–	–	(4)	–	1,650	1,655
As at 31 December 2018		294,388	99,714	142,135	1,417	157,464	231,525	686,405	(68)	112,417	1,725,397

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 2019 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2019 Unaudited	2018 Unaudited
Cash flows from operating activities			
Profit before income tax		**152,558**	141,961
Adjustments:			
Impairment losses on assets		**33,670**	28,270
Depreciation of property and equipment and right-of-use assets		**9,900**	6,526
Amortisation of intangible assets and other assets		**1,943**	1,704
Net gains on disposal of property and equipment, intangible assets and other long-term assets		**(246)**	(360)
Net gains on disposal of investments in subsidiaries, associates and joint ventures		**–**	(28)
Share of results of associates and joint ventures		**(670)**	(881)
Interest income arising from financial investments		**(76,251)**	(69,379)
Dividends arising from investment securities		**(120)**	(119)
Net gains on financial investments		**(2,422)**	(1,160)
Interest expense arising from bonds issued		**14,396**	9,465
Accreted interest on impaired loans		**(790)**	(881)
Interest expense arising from lease liabilities		**408**	N/A
Net changes in operating assets and liabilities:			
Net decrease in balances with central banks		**22,243**	55,215
Net (increase)/decrease in due from and placements with and loans to banks and other financial institutions		**(77,963)**	136,281
Net (increase)/decrease in precious metals		**(21,182)**	11,581
Net increase in loans and advances to customers		**(774,079)**	(550,425)
Net increase in other assets		**(101,113)**	(42,520)
Net increase in due to banks and other financial institutions		**56,441**	230,872
Net increase/(decrease) in due to central banks		**5,471**	(106,832)
Net decrease in placements from banks and other financial institutions		**(82,672)**	(135,405)
Net increase in due to customers		**762,854**	694,929
Net decrease in other borrowings		**(3,057)**	(3,687)
Net increase/(decrease) in other liabilities		**13,101**	(24,316)
Cash (outflow)/inflow from operating activities		**(67,580)**	380,811
Income tax paid		**(23,314)**	(21,742)
Net cash (outflow)/inflow from operating activities		**(90,894)**	359,069

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

For the six month period ended 30 June 2019 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June 2019 Unaudited	2018 Unaudited
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**3,108**	5,284
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		**823**	938
Dividends received		**166**	124
Interest income received from financial investments		**76,908**	71,495
Proceeds from disposal/maturity of financial investments		**1,328,628**	1,110,639
Increase in investments in subsidiaries, associates and joint ventures		**(1,145)**	(988)
Purchase of property and equipment, intangible assets and other long-term assets		**(10,812)**	(16,172)
Purchase of financial investments		**(1,553,900)**	(1,300,193)
Net cash outflow from investing activities		**(156,224)**	(128,873)
Cash flows from financing activities			
Proceeds from issuance of bonds		**320,351**	243,981
Proceeds from issuance of other equity instruments		**112,971**	–
Repayments of debts issued		**(290,135)**	(206,016)
Cash payments for interest on bonds issued		**(5,213)**	(4,080)
Dividend payments to equity holders of the Bank		**(55,707)**	(1,540)
Dividend and coupon payments to non-controlling shareholders		**(3,968)**	(593)
Other net cash flows from financing activities		**(3,241)**	51
Net cash inflow from financing activities		**75,058**	31,803
Effect of exchange rate changes on cash and cash equivalents		**3,326**	3,751
Net (decrease)/increase in cash and cash equivalents		**(168,734)**	265,750
Cash and cash equivalents at beginning of the period		**1,688,600**	958,752
Cash and cash equivalents at end of the period	III.28	**1,519,866**	1,224,502

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

(Amounts in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six month period ended 30 June 2019 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 2018.

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 2018.

1 Standards, amendments and interpretations effective by the Group in 2019

On 1 January 2019, the Group adopted the following new standards, amendments and interpretations.

IFRS 16	*Leases*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
IAS 19 Amendments	*Plan amendment, Curtailment or Settlement*
IAS 28 Amendments	*Long-term Interests in Associates and Joint Ventures*
Annual Improvements to IFRSs 2015–2017 Cycle (issued in December 2017)	

In January 2016, the IASB issued IFRS 16 *Leases*, which replaced IAS 17 and IFRIC 4. Under IFRS 16, the classifications of finance lease and operating lease for lessees are removed, and lessees recognise right-of-use assets and lease liabilities for all leases (except short-term leases and leases of low-value assets elected to be accounted for using a practical expedient) and recognise depreciation and interest expense respectively. The Group has adopted IFRS 16 since 1 January 2019 and applied the modified retrospective approach without restating comparative figures. The Group has not reassessed the existing contracts before 1 January 2019 (date of initial application) and has used practical expedients. As a lessee, the Group has elected to exercise the recognition exemption not to recognise the right-of-use assets and lease liabilities for leases of which the underlying assets are of low value or for which the contract would end within 12 months from the date of initial application, and has recognised the profit or loss on a straight-line basis over the lease term. Therefore, the financial information for the six month period ended 30 June 2019 related to leasing presented on the interim financial information is not comparable with the comparative financial information presented in the 2018 financial statements in accordance with the former lease standards.

(Amounts in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Standards, amendments and interpretations effective by the Group in 2019 (Continued)

For the outstanding minimum lease payment for operating leases disclosed in the financial statements of 2018, the Group used its incremental borrowing interest rate as at 1 January 2019 to discount the lease payment, and the reconciliation to the opening balance for the lease liabilities in the statement of financial position as at 1 January 2019 is as follows:

	Amount
Minimum lease payment for operating leases as at 31 December 2018	28,093
Less: minimum lease payment with recognition exemption — short-term leases	**(938)**
Less: minimum lease payment with recognition exemption — leases of low-value assets	**(53)**
Less: the impact of lease payment discounted at incremental borrowing interest rate as at 1 January 2019	**(6,564)**
Add: other adjustments	**544**
Lease liabilities as at 1 January 2019	**21,082**
Right-of-use assets as at 1 January 2019	**22,563**

IFRIC Interpretation 23 clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The interpretation mainly addresses the following four areas: whether an entity separately considers the uncertainty of tax treatments; assumptions adopted by an entity to address the examination of tax treatments by taxation authorities; how an entity determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances.

IAS 19 Amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments do not address the accounting for "significant market fluctuations" in the absence of a plan amendment, curtailment or settlement.

IAS 28 Amendments clarify that an entity applies IFRS 9 *Financial Instruments* ("IFRS 9") to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Entities must apply the amendments retrospectively, with certain exceptions.

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Standards, amendments and interpretations effective by the Group in 2019 (Continued)

Annual Improvements to IFRSs 2015–2017 Cycle was issued in December 2017. Those amendments affect IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

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.

2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2019

		Effective for annual periods beginning on or after
IFRS 3 Amendments	*Definition of a Business*	1 January 2020
IAS 1 and IAS 8 Amendments	*Definition of Material*	1 January 2020
IFRS 17	*Insurance Contracts*	1 January 2021
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

The Group is considering the impact of IFRS 17 on the consolidated financial statements. Except for IFRS 17, the adoption of the above standards and amendments will have no material impact on the financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

3 Changes in presentation of financial statements

In accordance with the requirements of the *Circular on Revising and Issuing 2018 Versions of Financial Statement Templates for Financial Enterprises* (Cai Kuai [2018] No. 36), the Group has restated the financial statements for the six month period ended 30 June 2018.

Items in the Group's consolidated income statement for the six month period ended 30 June 2018 affected by the above adjustments are as follows. The above adjustments have no impact on the Group's profit and equity.

	For the six month period ended 30 June 2018		
	Before restatement	**Impact of restatement**	**Restated**
Interest income	334,583	(4,374)	330,209
Interest expense	(157,882)	124	(157,758)
Net interest income	176,701	(4,250)	172,451
Net trading gains	(127)	4,250	4,123
Net gains on financial asset transfers	1,160	692	1,852
Other operating income	25,560	(692)	24,868

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 2018.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	For the six month period ended 30 June	
	2019	**2018**
Interest income		
Loans and advances to customers	**253,135**	224,817
Financial investments(1)	**76,251**	69,379
Due from and placements with and loans to banks and other financial institutions and central banks	**35,978**	36,013
Subtotal	**365,364**	330,209
Interest expense		
Due to customers	**(134,919)**	(110,411)
Due to and placements from banks and other financial institutions	**(33,442)**	(37,559)
Bonds issued and other(2)	**(15,319)**	(9,788)
Subtotal	**(183,680)**	(157,758)
Net interest income	**181,684**	172,451
Interest income accrued on impaired financial assets (included within interest income)	**790**	881

(1) Interest income on "Financial investments" is principally derived from debt securities listed in the domestic interbank bond market and unlisted debt securities in Hong Kong, Macao, Taiwan and other countries and regions.

(2) For the six month period ended 30 June 2019, the Group's interest expense related to lease liabilities amounted to RMB408 million.

2 Net fee and commission income

	For the six month period ended 30 June	
	2019	**2018**
Bank card fees	**16,805**	13,975
Agency commissions	**12,066**	12,129
Settlement and clearing fees	**8,337**	7,693
Credit commitment fees	**6,967**	7,327
Spread income from foreign exchange business	**3,549**	3,763
Consultancy and advisory fees	**3,295**	2,766
Custodian and other fiduciary service fees	**2,299**	1,900
Other	**4,147**	4,088
Fee and commission income	**57,465**	53,641
Fee and commission expense	**(6,901)**	(5,453)
Net fee and commission income	**50,564**	48,188

(Amounts in millions of Renminbi, unless otherwise stated)

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

3 Net trading gains

	For the six month period ended 30 June	
	2019	**2018**
Net gains/(losses) from foreign exchange and foreign exchange products	**3,875**	(2,658)
Net gains from interest rate products	**7,041**	5,616
Net gains from equity products	**2,670**	776
Net gains from commodity products	**998**	389
Total[(1)]	**14,584**	4,123

(1) Included in "Net trading gains" above for the six month period ended 30 June 2019 were gains of RMB2,666 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 2018: losses of RMB1,324 million).

4 Net gains on financial asset transfers

	For the six month period ended 30 June	
	2019	**2018**
Net gains on derecognition of financial assets at fair value through other comprehensive income	**2,741**	1,311
Net gains on derecognition of financial assets at amortised cost[(1)]	**503**	541
Total	**3,244**	1,852

(1) All the net gains on the derecognition of financial assets at amortised cost resulted from trading for the six month period ended 30 June 2019.

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

5 Other operating income

	For the six month period ended 30 June	
	2019	**2018**
Insurance premiums		
— Life insurance contracts	**10,234**	7,736
— Non-life insurance contracts	**3,143**	2,950
Aircraft leasing income	**5,640**	4,811
Revenue from sale of precious metal products	**4,057**	4,507
Dividend income[(1)]	**938**	906
Changes in fair value of investment properties (Note III.19)	**529**	818
Gains on disposal of property and equipment, intangible assets and other assets	**295**	406
Gains on disposal of subsidiaries, associates and joint ventures	**–**	28
Other[(2)]	**1,776**	2,706
Total	**26,612**	24,868

(1) For equity instruments classified as financial assets at fair value through other comprehensive income, RMB120 million of dividend income was recognised for the six month period ended 30 June 2019 (for the six month period ended 30 June 2018: RMB119 million).

(2) For the six month period ended 30 June 2019, the government subsidy income from operating activities, as part of other operating income, was RMB143 million (for the six month period ended 30 June 2018: RMB741 million).

6 Operating expenses

	For the six month period ended 30 June	
	2019	**2018**
Staff costs (Note III.7)	**42,829**	40,979
General operating and administrative expenses[(1)]	**15,506**	17,309
Insurance benefits and claims		
— Life insurance contracts	**11,405**	6,313
— Non-life insurance contracts	**1,971**	1,651
Depreciation and amortisation	**9,837**	6,529
Cost of sales of precious metal products	**3,537**	4,294
Taxes and surcharges	**2,638**	2,424
Other	**3,407**	2,633
Total[(2)]	**91,130**	82,132

(1) For the six month period ended 30 June 2019, included in the "General operating and administrative expenses" were lease expenses related to short-term leases and leases of low-value assets of RMB885 million.

(2) For the six month period ended 30 June 2019, included in the "Operating expenses" were premises and equipment-related expenses (mainly comprised of property management and building maintenance expenses and taxes) of RMB5,090 million (for the six month period ended 30 June 2018: RMB4,842 million).

(Amounts in millions of Renminbi, unless otherwise stated)

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

7 Staff costs

	For the six month period ended 30 June	
	2019	**2018**
Salary, bonus and subsidy	**30,576**	29,006
Staff welfare	**1,042**	945
Retirement benefits	**27**	41
Social insurance		
— Medical	**1,596**	1,621
— Pension	**3,306**	3,377
— Annuity	**1,039**	1,021
— Unemployment	**102**	99
— Injury at work	**39**	46
— Maternity insurance	**128**	117
Housing funds	**2,221**	2,321
Labour union fee and staff education fee	**1,054**	1,012
Reimbursement for cancellation of labour contract	**8**	5
Other	**1,691**	1,368
Total	**42,829**	40,979

8 Impairment losses on assets

	For the six month period ended 30 June	
	2019	**2018**
Loans and advances		
— Loans and advances at amortised cost	**35,691**	31,407
— Loans and advances at fair value through other comprehensive income	**30**	450
Subtotal	**35,721**	31,857
Financial investments		
— Financial assets at amortised cost	**(10)**	774
— Financial assets at fair value through other comprehensive income	**251**	74
Subtotal	**241**	848
Credit commitments	**(2,728)**	(4,803)
Other	**409**	363
Subtotal of impairment losses on credit	**33,643**	28,265
Other impairment losses on assets	**27**	5
Total	**33,670**	28,270

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

9 Income tax expense

	For the six month period ended 30 June	
	2019	**2018**
Current income tax		
— Chinese mainland income tax	**21,803**	6,685
— Hong Kong profits tax	**2,718**	2,589
— Macao, Taiwan and other countries and regions taxation	**2,648**	3,362
Adjustments in respect of current income tax of prior years	**4,201**	(390)
Subtotal	**31,370**	12,246
Deferred income tax (Note III.23.3)	**(254)**	14,140
Total	**31,116**	26,386

The 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 the 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, Macao, 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.

(Amounts 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	
	2019	**2018**
Profit before income tax	**152,558**	141,961
Tax calculated at the applicable statutory tax rate	**38,140**	35,490
Effect of different tax rates for Hong Kong, Macao, Taiwan and other countries and regions	**(2,519)**	(2,670)
Supplementary PRC tax on overseas income	**1,542**	887
Income not subject to tax[1]	**(14,287)**	(11,949)
Items not deductible for tax purposes[2]	**3,912**	5,023
Other	**4,328**	(395)
Income tax expense	**31,116**	26,386

(1) Income not subject to tax is mainly comprised 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 non-deductible 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.

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 2019 and 30 June 2018.

	For the six month period ended 30 June	
	2019	**2018**
Profit attributable to equity holders of the Bank	**114,048**	109,088
Less: dividends on preference shares declared	**(1,540)**	(1,540)
Profit attributable to ordinary shareholders of the Bank	**112,508**	107,548
Weighted average number of ordinary shares in issue (in million shares)	**294,375**	294,378
Basic and diluted earnings per share (in RMB)	**0.38**	0.37

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

	For the six month period ended 30 June	
	2019	**2018**
Issued ordinary shares as at 1 January	**294,388**	294,388
Less: weighted average number of treasury shares	**(13)**	(10)
Weighted average number of ordinary shares in issue	**294,375**	294,378

(Amounts 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	
	2019	**2018**
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	**14**	(70)
Changes in fair value on investments in equity instruments designated at fair value through other comprehensive income	**1,840**	(28)
Less: related income tax impact	**(442)**	12
Other	**(41)**	(5)
Subtotal	**1,371**	(91)
Items that may be reclassified subsequently to profit or loss		
Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income	**8,884**	9,597
Less: related income tax impact	**(2,044)**	(1,633)
Amount transferred to the income statement	**(2,794)**	(1,042)
Less: related income tax impact	**614**	250
	4,660	7,172
Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income	**285**	518
Less: related income tax impact	**(68)**	(122)
	217	396
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	**(409)**	(119)
Less: related income tax impact	**96**	12
	(313)	(107)
Exchange differences on translation of foreign operations	**1,544**	1,925
Less: net amount transferred to the income statement from other comprehensive income	**(374)**	481
	1,170	2,406
Other	**191**	251
Subtotal	**5,925**	10,118
Total	**7,296**	10,027

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

11 Other comprehensive income (Continued)

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

	(Losses)/gains on financial assets at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Other	Total
As at 1 January 2018	(11,692)	(19,684)	2,922	(28,454)
Changes in amount for the previous year	21,087	8,725	59	29,871
As at 1 January 2019	**9,395**	**(10,959)**	**2,981**	**1,417**
Changes in amount for the period	**5,297**	**732**	**(23)**	**6,006**
As at 30 June 2019	**14,692**	**(10,227)**	**2,958**	**7,423**

12 Cash and due from banks and other financial institutions

	As at 30 June 2019	As at 31 December 2018
Cash	**65,196**	76,755
Due from banks in Chinese mainland	**278,891**	270,861
Due from other financial institutions in Chinese mainland	**10,135**	13,767
Due from banks in Hong Kong, Macao, Taiwan and other countries and regions	**115,102**	75,998
Due from other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	**516**	278
Subtotal(1)	**404,644**	360,904
Accrued interest	**3,238**	2,698
Less: allowance for impairment losses(1)	**(490)**	(426)
Subtotal	**407,392**	363,176
Total	**472,588**	439,931

(1) As at 30 June 2019 and 31 December 2018, the Group included all due from banks and other financial institutions in Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months.

(Amounts in millions of Renminbi, unless otherwise stated)

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

13 Balances with central banks

	As at 30 June 2019	As at 31 December 2018
Mandatory reserves(1)	**1,537,787**	1,575,873
Surplus reserves(2)	**89,328**	82,598
Other(3)	**441,629**	671,249
Subtotal	**2,068,744**	2,329,720
Accrued interest	**820**	1,333
Total	**2,069,564**	2,331,053

(1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong, Macao, Taiwan and other countries and regions where it has operations. As at 30 June 2019, mandatory reserve funds placed with the PBOC were calculated at 13.0% (31 December 2018: 14.0%) and 5.0% (31 December 2018: 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, Macao, Taiwan and other countries and regions.

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 2019	As at 31 December 2018
Placements with and loans to:		
Banks in Chinese mainland	**240,798**	172,366
Other financial institutions in Chinese mainland	**733,854**	771,007
Banks in Hong Kong, Macao, Taiwan and other countries and regions	**176,469**	83,223
Other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	**16,150**	11,723
Subtotal(1) (2)	**1,167,271**	1,038,319
Accrued interest	**3,274**	4,404
Less: allowance for impairment losses(2)	**(445)**	(365)
Total	**1,170,100**	1,042,358

(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 2019	As at 31 December 2018
Debt securities		
— Governments	**95,718**	52,716
— Policy banks	**236,014**	190,646
— Financial institutions	**64,749**	16,498
— Corporate	**6,133**	737
Subtotal	**402,614**	260,597
Less: allowance for impairment losses	**–**	–
Total	**402,614**	260,597

(2) As at 30 June 2019 and 31 December 2018, the Group included the predominant majority of its placements with and loans to banks and other financial institutions in Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months.

(Amounts in millions of Renminbi, unless otherwise stated)

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

15 Derivative financial instruments

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

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with the fair values of instruments recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or 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 2019			As at 31 December 2018		
	Contractual/ Notional	Fair value		Contractual/ Notional	Fair value	
	amount	Assets	Liabilities	amount	Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps[1]	**7,567,291**	**58,603**	**(44,446)**	8,245,972	97,603	(73,652)
Currency options	**288,041**	**1,498**	**(1,615)**	220,694	2,210	(1,829)
Currency futures	**1,645**	**4**	**(11)**	1,718	4	(11)
Subtotal	**7,856,977**	**60,105**	**(46,072)**	8,468,384	99,817	(75,492)
Interest rate derivatives						
Interest rate swaps	**2,932,073**	**18,358**	**(23,026)**	2,443,952	19,637	(18,012)
Interest rate options	**26,679**	**25**	**(27)**	24,342	42	(44)
Interest rate futures	**9,784**	**3**	**(5)**	17,970	1	(39)
Subtotal	**2,968,536**	**18,386**	**(23,058)**	2,486,264	19,680	(18,095)
Equity derivatives	**8,987**	**172**	**(162)**	7,276	237	(208)
Commodity derivatives and other	**327,107**	**8,319**	**(13,569)**	247,867	4,392	(5,459)
Total[2]	**11,161,607**	**86,982**	**(82,861)**	11,209,791	124,126	(99,254)

(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.

16 Loans and advances to customers

16.1 Analysis of loans and advances to customers by measurement category

	As at 30 June 2019	As at 31 December 2018
Measured at amortised cost		
— Corporate loans and advances	**7,499,515**	7,117,954
— Personal loans	**4,753,381**	4,440,085
— Discounted bills	**1,599**	2,001
Measured at fair value through other comprehensive income[1]		
— Discounted bills	**276,925**	224,113
Subtotal	**12,531,420**	11,784,153
Measured at fair value through profit or loss[2]		
— Corporate loans and advances	**3,560**	3,530
Total	**12,534,980**	11,787,683
Accrued interest	**34,754**	31,589
Total loans and advances	**12,569,734**	11,819,272
Less: allowance for loans at amortised cost	**(311,950)**	(303,508)
Loans and advances to customers, net	**12,257,784**	11,515,764

(1) As at 30 June 2019 and 31 December 2018, loans at fair value through other comprehensive income of the Group were discounted bills. The allowance for impairment losses amounted to RMB304 million and RMB273 million respectively and was credited to other comprehensive income.

(2) There was no significant change for the six month period ended 30 June 2019 and the year ended 31 December 2018, or cumulatively, in the fair value of the loans that was attributable to changes in the credit risk of the loans.

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

16 Loans and advances to customers (Continued)

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

(1) Allowance for loans at amortised cost:

	Six month period ended 30 June 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	95,789	76,603	131,116	303,508
Impairment losses for the period	31,603	23,650	18,957	74,210
Reversal	(25,482)	(17,293)	(15,248)	(58,023)
Transfers to Stage 1	3,347	(2,934)	(413)	–
Transfers to Stage 2	(802)	2,381	(1,579)	–
Transfers to Stage 3	(146)	(14,350)	14,496	–
Impairment (reversal)/losses due to stage transformation	(2,978)	5,697	17,103	19,822
Changes to contractual cash flows due to modifications not resulting in derecognition	(102)	(216)	–	(318)
Write-off and transfer out	(90)	–	(30,239)	(30,329)
Recovery of loans and advances written off	–	–	3,697	3,697
Unwinding of discount on allowance	–	–	(790)	(790)
Exchange differences and other	50	43	80	173
As at 30 June	101,189	73,581	137,180	311,950

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

16 Loans and advances to customers (Continued)

16.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(1) Allowance for loans at amortised cost (Continued):

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	87,094	76,050	117,419	280,563
Impairment losses for the year	44,537	36,901	45,952	127,390
Reversal	(39,519)	(20,181)	(13,102)	(72,802)
Transfers to Stage 1	10,301	(9,636)	(665)	–
Transfers to Stage 2	(1,481)	1,929	(448)	–
Transfers to Stage 3	(350)	(25,985)	26,335	–
Impairment (reversal)/losses due to stage transformation	(9,674)	17,487	41,136	48,949
Changes to contractual cash flows due to modifications not resulting in derecognition	(29)	2,018	(587)	1,402
Model/risk parameter adjustment	3,929	(199)	–	3,730
Write-off and transfer out	(192)	(1,969)	(89,497)	(91,658)
Recovery of loans and advances written off	–	–	5,413	5,413
Unwinding of discount on allowance	–	–	(1,652)	(1,652)
Acquisition of subsidiaries	359	29	296	684
Exchange differences and other	814	159	516	1,489
As at 31 December	95,789	76,603	131,116	303,508

(Amounts in millions of Renminbi, unless otherwise stated)

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

16 Loans and advances to customers (Continued)

16.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(2) Allowance for loans at fair value through other comprehensive income:

	Six month period ended 30 June 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	**234**	**39**	**–**	**273**
Impairment losses for the period	**151**	**14**	**–**	**165**
Reversal	**(133)**	**(2)**	**–**	**(135)**
Exchange differences and other	**1**	**–**	**–**	**1**
As at 30 June	**253**	**51**	**–**	**304**

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	829	204	–	1,033
Impairment losses for the year	255	39	–	294
Reversal	(854)	(204)	–	(1,058)
Exchange differences and other	4	–	–	4
As at 31 December	234	39	–	273

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

17 Financial investments

	As at 30 June 2019	As at 31 December 2018
Financial assets at fair value through profit or loss		
Financial assets held for trading and other financial assets at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	**13,977**	10,495
— Public sectors and quasi-governments	**236**	647
— Policy banks	**38,837**	33,708
— Financial institutions	**130,970**	113,103
— Corporate	**37,283**	50,646
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**21,834**	20,595
— Public sectors and quasi-governments	**679**	23
— Financial institutions	**16,101**	14,575
— Corporate	**6,597**	5,085
	266,514	248,877
Equity instruments	**59,700**	47,061
Fund investments and other	**68,576**	49,983
Total financial assets held for trading and other financial assets at fair value through profit or loss	**394,790**	345,921
Financial assets designated as at fair value through profit or loss		
Debt securities[1]		
Issuers in Chinese mainland		
— Government	**4,196**	1,756
— Policy banks	**3,516**	1,083
— Financial institutions	**14,549**	3,472
— Corporate	**463**	966
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**3,045**	2,916
— Public sectors and quasi-governments	**1,538**	1,494
— Financial institutions	**8,984**	7,977
— Corporate	**12,711**	4,906
Total financial assets designated as at fair value through profit or loss	**49,002**	24,570
Total financial assets at fair value through profit or loss	**443,792**	370,491

(Amounts in millions of Renminbi, unless otherwise stated)

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

17 Financial investments (Continued)

	As at 30 June 2019	As at 31 December 2018
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	**570,795**	570,820
— Public sectors and quasi-governments	**40,012**	41,294
— Policy banks	**301,970**	262,597
— Financial institutions	**355,054**	348,300
— Corporate	**134,960**	120,344
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**392,540**	265,923
— Public sectors and quasi-governments	**43,979**	37,737
— Financial institutions	**128,583**	120,185
— Corporate	**97,641**	95,032
	2,065,534	1,862,232
Equity instruments	**18,201**	16,298
Other debt instruments	**1,233**	1,229
Total financial assets at fair value through other comprehensive income(2)	**2,084,968**	1,879,759
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government	**2,183,296**	2,079,661
— Public sectors and quasi-governments	**43,077**	43,610
— Policy banks	**142,241**	194,255
— Financial institutions	**30,145**	34,781
— Corporate	**16,972**	22,539
— China Orient Asset Management Corporation	**153,627**	153,627
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**71,655**	78,075
— Public sectors and quasi-governments	**67,790**	69,650
— Financial institutions	**33,289**	33,991
— Corporate	**47,792**	49,299
	2,789,884	2,759,488
Investment trusts, asset management plans and other	**12,952**	14,757
Accrued interest	**37,468**	37,810
Less: allowance for impairment losses	**(7,746)**	(7,754)
Total financial assets at amortised cost	**2,832,558**	2,804,301
Total financial investments(3)(5)	**5,361,318**	5,054,551

17 Financial investments (Continued)

	As at 30 June 2019	As at 31 December 2018
Analysed as follows:		
Financial assets at fair value through profit or loss		
— Listed in Hong Kong	**51,206**	35,821
— Listed outside Hong Kong[(6)]	**218,718**	209,996
— Unlisted	**173,868**	124,674
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong	**132,271**	129,653
— Listed outside Hong Kong[(6)]	**1,416,890**	1,363,984
— Unlisted	**516,373**	368,595
Equity instruments and other		
— Listed in Hong Kong	**5,991**	6,233
— Listed outside Hong Kong[(6)]	**9,321**	2,018
— Unlisted	**4,122**	9,276
Financial assets at amortised cost[(4)]		
— Listed in Hong Kong	**35,760**	38,550
— Listed outside Hong Kong[(6)]	**2,343,747**	2,304,434
— Unlisted	**453,051**	461,317
Total	**5,361,318**	5,054,551
Listed in Hong Kong	**225,228**	210,257
Listed outside Hong Kong[(6)]	**3,988,676**	3,880,432
Unlisted	**1,147,414**	963,862
Total	**5,361,318**	5,054,551

(Amounts in millions of Renminbi, unless otherwise stated)

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

17 Financial investments (Continued)

(1) In order to eliminate or significantly reduce accounting mismatches, certain debt securities are designated as financial assets at fair value through profit or loss.

(2) The Group exercises its option irrevocably on certain unlisted equity investments, which are classified as financial assets at fair value through other comprehensive income.

The Group's accumulated impairment allowance for the debt securities at fair value through other comprehensive income as at 30 June 2019 amounted to RMB1,116 million (31 December 2018: RMB862 million).

(3) During the six month period ended 30 June 2019 and the year ended 31 December 2018, the Group did not reclassify any debt securities.

(4) The market values of the above listed debt securities at amortised cost are set out below:

	As at 30 June 2019		As at 31 December 2018	
	Carrying value	Market value	Carrying value	Market value
Debt securities at amortised cost				
— Listed in Hong Kong	**35,760**	**39,294**	38,550	38,155
— Listed outside Hong Kong[(6)]	**2,343,747**	**2,358,040**	2,304,434	2,318,733

(5) As at 30 June 2019, RMB1,125 million of impaired debt securities of the Group was classified into Stage 3 (31 December 2018: RMB1,123 million), with the impairment allowance fully accrued; RMB2,191 million of debt securities was classified into Stage 2 (31 December 2018: RMB1,755 million), with an impairment allowance of RMB9 million (31 December 2018: RMB4 million); and the remaining debt securities at fair value through other comprehensive income and debt securities at amortised cost were classified into Stage 1, with impairment allowance measured based on 12-month expected credit losses.

(6) Debt securities traded in the domestic interbank bond market are included in "Listed outside Hong Kong".

17 Financial investments (Continued)

Reconciliation of allowance for impairment losses on financial investments at amortised cost:

	Six month period ended 30 June 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	**328**	**3**	**7,423**	**7,754**
Impairment losses/(reversal) for the period	**45**	**(1)**	**(54)**	**(10)**
Exchange differences and other	**–**	**–**	**2**	**2**
As at 30 June	**373**	**2**	**7,371**	**7,746**

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	428	4	6,127	6,559
Impairment (reversal)/losses for the year	(150)	(2)	1,284	1,132
Write-off and transfer out	–	–	(41)	(41)
Exchange differences and other	50	1	53	104
As at 31 December	328	3	7,423	7,754

(Amounts in millions of Renminbi, unless otherwise stated)

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

17 Financial investments (Continued)

Reconciliation of allowance for impairment losses on financial investments at fair value through other comprehensive income:

	Six month period ended 30 June 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	**861**	**1**	**–**	**862**
Impairment losses for the period	**245**	**6**	**–**	**251**
Exchange differences and other	**3**	**–**	**–**	**3**
As at 30 June	**1,109**	**7**	**–**	**1,116**

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	906	–	–	906
Impairment (reversal)/losses during the year	(47)	1	–	(46)
Exchange differences and other	2	–	–	2
As at 31 December	861	1	–	862

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

18 Property and equipment

	Six month period ended 30 June 2019				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 31 December of prior year	117,948	74,319	30,233	115,153	337,653
Additions	27	1,196	7,433	5,697	14,353
Transfer from/(to) investment properties (Note III.19)	155	–	(9)	–	146
Construction in progress transfer in/(out)	538	235	(5,394)	4,621	–
Deductions	(596)	(1,541)	(1,008)	(2,444)	(5,589)
Exchange differences	163	47	88	478	776
As at 30 June	118,235	74,256	31,343	123,505	347,339
Accumulated depreciation					
As at 31 December of prior year	(38,041)	(58,752)	–	(12,437)	(109,230)
Additions	(1,878)	(3,007)	–	(2,006)	(6,891)
Deductions	460	1,462	–	595	2,517
Transfer to investment properties (Note III.19)	8	–	–	–	8
Exchange differences	(51)	(37)	–	(85)	(173)
As at 30 June	(39,502)	(60,334)	–	(13,933)	(113,769)
Allowance for impairment losses					
As at 31 December of prior year	(770)	–	(217)	(42)	(1,029)
Additions	–	–	–	–	–
Deductions	4	–	–	38	42
Exchange differences	(4)	–	–	–	(4)
As at 30 June	(770)	–	(217)	(4)	(991)
Net book value					
As at 31 December of prior year	79,137	15,567	30,016	102,674	227,394
As at 30 June	77,963	13,922	31,126	109,568	232,579

(Amounts in millions of Renminbi, unless otherwise stated)

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

18 Property and equipment (Continued)

	Year ended 31 December 2018				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	113,913	72,096	22,522	100,551	309,082
Additions	321	5,715	19,850	11,662	37,548
Transfer from investment properties (Note III.19)	1,665	–	–	–	1,665
Construction in progress transfer in/(out)	1,928	807	(11,960)	9,225	–
Deductions	(834)	(4,712)	(816)	(11,181)	(17,543)
Exchange differences	955	413	637	4,896	6,901
As at 31 December	117,948	74,319	30,233	115,153	337,653
Accumulated depreciation					
As at 1 January	(34,732)	(56,683)	–	(10,954)	(102,369)
Additions	(3,626)	(6,185)	–	(3,592)	(13,403)
Deductions	567	4,409	–	2,763	7,739
Transfer to investment properties (Note III.19)	47	–	–	–	47
Exchange differences	(297)	(293)	–	(654)	(1,244)
As at 31 December	(38,041)	(58,752)	–	(12,437)	(109,230)
Allowance for impairment losses					
As at 1 January	(789)	–	(217)	(93)	(1,099)
Additions	–	–	–	–	–
Deductions	15	–	–	56	71
Exchange differences	4	–	–	(5)	(1)
As at 31 December	(770)	–	(217)	(42)	(1,029)
Net book value					
As at 1 January	78,392	15,413	22,305	89,504	205,614
As at 31 December	79,137	15,567	30,016	102,674	227,394

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

19 Investment properties

	Six month period ended 30 June 2019	Year ended 31 December 2018
As at 1 January	**22,086**	21,026
Additions	**228**	1,094
Transfer to property and equipment, net (Note III.18)	**(154)**	(1,712)
Deductions	**(10)**	(61)
Fair value changes (Note III.5)	**529**	919
Exchange differences	**109**	820
As at 30 June/31 December	**22,788**	22,086

20 Other assets

	As at 30 June 2019	As at 31 December 2018
Accounts receivable and prepayments	**108,483**	82,521
Right-of-use assets(1)	**22,637**	N/A
Intangible assets	**12,206**	12,467
Land use rights	**7,119**	6,985
Long-term deferred expense	**3,077**	3,306
Goodwill(2)	**2,631**	2,620
Repossessed assets(3)	**2,523**	2,318
Interest receivable	**793**	1,422
Other	**17,378**	10,587
Total	**176,847**	122,226

(Amounts in millions of Renminbi, unless otherwise stated)

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

20 Other assets (Continued)

(1) Right-of-use assets

	Six month period ended 30 June 2019		
	Buildings	Motor vehicles and other	Total
Cost			
As at 1 January	**22,652**	**120**	**22,772**
Additions	**3,108**	**18**	**3,126**
Deductions	**(117)**	**–**	**(117)**
Exchange differences	**52**	**–**	**52**
As at 30 June	**25,695**	**138**	**25,833**
Accumulated depreciation			
As at 1 January	**(209)**	**–**	**(209)**
Additions	**(2,984)**	**(25)**	**(3,009)**
Deductions	**32**	**–**	**32**
Exchange differences	**(10)**	**–**	**(10)**
As at 30 June	**(3,171)**	**(25)**	**(3,196)**
Net book value			
As at 1 January	**22,443**	**120**	**22,563**
As at 30 June	**22,524**	**113**	**22,637**

(2) Goodwill

	Six month period ended 30 June 2019	Year ended 31 December 2018
As at 1 January	**2,620**	2,481
Addition through acquisition of subsidiaries	**–**	44
Exchange differences	**11**	95
As at 30 June/31 December	**2,631**	2,620

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,658 million).

20 Other assets (Continued)

(3) 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 2019	As at 31 December 2018
Commercial properties	**2,551**	2,391
Residential properties	**648**	606
Other	**158**	158
Subtotal	**3,357**	3,155
Less: allowance for impairment	**(834)**	(837)
Repossessed assets, net	**2,523**	2,318

The total book value of repossessed assets disposed of for the six month period ended 30 June 2019 amounted to RMB54 million (for the year ended 31 December 2018: RMB348 million). The Group plans to dispose of the repossessed assets held at 30 June 2019 by auction, bidding or transfer.

21 Financial liabilities held for trading

As at 30 June 2019 and 31 December 2018, financial liabilities held for trading mainly included short position in debt securities.

(Amounts in millions of Renminbi, unless otherwise stated)

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

22 Due to customers

	As at 30 June 2019	As at 31 December 2018
Demand deposits		
— Corporate deposits	**4,351,120**	4,178,962
— Personal deposits	**3,273,492**	2,935,661
Subtotal	**7,624,612**	7,114,623
Time deposits		
— Corporate deposits	**3,611,835**	3,507,071
— Personal deposits	**3,316,849**	3,148,265
Subtotal	**6,928,684**	6,655,336
Structured deposits(1)		
— Corporate deposits	**283,248**	246,380
— Personal deposits	**324,239**	338,544
Subtotal	**607,487**	584,924
Certificates of deposit	**251,700**	287,808
Other deposits	**66,813**	73,751
Subtotal due to customers	**15,479,296**	14,716,442
Accrued interest	**165,338**	167,154
Total due to customers(2)	**15,644,634**	14,883,596

(1) According to risk management policy, in order to match derivatives and reduce market risk, the Group designates some structured deposits as financial liabilities at fair value through profit or loss. As at 30 June 2019, the carrying amount of the above-mentioned financial liabilities was RMB19,354 million (31 December 2018: RMB24,141 million). At the financial reporting date, the fair value of the above-mentioned financial liabilities was approximately the same as the amount that the Group would be contractually required to pay to the holders. During the six month period ended 30 June 2019 and the year ended 31 December 2018, there was no significant change in the Group's own credit risk for the above structured deposits, so the amount of change in fair value due to the change in own credit risk was not significant.

(2) Due to customers included margin deposits for security received by the Group as at 30 June 2019 of RMB316,707 million (31 December 2018: RMB304,388 million).

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

23 Deferred income taxes

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

	As at 30 June 2019		As at 31 December 2018	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets	**139,117**	**37,115**	144,757	38,204
Deferred income tax liabilities	**(27,607)**	**(4,959)**	(25,729)	(4,548)
Net	**111,510**	**32,156**	119,028	33,656

(Amounts in millions of Renminbi, unless otherwise stated)

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

23 Deferred income taxes (Continued)

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

	As at 30 June 2019		As at 31 December 2018	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	**186,027**	**46,325**	184,629	45,993
Pension, retirement benefits and salary payables	**13,666**	**3,406**	18,371	4,582
Financial instruments at fair value through profit or loss and derivative financial instruments	**74,656**	**18,626**	89,473	22,327
Financial assets at fair value through other comprehensive income	**1,092**	**265**	5,386	1,059
Other temporary differences	**27,855**	**6,322**	30,132	6,889
Subtotal	**303,296**	**74,944**	327,991	80,850
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	**(85,655)**	**(21,340)**	(112,457)	(28,114)
Financial assets at fair value through other comprehensive income	**(21,058)**	**(5,224)**	(17,028)	(4,174)
Depreciation of property and equipment	**(18,043)**	**(3,082)**	(18,909)	(3,208)
Revaluation of property and investment properties	**(8,914)**	**(1,704)**	(8,775)	(1,675)
Other temporary differences	**(58,116)**	**(11,438)**	(51,794)	(10,023)
Subtotal	**(191,786)**	**(42,788)**	(208,963)	(47,194)
Net	**111,510**	**32,156**	119,028	33,656

As at 30 June 2019, deferred tax liabilities relating to temporary differences of RMB151,737 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2018: RMB142,076 million).

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

23 Deferred income taxes (Continued)

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

	Six month period ended 30 June 2019	Year ended 31 December 2018
As at 1 January	**33,656**	53,565
Credited/(charged) to the income statement (Note III.9)	**254**	(14,784)
Charged to other comprehensive income	**(1,844)**	(5,028)
Other	**90**	(97)
As at 30 June/31 December	**32,156**	33,656

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

	For the six month period ended 30 June	
	2019	2018
Asset impairment allowances	**332**	(3,588)
Financial instruments at fair value through profit or loss and derivative financial instruments	**3,073**	(6,948)
Pension, retirement benefits and salary payables	**(1,176)**	(932)
Other temporary differences	**(1,975)**	(2,672)
Total	**254**	(14,140)

24 Other liabilities

	As at 30 June 2019	As at 31 December 2018
Insurance liabilities		
— Life insurance contracts	**106,173**	96,719
— Non-life insurance contracts	**10,315**	9,346
Items in the process of clearance and settlement	**63,212**	63,647
Salary and welfare payables	**25,277**	30,997
Lease liabilities	**21,508**	N/A
Provision		
— Allowance for credit commitments	**18,649**	21,354
— Allowance for litigation losses (Note III. 27.1)	**622**	656
Deferred income	**9,889**	9,264
Other	**75,865**	66,379
Total	**331,510**	298,362

(Amounts in millions of Renminbi, unless otherwise stated)

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

25 Other equity instruments

For the six month period ended 30 June 2019, the movements of the Bank's other equity instruments were as follows:

	As at 1 January 2019		Increase/(Decrease)		As at 30 June 2019	
	Quantity (million shares/ pieces)	Carrying amount	Quantity (million shares/ pieces)	Carrying amount	Quantity (million shares/ pieces)	Carrying amount
Preference Shares						
Offshore Preference Shares	399.4	39,782	–	–	399.4	39,782
Domestic Preference Shares (First Tranche)	320.0	31,963	–	–	320.0	31,963
Domestic Preference Shares (Second Tranche)	280.0	27,969	–	–	280.0	27,969
Domestic Preference Shares (Third Tranche)[(1)]	–	–	730.0	72,979	730.0	72,979
Subtotal	999.4	99,714	730.0	72,979	1,729.4	172,693
Perpetual Bonds						
Undated Capital Bonds[(2)]	–	–	400.0	39,992	400.0	39,992
Total	999.4	99,714	1,130.0	112,971	2,129.4	212,685

(1) With the approvals by relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares (Third Tranche) on 24 June 2019, in the aggregate par value of RMB73 billion. Each Domestic Preference Share has a par value of RMB100 and a total number of 730 million Domestic Preference Shares were issued. The dividend rate of the Preference Shares for the first five years is 4.50%, resetting every 5 years.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the China Banking and Insurance Regulatory Commission ("CBIRC"), the Bank may at its discretion redeem all or part of the Domestic Preference Shares on 27 June 2024 or any dividend payment date thereafter at the redemption price which is the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

Save for such dividend at the agreed dividend payout ratio, the holders of the above preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The above preference shares are paid by non-cumulative dividend. The Bank shall be entitled to cancel any dividend on the preference shares, and such cancellation shall not constitute a default. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full payment of dividends on the preference shares. Upon the occurrence of a trigger event for the compulsory conversion of preference shares into ordinary shares per agreement, the Bank shall convert the preference shares into ordinary shares in whole or in part after reporting to CBIRC for its examination and approval decision.

Capital raised from the issuance of the above preference shares, after deduction of transaction costs, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

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

25 Other equity instruments (Continued)

(2) With the approvals by relevant regulatory authorities in China, the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 25 January 2019, and completed the issuance on 29 January 2019. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first 5 years is 4.50%, resetting every 5 years.

The duration of the Bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bonds are paid by non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilize the proceeds from the cancelled distribution to meet other obligations of maturing debts. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

Capital raised from the issuance of the Bonds, after deduction of transaction costs, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

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

26 Dividends

Dividends for Ordinary Shares

A dividend of RMB0.184 per ordinary share in respect of the profit for the year ended 31 December 2018 amounting to RMB54,167 million was approved at the Annual General Meeting held on 17 May 2019. Such dividend was distributed on 3 June 2019 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 25 January 2019 and the dividend was distributed on 13 March 2019.

27 Contingent liabilities and commitments

27.1 Legal proceedings and arbitrations

As at 30 June 2019, the Group was involved in certain litigation and arbitration 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 2019, provisions of RMB622 million (31 December 2018: RMB656 million) were made based on court judgements or the advice of counsel (Note III.24). After consulting legal professionals, the senior management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

27 Contingent liabilities and commitments (Continued)

27.2 Assets pledged

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

	As at 30 June 2019	As at 31 December 2018
Debt securities	**894,889**	990,743
Bills	**1,548**	1,603
Total	**896,437**	992,346

27.3 Collateral accepted

The Group accepts securities as collateral that are permitted to be sold or re-pledged in connection with reverse repurchase and derivative agreements with banks and other financial institutions. As at 30 June 2019, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB29,075 million (31 December 2018: RMB27,218 million). As at 30 June 2019, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB1,496 million (31 December 2018: RMB2,631 million). These transactions are conducted under standard terms in the normal course of business.

(Amounts in millions of Renminbi, unless otherwise stated)

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

27 Contingent liabilities and commitments (Continued)

27.4 Capital commitments

	As at 30 June 2019	As at 31 December 2018
Property and equipment		
— Contracted but not provided for	**56,579**	64,650
— Authorised but not contracted for	**1,598**	1,597
Intangible assets		
— Contracted but not provided for	**1,098**	934
— Authorised but not contracted for	**57**	25
Investment properties		
— Contracted but not provided for	**1,524**	7
Total	**60,856**	67,213

27.5 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 2019, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB56,061 million (31 December 2018: RMB52,635 million). The original maturities of these Treasury bonds vary from 3 to 5 years and management expects the amount of redemption through the Bank prior to the maturity dates of these bonds will not be material.

27 Contingent liabilities and commitments (Continued)

27.6 Credit commitments

	As at 30 June 2019	As at 31 December 2018
Loan commitments[1]		
— with an original maturity of less than 1 year	**218,026**	186,425
— with an original maturity of 1 year or over	**1,199,870**	1,127,891
Undrawn credit card limits	**1,004,902**	954,394
Letters of guarantee issued[2]	**1,040,425**	1,070,825
Bank bill acceptance	**255,774**	256,360
Letters of credit issued	**136,262**	130,625
Accepted bills of exchange under letters of credit	**97,252**	98,849
Other	**175,207**	167,642
Total[3]	**4,127,718**	3,993,011

(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 2019, the unconditionally revocable loan commitments of the Group amounted to RMB252,765 million (31 December 2018: RMB254,033 million).

(2) Letters of guarantee issued mainly include financial guarantees and performance guarantees. These obligations on the Group to make payments 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 are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations under the advanced capital measurement approaches. The amounts are determined based on the creditworthiness of the counterparties, the maturity characteristics of each type of contracts and other factors.

	As at 30 June 2019	As at 31 December 2018
Credit commitments	**1,135,475**	1,102,554

27.7 Underwriting obligations

As at 30 June 2019, there was no firm commitment in underwriting securities of the Group (31 December 2018: Nil).

(Amounts in millions of Renminbi, unless otherwise stated)

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

28 Note to the condensed consolidated statement of cash flows

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

	As at 30 June 2019	As at 30 June 2018
Cash and due from banks and other financial institutions	**316,066**	277,178
Balances with central banks	**490,207**	408,027
Placements with and loans to banks and other financial institutions	**670,102**	450,529
Financial investments	**43,491**	88,768
Total	**1,519,866**	1,224,502

29 Related party transactions

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

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

29.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

Legal representative	PENG Chun
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

29 Related party transactions (Continued)

29.2 Transactions with Huijin and companies under Huijin (Continued)

(2) Transactions with Huijin

The Group enters into banking transactions with Huijin in the normal course of its business on commercial terms. Purchase of the bonds issued by Huijin was in the ordinary course of business and in compliance with the requirements of the related regulations and corporate governance.

Transaction balances

	As at 30 June 2019	As at 31 December 2018
Debt securities	**26,737**	18,511
Due to Huijin	**(30,203)**	(9,254)

Transaction amounts

	Six month period ended 30 June	
	2019	**2018**
Interest income	**453**	238
Interest expense	**(169)**	(126)

(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 on commercial terms which include mainly purchase and sale of debt securities, money market transactions and derivative transactions.

(Amounts in millions of Renminbi, unless otherwise stated)

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

29 Related party transactions (Continued)

29.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin (Continued)

In the ordinary course of the business, main transactions that the Group entered into with the affiliates of parent company are as follows:

Transaction balances

	As at 30 June 2019	As at 31 December 2018
Due from banks and other financial institutions	**21,912**	19,184
Placements with and loans to banks and other financial institutions	**156,522**	98,754
Financial investments	**403,014**	375,075
Derivative financial assets	**6,294**	10,874
Loans and advances to customers	**37,196**	32,275
Due to customers, banks and other financial institutions	**(235,670)**	(164,636)
Placements from banks and other financial institutions	**(172,769)**	(124,456)
Derivative financial liabilities	**(4,705)**	(6,434)
Credit commitments	**15,066**	12,159

Transaction amounts

	Six month period ended 30 June	
	2019	2018
Interest income	**8,129**	6,084
Interest expense	**(3,655)**	(3,142)

29 Related party transactions (Continued)

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

The State Council of the PRC government directly and indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other State-controlled entities. The Group enters into extensive banking transactions with these entities in the normal course of business on 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, foreign exchange transactions and derivative transactions, lending, provision of credit and guarantees and deposit taking.

29.4 Transactions with associates and joint ventures

The Group enters into banking transactions with associates and joint ventures in the normal course of business on commercial terms. These include loans and advances, deposit taking and other normal banking businesses. In the ordinary course of the business, the main transactions that the Group entered into with associates and joint ventures are as follows:

Transaction balances

	As at 30 June 2019	As at 31 December 2018
Loans and advances to customers	**1,538**	763
Due to customers, banks and other financial institutions	**(14,384)**	(4,709)
Credit commitments	**43**	43

Transaction amounts

	Six month period ended 30 June	
	2019	2018
Interest income	**25**	14
Interest expense	**(99)**	(104)

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

29 Related party transactions (Continued)

29.5 Transactions with the Annuity Plan

Apart from the obligations for defined contributions to the 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 2019 and the year ended 31 December 2018.

29.6 Transactions with key management personnel

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

The Group enters into banking transactions with key management personnel in the normal course of business. During the six month period ended 30 June 2019 and the year ended 31 December 2018, there were no material transactions and balances with key management personnel on an individual basis.

29.7 Transactions with Connected Natural Persons

As at 30 June 2019, 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* and the *Administrative Measures for the Disclosure of Information of Listed Companies* totalled RMB388 million (31 December 2018: RMB168 million) and RMB28 million (31 December 2018: RMB21 million) respectively.

29 Related party transactions (Continued)

29.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

Transaction balances

	As at 30 June 2019	As at 31 December 2018
Due from banks and other financial institutions	**20,406**	44,911
Placements with and loans to banks and other financial institutions	**91,739**	127,644
Due to banks and other financial institutions	**(94,242)**	(87,797)
Placements from banks and other financial institutions	**(45,557)**	(76,215)

Transaction amounts

	Six month period ended 30 June	
	2019	2018
Interest income	**812**	672
Interest expense	**(1,251)**	(1,553)

30 Segment reporting

The Group manages the business from both geographic and business perspectives. From the geographic perspective, the Group operates in three principal regions: Chinese mainland; Hong Kong, Macao 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)

30 Segment reporting (Continued)

Geographical segments

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

Hong Kong, Macao and Taiwan — Corporate banking, personal banking, treasury operations, investment banking and insurance services are performed in Hong Kong, Macao 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.

30 Segment reporting (Continued)

As at and for the six month period ended 30 June 2019

	Chinese mainland	Hong Kong, Macao and Taiwan			Other countries and regions	Eliminations	Total
		BOCHK Group	Other	Subtotal			
Interest income	310,968	28,046	19,932	47,978	25,931	(19,513)	365,364
Interest expense	(155,945)	(11,699)	(17,340)	(29,039)	(18,253)	19,557	(183,680)
Net interest income	155,023	16,347	2,592	18,939	7,678	44	181,684
Fee and commission income	45,862	6,736	3,624	10,360	3,129	(1,886)	57,465
Fee and commission expense	(4,221)	(1,790)	(1,000)	(2,790)	(1,028)	1,138	(6,901)
Net fee and commission income	41,641	4,946	2,624	7,570	2,101	(748)	50,564
Net trading gains	6,173	4,027	2,867	6,894	1,517	–	14,584
Net gains on financial asset transfers	2,496	619	61	680	68	–	3,244
Other operating income[1]	7,690	9,654	9,793	19,447	47	(572)	26,612
Operating income	213,023	35,593	17,937	53,530	11,411	(1,276)	276,688
Operating expenses[1]	(64,078)	(16,062)	(8,666)	(24,728)	(3,282)	958	(91,130)
Impairment losses on assets	(34,270)	(618)	122	(496)	1,096	–	(33,670)
Operating profit	114,675	18,913	9,393	28,306	9,225	(318)	151,888
Share of results of associates and joint ventures	12	(5)	663	658	–	–	670
Profit before income tax	114,687	18,908	10,056	28,964	9,225	(318)	152,558
Income tax expense							(31,116)
Profit for the period							121,442
Segment assets	17,465,346	2,592,420	1,495,377	4,087,797	2,045,707	(1,356,210)	22,242,640
Investments in associates and joint ventures	7,626	1,127	14,631	15,758	–	–	23,384
Total assets	17,472,972	2,593,547	1,510,008	4,103,555	2,045,707	(1,356,210)	22,266,024
Include: non-current assets[2]	114,762	30,508	153,956	184,464	9,245	(2,561)	305,910
Segment liabilities	16,000,786	2,361,121	1,374,479	3,735,600	1,978,239	(1,356,053)	20,358,572
Other segment items:							
Intersegment net interest (expense)/income	(3,563)	824	5,878	6,702	(3,183)	44	–
Intersegment net fee and commission income/(expense)	86	46	803	849	(187)	(748)	–
Capital expenditure	2,499	1,053	12,815	13,868	220	–	16,587
Depreciation and amortisation	8,174	840	2,597	3,437	353	(121)	11,843
Credit commitments	3,539,974	302,327	123,812	426,139	494,596	(332,991)	4,127,718

(Amounts in millions of Renminbi, unless otherwise stated)

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

30 Segment reporting (Continued)

As at 31 December 2018 and for the six month period ended 30 June 2018

		Hong Kong, Macao and Taiwan					
	Chinese mainland	BOCHK Group	Other	Subtotal	Other countries and regions	Eliminations	Total
Interest income	283,796	22,891	16,837	39,728	22,000	(15,315)	330,209
Interest expense	(137,910)	(7,788)	(13,776)	(21,564)	(13,599)	15,315	(157,758)
Net interest income	145,886	15,103	3,061	18,164	8,401	–	172,451
Fee and commission income	41,971	6,744	3,600	10,344	2,863	(1,537)	53,641
Fee and commission expense	(2,802)	(1,784)	(921)	(2,705)	(825)	879	(5,453)
Net fee and commission income	39,169	4,960	2,679	7,639	2,038	(658)	48,188
Net trading gains	808	615	1,803	2,418	897	–	4,123
Net gains on financial asset transfers	1,775	71	6	77	–	–	1,852
Other operating income[1]	9,810	7,601	8,485	16,086	88	(1,116)	24,868
Operating income	197,448	28,350	16,034	44,384	11,424	(1,774)	251,482
Operating expenses[1]	(61,990)	(10,498)	(7,556)	(18,054)	(2,974)	886	(82,132)
Impairment losses on assets	(29,137)	(279)	38	(241)	1,108	–	(28,270)
Operating profit	106,321	17,573	8,516	26,089	9,558	(888)	141,080
Share of results of associates and joint ventures	10	(4)	875	871	–	–	881
Profit before income tax	106,331	17,569	9,391	26,960	9,558	(888)	141,961
Income tax expense							(26,386)
Profit for the period							115,575
Segment assets	16,925,075	2,553,366	1,627,527	4,180,893	2,009,680	(1,871,742)	21,243,906
Investments in associates and joint ventures	7,231	164	15,974	16,138	–	–	23,369
Total assets	16,932,306	2,553,530	1,643,501	4,197,031	2,009,680	(1,871,742)	21,267,275
Include: non-current assets[2]	100,098	27,719	143,779	171,498	5,837	(161)	277,272
Segment liabilities	15,625,811	2,332,126	1,512,393	3,844,519	1,943,129	(1,871,581)	19,541,878
Other segment items:							
Intersegment net interest (expense)/income	(4,625)	1,246	5,762	7,008	(2,383)	–	–
Intersegment net fee and commission income/ (expense)	143	15	758	773	(258)	(658)	–
Capital expenditure	1,591	536	13,595	14,131	50	–	15,772
Depreciation and amortisation	5,479	478	2,095	2,573	178	–	8,230
Credit commitments	3,519,912	278,653	102,467	381,120	462,753	(370,774)	3,993,011

(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, right-of-use assets and other long-term assets.

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

30 Segment reporting (Continued)

As at and for the six month period ended 30 June 2019

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Eliminations	Total
Interest income	177,105	120,777	104,369	938	1,459	1,920	(41,204)	365,364
Interest expense	(84,913)	(57,584)	(78,707)	(295)	(33)	(3,402)	41,254	(183,680)
Net interest income/(expense)	92,192	63,193	25,662	643	1,426	(1,482)	50	181,684
Fee and commission income	18,693	28,057	9,205	1,845	1	1,057	(1,393)	57,465
Fee and commission expense	(577)	(3,820)	(1,127)	(490)	(2,039)	(72)	1,224	(6,901)
Net fee and commission income/(expense)	18,116	24,237	8,078	1,355	(2,038)	985	(169)	50,564
Net trading gains	1,484	491	7,757	124	1,745	2,956	27	14,584
Net gains on financial asset transfers	784	81	2,365	–	14	–	–	3,244
Other operating income	143	4,090	327	128	14,459	8,984	(1,519)	26,612
Operating income	112,719	92,092	44,189	2,250	15,606	11,443	(1,611)	276,688
Operating expenses	(28,748)	(34,783)	(9,106)	(1,085)	(14,731)	(4,287)	1,610	(91,130)
Impairment losses on assets	(26,435)	(6,696)	(427)	1	(72)	(41)	–	(33,670)
Operating profit	57,536	50,613	34,656	1,166	803	7,115	(1)	151,888
Share of results of associates and joint ventures	–	48	1	225	(12)	424	(16)	670
Profit before income tax	57,536	50,661	34,657	1,391	791	7,539	(17)	152,558
Income tax expense								(31,116)
Profit for the period								121,442
Segment assets	8,026,175	4,762,856	8,852,720	67,133	165,831	475,625	(107,700)	22,242,640
Investments in associates and joint ventures	–	330	–	4,876	–	18,254	(76)	23,384
Total assets	8,026,175	4,763,186	8,852,720	72,009	165,831	493,879	(107,776)	22,266,024
Segment liabilities	9,730,014	6,711,173	3,562,458	51,788	149,534	261,143	(107,538)	20,358,572
Other segment items:								
Intersegment net interest income/(expense)	15,450	24,504	(39,424)	174	21	(775)	50	–
Intersegment net fee and commission income/ (expense)	443	774	14	(152)	(1,053)	143	(169)	–
Capital expenditure	812	944	43	40	32	14,716	–	16,587
Depreciation and amortisation	3,656	4,535	1,121	124	123	2,476	(192)	11,843
Credit commitments	2,946,378	1,181,340	–	–	–	–	–	4,127,718

(Amounts in millions of Renminbi, unless otherwise stated)

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

30 Segment reporting (Continued)

As at 31 December 2018 and for the six month period ended 30 June 2018

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Eliminations	Total
Interest income	166,644	104,832	96,541	848	1,580	1,547	(41,783)	330,209
Interest expense	(80,480)	(45,584)	(71,217)	(249)	(4)	(2,007)	41,783	(157,758)
Net interest income/(expense)	86,164	59,248	25,324	599	1,576	(460)	–	172,451
Fee and commission income	17,961	24,067	9,649	2,393	1	810	(1,240)	53,641
Fee and commission expense	(591)	(2,558)	(932)	(662)	(1,741)	(54)	1,085	(5,453)
Net fee and commission income/(expense)	17,370	21,509	8,717	1,731	(1,740)	756	(155)	48,188
Net trading gains/(losses)	1,345	502	2,553	190	(1,489)	992	30	4,123
Net gains on financial asset transfers	695	–	1,116	–	41	–	–	1,852
Other operating income	670	5,189	177	133	11,571	8,361	(1,233)	24,868
Operating income	106,244	86,448	37,887	2,653	9,959	9,649	(1,358)	251,482
Operating expenses	(27,231)	(33,222)	(8,483)	(1,067)	(9,085)	(4,402)	1,358	(82,132)
Impairment losses on assets	(25,614)	(1,233)	(1,134)	–	(114)	(175)	–	(28,270)
Operating profit	53,399	51,993	28,270	1,586	760	5,072	–	141,080
Share of results of associates and joint ventures	–	–	–	224	(151)	851	(43)	881
Profit before income tax	53,399	51,993	28,270	1,810	609	5,923	(43)	141,961
Income tax expense								(26,386)
Profit for the period								115,575
Segment assets	7,628,839	4,438,581	8,629,971	65,239	149,592	423,944	(92,260)	21,243,906
Investments in associates and joint ventures	–	143	–	4,690	–	18,622	(86)	23,369
Total assets	7,628,839	4,438,724	8,629,971	69,929	149,592	442,566	(92,346)	21,267,275
Segment liabilities	9,435,725	6,218,896	3,574,230	50,915	134,988	219,223	(92,099)	19,541,878
Other segment items:								
Intersegment net interest income/(expense)	17,945	22,752	(40,353)	32	26	(402)	–	–
Intersegment net fee and commission income/(expense)	378	646	54	(122)	(924)	123	(155)	–
Capital expenditure	490	542	26	26	21	14,667	–	15,772
Depreciation and amortisation	2,332	2,921	767	55	45	2,110	–	8,230
Credit commitments	2,859,851	1,133,160	–	–	–	–	–	3,993,011

31 Transfers of financial assets

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

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or re-pledge those securities in the absence of default by the Group, but have an obligation to return the securities upon 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 above-mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	As at 30 June 2019		As at 31 December 2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	**18,868**	**18,835**	108,146	104,434

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

31 Transfers of financial assets (Continued)

Credit asset transfers

The Group enters into credit asset 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 RMB1,087 million as at 30 June 2019 (31 December 2018: RMB1,273 million), which also approximates the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised in the statement of financial position to the extent of the Group's continuing involvement. For the six month period ended 30 June 2019, 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 RMB17,991 million (for the six month period ended 30 June 2018: RMB15,636 million) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB10,949 million as at 30 June 2019 (31 December 2018: RMB9,639 million).

32 Interests in the structured entities

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

32 Interests in the structured entities (Continued)

32.1 Interests in the unconsolidated structured entities

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

Structured entities sponsored by the Group

In conducting the asset management business in Chinese mainland, the Group established various structured entities to provide customers specialised investment opportunities within narrow and well-defined objectives, including non-principal guaranteed wealth management products, publicly offered funds and asset management plans, and earned management fee, commission and custodian fee in return.

As at 30 June 2019, the balance of the above unconsolidated wealth management products sponsored by the Group amounted to RMB1,058,089 million (31 December 2018: RMB1,157,201 million). The balance of unconsolidated publicly offered funds and asset management plans sponsored by the Group amounted to RMB681,166 million (31 December 2018: RMB762,725 million).

For the six month period ended 30 June 2019, the above-mentioned commission, custodian fee and management fee amounted to RMB3,799 million (for the six month period ended 30 June 2018: RMB5,002 million).

As at 30 June 2019, the balance of interest and commission receivable held by the Group in the above-mentioned structured entities was not material. 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. For the six month period ended 30 June 2019, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB180,050 million (for the six month period ended 30 June 2018: RMB75,260 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 30 June 2019, the balance of the above transactions was RMB180,050 million (31 December 2018: RMB107,000 million). The maximum exposure to loss of those placements approximated to their carrying amount.

(Amounts in millions of Renminbi, unless otherwise stated)

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

32 Interests in the structured entities (Continued)

32.1 Interests in the unconsolidated structured entities (Continued)

Structured entities sponsored by the Group (Continued)

In addition, there were no credit assets transferred by the Group into the unconsolidated structured entities during the six month period ended 30 June 2019 (for the six month period ended 30 June 2018: RMB163 million). For the description of the portion of asset-backed securities issued by the above structured entities and held by the Group, refer to Note III.31.

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 below:

Structured entity type	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Maximum exposure to loss
As at 30 June 2019					
Fund investments	**52,897**	**–**	**–**	**52,897**	**52,897**
Investment trusts and asset management plans	**2,958**	**–**	**6,779**	**9,737**	**9,737**
Asset-backed securitisations	**2,092**	**57,308**	**47,339**	**106,739**	**106,739**

Structured entity type	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Maximum exposure to loss
As at 31 December 2018					
Fund investments	39,237	–	–	39,237	39,237
Investment trusts and asset management plans	2,420	–	8,561	10,981	10,981
Asset-backed securitisations	759	49,195	48,613	98,567	98,567

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

32 Interests in the structured entities (Continued)

32.2 Consolidated structured entities

The Group's consolidated structured entities mainly consist of open-end funds, private equity funds, trusts for asset-backed securities, and special-purpose companies. The Group controls these entities because the Group has power over, is exposed to, or has rights to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns. Except for providing financial guarantees for the companies established solely for financing purposes, the Group does not provide financial or other support to the other consolidated structured entities.

33 Events after the financial reporting date

Subordinated Bonds Redemption

On 8 July 2019, the Bank redeemed at face value all of the fixed-rate subordinated bonds issued in 2009 with a maturity of 15 years amounting to RMB24 billion. The redemption details have been set out in the Bank's announcement dated 9 July 2019.

Tier 2 Capital Bonds Redemption

On 12 August 2019, the Bank redeemed at face value all of the fixed-rate tier 2 capital bonds issued in 2014 with a maturity of 10 years amounting to RMB30 billion. The redemption details have been set out in the Bank's announcement dated 12 August 2019.

The issuance of Domestic Preference Shares (Fourth Tranche)

With the approvals by relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares (Fourth Tranche), in the aggregate par value of RMB27 billion. As at 29 August 2019, capital raised from the issuance had been recorded and capital verification had been completed. Subsequently, the share registration will be processed and the issuance report will be disclosed.

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 2019. 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 2019. 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 2019 at a dividend rate of 6.00%. The dividend payable is not reflected in liabilities of the financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

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 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Chinese mainland	**9,894,443**	**78.93%**	9,273,549	78.67%
Hong Kong, Macao and Taiwan	**1,606,792**	**12.82%**	1,515,844	12.86%
Other countries and regions	**1,033,745**	**8.25%**	998,290	8.47%
Total	**12,534,980**	**100.00%**	11,787,683	100.00%

Chinese mainland

	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Northern China	**1,538,858**	**15.55%**	1,456,249	15.70%
Northeastern China	**505,749**	**5.11%**	501,420	5.41%
Eastern China	**3,833,492**	**38.75%**	3,622,159	39.06%
Central and Southern China	**2,713,116**	**27.42%**	2,499,434	26.95%
Western China	**1,303,228**	**13.17%**	1,194,287	12.88%
Total	**9,894,443**	**100.00%**	9,273,549	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)

(ii) Analysis of loans and advances to customers by customer type

	Chinese mainland	Hong Kong, Macao and Taiwan	Other countries and regions	Total
As at 30 June 2019				
Corporate loans and advances				
— Trade bills	**909,126**	**110,171**	**134,568**	**1,153,865**
— Other	**4,770,707**	**1,012,276**	**844,751**	**6,627,734**
Personal loans	**4,214,610**	**484,345**	**54,426**	**4,753,381**
Total	**9,894,443**	**1,606,792**	**1,033,745**	**12,534,980**
As at 31 December 2018				
Corporate loans and advances				
— Trade bills	778,907	95,793	128,916	1,003,616
— Other	4,559,625	964,102	820,255	6,343,982
Personal loans	3,935,017	455,949	49,119	4,440,085
Total	9,273,549	1,515,844	998,290	11,787,683

(Amounts 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

Group

	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	**1,686,705**	**13.47%**	1,674,340	14.21%
Commerce and services	**1,632,680**	**13.02%**	1,516,354	12.86%
Transportation, storage and postal services	**1,234,110**	**9.85%**	1,182,411	10.03%
Real estate	**997,200**	**7.96%**	915,793	7.77%
Production and supply of electricity, heating, gas and water	**661,803**	**5.28%**	648,849	5.50%
Financial services	**538,959**	**4.30%**	398,478	3.38%
Mining	**310,138**	**2.47%**	320,369	2.72%
Construction	**267,662**	**2.14%**	239,397	2.03%
Water, environment and public utility management	**172,592**	**1.37%**	167,811	1.42%
Public utilities	**143,658**	**1.15%**	125,917	1.07%
Other	**136,092**	**1.08%**	157,879	1.34%
Subtotal	**7,781,599**	**62.09%**	7,347,598	62.33%
Personal loans				
Mortgages	**3,754,833**	**29.95%**	3,503,563	29.72%
Credit cards	**457,676**	**3.65%**	426,338	3.62%
Other	**540,872**	**4.31%**	510,184	4.33%
Subtotal	**4,753,381**	**37.91%**	4,440,085	37.67%
Total	**12,534,980**	**100.00%**	11,787,683	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)

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

Chinese mainland

	As at 30 June 2019		As at 31 December 2018	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Manufacturing	**1,300,257**	**13.15%**	1,296,509	13.98%
Commerce and services	**1,196,694**	**12.09%**	1,130,498	12.19%
Transportation, storage and postal services	**1,072,599**	**10.84%**	1,009,087	10.88%
Real estate	**529,608**	**5.35%**	469,358	5.06%
Production and supply of electricity, heating, gas and water	**503,763**	**5.09%**	504,348	5.44%
Financial services	**369,795**	**3.74%**	253,212	2.73%
Mining	**171,396**	**1.73%**	178,471	1.92%
Construction	**227,236**	**2.30%**	200,982	2.17%
Water, environment and public utility management	**162,448**	**1.64%**	157,594	1.70%
Public utilities	**112,938**	**1.14%**	107,201	1.16%
Other	**33,099**	**0.33%**	31,272	0.34%
Subtotal	**5,679,833**	**57.40%**	5,338,532	57.57%
Personal loans				
Mortgages	**3,380,660**	**34.17%**	3,154,164	34.01%
Credit cards	**443,611**	**4.48%**	411,145	4.43%
Other	**390,339**	**3.95%**	369,708	3.99%
Subtotal	**4,214,610**	**42.60%**	3,935,017	42.43%
Total	**9,894,443**	**100.00%**	9,273,549	100.00%

(Amounts 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)

(iv) Analysis of loans and advances to customers by collateral type

Group

	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Unsecured loans	**4,183,987**	**33.38%**	3,636,400	30.84%
Guaranteed loans	**1,539,453**	**12.28%**	1,837,442	15.59%
Collateralised and other secured loans	**6,811,540**	**54.34%**	6,313,841	53.57%
Total	**12,534,980**	**100.00%**	11,787,683	100.00%

Chinese mainland

	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Unsecured loans	**3,004,590**	**30.37%**	2,585,343	27.88%
Guaranteed loans	**1,156,329**	**11.69%**	1,417,321	15.28%
Collateralised and other secured loans	**5,733,524**	**57.94%**	5,270,885	56.84%
Total	**9,894,443**	**100.00%**	9,273,549	100.00%

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

Group

	As at 30 June 2019			As at 31 December 2018		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	**170,645**	**97.01%**	**1.72%**	162,778	97.50%	1.76%
Hong Kong, Macao and Taiwan	**3,097**	**1.76%**	**0.19%**	2,720	1.63%	0.18%
Other countries and regions	**2,157**	**1.23%**	**0.21%**	1,454	0.87%	0.15%
Total	**175,899**	**100.00%**	**1.40%**	166,952	100.00%	1.42%

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 2019			As at 31 December 2018		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	**33,753**	**19.78%**	**2.19%**	23,053	14.16%	1.58%
Northeastern China	**41,150**	**24.11%**	**8.14%**	40,580	24.93%	8.09%
Eastern China	**52,528**	**30.79%**	**1.37%**	56,423	34.66%	1.56%
Central and Southern China	**26,559**	**15.56%**	**0.98%**	28,114	17.28%	1.12%
Western China	**16,655**	**9.76%**	**1.28%**	14,608	8.97%	1.22%
Total	**170,645**	**100.00%**	**1.72%**	162,778	100.00%	1.76%

(ii) Impaired loans and advances by customer type

Group

	As at 30 June 2019			As at 31 December 2018		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**147,655**	**83.94%**	**1.90%**	139,108	83.32%	1.89%
Personal loans	**28,244**	**16.06%**	**0.59%**	27,844	16.68%	0.63%
Total	**175,899**	**100.00%**	**1.40%**	166,952	100.00%	1.42%

Chinese mainland

	As at 30 June 2019			As at 31 December 2018		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**143,150**	**83.89%**	**2.52%**	135,421	83.19%	2.54%
Personal loans	**27,495**	**16.11%**	**0.65%**	27,357	16.81%	0.70%
Total	**170,645**	**100.00%**	**1.72%**	162,778	100.00%	1.76%

(Amounts 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)

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

	As at 30 June 2019			As at 31 December 2018		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Manufacturing	**68,128**	**38.73%**	**5.24%**	70,092	41.98%	5.41%
Commerce and services	**36,818**	**20.93%**	**3.08%**	38,579	23.11%	3.41%
Transportation, storage and postal services	**7,960**	**4.53%**	**0.74%**	7,453	4.46%	0.74%
Real estate	**4,105**	**2.33%**	**0.78%**	4,370	2.62%	0.93%
Production and supply of electricity, heating, gas and water	**11,480**	**6.53%**	**2.28%**	1,952	1.17%	0.39%
Financial services	**124**	**0.07%**	**0.03%**	127	0.08%	0.05%
Mining	**5,944**	**3.38%**	**3.47%**	5,494	3.29%	3.08%
Construction	**2,890**	**1.64%**	**1.27%**	2,423	1.45%	1.21%
Water, environment and public utility management	**1,763**	**1.00%**	**1.09%**	1,223	0.73%	0.78%
Public utilities	**425**	**0.24%**	**0.38%**	159	0.10%	0.15%
Other	**3,513**	**2.00%**	**10.61%**	3,549	2.13%	11.35%
Subtotal	**143,150**	**81.38%**	**2.52%**	135,421	81.12%	2.54%
Personal loans						
Mortgages	**10,337**	**5.88%**	**0.31%**	10,225	6.12%	0.32%
Credit cards	**9,946**	**5.65%**	**2.24%**	9,636	5.77%	2.34%
Other	**7,212**	**4.10%**	**1.85%**	7,496	4.49%	2.03%
Subtotal	**27,495**	**15.63%**	**0.65%**	27,357	16.38%	0.70%
Total for Chinese mainland	**170,645**	**97.01%**	**1.72%**	162,778	97.50%	1.76%
Hong Kong, Macao, Taiwan and other countries and regions	**5,254**	**2.99%**	**0.20%**	4,174	2.50%	0.17%
Total	**175,899**	**100.00%**	**1.40%**	166,952	100.00%	1.42%

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

	Impaired loans	Allowance for impairment losses	Net
As at 30 June 2019			
Chinese mainland	**170,645**	**(133,868)**	**36,777**
Hong Kong, Macao and Taiwan	**3,097**	**(1,849)**	**1,248**
Other countries and regions	**2,157**	**(1,463)**	**694**
Total	**175,899**	**(137,180)**	**38,719**
As at 31 December 2018			
Chinese mainland	162,778	(128,714)	34,064
Hong Kong, Macao and Taiwan	2,720	(1,407)	1,313
Other countries and regions	1,454	(995)	459
Total	166,952	(131,116)	35,836

(3) Loans and advances restructured

Restructuring (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, restructured 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 restructures a non-performing loan only if the borrower has good prospects. In addition, prior to approving the restructuring 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.

Restructured loans are generally subject to a surveillance period of six months. During the surveillance period, restructured loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, restructured loans may be upgraded to "Special-mention" upon review if certain criteria are met. If the restructured loans fall overdue or if the borrower is unable to demonstrate its repayment ability, these loans will be reclassified to "Doubtful" or below. All restructured loans within the surveillance period were determined to be impaired as at 30 June 2019 and 31 December 2018.

As at 30 June 2019 and 31 December 2018, within impaired loans and advances, restructured loans and advances that were overdue for 90 days or less were insignificant.

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(4) Overdue loans and advances to customers

Analysis of overdue loans and advances by geographical area

	As at 30 June 2019	As at 31 December 2018
Chinese mainland	**167,689**	200,639
Hong Kong, Macao and Taiwan	**6,993**	7,972
Other countries and regions	**3,900**	11,340
Subtotal	**178,582**	219,951
Percentage	**1.42%**	1.87%
Less: total loans and advances to customers which have been overdue for less than 3 months	**(49,125)**	(84,754)
Total loans and advances to customers which have been overdue for more than 3 months	**129,457**	135,197

(5) Loans and advances three-staging exposure

Loans and advances to customers by five-tier loan classification and three-staging are analysed as follows:

	As at 30 June 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
Pass	**11,939,782**	**73,581**	**–**	**12,013,363**
Special-mention	**–**	**342,158**	**–**	**342,158**
Substandard	**–**	**–**	**71,652**	**71,652**
Doubtful	**–**	**–**	**42,159**	**42,159**
Loss	**–**	**–**	**62,088**	**62,088**
Total	**11,939,782**	**415,739**	**175,899**	**12,531,420**

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(5) Loans and advances three-staging exposure (Continued)

	As at 31 December 2018			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
Pass	11,183,826	91,017	6	11,274,849
Special-mention	–	342,358	5	342,363
Substandard	–	–	49,788	49,788
Doubtful	–	–	49,341	49,341
Loss	–	–	67,812	67,812
Total	11,183,826	433,375	166,952	11,784,153

As at 30 June 2019 and 31 December 2018, loans and advances by five-tier loan classification and three-staging did not include loans and advances to customers measured at fair value through profit or loss.

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities

The Group adopted a credit rating approach to manage the credit risk of the debt securities by referring to both internal and external credit rating. The carrying amounts (accrued interest excluded) of the debt investments analysed by external credit rating at the financial reporting date are as follows:

	Unrated	A to AAA	Lower than A	Total
As at 30 June 2019				
Issuers in Chinese mainland				
— Government	**7,619**	**2,754,975**	**–**	**2,762,594**
— Public sectors and quasi-governments	**82,664**	**–**	**–**	**82,664**
— Policy banks	**–**	**481,205**	**–**	**481,205**
— Financial institutions	**70,491**	**225,165**	**230,830**	**526,486**
— Corporate	**63,700**	**97,285**	**26,177**	**187,162**
— China Orient Asset Management Corporation	**153,627**	**–**	**–**	**153,627**
Subtotal	**378,101**	**3,558,630**	**257,007**	**4,193,738**
Issuers in Hong Kong, Macao, Taiwan and other countries and regions				
— Governments	**757**	**472,319**	**15,149**	**488,225**
— Public sectors and quasi-governments	**54,510**	**59,294**	**–**	**113,804**
— Financial institutions	**5,724**	**139,367**	**39,871**	**184,962**
— Corporate	**13,617**	**121,454**	**28,299**	**163,370**
Subtotal	**74,608**	**792,434**	**83,319**	**950,361**
Total	**452,709**	**4,351,064**	**340,326**	**5,144,099**
As at 31 December 2018				
Issuers in Chinese mainland				
— Government	3,965	2,650,164	–	2,654,129
— Public sectors and quasi-governments	84,364	–	–	84,364
— Policy banks	–	484,992	–	484,992
— Financial institutions	88,468	179,041	229,166	496,675
— Corporate	64,555	102,771	24,364	191,690
— China Orient Asset Management Corporation	153,627	–	–	153,627
Subtotal	394,979	3,416,968	253,530	4,065,477
Issuers in Hong Kong, Macao, Taiwan and other countries and regions				
— Governments	59	355,291	11,252	366,602
— Public sectors and quasi-governments	51,915	56,824	–	108,739
— Financial institutions	3,022	129,934	41,763	174,719
— Corporate	10,824	117,569	24,663	153,056
Subtotal	65,820	659,618	77,678	803,116
Total	460,799	4,076,586	331,208	4,868,593

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 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 of the Group were calculated in accordance with the *Assets Measurement Rules for Counterparty Default Risks of Derivatives* since 1 January 2019.

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

	As at 30 June 2019	As at 31 December 2018
Risk-weighted assets for default risk		
Currency derivatives	**78,175**	54,280
Interest rate derivatives	**10,888**	2,888
Equity derivatives	**523**	233
Commodity derivatives and other	**8,661**	3,334
	98,247	60,735
Risk-weighted assets for CVA	**90,677**	51,107
Risk-weighted assets for CCPs	**2,586**	10,220
Total	**191,510**	122,062

1.4 Repossessed assets

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

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.

(Amounts 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, Bank of China Hong Kong (Holdings) Limited ("BOCHK (Holdings)") and BOC International Holdings Limited ("BOCI"). The Bank, BOCHK (Holdings) and BOCI used a 99% level of confidence (therefore, statistical probability of 1% 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.

The accuracy and reliability of the VaR model is verified by daily back-testing of 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 period ended 30 June 2019 and 2018:

Unit: USD million

	Six month period ended 30 June					
	2019			2018		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	**17.68**	**21.46**	**13.24**	18.06	23.85	12.24
Foreign exchange risk	**14.77**	**20.84**	**9.80**	7.61	10.64	4.99
Volatility risk	**0.43**	**0.78**	**0.17**	0.40	0.71	0.11
Commodity risk	**1.12**	**1.54**	**0.75**	0.95	3.68	0.13
Total of the Bank's trading VaR	**20.76**	**26.64**	**17.11**	19.72	23.17	14.82

The Bank's VaR for the six month period ended 30 June 2019 and 2018 were 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					
	2019			2018		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	**2.24**	**3.12**	**1.26**	3.67	5.50	2.39
Foreign exchange risk	**1.86**	**2.69**	**0.98**	1.95	2.58	1.37
Equity risk	**0.07**	**0.32**	**0.03**	0.34	0.90	0.16
Commodity risk	**2.83**	**5.39**	**1.32**	0.21	0.44	0.11
Total BOCHK (Holdings)'s trading VaR	**3.89**	**6.16**	**2.96**	4.18	5.84	3.07
BOCI's trading VaR(i)						
Equity derivatives unit	**0.60**	**1.13**	**0.38**	0.91	2.03	0.54
Fixed income unit	**0.66**	**0.97**	**0.50**	1.48	1.86	0.98
Global commodity unit	**0.18**	**0.27**	**0.10**	0.33	0.52	0.21
Total BOCI's trading VaR	**1.43**	**2.21**	**1.17**	2.72	3.84	1.95

(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 VaRs was not added up to the total VaR as there was a 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.

(Amounts 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 risks. It includes the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	As at 30 June 2019						
	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	265,791	43,206	91,985	2,836	–	68,770	472,588
Balances with central banks	1,845,440	987	620	–	–	222,517	2,069,564
Placements with and loans to banks and other financial institutions	687,663	176,576	286,272	16,280	–	3,309	1,170,100
Derivative financial assets	–	–	–	–	–	86,982	86,982
Loans and advances to customers, net	2,750,636	2,218,815	6,635,773	124,708	60,076	467,776	12,257,784
Financial investments							
— financial assets at fair value through profit or loss	24,049	31,199	91,286	50,643	118,138	128,477	443,792
— financial assets at fair value through other comprehensive income	143,616	225,346	466,361	788,391	420,644	40,610	2,084,968
— financial assets at amortised cost	53,675	60,738	396,484	1,445,296	837,412	38,953	2,832,558
Other	11,127	–	–	–	9,155	827,406	847,688
Total assets	5,781,997	2,756,867	7,968,781	2,428,154	1,445,425	1,884,800	22,266,024
Liabilities							
Due to banks and other financial institutions	1,041,773	269,655	264,270	3,257	–	205,527	1,784,482
Due to central banks	382,614	108,520	404,921	6,665	–	10,465	913,185
Placements from banks and other financial institutions	391,720	63,921	70,749	1,398	–	1,613	529,401
Derivative financial liabilities	–	–	–	–	–	82,861	82,861
Due to customers	9,083,498	1,314,464	2,719,332	2,137,273	9,757	380,310	15,644,634
Bonds issued	130,837	163,635	208,758	271,510	42,490	10,345	827,575
Other	25,553	19,254	4,683	3,170	10,095	513,679	576,434
Total liabilities	11,055,995	1,939,449	3,672,713	2,423,273	62,342	1,204,800	20,358,572
Total interest repricing gap	(5,273,998)	817,418	4,296,068	4,881	1,383,083	680,000	1,907,452

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2018						
	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	211,195	29,873	115,397	3,356	–	80,110	439,931
Balances with central banks	2,113,231	2,085	619	–	–	215,118	2,331,053
Placements with and loans to banks and other financial institutions	668,153	98,129	225,933	45,694	–	4,449	1,042,358
Derivative financial assets	–	–	–	–	–	124,126	124,126
Loans and advances to customers, net	3,146,270	2,145,073	5,613,781	119,794	53,241	437,605	11,515,764
Financial investments							
— financial assets at fair value through profit or loss	19,425	37,327	75,423	44,898	96,195	97,223	370,491
— financial assets at fair value through other comprehensive income	112,091	172,122	406,442	789,385	360,876	38,843	1,879,759
— financial assets at amortised cost	14,863	83,459	283,575	1,605,967	777,123	39,314	2,804,301
Other	5,188	–	–	–	3,661	750,643	759,492
Total assets	6,290,416	2,568,068	6,721,170	2,609,094	1,291,096	1,787,431	21,267,275
Liabilities							
Due to banks and other financial institutions	1,011,125	313,145	181,766	49,045	–	176,128	1,731,209
Due to central banks	275,905	156,600	456,671	8,071	–	10,274	907,521
Placements from banks and other financial institutions	428,797	122,663	57,583	1,417	–	1,807	612,267
Derivative financial liabilities	–	–	–	–	–	99,254	99,254
Due to customers	8,515,651	1,354,989	2,668,074	1,960,185	105	384,592	14,883,596
Bonds issued	91,311	157,934	179,233	311,777	35,125	6,747	782,127
Other	17,849	24,535	1,560	2,515	5,246	474,199	525,904
Total liabilities	10,340,638	2,129,866	3,544,887	2,333,010	40,476	1,153,001	19,541,878
Total interest repricing gap	(4,050,222)	438,202	3,176,283	276,084	1,250,620	634,430	1,725,397

(Amounts 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 2019 and 31 December 2018. 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 2019							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	289,518	137,561	15,760	6,425	9,106	1,389	12,829	472,588
Balances with central banks	1,611,220	271,369	43,706	37,280	31,691	45,687	28,611	2,069,564
Placements with and loans to banks and other financial institutions	873,792	181,198	39,769	9,633	–	2,198	63,510	1,170,100
Derivative financial assets	38,275	15,686	24,101	491	23	5,196	3,210	86,982
Loans and advances to customers, net	9,464,817	1,165,430	978,976	240,481	11,553	68,959	327,568	12,257,784
Financial investments								
— financial assets at fair value through profit or loss	281,640	78,686	82,186	1,128	–	29	123	443,792
— financial assets at fair value through other comprehensive income	1,243,380	474,231	143,331	32,787	104,370	2,743	84,126	2,084,968
— financial assets at amortised cost	2,589,007	215,814	3,597	4,345	768	1,360	17,667	2,832,558
Other	246,837	168,359	189,071	1,395	1,600	2,642	237,784	847,688
Total assets	16,638,486	2,708,334	1,520,497	333,965	159,111	130,203	775,428	22,266,024
Liabilities								
Due to banks and other financial institutions	1,065,156	423,073	29,932	45,342	18,493	7,056	195,430	1,784,482
Due to central banks	646,312	238,380	21,663	4,884	–	122	1,824	913,185
Placements from banks and other financial institutions	172,621	275,512	48,393	14,741	5,935	5,690	6,509	529,401
Derivative financial liabilities	30,699	21,665	22,000	704	57	4,478	3,258	82,861
Due to customers	11,892,454	1,726,813	1,279,750	205,888	55,735	50,801	433,193	15,644,634
Bonds issued	481,518	271,561	11,504	43,005	1,911	2,176	15,900	827,575
Other	210,672	99,767	244,419	2,626	947	1,555	16,448	576,434
Total liabilities	14,499,432	3,056,771	1,657,661	317,190	83,078	71,878	672,562	20,358,572
Net on-balance sheet position	2,139,054	(348,437)	(137,164)	16,775	76,033	58,325	102,866	1,907,452
Net off-balance sheet position	(511,075)	340,069	355,645	(8,052)	(76,145)	(54,921)	(32,460)	13,061
Credit commitments	2,789,809	809,034	240,990	118,125	9,703	50,310	109,747	4,127,718

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2018							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	308,697	79,058	17,818	6,442	5,694	1,575	20,647	439,931
Balances with central banks	1,855,438	280,029	40,625	39,770	36,838	47,950	30,403	2,331,053
Placements with and loans to banks and other financial institutions	878,861	93,903	30,994	7,636	3,094	283	27,587	1,042,358
Derivative financial assets	67,601	17,913	29,945	621	37	5,237	2,772	124,126
Loans and advances to customers, net	8,830,692	1,146,207	923,070	201,731	12,637	65,563	335,864	11,515,764
Financial investments								
— financial assets at fair value through profit or loss	238,495	56,988	72,981	2,011	–	16	–	370,491
— financial assets at fair value through other comprehensive income	1,191,739	453,918	116,376	30,629	8,573	3,023	75,501	1,879,759
— financial assets at amortised cost	2,548,402	229,300	3,496	3,450	746	1,456	17,451	2,804,301
Other	213,438	148,481	185,113	568	1,244	2,097	208,551	759,492
Total assets	16,133,363	2,505,797	1,420,418	292,858	68,863	127,200	718,776	21,267,275
Liabilities								
Due to banks and other financial institutions	1,060,308	404,757	34,551	40,090	14,270	7,049	170,184	1,731,209
Due to central banks	628,327	246,540	26,758	5,461	–	434	1	907,521
Placements from banks and other financial institutions	266,692	271,303	39,642	12,669	11,242	5,411	5,308	612,267
Derivative financial liabilities	50,554	14,104	26,366	678	46	5,059	2,447	99,254
Due to customers	11,256,454	1,716,821	1,202,357	194,439	58,478	46,334	408,713	14,883,596
Bonds issued	447,679	252,059	6,682	48,465	1,852	9,793	15,597	782,127
Other	191,501	84,330	230,918	2,327	480	1,323	15,025	525,904
Total liabilities	13,901,515	2,989,914	1,567,274	304,129	86,368	75,403	617,275	19,541,878
Net on-balance sheet position	2,231,848	(484,117)	(146,856)	(11,271)	(17,505)	51,797	101,501	1,725,397
Net off-balance sheet position	(795,575)	520,806	355,983	21,144	19,415	(49,526)	(40,626)	31,621
Credit commitments	2,715,693	794,823	223,494	111,092	10,425	44,054	93,430	3,993,011

(Amounts 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 2019							
	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	20	212,532	114,412	44,641	98,147	2,836	–	472,588
Balances with central banks	1,551,422	482,084	9,335	4,739	21,295	689	–	2,069,564
Placements with and loans to banks and other financial institutions	–	–	677,592	167,814	293,662	31,032	–	1,170,100
Derivative financial assets	–	10,094	17,652	10,750	27,877	15,965	4,644	86,982
Loans and advances to customers, net	41,237	189,532	501,462	1,142,340	2,831,110	3,058,564	4,493,539	12,257,784
Financial investments								
— financial assets at fair value through profit or loss	124,714	–	22,111	28,132	89,364	56,726	122,745	443,792
— financial assets at fair value through other comprehensive income	18,395	–	106,168	173,973	496,625	852,269	437,538	2,084,968
— financial assets at amortised cost	2,009	–	60,634	73,443	408,641	1,449,570	838,261	2,832,558
Other	344,798	380,227	24,033	6,533	15,328	53,155	23,614	847,688
Total assets	2,082,595	1,274,469	1,533,399	1,652,365	4,282,049	5,520,806	5,920,341	22,266,024
Liabilities								
Due to banks and other financial institutions	–	1,090,857	153,697	263,556	272,968	3,404	–	1,784,482
Due to central banks	–	192,304	180,827	112,108	421,281	6,665	–	913,185
Placements from banks and other financial institutions	–	–	391,912	63,546	72,351	1,592	–	529,401
Derivative financial liabilities	–	8,832	13,460	9,230	25,545	19,342	6,452	82,861
Due to customers	–	7,855,770	1,478,365	1,279,826	2,823,825	2,187,229	19,619	15,644,634
Bonds issued	–	–	108,160	109,628	218,535	346,420	44,832	827,575
Other	–	271,733	55,916	10,294	80,486	95,546	62,459	576,434
Total liabilities	–	9,419,496	2,382,337	1,848,188	3,914,991	2,660,198	133,362	20,358,572
Net liquidity gap	2,082,595	(8,145,027)	(848,938)	(195,823)	367,058	2,860,608	5,786,979	1,907,452

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 2018							
	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	21	178,645	110,908	30,365	116,636	3,356	–	439,931
Balances with central banks	1,588,770	511,244	216,281	2,087	12,329	342	–	2,331,053
Placements with and loans to banks and other financial institutions	44	–	659,399	92,855	231,633	58,427	–	1,042,358
Derivative financial assets	–	10,055	22,259	30,528	38,686	18,634	3,964	124,126
Loans and advances to customers, net	69,539	154,707	397,574	1,086,838	2,478,055	3,036,778	4,292,273	11,515,764
Financial investments								
— financial assets at fair value through profit or loss	93,524	–	16,772	32,788	71,133	52,863	103,411	370,491
— financial assets at fair value through other comprehensive income	16,456	–	71,630	120,021	428,041	870,105	373,506	1,879,759
— financial assets at amortised cost	2,001	–	15,328	78,810	306,782	1,623,516	777,864	2,804,301
Other	301,633	338,223	22,683	7,554	18,968	50,792	19,639	759,492
Total assets	2,071,988	1,192,874	1,532,834	1,481,846	3,702,263	5,714,813	5,570,657	21,267,275
Liabilities								
Due to banks and other financial institutions	–	1,038,168	143,392	314,126	186,252	49,271	–	1,731,209
Due to central banks	–	172,280	104,114	157,466	465,590	8,071	–	907,521
Placements from banks and other financial institutions	–	–	429,492	123,223	58,135	1,417	–	612,267
Derivative financial liabilities	–	7,314	19,861	18,267	33,305	17,434	3,073	99,254
Due to customers	–	7,368,721	1,405,144	1,349,078	2,740,128	2,010,860	9,665	14,883,596
Bonds issued	–	–	45,983	99,061	196,535	323,057	117,491	782,127
Other	–	276,288	36,307	12,145	76,623	66,329	58,212	525,904
Total liabilities	–	8,862,771	2,184,293	2,073,366	3,756,568	2,476,439	188,441	19,541,878
Net liquidity gap	2,071,988	(7,669,897)	(651,459)	(591,520)	(54,305)	3,238,374	5,382,216	1,725,397

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 service providers, discounted bills, etc.

- 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 the 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 derivative transactions and unlisted funds held by the Group, management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including the 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 a 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 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
— Debt securities	3,218	300,570	11,728	315,516
— Equity instruments	8,387	105	51,208	59,700
— Fund investments and other	26,267	5,168	37,141	68,576
Derivative financial assets	11,279	75,703	–	86,982
Loans and advances to customers at fair value	–	280,485	–	280,485
Financial assets at fair value through other comprehensive income				
— Debt securities	224,930	1,839,012	1,592	2,065,534
— Equity instruments and other	6,171	9,083	4,180	19,434
Financial liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(6,016)	–	(6,016)
Due to customers at fair value	–	(19,354)	–	(19,354)
Bonds issued at fair value	–	(25,879)	–	(25,879)
Short position in debt securities	(1,478)	(16,795)	–	(18,273)
Derivative financial liabilities	(10,214)	(72,647)	–	(82,861)

(Amounts 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)

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
— Debt securities	3,448	261,582	8,417	273,447
— Equity instruments	3,868	104	43,089	47,061
— Fund investments and other	10,730	4,741	34,512	49,983
Derivative financial assets	11,655	112,465	6	124,126
Loans and advances to customers at fair value	–	227,643	–	227,643
Financial assets at fair value through other comprehensive income				
— Debt securities	121,859	1,738,951	1,422	1,862,232
— Equity instruments and other	6,592	5,571	5,364	17,527
Financial liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(876)	–	(876)
Due to customers at fair value	–	(24,141)	–	(24,141)
Bonds issued at fair value	–	(20,517)	–	(20,517)
Short position in debt securities	(2,642)	(11,685)	–	(14,327)
Derivative financial liabilities	(8,928)	(90,326)	–	(99,254)

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			Financial assets at fair value through other comprehensive income		
	Debt securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other	Derivative financial assets
As at 1 January 2019	8,417	43,089	34,512	1,422	5,364	6
Total gains and losses						
— profit	665	421	1,606	–	–	–
— other comprehensive income	–	–	–	164	(1,184)	–
Sales	–	(744)	(916)	–	–	–
Purchases	2,639	8,442	1,860	–	–	–
Settlements	–	–	–	–	–	–
Transfers in/(out) of Level 3, net	–	–	59	–	–	(6)
Other changes	7	–	20	6	–	–
As at 30 June 2019	11,728	51,208	37,141	1,592	4,180	–
Total gains for the period included in the income statement for assets/liabilities held as at 30 June 2019	665	479	1,596	–	–	–

(Amounts 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 (Continued)

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		
	Debt securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other	Derivative financial assets
As at 1 January 2018	3,034	23,205	27,899	1,405	4,695	–
Total gains and losses						
— (loss)/profit	(273)	98	2,678	–	–	6
— other comprehensive income	–	–	–	(50)	(911)	–
Sales	(5)	(538)	(1,767)	(1)	(3)	–
Purchases	5,582	20,324	5,681	–	1,588	–
Settlements	(1)	–	–	–	–	–
Transfers out of Level 3, net	–	–	–	–	–	–
Other changes	80	–	21	68	(5)	–
As at 31 December 2018	8,417	43,089	34,512	1,422	5,364	6
Total (losses)/gains for the period included in the income statement for assets/liabilities held as at 31 December 2018	(273)	98	2,677	–	–	6

Total gains or losses for the six month period ended 30 June 2019 and for the year ended 31 December 2018 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 2019 and 31 December 2018 are presented in "Net trading gains", "Net gains on financial asset transfers" or "Impairment losses on assets" depending on the nature or category of the related financial instruments.

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

	For the six month period ended 30 June 2019			For the six month period ended 30 June 2018		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total (losses)/gains for the period	**(48)**	**2,740**	**2,692**	2	879	881

There were no significant transfers for the financial assets and liabilities measured at fair value between Level 1 and Level 2 during the six month period ended 30 June 2019.

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.2 Financial instruments not measured at fair value

Financial assets and liabilities not presented at fair value in 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", "Due to central banks", "Due to banks and other financial institutions", "Loans and advances to customers measured at amortised cost", "Financial investments measured at amortised cost", "Placements from banks and other financial institutions at amortised cost", "Due to customers at amortised cost", and "Bonds issued at amortised cost".

The tables below summarise the carrying amounts and fair values of "Debt securities at amortised cost", and "Bonds issued" not presented at fair value on the statement of financial reporting date.

	As at 30 June 2019		As at 31 December 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities at amortised cost[(1)]	**2,825,779**	**2,837,021**	2,795,740	2,806,772
Financial liabilities				
Bonds issued[(2)]	**801,696**	**806,589**	761,610	766,005

(1) Debt securities at amortised cost

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 the 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 & 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.

(Amounts 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 at amortised cost" (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 reporting date.

	As at 30 June 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities at amortised cost	**64,613**	**2,573,374**	**1,983**	**2,639,970**
Financial liabilities				
Bonds issued	**–**	**801,089**	**5,500**	**806,589**

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities at amortised cost	73,055	2,534,891	2,237	2,610,183
Financial liabilities				
Bonds issued	–	758,805	7,200	766,005

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 in the statement of financial position is insignificant. Fair value is measured using a discounted cash flow model.

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management

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

- Adequate capital and sustainable development. Follow the lead of the strategic planning of the Group development; and maintain the high quality and adequacy of capital as to meet regulation requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business in the Group.

- Allocation optimisation and benefit augmentation. Allocate capital properly by prioritising the asset businesses with low capital occupancy and high comprehensive income, to steadily improve the efficiency and return of capital, achieving the reciprocal matchup and dynamic equilibrium among risks, assets and returns.

- Refined management and capital level improvement. Optimise the capital management system by sufficiently identifying, calculating, monitoring, mitigating, and controlling various types of risks; incorporate capital restraints into the whole process of product pricing, resource allocation, structural adjustments, performance evaluation, etc., ensuring that the capital employed is commensurate with the related risks and the level of risk management.

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

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

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

- Common equity tier 1 capital, including common shares, capital reserve, surplus reserve, general reserve, undistributed profits, 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.

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

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.

	As at 30 June 2019	As at 31 December 2018
Common equity tier 1 capital adequacy ratio	**11.21%**	11.41%
Tier 1 capital adequacy ratio	**12.85%**	12.27%
Capital adequacy ratio	**15.33%**	14.97%
Composition of the Group's capital base		
Common equity tier 1 capital	**1,549,186**	1,488,010
Common shares	**294,388**	294,388
Capital reserve	**140,497**	140,422
Surplus reserve	**156,969**	156,711
General reserve	**231,565**	231,416
Undistributed profits	**691,566**	637,609
Eligible portion of minority interests	**29,479**	28,229
Other[2]	**4,722**	(765)
Regulatory deductions	**(22,558)**	(22,241)
Of which:		
Goodwill	**(182)**	(182)
Other intangible assets (except land use rights)	**(11,825)**	(12,078)
Direct or indirect investments in own shares	**(57)**	(68)
Reserve relating to cash-flow hedge items not measured at fair value	**–**	–
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	**(9,920)**	(9,913)
Net common equity tier 1 capital	**1,526,628**	1,465,769
Additional tier 1 capital	**222,677**	109,524
Preference shares and related premium	**172,693**	99,714
Additional capital instruments and premiums	**39,992**	–
Eligible portion of minority interests	**9,992**	9,810
Net tier 1 capital	**1,749,305**	1,575,293
Tier 2 capital	**338,053**	347,473
Tier 2 capital instruments issued and related premium	**239,778**	256,189
Excess loan loss provisions	**88,921**	82,093
Eligible portion of minority interests	**9,354**	9,191
Regulatory deductions	**–**	(416)
Significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation	**–**	(416)
Net capital	**2,087,358**	1,922,350
Risk-weighted assets	**13,618,292**	12,841,526

(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 CBIRC.

(2) This mainly represented exchange differences from the translation of foreign operations and gains/(losses) on financial assets at fair value through other comprehensive income.

(Amounts in millions of Renminbi, unless otherwise stated)

I DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL STATEMENTS

There were no differences in the Group's operating results for the six month period ended 30 June 2019 and 2018 or total equity as at 30 June 2019 and as at 31 December 2018 presented in the Group's condensed consolidated financial statements prepared under IFRS and those prepared under CAS.

II UNAUDITED SUPPLEMENTARY INFORMATION

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio

	As at 30 June 2019	As at 31 December 2018
RMB current assets to RMB current liabilities	**52.35%**	58.71%
Foreign currency current assets to foreign currency current liabilities	**60.04%**	54.78%

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

Liquidity coverage ratio

According to the *Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks*, 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* issued by CBIRC, the minimum supervision standard for liquidity coverage ratio shall not be less than 100%.

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 2019, the Group measured 91-day LCR on this basis, with average ratio[(3)] standing at 137.95%, representing a decrease of 11.29 percentage points over the previous quarter, which was primarily due to the increase in the net cash outflow.

The Group's high-quality liquid assets ("HQLA") are 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 and Level 2 assets pursuant to the *Rules on Liquidity Risk Management of Commercial Banks* by the CBIRC.

	2019		2018	
	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December	Quarter ended 30 September
Average value of LCR	**137.95%**	**149.24%**	139.66%	133.73%

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's liquidity coverage ratio (Continued)

The Group's average values[3] of consolidated LCR individual line items in the second quarter of 2019 are as follows:

No.		Total unweighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		3,889,476
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	7,080,698	521,501
3	Stable deposits	3,604,020	173,833
4	Less stable deposits	3,476,678	347,668
5	Unsecured wholesale funding, of which:	8,413,366	3,184,370
6	Operational deposits (excluding those generated from correspondent banking activities)	4,576,070	1,129,192
7	Non-operational deposits (all counterparties)	3,801,131	2,019,013
8	Unsecured debts	36,165	36,165
9	Secured funding		287
10	Additional requirements, of which:	3,120,343	1,975,885
11	Outflows related to derivative exposures and other collateral requirements	1,872,698	1,872,698
12	Outflows related to loss of funding on debt products	493	493
13	Credit and liquidity facilities	1,247,152	102,694
14	Other contractual funding obligations	47,348	47,348
15	Other contingent funding obligations	2,229,525	49,745
16	**Total cash outflows**		5,779,136
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	141,040	131,544
18	Inflows from fully performing exposures	1,307,255	829,047
19	Other cash inflows	2,103,622	1,995,878
20	**Total cash inflows**	3,551,917	2,956,469
			Total adjusted value
21	**Total HQLA**		3,889,476
22	**Total net cash outflows**		2,822,667
23	**Liquidity coverage ratio**		137.95%

(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 CBIRC.

(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 CBIRC.

(3) The average of LCR and the averages of all related individual items are the day-end simple arithmetic averages of figures.

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

Net stable funding ratio

According to the *Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks*, the Group disclosed the information of net stable funding ratio ("NSFR")(1) as follows.

Regulatory requirements of net stable funding ratio

As stipulated by the Rules on *Liquidity Risk Management of Commercial Banks* issued by CBIRC, the NSFR should be no less than 100% since 1 July 2018.

The Group's net stable funding ratio

As stipulated by the *Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks* issued by CBIRC, where a commercial bank makes the disclosure for the first time, it shall disclose the information of net stable funding ratio for the preceding three quarters.

As at 30 June 2019, the Group's NSFR was 126.81% on a consolidated basis(2), representing an increase of 0.06 percentage point over the previous quarter. As at 31 March 2019, the Group's NSFR was 126.75%, representing an increase of 1.15 percentage points over the previous quarter. The Group's NSFR remained stable, and met the regulatory requirement.

	2019		2018
	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December
Ending value of NSFR(3)	**126.81%**	**126.75%**	125.60%

(1) NSFR is introduced to ensure commercial banks have sufficient stable funding to meet the requirements of assets and off-balance sheet exposures.

(2) When calculating the consolidated NSFR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the requirements of the CBIRC.

(3) NSFR are the ending values of each quarter.

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the second quarter of 2019 are as follows:

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
	Available Stable Funding (ASF) Item					
1	Capital	–	–	–	2,070,558	2,070,558
2	Regulatory capital	–	–	–	1,971,628	1,971,628
3	Other capital instruments	–	–	–	98,930	98,930
4	Retail deposits and deposits from small business customers	3,942,818	3,723,929	164,023	3,927	7,243,201
5	Stable deposits	1,609,502	2,152,008	70,125	1,715	3,641,768
6	Less stable deposits	2,333,316	1,571,921	93,898	2,212	3,601,433
7	Wholesale funding	4,840,069	5,490,242	750,967	484,459	4,933,489
8	Operational deposits	4,496,357	362,028	23	–	2,429,204
9	Other wholesale funding	343,712	5,128,214	750,944	484,459	2,504,285
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	71,399	138,548	3,683	378,490	290,445
12	NSFR derivatives liabilities				89,886	
13	All other liabilities and equity not included in the above categories	71,399	138,548	3,683	288,604	290,445
14	**Total ASF**					**14,537,693**

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the second quarter of 2019 are as follows (Continued):

No.	Items	Unweighted value No maturity	Unweighted value <6 months	Unweighted value 6–12 months	Unweighted value ≥1 year	Weighted value
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					**640,998**
16	Deposits held at other financial institutions for operational purposes	**83,124**	**14,382**	**–**	**–**	**48,753**
17	Loans and securities	**75,999**	**4,367,447**	**2,282,178**	**7,983,943**	**9,523,092**
18	Loans to financial institutions secured by Level 1 assets	**–**	**9,951**	**–**	**–**	**995**
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	**75,999**	**1,465,812**	**322,368**	**62,182**	**454,638**
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	**–**	**2,450,025**	**1,495,922**	**4,022,181**	**5,336,359**
21	With a risk weight of less than or equal to 35%	**–**	**112,542**	**11,600**	**5,270**	**11,564**
22	Residential mortgages of which:	**–**	**127,659**	**116,179**	**3,538,509**	**3,093,335**
23	With a risk weight of less than or equal to 35%	**–**	**44,215**	**30,982**	**181,586**	**155,630**
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	**–**	**314,000**	**347,709**	**361,071**	**637,765**
25	Assets with matching interdependent liabilities	**–**	**–**	**–**	**–**	**–**
26	Other assets	**605,165**	**106,727**	**487**	**446,292**	**1,031,252**
27	Physical traded commodities, including gold	**209,203**				**177,822**
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				**267**	**227**
29	NSFR derivatives assets				**98,269**	**8,383**
30	NSFR derivatives liabilities with additional requirements				**17,977***	**17,977**
31	All other assets not included in the above categories	**395,962**	**106,727**	**487**	**347,756**	**826,843**
32	Off-balance sheet items				**5,626,130**	**220,279**
33	**Total RSF**					**11,464,374**
34	**NSFR**					**126.81%**

* Report derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No. 26 "Other assets".

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the first quarter of 2019 are as follows:

		Unweighted value				
No.	Items	No maturity	<6 months	6-12 months	≥1 year	Weighted value
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	1,984,441	1,984,441
2	Regulatory capital	–	–	–	1,885,511	1,885,511
3	Other capital instruments	–	–	–	98,930	98,930
4	Retail deposits and deposits from small business customers	3,918,330	3,748,798	147,518	4,363	7,229,267
5	Stable deposits	1,601,850	2,170,283	62,317	1,880	3,644,608
6	Less stable deposits	2,316,480	1,578,515	85,201	2,483	3,584,659
7	Wholesale funding	4,579,009	5,317,190	646,354	479,489	4,786,028
8	Operational deposits	4,246,574	360,625	–	–	2,303,600
9	Other wholesale funding	332,435	4,956,565	646,354	479,489	2,482,428
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	63,261	150,874	4,381	396,996	305,336
12	NSFR derivatives liabilities				93,850	
13	All other liabilities and equity not included in the above categories	63,261	150,874	4,381	303,146	305,336
14	**Total ASF**					**14,305,072**

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the first quarter of 2019 are as follows (Continued):

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets					**661,226**
16	Deposits held at other financial institutions for operational purposes	**87,474**	**19,045**	**–**	**–**	**53,259**
17	Loans and securities	**54,126**	**4,008,949**	**2,164,369**	**7,991,329**	**9,352,294**
18	Loans to financial institutions secured by Level 1 assets	**–**	**11,979**	**–**	**–**	**1,198**
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	**54,126**	**1,322,840**	**323,951**	**84,570**	**453,090**
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	**–**	**2,250,533**	**1,518,502**	**3,996,715**	**5,229,930**
21	With a risk weight of less than or equal to 35%	**–**	**104,126**	**7,372**	**3,437**	**7,417**
22	Residential mortgages of which:	**–**	**128,991**	**116,367**	**3,405,650**	**2,989,263**
23	With a risk weight of less than or equal to 35%	**–**	**43,620**	**30,547**	**141,093**	**128,794**
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	**–**	**294,606**	**205,549**	**504,394**	**678,813**
25	Assets with matching interdependent liabilities	**–**	**–**	**–**	**–**	**–**
26	Other assets	**597,937**	**113,305**	**1,463**	**423,078**	**1,006,510**
27	Physical traded commodities, including gold	**205,988**				**175,090**
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				**214**	**182**
29	NSFR derivatives assets				**98,402**	**4,552**
30	NSFR derivatives liabilities with additional requirements				**18,770***	**18,770**
31	All other assets not included in the above categories	**391,949**	**113,305**	**1,463**	**324,462**	**807,916**
32	Off-balance sheet items				**5,462,125**	**212,445**
33	**Total RSF**					**11,285,734**
34	**NSFR**					**126.75%**

* Report derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No. 26 "Other assets".

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the fourth quarter of 2018 are as follows:

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6-12 months	≥1 year	
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	1,895,958	1,895,958
2	Regulatory capital	–	–	–	1,797,028	1,797,028
3	Other capital instruments	–	–	–	98,930	98,930
4	Retail deposits and deposits from small business customers	3,612,516	3,622,039	117,130	6,639	6,807,928
5	Stable deposits	1,536,488	2,110,100	48,857	2,445	3,513,118
6	Less stable deposits	2,076,028	1,511,939	68,273	4,194	3,294,810
7	Wholesale funding	4,581,524	5,413,386	671,437	560,171	4,790,279
8	Operational deposits	4,321,067	273,583	–	–	2,297,325
9	Other wholesale funding	260,457	5,139,803	671,437	560,171	2,492,954
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	72,094	146,966	5,954	378,908	277,336
12	NSFR derivatives liabilities				104,550	
13	All other liabilities and equity not included in the above categories	72,094	146,966	5,954	274,358	277,336
14	**Total ASF**					13,771,501

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the fourth quarter of 2018 are as follows (Continued):

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6-12 months	≥1 year	
	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets					680,327
16	Deposits held at other financial institutions for operational purposes	68,587	238	–	–	34,412
17	Loans and securities	38,043	4,066,330	2,057,421	7,781,202	9,073,624
18	Loans to financial institutions secured by Level 1 assets	–	12,560	–	–	1,256
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	38,043	1,217,864	324,926	75,708	426,557
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,454,823	1,406,228	3,900,626	5,097,321
21	With a risk weight of less than or equal to 35%	–	100,956	1,594	3,704	4,968
22	Residential mortgages of which:	–	116,077	107,254	3,304,778	2,881,404
23	With a risk weight of less than or equal to 35%	–	40,208	28,498	196,613	162,151
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	265,006	219,013	500,090	667,086
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	564,415	82,684	1,218	463,798	987,087
27	Physical traded commodities, including gold	203,743				173,181
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				213	181
29	NSFR derivatives assets				131,132	26,582
30	NSFR derivatives liabilities with additional requirements				20,910*	20,910
31	All other assets not included in the above categories	360,672	82,684	1,218	332,453	766,233
32	Off-balance sheet items				5,610,692	189,428
33	**Total RSF**					10,964,878
34	**NSFR**					125.60%

* Report derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No. 26 "Other assets".

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

2 Currency concentrations

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

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
As at 30 June 2019				
Spot assets	**3,748,571**	**1,560,897**	**1,578,065**	**6,887,533**
Spot liabilities	**(4,125,153)**	**(1,934,057)**	**(1,418,694)**	**(7,477,904)**
Forward purchases	**6,091,619**	**808,722**	**1,375,951**	**8,276,292**
Forward sales	**(5,606,753)**	**(488,737)**	**(1,541,879)**	**(7,637,369)**
Net options position*	**(46,853)**	**736**	**(1,851)**	**(47,968)**
Net long/(short) position	**61,431**	**(52,439)**	**(8,408)**	**584**
Structural position	**53,373**	**230,016**	**71,755**	**355,144**
As at 31 December 2018				
Spot assets	3,679,148	1,488,089	1,445,560	6,612,797
Spot liabilities	(4,207,568)	(1,863,120)	(1,406,375)	(7,477,063)
Forward purchases	6,113,388	750,992	1,195,354	8,059,734
Forward sales	(5,492,047)	(409,454)	(1,245,872)	(7,147,373)
Net options position*	(40,858)	(258)	(1,885)	(43,001)
Net long/(short) position	52,063	(33,751)	(13,218)	5,094
Structural position	52,685	219,887	70,141	342,713

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

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", "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.

(Amounts 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 2019				
Asia Pacific				
Chinese mainland	**706,222**	**223,131**	**722,336**	**1,651,689**
Hong Kong	**32,137**	**59**	**488,595**	**520,791**
Other Asia Pacific locations	**94,178**	**125,607**	**390,366**	**610,151**
Subtotal	**832,537**	**348,797**	**1,601,297**	**2,782,631**
North and South America	**87,208**	**237,698**	**144,645**	**469,551**
Other	**94,950**	**74,279**	**241,715**	**410,944**
Total	**1,014,695**	**660,774**	**1,987,657**	**3,663,126**
As at 31 December 2018				
Asia Pacific				
Chinese mainland	608,194	418,266	701,782	1,728,242
Hong Kong	18,193	1	469,543	487,737
Other Asia Pacific locations	80,097	33,887	371,850	485,834
Subtotal	706,484	452,154	1,543,175	2,701,813
North and South America	59,618	224,329	145,386	429,333
Other	54,341	77,159	234,936	366,436
Total	820,443	753,642	1,923,497	3,497,582

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 2019	As at 31 December 2018
Total loans and advances to customers which have been overdue		
within 3 months	**49,125**	84,754
between 3 and 6 months	**21,987**	24,673
between 6 and 12 months	**34,225**	45,816
over 12 months	**73,245**	64,708
Total	**178,582**	219,951
Percentage		
within 3 months	**0.39%**	0.72%
between 3 and 6 months	**0.18%**	0.21%
between 6 and 12 months	**0.27%**	0.39%
over 12 months	**0.58%**	0.55%
Total	**1.42%**	1.87%

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 2019 and 31 December 2018 was not considered material.

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 CBIRC. 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 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
Net common equity tier 1 capital	**1,526,628**	1,465,769	**1,302,655**	1,251,056
Net tier 1 capital	**1,749,305**	1,575,293	**1,515,341**	1,350,770
Net capital	**2,087,358**	1,922,350	**1,837,530**	1,683,893
Common equity tier 1 capital adequacy ratio	**11.21%**	11.41%	**10.97%**	11.08%
Tier 1 capital adequacy ratio	**12.85%**	12.27%	**12.77%**	11.96%
Capital adequacy ratio	**15.33%**	14.97%	**15.48%**	14.92%

5.3 Risk-weighted assets

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

	As at 30 June 2019	As at 31 December 2018
Credit risk-weighted assets	**12,632,013**	11,860,829
Market risk-weighted assets	**150,907**	145,325
Operational risk-weighted assets	**835,372**	835,372
Risk-weighted assets increment required to reach capital floor	**–**	–
Total risk-weighted assets	**13,618,292**	12,841,526

(Amounts 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 2019			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by Internal Ratings-based Approach	**10,019,633**	**1,183,914**	**29,972**	**11,233,519**
Of which: Corporate exposures	**6,010,065**	**971,603**	**29,972**	**7,011,640**
Retail exposures	**4,009,568**	**212,311**	**–**	**4,221,879**
Exposures not covered by Internal Ratings-based Approach	**11,802,711**	**490,338**	**308,132**	**12,601,181**
Of which: Asset securitisation	**44,286**	**3,812**	**–**	**48,098**
Total	**21,822,344**	**1,674,252**	**338,104**	**23,834,700**

	As at 31 December 2018			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by Internal Ratings-based Approach	9,330,516	1,189,441	19,252	10,539,209
Of which: Corporate exposures	5,684,673	975,629	19,252	6,679,554
Retail exposures	3,645,843	213,812	–	3,859,655
Exposures not covered by Internal Ratings-based Approach	11,512,512	445,669	390,117	12,348,298
Of which: Asset securitisation	36,680	–	–	36,680
Total	20,843,028	1,635,110	409,369	22,887,507

5.5 Capital requirements on market risk

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

	Capital requirements	
	As at 30 June 2019	As at 31 December 2018
Covered by Internal Model Approach	**6,772**	6,430
Not covered by Internal Model Approach	**5,301**	5,196
Interest rate risk	**4,367**	4,695
Equity risk	**192**	146
Foreign exchange risk	**–**	–
Commodity risk	**742**	355
Total	**12,073**	11,626

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 2019			
	Average	**Maximum**	**Minimum**	**End**
VaR	**598**	**872**	**478**	**777**
Stressed VaR	**1,574**	**1,847**	**1,174**	**1,184**

	For the year ended 31 December 2018			
	Average	**Maximum**	**Minimum**	**End**
VaR	672	1,215	327	631
Stressed VaR	1,504	2,557	923	1,472

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 RMB66,830 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 2019	**As at 31 December 2018**
Interest rate basis points move		
+25 basis points	**(5,071)**	(4,136)
-25 basis points	**5,071**	4,136

(Amounts 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 2019	As at 31 December 2018	Code
Common equity tier 1 capital				
1	Paid-in capital	**294,388**	294,388	j
2	Retained earnings	**1,080,100**	1,025,736	
2a	Surplus reserve	**156,969**	156,711	r
2b	General reserve	**231,565**	231,416	s
2c	Undistributed profits	**691,566**	637,609	t
3	Accumulated other comprehensive income (and other reserves)	**145,219**	139,657	
3a	Capital reserve	**140,497**	140,422	m
3b	Currency translation differences	**(13,116)**	(13,502)	q
3c	Others	**17,838**	12,737	o-q
4	Amount attributable to common equity tier 1 capital in the transitional period	**–**	–	
5	Eligible portion of minority interests	**29,479**	28,229	u
6	**Common equity tier 1 capital before regulatory adjustment**	**1,549,186**	1,488,010	
Common equity tier 1 capital: regulatory adjustment				
7	Prudential valuation adjustment	**–**	–	
8	Goodwill (net of deferred tax liabilities deduction)	**(182)**	(182)	-h
9	Other intangible assets (excluding land use rights) (net of deferred tax liabilities deduction)	**(11,825)**	(12,078)	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	**–**	–	-p
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	**(57)**	(68)	n
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	**N/A**	N/A	
21	Deductible amount of other net deferred tax assets relying on the bank's future profitability	**–**	–	
22	Deductible amount of the 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 2019	As at 31 December 2018	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	N/A	N/A	
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	(9,920)	(9,913)	-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	(574)	–	
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**	**(22,558)**	(22,241)	
29	**Net common equity tier 1 capital**	**1,526,628**	1,465,769	
Additional tier 1 capital				
30	Additional tier 1 capital instruments and related premiums	212,685	99,714	
31	Of which: Equity part	212,685	99,714	k+l
32	Of which: Liability part	–	–	
33	Instruments non-attributable to additional tier 1 capital after the transitional period	–	–	
34	Eligible portion of minority interests	9,992	9,810	v
35	Of which: Part of instruments non-attributable to additional tier 1 capital after the transitional period	–	–	
36	**Additional tier 1 capital before regulatory adjustment**	**222,677**	109,524	
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**	**222,677**	109,524	
45	**Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)**	**1,749,305**	1,575,293	

(Amounts 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 2019	As at 31 December 2018	Code
Tier 2 capital				
46	Tier 2 capital instruments issued and related premiums	**239,778**	256,189	
47	Of which: Part of instruments non-attributable to tier 2 capital after the transitional period	**49,367**	65,823	i
48	Eligible portion of minority interests	**9,354**	9,191	
49	Of which: Part of minority interests non-attributable to tier 2 capital after the transitional period	**–**	–	
50	Excess provision included in tier 2 capital	**88,921**	82,093	-b-d
51	**Tier 2 capital before regulatory adjustment**	**338,053**	347,473	
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	**–**	(416)	
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**	**–**	(416)	
58	**Net tier 2 capital**	**338,053**	347,057	
59	**Total net capital (net tier 1 capital + net tier 2 capital)**	**2,087,358**	1,922,350	
60	**Total risk-weighted assets**	**13,618,292**	12,841,526	

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2019	As at 31 December 2018	Code
Capital adequacy ratio and reserve capital requirement			
61 Common equity tier 1 capital adequacy ratio	**11.21%**	11.41%	
62 Tier 1 capital adequacy ratio	**12.85%**	12.27%	
63 Capital adequacy ratio	**15.33%**	14.97%	
64 Institution-specific capital requirement	**4.00%**	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	**1.50%**	1.00%	
68 Ratio of common equity tier 1 capital meeting buffer area to risk-weighted assets	**6.21%**	6.41%	
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)	**117,369**	89,253	
73 Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	**6,629**	5,436	
74 Collateralised loan service rights (net of deferred tax liabilities deduction)	**N/A**	N/A	
75 Other net deferred tax assets relying on the bank's future profitability (net of deferred tax liabilities deduction)	**35,962**	36,974	
Limit of excess loan loss reserve attributable to tier 2 capital			
76 Actual accrued loan loss reserve amount under the Regulatory Weighting Approach	**35,414**	41,465	-a
77 Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	**22,328**	26,345	-b
78 Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	**66,593**	55,748	-c
79 Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	**66,593**	55,748	-d
Capital instruments meeting exit arrangement			
80 Amount attributable to common equity tier 1 capital of the current period derived from the transitional period arrangement	**–**	–	
81 Amount non-attributable to common equity tier 1 capital derived from the transitional period arrangement	**–**	–	
82 Amount attributable to additional tier 1 capital of the current period derived from the transitional period arrangement	**–**	–	
83 Amount non-attributable to additional tier 1 capital derived from the transitional period arrangement	**–**	–	
84 Amount attributable to tier 2 capital of the current period derived from the transitional period arrangement	**49,367**	65,823	i
85 Amount non-attributable to tier 2 capital of the current period derived from the transitional period arrangement	**49,563**	33,107	

(Amounts 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 2019		As at 31 December 2018	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
ASSETS				
Cash and balances with central banks	**2,134,760**	**2,134,760**	2,407,808	2,407,807
Due from banks and other financial institutions	**407,392**	**401,364**	363,176	357,897
Precious metals	**202,358**	**202,358**	181,203	181,203
Placements with and loans to banks and other financial institutions	**767,486**	**766,213**	781,761	780,151
Derivative financial assets	**86,982**	**86,917**	124,126	123,986
Reverse repurchase transactions	**402,614**	**402,591**	260,597	260,207
Loans and advances to customers	**12,257,784**	**12,255,568**	11,515,764	11,514,470
Financial investments	**5,361,318**	**5,190,098**	5,054,551	4,897,328
— financial assets at fair value through profit or loss	**443,792**	**335,884**	370,491	275,470
— financial assets at fair value through other comprehensive income	**2,084,968**	**2,061,544**	1,879,759	1,858,107
— financial assets at amortised cost	**2,832,558**	**2,792,670**	2,804,301	2,763,751
Long term equity investment	**23,384**	**53,636**	23,369	52,048
Investment properties	**22,788**	**16,173**	22,086	15,373
Property and equipment	**232,579**	**94,846**	227,394	97,623
Right-of-use assets	**22,637**	**23,573**	N/A	N/A
Intangible assets	**19,325**	**17,919**	19,452	18,366
Goodwill	**2,631**	**182**	2,620	182
Deferred income tax assets	**37,115**	**35,962**	38,204	36,974
Other assets	**284,871**	**232,025**	245,164	196,762
Total assets	**22,266,024**	**21,914,185**	21,267,275	20,940,377

5 Capital adequacy ratio supplementary information (Continued)

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

	As at 30 June 2019		As at 31 December 2018	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
LIABILITIES				
Due to central banks	**913,185**	**913,185**	907,521	907,521
Due to banks and other financial institutions	**1,784,482**	**1,784,482**	1,731,209	1,731,209
Placements from banks and other financial institutions	**340,732**	**328,764**	327,249	316,968
Financial liabilities held for trading	**18,273**	**18,273**	14,327	14,327
Derivative financial liabilities	**82,861**	**81,160**	99,254	98,284
Repurchase transactions	**188,669**	**188,270**	285,018	284,861
Due to customers	**15,644,634**	**15,648,115**	14,883,596	14,884,503
Employee benefits payable	**27,937**	**26,560**	33,822	32,366
Current tax liabilities	**36,737**	**36,271**	27,894	27,451
Contingent liabilities	**19,271**	**19,271**	22,010	22,010
Bonds issued	**827,575**	**765,319**	782,127	727,493
Deferred income tax liabilities	**4,959**	**764**	4,548	367
Other liabilities	**469,257**	**263,929**	423,303	230,432
Total liabilities	**20,358,572**	**20,074,363**	19,541,878	19,277,792
EQUITY				
Share capital	**294,388**	**294,388**	294,388	294,388
Other equity instruments	**212,685**	**212,685**	99,714	99,714
Of which: Preference shares	**172,693**	**172,693**	99,714	99,714
Of which: Undated capital bonds	**39,992**	**39,992**	–	–
Capital reserve	**142,219**	**140,497**	142,135	140,422
Less: Treasury shares	**(57)**	**(57)**	(68)	(68)
Other comprehensive income	**7,423**	**4,722**	1,417	(765)
Surplus reserve	**157,887**	**156,969**	157,464	156,711
General reserve	**231,674**	**231,565**	231,525	231,416
Undistributed profits	**744,199**	**691,566**	686,405	637,609
Capital and reserves attributable to equity holders of the Bank	**1,790,418**	**1,732,335**	1,612,980	1,559,427
Non-controlling interests	**117,034**	**107,487**	112,417	103,158
Total equity	**1,907,452**	**1,839,822**	1,725,397	1,662,585
Total equity and liabilities	**22,266,024**	**21,914,185**	21,267,275	20,940,377

(Amounts 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 2019	As at 31 December 2018	Code
ASSETS			
Cash and balances with central banks	**2,134,760**	2,407,807	
Due from banks and other financial institutions	**401,364**	357,897	
Precious metals	**202,358**	181,203	
Placements with and loans to banks and other financial institutions	**766,213**	780,151	
Derivative financial assets	**86,917**	123,986	
Reverse repurchase transactions	**402,591**	260,207	
Loans and advances to customers	**12,255,568**	11,514,470	
Of which: Actual accrued loan loss reserve amount under the Regulatory Weighting Approach	**(35,414)**	(41,465)	a
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	**(22,328)**	(26,345)	b
Of which: Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	**(66,593)**	(55,748)	c
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	**(66,593)**	(55,748)	d
Financial investments	**5,190,098**	4,897,328	
— financial assets at fair value through profit or loss	**335,884**	275,470	
— financial assets at fair value through other comprehensive income	**2,061,544**	1,858,107	
— financial assets at amortised cost	**2,792,670**	2,763,751	
Long term equity investment	**53,636**	52,048	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	**9,920**	9,913	e
Investment properties	**16,173**	15,373	
Property and equipment	**94,846**	97,623	
Right-of-use assets	**23,573**	N/A	
Intangible assets	**17,919**	18,366	f
Of which: Land use rights	**6,094**	6,288	g
Goodwill	**182**	182	h
Deferred income tax assets	**35,962**	36,974	
Other assets	**232,025**	196,762	
Total assets	**21,914,185**	20,940,377	

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 2019	As at 31 December 2018	Code
LIABILITIES			
Due to central banks	**913,185**	907,521	
Due to banks and other financial institutions	**1,784,482**	1,731,209	
Placements from banks and other financial institutions	**328,764**	316,968	
Financial liabilities held for trading	**18,273**	14,327	
Derivative financial liabilities	**81,160**	98,284	
Repurchase transactions	**188,270**	284,861	
Due to customers	**15,648,115**	14,884,503	
Employee benefits payable	**26,560**	32,366	
Current tax liabilities	**36,271**	27,451	
Contingent liabilities	**19,271**	22,010	
Bonds issued	**765,319**	727,493	
Of which: Amount attributable to tier 2 capital of the current period derived from the transitional period arrangement	**49,367**	65,823	i
Deferred income tax liabilities	**764**	367	
Other liabilities	**263,929**	230,432	
Total liabilities	**20,074,363**	19,277,792	
EQUITY			
Share capital	**294,388**	294,388	j
Other equity instruments	**212,685**	99,714	
Of which: Preference shares	**172,693**	99,714	k
Of which: Undated capital bonds	**39,992**	–	l
Capital reserve	**140,497**	140,422	m
Less: Treasury shares	**(57)**	(68)	n
Other comprehensive income	**4,722**	(765)	o
Of which: Reserve relating to cash-flow hedge items not measured at fair value	**–**	–	p
Of which: Currency translation differences	**(13,116)**	(13,502)	q
Surplus reserve	**156,969**	156,711	r
General reserve	**231,565**	231,416	s
Undistributed profits	**691,566**	637,609	t
Capital and reserves attributable to equity holders of the Bank	**1,732,335**	1,559,427	
Non-controlling interests	**107,487**	103,158	
Of which: Amount attributable to common equity tier 1 capital	**29,479**	28,229	u
Of which: Amount attributable to additional tier 1 capital	**9,992**	9,810	v
Total equity	**1,839,822**	1,662,585	
Total equity and liabilities	**21,914,185**	20,940,377	

(Amounts 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)
1	Issuer	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
3	Applicable law	PRC law	Hong Kong SAR law	PRC law	Hong Kong SAR law
Regulatory processing					
4	Of which: Applicable to transitional period rules specified by *Capital Rules for Commercial Banks (Provisional)*	Common equity tier 1 capital	Common equity 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 *Capital Rules for Commercial Banks (Provisional)*	Common equity tier 1 capital	Common equity 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
7	Instrument type	Common shares	Common shares	Preference shares	Preference shares
8	Amount attributable to regulatory capital (the last reporting day)	282,501	151,808	31,963	39,782
9	Par value of instrument	210,766	83,622	32,000	39,940
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve	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
12	Term (term or perpetual)	Perpetual	Perpetual	Perpetual	Perpetual
13	Of which: Original 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
15	Of which: Redemption date (or have redemption date) and amount	N/A	N/A	Subject to approval by the CBIRC, 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 CBIRC, 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)	N/A	N/A	Subject to approval by the CBIRC, 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 CBIRC, 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)
	Dividend or interest payment				
17	Of which: Fixed or floating dividend or interest payment	Floating	Floating	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	N/A	N/A	6.00% (dividend yield, before tax)	The dividend yield fixed at 6.75% (after tax) for the first 5 years, is reset based on the 5-year U.S. treasury rate plus a fixed interest spread at the dividend reset date every 5 years, and the dividend yield during each reset period remains unchanged
19	Of which: Existence of dividend brake mechanism	N/A	N/A	Yes	Yes
20	Of which: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion
21	Of which: Existence of redemption incentive mechanism	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	N/A	N/A	Yes	Yes
24	Of which: Please specify the trigger condition for share conversion, if allowed	N/A	N/A	(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 CBIRC 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 CBIRC 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

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)
Dividend or interest payment (Continued)					
25	Of which: Please specify share conversion in whole or in part, if allowed	N/A	N/A	Whole/part	Whole/part
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	N/A	N/A	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	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; (c) if the Bank shall issue (otherwise than rights issue) any H Shares (other than H Shares issued on the compulsory conversion of the Offshore Preference Shares or on the exercise of any other rights of conversion into,

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)
	Dividend or interest payment (Continued)				
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed (Continued)			above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary shares	or exchange or subscription for H Shares), at a price per H Share which is less than the Current Market Price per H Share on the date of the 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

(Amounts 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)
Dividend or interest payment (Continued)					
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	N/A	N/A	Yes	Yes
28	Of which: Please specify the instrument type after conversion, if allowed	N/A	N/A	A common share	H common share
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	N/A	N/A	Bank of China Limited	Bank of China Limited
30	Write-down feature	N/A	N/A	No	No
31	Of which: Please specify the trigger point of write-down, if allowed	N/A	N/A	N/A	N/A
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	N/A	N/A	N/A	N/A
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	N/A	N/A	N/A	N/A
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	N/A	N/A	N/A	N/A
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)
36	Does the instrument contain temporary illegible attribute?	No	No	No	No
37	Of which: If yes, please specify such attribute	N/A	N/A	N/A	N/A

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	360010.SH	360033.SH	1928001.IB
3	Applicable law	PRC law	PRC law	PRC law
Regulatory processing				
4	Of which: Applicable to transitional period rules specified by *Capital Rules for Commercial Banks (Provisional)*	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 *Capital Rules for Commercial Banks (Provisional)*	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
7	Instrument type	Preference shares	Preference shares	Undated capital bonds
8	Amount attributable to regulatory capital (the last reporting day)	27,969	72,979	39,992
9	Par value of instrument	28,000	73,000	40,000
10	Accounting treatment	Other equity instrument	Other equity instrument	Other equity instrument
11	Initial issuing date	2015/3/13	2019/6/24	2019/1/25
12	Term (term or perpetual)	Perpetual	Perpetual	Perpetual
13	Of which: Original maturity date	No maturity date	No maturity date	No maturity date
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Subject to approval by the CBIRC, 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 CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter

(Amounts 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	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Regulatory processing (Continued)				
16	Of which: Subsequent redemption date (if any)	Subject to approval by the CBIRC, 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 CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank may redeem the Bonds in whole or in part on each Distribution Payment Date from and including 5 years after the issuance of the Bonds. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances: After the Issuance, the Bonds will no longer qualify as Additional Tier 1 Capital of the Issuer as a result of an unforeseeable change or amendment in the relevant provisions of supervisory regulations
Dividend or interest payment				
17	Of which: Fixed or floating dividend or interest payment	Fixed	Adjustable dividend rate	Adjustable distribution rate
18	Of which: Coupon rate and relevant indicators	5.50%(dividend yield, before tax)	4.50% (dividend yield, before tax), for the first 5 years, is reset based on the benchmark rate plus a fixed interest spread at the dividend reset date every 5 years, and the dividend yield during each reset period remains unchanged	4.50% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable 5 years Chinese government notes plus a fixed spread, with a distribution rate adjustment period every 5 years after the payment date. The distribution rate is fixed during each adjustment period
19	Of which: Existence of dividend brake mechanism	Yes	Yes	Yes
20	Of which: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion
21	Of which: Existence of redemption incentive mechanism	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	Yes	Yes	No

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Dividend or interest payment (Continued)				
24	Of which: Please specify the trigger condition for share conversion, if allowed	(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 CBIRC 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 CBIRC 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	N/A
25	Of which: Please specify share conversion in whole or in part, if allowed	Whole/part	Whole/part	N/A

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Dividend or interest payment (Continued)				
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	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 price to reflect distribution of cash dividends for ordinary shares	The initial compulsory conversion price of the Domestic Preference Shares shall be 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 Domestic Preference Shares issuance, i.e. RMB3.62 per share. After the issuance of Domestic 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 share, convertible corporate bond etc.)), or rights issue for A Shares, the compulsory conversion price shall be subject to cumulative adjustments in the same order of the occurrence of such events. The distribution of cash dividends to the Ordinary Shareholders will not result in any adjustment to the compulsory conversion price	N/A

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Dividend or interest payment (Continued)				
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Yes	Yes	N/A
28	Of which: Please specify the instrument type after conversion, if allowed	A common share	A common share	N/A
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Bank of China Limited	Bank of China Limited	N/A
30	Write-down feature	No	No	Yes
31	Of which: Please specify the trigger point of write-down, if allowed	N/A	N/A	1. An Additional Tier 1 capital trigger event refers to the Issuer's Core Tier 1 capital adequacy ratio falls to 5.125% (or below) 2. A Tier 2 capital trigger event refers to the earlier of the following events: (a) the CBIRC having decided that the Issuer would become non-viable without a write-off; (b) the relevant authorities 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	N/A	N/A	Upon the occurrence of an Additional Tier 1 capital trigger event, write-down in part or in whole. Upon the occurrence of a Tier 2 capital trigger event, write-down in whole

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Dividend or interest payment (Continued)				
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	N/A	N/A	Upon the occurrence of an Additional Tier 1 capital trigger event, write-down. Upon the occurrence of a Tier 2 capital trigger event, perpetual write-down
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	N/A	N/A	N/A
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	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, subordinated bond and tier 2 capital bond
36	Does the instrument contain temporary illegible attribute?	No	No	No
37	Of which: If yes, please specify such attribute	N/A	N/A	N/A

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	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	1428010.IB	5828.HK	1728017.IB	1728020.IB
3	Applicable law	PRC law	English law (Provisions relating to subordination shall be governed by PRC law)	PRC law	PRC law
Regulatory processing					
4	Of which: Applicable to transitional period rules specified by *Capital Rules for Commercial Banks (Provisional)*	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by *Capital Rules for Commercial Banks (Provisional)*	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 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
7	Instrument type	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	29,979	20,538	29,963	29,962
9	Par value of instrument	30,000	USD3.0 billion	30,000	30,000
10	Accounting treatment	Bonds Issued	Bonds Issued	Bonds Issued	Bonds Issued
11	Initial issuing date	2014/8/8	2014/11/13	2017/9/26	2017/10/31
12	Term (term or perpetual)	Term	Term	Term	Term
13	Of which: Original maturity date	2024/8/11	2024/11/13	2027/9/28	2027/11/2
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Subject to approval by the CBIRC, 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)	N/A	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/9/28)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/11/2)

(Amounts 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	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)					
16	Of which: Subsequent redemption date (if any)	Subject to the Redemption Conditions, the 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	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
Dividend or interest payment					
17	Of which: Fixed or floating dividend or interest payment	Fixed	Fixed	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	5.80%	5.00%	4.45%	4.45%
19	Of which: Existence of dividend brake mechanism	No	No	No	No
20	Of which: Discretion to cancel dividend or interest payment	N/A	N/A	N/A	N/A
21	Of which: Existence of redemption incentive mechanism	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	No	No	No	No

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	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)					
24	Of which: Please specify the trigger condition for share conversion, if allowed	N/A	N/A	N/A	N/A
25	Of which: Please specify share conversion in whole or in part, if allowed	N/A	N/A	N/A	N/A
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	N/A	N/A	N/A	N/A
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	N/A	N/A	N/A	N/A
28	Of which: Please specify the instrument type after conversion, if allowed	N/A	N/A	N/A	N/A
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	N/A	N/A	N/A	N/A
30	Write-down feature	Yes	Yes	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 CBIRC 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 CBIRC 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 CBIRC 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 CBIRC 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	Write-down in whole	Write-down in whole

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	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)					
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	N/A	N/A	N/A	N/A
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	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	No	No
37	Of which: If yes, please specify such attribute	N/A	N/A	N/A	N/A

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	1828006.IB	1828011.IB
3	Applicable law	PRC law	PRC law
Regulatory processing			
4	Of which: Applicable to transitional period rules specified by *Capital Rules for Commercial Banks (Provisional)*	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by *Capital Rules for Commercial Banks (Provisional)*	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)	39,985	39,983
9	Par value of instrument	40,000	40,000
10	Accounting treatment	Bonds Issued	Bonds Issued
11	Initial issuing date	2018/9/3	2018/10/9
12	Term (term or perpetual)	Term	Term
13	Of which: Original maturity date	2028/9/5	2028/10/11
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 CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/9/5)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/10/11)

(Amounts 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)			
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
Dividend or interest payment			
17	Of which: Fixed or floating dividend or interest payment	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	4.86%	4.84%
19	Of which: Existence of dividend brake mechanism	No	No
20	Of which: Discretion to cancel dividend or interest payment	N/A	N/A
21	Of which: Existence of redemption incentive mechanism	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	No	No

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
Dividend or interest payment (Continued)			
24	Of which: Please specify the trigger condition for share conversion, if allowed	N/A	N/A
25	Of which: Please specify share conversion in whole or in part, if allowed	N/A	N/A
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	N/A	N/A
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	N/A	N/A
28	Of which: Please specify the instrument type after conversion, if allowed	N/A	N/A
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	N/A	N/A
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 CBIRC 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 CBIRC 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

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
Dividend or interest payment (Continued)			
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	N/A	N/A
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	N/A	N/A

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)]:

	2019		2018	
	As at 30 June	**As at 31 March**	**As at 31 December**	**As at 30 September**
Net tier 1 capital	**1,749,305**	**1,662,406**	1,575,293	1,542,039
Adjusted on- and off-balance sheet assets	**23,813,940**	**23,032,078**	22,700,133	22,556,634
Leverage ratio	**7.35%**	**7.22%**	6.94%	6.84%

No.	Items	As at 30 June 2019
1	Total consolidated assets	**22,266,024**
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(9,920)**
3	Adjustments for fiduciary assets	**–**
4	Adjustments for derivative financial instruments	**203,065**
5	Adjustments for securities financing transactions	**93,439**
6	Adjustments for off-balance sheet exposures	**1,625,721**
7	Other adjustments	**(364,389)**
8	Adjusted on- and off-balance sheet assets	**23,813,940**

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

6 Leverage ratio (Continued)

No.	Items	As at 30 June 2019
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	**21,424,677**
2	Less: Tier 1 capital deductions	**(22,558)**
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**21,402,119**
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	**86,917**
5	Add-on amounts for potential future exposure associated with all derivative transactions	**203,130**
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**	**290,047**
12	Accounting balance for securities financing transaction assets	**402,591**
13	Less: Deducted amounts for securities financing transaction assets	**–**
14	Counterparty credit risk exposure for securities financing transaction assets	**93,462**
15	Agent transaction exposures	**–**
16	**Balance of assets in securities financing transactions**	**496,053**
17	Off-balance sheet items	**4,505,915**
18	Less: Adjustments for conversion to credit equivalent amounts	**(2,880,194)**
19	**Adjusted off-balance sheet exposures**	**1,625,721**
20	Net tier 1 capital	**1,749,305**
21	Adjusted on- and off-balance sheet exposures	**23,813,940**
22	**Leverage ratio**	**7.35%**

(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)*.

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC™ C020557

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

No. 1 Fuxingmen Nei Dajie, Beijing, China, 100818
Tel: (86) 10-6659 6688   Fax: (86) 10-6601 6871
Customer Service and Complaint Hotline: (86) Area Code-95566
http://www.boc.cn