中國銀行
BANK OF CHINA

Serving Society
Delivering Excellence

2014
INTERIM REPORT

Bank of China Limited

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

Stock Code: 3988

Contents

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
Basis Point	0.01 of a percentage point
BOC Aviation	BOC Aviation Pte. Ltd.
BOC Insurance	BOC Insurance Company Limited
BOCG Insurance	Bank of China Group Insurance Company Limited
BOCG Investment	Bank of China Group Investment Limited
BOCG Life	BOC Group Life Assurance Co., Ltd.
BOCHK	Bank of China (Hong Kong) Limited, an authorised financial institution incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK (Holdings)
BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong and the ordinary shares of which are listed on the Hong Kong Stock Exchange
BOCI	BOC International Holdings Limited
BOCI China	BOC International (China) Limited
BOCIM	Bank of China Investment Management Co., Ltd.
CBRC	China Banking Regulatory Commission
Central and Southern China	The area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan
Company Law	The Company Law of PRC
Convertible Bonds	Corporate bonds that are vested for conversion to the A-Share stock of the Bank
CSRC	China Securities Regulatory Commission
Eastern China	The area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi and Shandong
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
Huijin	Central Huijin Investment Ltd.
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 and Liaoning
Northern China	The area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office
PBOC	The People's Bank of China
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of the 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 2014 Interim Report and the 2014 Interim Results Announcement of the Bank have been reviewed and approved at the meeting of the Board of Directors of the Bank held on 19 August 2014. The number of directors who should attend the meeting is thirteen, and all of the directors were present and exercised their voting rights. Seven supervisors attended the meeting as non-voting attendees.

The 2014 interim financial statements prepared by the Bank in accordance with Chinese Accounting Standards ("CAS") and International Financial Reporting Standards ("IFRS") have been reviewed by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and international standards on review engagements, respectively.

Chairman of the Board of Directors TIAN Guoli, President CHEN Siqing, Executive Vice President responsible for the Bank's finance and accounting ZHANG Jinliang and General Manager of the Accounting and Information Department ZHANG Jianyou warrant the authenticity, accuracy and completeness of the financial information in this report.

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

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

Corporate Information

Registered Name in Chinese
中國銀行股份有限公司 ("中國銀行")

Registered Name in English
BANK OF CHINA LIMITED ("Bank of China")

Legal Representative and Chairman
TIAN Guoli

Vice Chairman and President
CHEN Siqing

Secretary to the Board of Directors
FAN Yaosheng
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E-mail: ir@bankofchina.com

Company Secretary
YEUNG Cheung Ying

Listing Affairs Representative
LUO Nan
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Registered Address of Head Office
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Telephone: (86) 10-6659 6688
Facsimile: (86) 10-6601 6871
Website: http://www.boc.cn
E-mail: ir@bankofchina.com
Customer Service and Complaint Hotline:
(86) Area Code-95566

Place of Business in Hong Kong
Bank of China Tower, 1 Garden Road, Central,
Hong Kong

Selected Newspapers for Information Disclosure (A Share)
China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website Designated by CSRC for Publication of the Interim Report
http://www.sse.com.cn

Website of HKEx for Publication of the Interim Report
http://www.hkexnews.hk

Place Where the Interim Report can be Obtained
No. 1 Fuxingmen Nei Dajie, Beijing, China

Registered Capital
RMB279,147,223,195

Securities Information

A Share
Shanghai Stock Exchange
Stock Name: 中國銀行
Stock Code: 601988

H Share
The Stock Exchange of Hong Kong Limited
Stock Name: Bank of China
Stock Code: 3988

A-Share Convertible Bonds
Shanghai Stock Exchange
Securities Name: 中行轉債
Securities Code: 113001

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

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

Financial Highlights

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

Unit: RMB million

	Note	**For the six month period ended 30 June 2014**	For the six month period ended 30 June 2013	For the six month period ended 30 June 2012
Results of operations				
Net interest income		**156,675**	137,288	124,054
Non-interest income	1	**78,197**	68,963	55,611
Operating income		**234,872**	206,251	179,665
Operating expenses		**(85,897)**	(82,209)	(73,661)
Impairment losses on assets		**(27,782)**	(14,142)	(9,237)
Operating profit		**121,193**	109,900	96,767
Profit before income tax		**121,950**	110,251	96,992
Profit for the period		**93,409**	84,172	74,884
Profit attributable to equity holders of the Bank		**89,724**	80,721	71,483
Basic earnings per share for profit attributable to equity holders of the Bank (RMB Yuan)	2	**0.32**	0.29	0.26
Key financial ratios				
Return on average total assets (%)	3	**1.27**	1.30	1.21
Return on average equity (%)	4	**18.57**	18.93	18.96
Net interest margin (%)	5	**2.27**	2.23	2.10
Non-interest income to operating income (%)	6	**33.29**	33.44	30.95
Cost to income ratio (calculated under domestic regulations, %)	7	**25.54**	27.67	28.84
Credit cost (%)	8	**0.69**	0.39	0.28
		As at 30 June 2014	As at 31 December 2013	As at 31 December 2012
Statement of financial position				
Total assets		**15,469,096**	13,874,299	12,680,615
Loans, gross		**8,424,595**	7,607,791	6,864,696
Allowance for loan impairment losses		**(186,335)**	(168,049)	(154,656)
Investments	9	**2,487,978**	2,403,631	2,272,724
Total liabilities		**14,462,640**	12,912,822	11,819,073
Due to customers		**11,190,569**	10,097,786	9,173,995
Capital and reserves attributable to equity holders of the Bank		**965,733**	923,916	824,677
Share capital		**279,365**	279,365	279,147
Net assets per share (RMB Yuan)	10	**3.46**	3.31	2.95
Loan to deposit ratio (%)	11	**72.29**	72.52	71.99
Capital ratios	12			
Common equity tier 1 capital		**965,567**	925,037	N.A.
Additional tier 1 capital		**1,150**	698	N.A.
Tier 2 capital		**249,199**	262,768	N.A.
Common equity tier 1 capital adequacy ratio (%)		**9.36**	9.69	N.A.
Tier 1 capital adequacy ratio (%)		**9.37**	9.70	N.A.
Capital adequacy ratio (%)		**11.78**	12.46	N.A.
Capital adequacy ratio (%, calculated based on Advanced Capital Measurement Approaches)		**12.41**	N.A.	N.A.
Asset quality				
Identified impaired loans to total loans (%)	13	**1.02**	0.96	0.95
Non-performing loans to total loans (%)	14	**1.02**	0.96	0.95
Allowance for loan impairment losses to non-performing loans (%)	15	**217.02**	229.35	236.30
Allowance for loan impairment losses to total loans (%)	16	**2.71**	2.62	2.62

Notes:

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

2 In accordance with IFRS, due to the restatement of the profit, basic earnings per share for the six month period ended 30 June 2012 were recalculated.

3 Return on average total assets = profit for the period ÷ average total assets, annualised. Average total assets = (total assets at the beginning of reporting period + total assets at the end of reporting period) ÷ 2.

4 Return on average equity = profit attributable to equity holders of the Bank ÷ weighted average capital and reserves attributable to equity holders of the Bank, annualised. The Calculation is based on *No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies — Calculation and Disclosure of Return on Average Equity and Earnings per Share (Revised in 2010)* (CSRC Announcement [2010] No. 2) issued by the CSRC.

5 Net interest margin = net interest income ÷ average balance of interest-earning assets, annualised. Average balance is average daily balance derived from the Bank's management accounts (unreviewed).

6 Non-interest income to operating income = non-interest income ÷ operating income.

7 Cost to income ratio is calculated in accordance with the *Measures of the Performance Evaluation of Financial Enterprises* (Cai Jin [2011] No. 50) formulated by the MOF.

8 Credit cost = impairment losses on loans ÷ average balance of loans, annualised. Average balance of loans = (balance of loans at the beginning of reporting period + balance of loans at the end of reporting period) ÷ 2.

9 Investments include investment securities available for sale, debt securities held to maturity, financial investments classified as loans and receivables, and financial assets at fair value through profit or loss.

10 Net assets per share = capital and reserves attributable to equity holders of the Bank at the end of reporting period ÷ number of ordinary shares in issue at the end of reporting period.

11 Loan to deposit ratio = balance of loans ÷ balance of deposits. It is calculated according to relevant provisions of PBOC. Of which, the balance of deposits include liabilities due to customers and due to financial institutions such as insurance companies and financial holding companies.

12 Capital ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Y.J.H.L [2012] No. 1) and are, unless otherwise indicated, based on the Non-Advanced Capital Measurement Approaches.

13 Identified impaired loans to total loans = identified impaired loans at the end of reporting period ÷ total loans at the end of reporting period.

14 Non-performing loans to total loans = non-performing loans at the end of reporting period ÷ total loans at the end of reporting period.

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.

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. The calculation is based on data of domestic institutions of the Bank.

Overview of Operating Performance

In 2014, the Bank upheld its strategic goal of "Serving Society, Delivering Excellence". It deepened reform in order to promote development, strengthened innovation so as to win the market, accelerated transformation in order to enhance efficiency and managed risks so as to control costs, thus steadily improving its operating results. In the first half of 2014, the Group achieved a profit for the period of RMB93.409 billion and a profit attributable to equity holders of the Bank of RMB89.724 billion, an increase of 10.97% and 11.15% respectively compared with the same period of the prior year. Return on average equity (ROE) was 18.57% and return on average total assets (ROA) was 1.27%.

Serving the real economy and making new progress in restructuring

The Bank adhered to take its social responsibilities by consciously linking its own development with the national strategies and firmly following the Chinese Government's policies and measures regarding financial support for the restructuring, transformation and upgrading of the Chinese economy. It actively revitalised its existing assets and continuously optimised its business structure so as to achieve steady and sound development, all within the context of supporting the transformation and reform of the national economy. First, the Bank earnestly followed the government's prudent monetary policy and regulatory requirements while pursuing reasonable expansion of its lending activities, in order to alleviate the societal issues of credit being expensive and difficult to obtain and provide funding support to the real economy. It thus achieved balanced and moderate growth in its overall lending. Second, the Bank provided more financial support to small and medium-sized enterprises, agriculture-related and strategic emerging industries as well as the key sectors and components of the national economy. Third, the Bank strengthened collaboration and synergy across the Group by reinforcing cooperation between the Head Office and branches, overseas and domestic operations, and different departments. It provided whole-process and all-around cross-border financial products and services to China's "Going Global" enterprises so as to assist their overseas expansion. Fourth, the Bank continued to focus on its contribution to RMB internationalisation. It devoted great efforts to capitalise on related business opportunities, expanded RMB clearing banks' scale and improved its 24/7 global RMB clearing service network. Fifth, the Bank continued to strengthen its comprehensive asset-liability management, proactively broadened its stable funding sources and attracted quality customers and projects, thus achieving both remarkable growth and improved quality in deposits.

In the first half of 2014, the balance of domestic RMB loans[1] increased by RMB338.075 billion compared with the prior year-end. This increase was RMB35.752 billion greater than the growth achieved in the same period of the prior year. Foreign currency loans increased by USD13.826 billion or 16.71% compared with the prior year-end. The growth rate of loans extended to SMEs under the "BOC Credit Factory" model and medium-sized enterprises exceeded the overall corporate loans growth rate by 5.65 and 1.13 percentage points respectively. The balance of agriculture-related loans increased by 9.3% year on year, outpacing the overall average growth rate of customer loans for the fifth consecutive year. Among the Bank's total corporate loans, the proportion of loans to strategic emerging

1 All figures in this paragraph were calculated based on domestic institutions.

industries increased by 1.03 percentage points while the proportion of loans to overcapacity industries decreased by 0.23 percentage point compared with the prior year-end. The proportion of personal loans among total loans increased by 0.07 percentage point compared with the prior year-end. The Bank supported a total of 1,187 "Going Global" projects for Chinese enterprises, with loan commitments increasing by 26% compared with the same period of the prior year. International trade settlement volume of the Bank's domestic institutions totalled USD782.382 billion, accounting for nearly a third of the total volume of China's imports and exports. Guarantees issued under labour export and project contracting reached RMB20.0 billion, and overseas financing guarantees amounted to RMB57.0 billion. PBOC designated BOCHK, Macau Branch, Taipei Branch and Frankfurt Branch as RMB clearing banks. The Bank was also recognised as an RMB clearing bank in Malaysia, the Philippines, Cambodia and other countries, and became an RMB market-maker in Russia.

Seizing development opportunities and making breakthroughs in key areas

In line with the national development strategies, the Bank firmly seized market opportunities, proactively pushed forward reform and innovation, and made new breakthroughs in a number of key areas. First, the Bank seized opportunities arising from RMB internationalisation and expanded its competitive advantages in that regard. Its cross-border RMB business maintained a leading position globally, with the Bank serving as the largest RMB service provider in the offshore market and the Bank's volumes of cross-border RMB clearing and settlement business ranking first among its international peers. In addition, the Bank actively promoted the issuance and sale of offshore RMB bonds, leading the Chinese banking industry in terms of related business volumes. The Bank also introduced the BOC Offshore RMB Index (ORI), further strengthening its market leading position. Second, the Bank seized opportunities arising from market liberalisation and further enhanced its competitiveness. Giving full play to its international and diversified advantages, the Bank ramped up its international marketing efforts and vigorously expanded underwriting of debt financing instruments in domestic open markets, leading its peers in terms of market share. It continued to improve its market position in custodian business, successfully issued credit asset-backed securities, reinforced its advantages in foreign currency trading against RMB and further expanded the customer base of its global cash management platform. Third, the Bank captured opportunities arising from internet finance and improved the customer experience. It accelerated the integration of physical outlets and electronic channels, pushed forward business migration, rapidly expanded its mobile banking and online banking customer base, implemented its online banking strategy, continuously enhanced the innovative capabilities of the BOC open platform and achieved gradual progress in the construction of smart outlets.

In the first half of 2014, the Group's cross-border RMB clearing and settlement volumes amounted to RMB112.5 trillion and RMB2.79 trillion, an increase of 99% and 63% respectively compared with the same period of the prior year. The balance of RMB deposits and loans of the Bank's overseas institutions stood at RMB479.029 billion and RMB261.515 billion, an increase of 25.68% and 39.23% respectively compared with the prior year-end. The Bank's overseas institutions successfully issued the first "Oceania Bond" in Sydney, Australia, the "Schengen Bond" in Luxembourg and the "Arc de Triomphe Bond" in Paris, France. The Bank's trading volume of foreign currencies against RMB amounted to RMB2,345.4 billion, ranking first in the market. Assets under custody of the Bank's domestic institutions increased by 12.76% compared with the prior year-end. The Bank also issued RMB9.383 billion of credit asset-backed securities in the domestic interbank market. In addition, it successfully handled the first New Zealand Dollar (NZD) against RMB and British Pound (GBP) against RMB direct transactions, and launched a cash exchange service for the Brazilian Real (BRL) against RMB. Deposits of the Bank's global cash management platform increased by 27% compared with the prior year-end. The number of customers transacting via mobile banking and related transaction volumes grew by 380% and 740% respectively compared with the same period of the prior year, while the number of customers transacting via personal and corporate online banking increased by 37% and 45% respectively. The BOC open platform introduced innovative services such as mobile payment, "e-Home", "Financial e-Manager" and online financial services for customers travelling overseas.

Focusing on consolidation of fundamentals and infusing new vitality into business management

The Bank scaled new heights in management capability by continuously improving management mechanisms, strengthening comprehensive risk management, improving its endogenous growth-driving mechanism and enhancing its information technology and operation systems. In the first half of 2014, the Bank made great efforts to reinforce asset quality management and control. It implemented its accountability mechanism for the management of key large customers, high-risk large customers and non-performing large customers, regulated its trade finance business by strengthening authenticity review and risk investigation, enhanced risk management in its wealth management business and strengthened follow-up management of standard assets at branch level, as well as formulating uniform investment decision-making procedures. It improved its forward-looking risk management capacities and refined its risk management and control, thus effectively controlling market risk limits and indicators. It carried out risk investigations into issues regarding credit, bills, cross-industry cooperation and abnormal employee behaviours. The Bank was among the first group of financial institutions approved to adopt Advanced Capital Management Approaches. It completed the annual measurement, assessment and stress testing related to its status as a Global Systemically Important Bank (G-SIB). It strengthened anti-money laundering and promoted centralised identification of suspicious transactions. It steadily advanced the Group's implementation strategy for the US Foreign Account Tax Compliance Act (FATCA) to make a smooth deployment and achieved the timely compliance for the Group. Making good use of its internal audit function, the Bank carried out comprehensive internal audit inspections and monitoring with a view to refining internal governance and improving its management and control mechanisms. The Bank optimised the allocation of internal resources, improved its incentive and constraint mechanisms, and strengthened performance process management. It increased the allocation of resources to its frontline operations, allowing such entities to realise rapid improvement in overall efficiency and effectiveness and make steady gains in competitiveness, contributing to the Group and sustainable growth. The Bank exploited the potential of technology, optimised business processes, promoted centralised operations, and enhanced its overall capabilities of information technologies.

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

The first half of 2014 saw an overall uptick in the global economy but with divergent rates of recovery among different economies. The US economy has rebounded in the wake of short-term stagnancy due to adverse weather, reduced inventories and other factors. The Eurozone economies were gradually emerging from the shadows of the debt crisis, but were experiencing slow recovery under pressures from persistently low inflation. In Japan, the timing of a hike in the consumption tax rate resulted in slower economic growth. The UK economy maintained a smooth and rapid recovery. Following a period of drastic turmoil, emerging economies have generally become more stable. There was also significant divergence in monetary policy across the world. The Federal Reserve maintained its policy of tapering quantitative easing. The European Central Bank cut interest rates and adopted a negative deposit rate. The Bank of Japan maintained its accommodative policy. The Bank of England signalled a raise in interest rates. Finally, there was divergence in the performance of international financial markets. The stock markets of developed countries experienced a smooth upturn, the US dollar has gradually gained strength and commodities prices fluctuated slightly while remaining at high levels. Emerging markets witnessed volatile capital flows stemming from the spill-over effects of developed countries' monetary policies and the adverse impact of geopolitical events.

China's economy witnessed stable growth, meeting both macro-policy targets and development expectations. This year, owing to the gradual implementation of Chinese Government's measures to support stable growth coupled with the gradual recovery of global economy, China's economy managed to maintain its growth rate within a reasonable range. As compared with the first half of 2013, China's gross domestic product (GDP) grew by 7.4%. Price remained at a low level, with the consumer price index (CPI) increasing by 2.3%. Investments exhibited a slow increase, with total fixed asset investments rising by 17.3%. Consumption growth was stable, with total retail sales of consumer goods up by 12.1%. Exports remained steady, and the total volume of import and export trade increased by 1.2%.

China's financial markets operated smoothly. The RMB exchange rate formation mechanism has been continuously improved, and two-way fluctuations of the RMB exchange rate have become more pronounced. The middle rate of USD against CNY was 6.1528 at 30 June 2014, a 0.91% depreciation of RMB compared with the prior year-end. In the first half of 2014, the total scale of social financing was RMB10.56 trillion, an increase of RMB406.3 billion compared with the same period of the prior year. The broad money supply (M2) grew by 14.7% year on year, 0.7 percentage point higher than the growth rate over the 12 months ending 30 June 2013. RMB-denominated loans of financial institutions increased by RMB5.74 trillion, an increase of 14.0% compared with the same period of the prior year. RMB-denominated deposits rose by 12.6%. At 30 June 2014, the SSE Composite Index dropped 68 points compared with the prior year-end, and the free float market capitalisation of shares listed on the Shanghai and Shenzhen stock exchanges rose by 1.7% compared with the prior year-end.

Income Statement Analysis

In the first half of 2014, the Group achieved a profit for the period of RMB93.409 billion and a profit attributable to equity holders of the Bank of RMB89.724 billion, an increase of 10.97% and 11.15% respectively compared with the same period of the prior year. Return on average total assets (ROA) decreased by 0.03 percentage point to 1.27% compared with the same period of the prior year. Return on average equity (ROE) decreased 0.36 percentage point to 18.57% compared with the same period of the prior year.

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 2014**	For the six month period ended 30 June 2013	Change	Percentage change
Net interest income	**156,675**	137,288	19,387	14.12%
Non-interest income	**78,197**	68,963	9,234	13.39%
Including: net fee and commission income	**52,131**	45,481	6,650	14.62%
Operating income	**234,872**	206,251	28,621	13.88%
Operating expenses	**(85,897)**	(82,209)	(3,688)	4.49%
Impairment losses on assets	**(27,782)**	(14,142)	(13,640)	96.45%
Operating profit	**121,193**	109,900	11,293	10.28%
Profit before income tax	**121,950**	110,251	11,699	10.61%
Income tax expense	**(28,541)**	(26,079)	(2,462)	9.44%
Profit for the period	**93,409**	84,172	9,237	10.97%
Profit attributable to equity holders of the Bank	**89,724**	80,721	9,003	11.15%

Net Interest Income and Net Interest Margin

In the first half of 2014, the Group achieved a net interest income of RMB156.675 billion, an increase of RMB19.387 billion or 14.12% compared with the same period of the prior year. The average balances[2] and average interest rates of the Group's major interest-earning assets and interest-bearing liabilities 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:

[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.

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2014 Average balance	Interest income/ expense	Average interest rate	For the six month period ended 30 June 2013 Average balance	Interest income/ expense	Average interest rate	Analysis of changes in interest income/expense Volume factor	Interest rate factor	Total
Group									
Interest-earning assets									
Loans	**8,088,866**	**207,781**	**5.18%**	7,234,734	185,061	5.16%	21,855	865	22,720
Investments	**2,380,298**	**41,439**	**3.51%**	2,287,178	34,727	3.06%	1,413	5,299	6,712
Balances with central banks	**2,295,628**	**17,403**	**1.53%**	1,878,597	13,129	1.41%	2,916	1,358	4,274
Due from and placements with banks and other financial institutions	**1,162,283**	**27,570**	**4.78%**	1,010,707	16,953	3.38%	2,541	8,076	10,617
Total	**13,927,075**	**294,193**	**4.26%**	12,411,216	249,870	4.06%	28,725	15,598	44,323
Interest-bearing liabilities									
Due to customers	**10,454,212**	**104,043**	**2.01%**	9,446,621	87,110	1.86%	9,294	7,639	16,933
Due to and placements from banks and other financial institutions and due to central banks	**2,449,626**	**28,920**	**2.38%**	1,981,611	21,275	2.17%	5,036	2,609	7,645
Bonds issued	**240,234**	**4,555**	**3.82%**	218,300	4,197	3.88%	422	(64)	358
Total	**13,144,072**	**137,518**	**2.11%**	11,646,532	112,582	1.95%	14,752	10,184	24,936
Net interest income		**156,675**			137,288		13,973	5,414	19,387
Net interest margin			**2.27%**			2.23%			4 Bps
Domestic RMB businesses									
Interest-earning assets									
Loans	**5,751,086**	**177,590**	**6.23%**	5,238,389	161,108	6.20%	15,763	719	16,482
Investments	**1,779,842**	**34,189**	**3.87%**	1,627,986	28,047	3.47%	2,613	3,529	6,142
Balances with central banks	**1,931,537**	**16,708**	**1.74%**	1,632,814	12,722	1.57%	2,326	1,660	3,986
Due from and placements with banks and other financial institutions	**932,907**	**23,259**	**5.03%**	692,724	14,143	4.12%	4,907	4,209	9,116
Total	**10,395,372**	**251,746**	**4.88%**	9,191,913	216,020	4.74%	25,609	10,117	35,726
Interest-bearing liabilities									
Due to customers	**7,917,145**	**89,278**	**2.27%**	7,253,729	77,530	2.16%	7,106	4,642	11,748
Due to and placements from banks and other financial institutions and due to central banks	**1,444,601**	**31,973**	**4.46%**	1,105,018	20,289	3.70%	6,231	5,453	11,684
Bonds issued	**171,001**	**3,795**	**4.48%**	171,138	3,731	4.40%	(3)	67	64
Total	**9,532,747**	**125,046**	**2.65%**	8,529,885	101,550	2.40%	13,334	10,162	23,496
Net interest income		**126,700**			114,470		12,275	(45)	12,230
Net interest margin			**2.46%**			2.51%			(5) Bps
Domestic foreign currency businesses							Unit: USD million, except percentages		
Interest-earning assets									
Loans	**92,735**	**1,223**	**2.66%**	87,460	898	2.07%	54	271	325
Investments	**27,438**	**200**	**1.47%**	27,723	194	1.41%	(2)	8	6
Due from and placements with banks and other financial institutions and balances with central banks	**50,311**	**281**	**1.13%**	50,702	239	0.95%	(2)	44	42
Total	**170,484**	**1,704**	**2.02%**	165,885	1,331	1.62%	50	323	373
Interest-bearing liabilities									
Due to customers	**79,258**	**458**	**1.17%**	76,643	299	0.79%	10	149	159
Due to and placements from banks and other financial institutions and due to central banks	**89,372**	**345**	**0.78%**	69,619	254	0.74%	72	19	91
Bonds issued	**41**	**2**	**8.16%**	100	4	8.29%	(2)	–	(2)
Total	**168,671**	**805**	**0.96%**	146,362	557	0.77%	80	168	248
Net interest income		**899**			774		(30)	155	125
Net interest margin			**1.06%**			0.94%			12 Bps

Notes:

1 Investments include available for sale debt securities, held to maturity debt securities, debt securities classified as loans and receivables, trading debt securities, debt securities designated at fair value through profit or loss, and investment trusts and asset management plans.

2 Balances with central banks include the mandatory reserves, the surplus reserves and other deposits.

3 Due to and placements from banks and other financial institutions and due to central banks include due to and placements from banks and other financial institutions, due to central banks and other funds.

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

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2014 Average balance	For the six month period ended 30 June 2014 Average interest rate	For the six month period ended 30 June 2013 Average balance	For the six month period ended 30 June 2013 Average interest rate	Change Average balance	Change Average interest rate
Domestic RMB businesses						
Loans						
Corporate loans	**3,719,697**	**6.49%**	3,363,530	6.49%	356,167	–
Personal loans	**1,936,298**	**5.67%**	1,724,846	5.70%	211,452	(3) Bps
Trade bills	**95,091**	**7.26%**	150,013	5.52%	(54,922)	174 Bps
Total	**5,751,086**	**6.23%**	5,238,389	6.20%	512,697	3 Bps
Including:						
Medium and long term loans	**3,811,942**	**6.35%**	3,529,655	6.32%	282,287	3 Bps
Short term loans within 1 year and others	**1,939,144**	**5.99%**	1,708,734	5.95%	230,410	4 Bps
Due to customers						
Corporate demand deposits	**2,078,314**	**0.73%**	2,006,294	0.69%	72,020	4 Bps
Corporate time deposits	**2,105,150**	**3.50%**	1,817,814	3.35%	287,336	15 Bps
Personal demand deposits	**1,303,790**	**0.51%**	1,196,613	0.49%	107,177	2 Bps
Personal time deposits	**2,242,856**	**3.41%**	2,143,207	3.37%	99,649	4 Bps
Other	**187,035**	**4.31%**	89,801	3.86%	97,234	45 Bps
Total	**7,917,145**	**2.27%**	7,253,729	2.16%	663,416	11 Bps
Domestic foreign currency businesses				Unit: USD million, except percentages		
Loans	**92,735**	**2.66%**	87,460	2.07%	5,275	59 Bps
Due to customers						
Corporate demand deposits	**22,358**	**0.14%**	25,161	0.06%	(2,803)	8 Bps
Corporate time deposits	**24,107**	**2.99%**	19,064	2.15%	5,043	84 Bps
Personal demand deposits	**14,269**	**0.04%**	13,387	0.04%	882	–
Personal time deposits	**15,130**	**0.55%**	15,108	0.63%	22	(8) Bps
Other	**3,394**	**2.38%**	3,923	1.97%	(529)	41 Bps
Total	**79,258**	**1.17%**	76,643	0.79%	2,615	38 Bps

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

In the first half of 2014, the Bank fully utilised its competitive advantages as an international entity and pushed forward the integrated development of its domestic and overseas businesses. The Group's net interest margin increased by 4 basis points to 2.27% compared with the same period of the prior year. Major factors that affected the Group's net interest margin include:

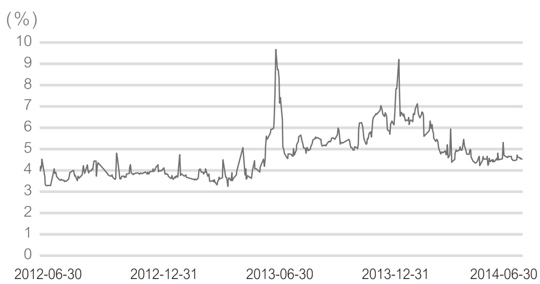
First, the Bank succeeded in promoting the restructure of assets and liabilities. The Bank responded promptly to changes in the external environment and took comprehensive measures to strengthen its asset and liability management. It adjusted and optimised existing assets and efficiently allocated newly-increased assets, resulting in steady improvement to its asset and liability structure. In the first half of 2014, the average balance of the Bank's domestic RMB interest-earning assets accounted for 74.64% of the average balance of the Group's interest-earning assets, an increase of 0.58 percentage point compared with the same period of the prior year. The Bank's domestic loans extended to SMEs under the "BOC Credit Factory" model and medium-sized enterprises increased by 12.60% and 8.08% respectively compared with the prior year-end, both higher than the overall growth rate of the Bank's domestic corporate loans.

Second, RMB market interest rates rose year-on-year. In the first half of 2014, RMB money market liquidity remained at an appropriate and moderate level and the weighted average of market interest rates increased year on year. In the first half of 2014, the weighted average interest rate of RMB interbank repo transactions with a 3-month tenor stood at 5.15%, an increase of 0.88 percentage point compared with the same period of the prior year.

Third, the Bank's overseas business structure continued to improve. By leveraging the low interest rate environment of international financial markets, the Bank continued to improve its overseas asset structure, expand its lending activities, reduce low-yielding assets and raise income levels. In the first half of 2014, the net interest margin of overseas entities increased by 4 basis points compared with the same period of the prior year.

Fourth, the cost of RMB liabilities increased. Affected by the rise in market interest rates and other factors, the Bank's cost of RMB funding rose year on year.

Interbank Repo Weighted Interest Rate (with a 3-month term)



Data source: Wind Info

Non-interest Income

In the first half of 2014, the Group reported a non-interest income of RMB78.197 billion, an increase of RMB9.234 billion or 13.39% compared with the same period of the prior year. Non-interest income represented 33.29% of operating income.

Net Fee and Commission Income

The Group earned a net fee and commission income of RMB52.131 billion, an increase of RMB6.650 billion or 14.62% compared with the same period of the prior year. Net fee and commission income represented 22.20% of operating income, an increase of 0.15 percentage point compared with the same period of the prior year. The Bank strengthened foundations of its traditionally competitive businesses such as international settlement and RMB against foreign currency trading, and achieved rapid growth in fee income from its custodian and bank card businesses. Please refer to Notes III.2 to the Condensed Consolidated Interim Financial Information.

Other Non-interest Income

The Group realised other non-interest income of RMB26.066 billion, an increase of RMB2.584 billion or 11.00% compared with the same period of the prior year. Please refer to Notes III.3, 4 to the Condensed Consolidated Interim Financial Information.

Operating Expenses

In the first half of 2014, the Group recorded operating expenses of RMB85.897 billion, an increase of RMB3.688 billion or 4.49% compared with the same period of the prior year. The Group's cost to income ratio (calculated in accordance with domestic regulations) was 25.54%, a decrease of 2.13 percentage points compared with the same period of the prior year. The Bank proactively promoted business transformation and electronic channel development, and continued to invest resources into key areas, frontlines businesses and overseas institutions. Concurrently, the Bank continuously optimised its resource allocation mechanism and implemented cost-savings measures, increasing the effectiveness of resource utilisation. Please refer to Notes III.5, 6 to the Condensed Consolidated Interim Financial Information.

Impairment Losses on Assets

In the first half of 2014, the Group's impairment losses on assets amounted to RMB27.782 billion, an increase of RMB13.640 billion or 96.45% compared with the same period of the prior year. Among other items, the impairment losses on loans and advances amounted to RMB27.502 billion, an increase of RMB13.619 billion or 98.10% compared with the same period of the prior year. The credit cost was 0.69%, an increase of 0.30 percentage point compared with the same period of the prior year. The Bank continued to improve its comprehensive risk management system, strengthen credit risk prevention and control and strictly implement a prudent and stable risk provisioning policy, resulting in continuous enhancement of its risk resistance capacities. Please refer to the section "Risk Management — Credit Risk Management" and Note III.7, 15 and Note IV.1 to the Condensed Consolidated Interim Financial Information.

Financial Position Analysis

As at 30 June 2014, the Group's total assets amounted to RMB15,469.096 billion, an increase of RMB1,594.797 billion or 11.49% compared with the prior year-end. The Group's total liabilities amounted to RMB14,462.640 billion, an increase of RMB1,549.818 billion or 12.00% 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 2014		As at 31 December 2013	
Items	**Amount**	**% of total**	Amount	% of total
Assets				
Loans and advances to customers, net	**8,238,260**	**53.26%**	7,439,742	53.62%
Investments	**2,487,978**	**16.08%**	2,403,631	17.32%
Balances with central banks	**2,357,133**	**15.24%**	2,132,001	15.37%
Due from and placements with banks and other financial institutions	**1,563,886**	**10.11%**	1,133,133	8.17%
Other assets	**821,839**	**5.31%**	765,792	5.52%
Total	**15,469,096**	**100.00%**	13,874,299	100.00%
Liabilities				
Due to customers	**11,190,569**	**77.38%**	10,097,786	78.20%
Due to and placements from banks and other financial institutions and due to central banks	**2,490,540**	**17.22%**	2,091,828	16.20%
Other borrowed funds	**285,571**	**1.97%**	254,274	1.97%
Other liabilities	**495,960**	**3.43%**	468,934	3.63%
Total	**14,462,640**	**100.00%**	12,912,822	100.00%

Notes:

1 Investments include investment securities available for sale, debt securities held to maturity, financial investments classified as loans and receivables, and financial assets at fair value through profit or loss.

2 Other borrowed funds include bonds issued and other borrowings.

Loans and Advances to Customers

In order to meet the needs of the real economy, the Bank continuously optimised its credit structure by accelerating the transformation of its financial services offering for large-sized enterprises and strengthening its credit support to medium, small and micro-sized enterprises as well as individual customers, and maintained stable growth in its loan portfolio. As at 30 June 2014, the Group's loans and advances to customers amounted to RMB8,424.595 billion, an increase of RMB816.804 billion or 10.74% compared with the prior year-end. Among other items, RMB-denominated loans amounted to RMB6,153.220 billion, an increase of RMB411.766 billion or 7.17% compared with the prior year-end, and foreign currency-denominated loans amounted to USD369.161 billion, an increase of USD63.049 billion or 20.60% compared with the prior year-end.

The Bank has continuously improved its risk management system by adopting a proactive and forward-looking approach to risk management, closely monitoring the macroeconomic environment and strengthening risk identification and control in key areas. As a result, the balance and ratio of the non-performing assets of the Bank remained at relatively low levels. As at 30 June 2014, the balance of the Group's allowance for loan impairment losses amounted to RMB186.335 billion, an increase of RMB18.286 billion compared with the prior year-end. The ratio of allowance for loan impairment losses to non-performing loans was 217.02%. The balance of the Group's restructured loans amounted to RMB5.827 billion, a decrease of RMB2.279 billion compared with the prior year-end.

Investments

As at 30 June 2014, the Group held investments of RMB2,487.978 billion, an increase of RMB84.347 billion or 3.51% compared with the prior year-end. Among other items, RMB-denominated investments amounted to RMB1,966.788 billion, an increase of RMB135.148 billion or 7.38% compared with the prior year-end, and foreign currency-denominated investments amounted to USD84.708 billion, a decrease of USD9.109 billion or 9.71% compared with the prior year-end.

The total carrying value of debt securities issued by European governments and institutions held by the Group was equivalent RMB33.481 billion, of which RMB31.463 billion or 93.97% was related to the United Kingdom, Germany, the Netherlands, France and Switzerland. The Group did not hold any debt securities issued by the governments and institutions of Greece, Portugal, Ireland, Italy or Spain.

The carrying value of US subprime mortgage-related debt securities, US Alt-A mortgage-backed securities and US Non-Agency mortgage-backed securities held by the Group amounted to USD0.693 billion, and the related impairment allowance was USD0.353 billion. The Group's carrying value of debt securities issued and guaranteed by US agencies Freddie Mac and Fannie Mae amounted to USD0.031 billion.

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

Unit: RMB million, except percentages

Items	**As at 30 June 2014**		As at 31 December 2013	
	Amount	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**87,240**	**3.51%**	75,200	3.13%
Investment securities available for sale	**682,646**	**27.44%**	701,196	29.17%
Debt securities held to maturity	**1,300,033**	**52.25%**	1,210,531	50.36%
Financial investments classified as loans and receivables	**418,059**	**16.80%**	416,704	17.34%
Total	**2,487,978**	**100.00%**	2,403,631	100.00%

Investments by currency

Unit: RMB million, except percentages

	As at 30 June 2014		As at 31 December 2013	
Items	**Amount**	**% of total**	Amount	% of total
RMB	**1,966,788**	**79.05%**	1,831,640	76.20%
USD	**345,834**	**13.90%**	377,310	15.70%
HKD	**119,554**	**4.81%**	129,796	5.40%
Other	**55,802**	**2.24%**	64,885	2.70%
Total	**2,487,978**	**100.00%**	2,403,631	100.00%

Top ten financial bonds by value held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual Rate	Maturity Date	Impairment
Bond issued by policy banks in 2011	8,060	3.58%	2014/11/17	–
Bond issued by policy banks in 2005	6,800	3.42%	2015/08/02	–
Bond issued by policy banks in 2014	6,780	5.44%	2019/04/08	–
Bond issued by policy banks in 2010	6,070	Term deposit rate for 1 year +0.52%	2017/01/26	–
Bond issued by policy banks in 2006	5,000	Term deposit rate for 1 year +0.60%	2016/12/12	–
Bond issued by policy banks in 2014	4,920	5.61%	2021/04/08	–
Bond issued by policy banks in 2011	4,910	3.55%	2016/12/06	–
Bond issued by policy banks in 2010	4,750	Term deposit rate for 1 year +0.59%	2020/02/25	–
Bond issued by policy banks in 2009	4,660	Term deposit rate for 1 year +0.54%	2016/09/01	–
Bond issued by policy banks in 2011	4,400	3.83%	2018/11/24	–

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

Due to Customers

The Bank actively sought upstream and downstream customers along industrial supply chains, and strived to expand fundamental businesses such as payroll disbursements agency and agency of collection and payment. As a result, its customer base expanded and customer deposits grew steadily. As at 30 June 2014, the Group's due to customers amounted to RMB11,190.569 billion, an increase of RMB1,092.783 billion or 10.82% compared with the prior year-end. This included RMB-denominated deposits of RMB8,924.256 billion, an increase of RMB833.154 billion or 10.30% compared with the prior year-end, and foreign currency-denominated deposits of USD368.338 billion, an increase of USD39.206 billion or 11.91% compared with the prior year-end.

Equity

As at 30 June 2014, the Group's total equity was RMB1,006.456 billion, an increase of RMB44.979 billion or 4.68% compared with the prior year-end. This change was primarily attributed to: (1) In the first half of 2014, the Group reported profit for the period of RMB93.409 billion, of which RMB89.724 billion was profit attributable to equity holders of the Bank. (2) The Bank paid a cash dividend of RMB54.755 billion in accordance with the 2013 profit distribution plan approved by the Annual General Meeting. Please refer to the Condensed Consolidated Statement of Changes in Equity in the Condensed Consolidated Interim Financial Statements.

Cash Flow Analysis

As at 30 June 2014, the balance of the Group's cash and cash equivalents was RMB1,562.731 billion, an increase of RMB412.165 billion compared with the prior year-end.

In the first half of 2014, the Group's net cash flow from operating activities was an inflow of RMB442.967 billion, in contrast to an outflow of RMB110.776 billion in the first half of 2013. This was mainly attributed to an increase of the net increase in due to customers and due to banks and other financial institutions.

Net cash flow from investing activities was an outflow of RMB20.177 billion, a decrease of RMB87.517 billion compared with the same period of the prior year. This was mainly attributed to a decrease in purchase of financial investments.

Net cash flow from financing activities was an outflow of RMB15.970 billion, an increase of RMB6.949 billion compared with the same period of the prior year. This was mainly because cash dividends of 2013 were paid out in the first half of 2014, whereas cash dividends of 2012 were not paid out in the first half of 2013 (the relevant dividends were paid out on 12 July 2013).

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

The following table sets forth operating income for each line of business of the Group:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2014 Amount	% of total	For the six month period ended 30 June 2013 Amount	% of total
Commercial Banking Business				
Including: Corporate banking business	**105,801**	**45.05%**	101,717	49.32%
Personal banking business	**63,116**	**26.87%**	62,160	30.14%
Treasury operations	**51,026**	**21.72%**	30,697	14.88%
Investment banking and insurance	**10,722**	**4.57%**	7,787	3.77%
Others and elimination	**4,207**	**1.79%**	3,890	1.89%
Total	**234,872**	**100.00%**	206,251	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 2014	As at 31 December 2013	As at 31 December 2012
Corporate deposits			
Domestic: RMB	**4,651,048**	4,179,257	3,755,626
Foreign currency	**314,797**	284,253	288,324
Hong Kong, Macau, Taiwan and overseas operations (RMB equivalent of other currencies)	**1,171,293**	957,368	769,575
Subtotal	**6,137,138**	5,420,878	4,813,525
Personal deposits			
Domestic: RMB	**3,780,081**	3,508,797	3,234,301
Foreign currency	**182,946**	188,356	187,452
Hong Kong, Macau, Taiwan and overseas operations (RMB equivalent of other currencies)	**736,996**	683,406	659,387
Subtotal	**4,700,023**	4,380,559	4,081,140
Corporate loans			
Domestic: RMB	**3,890,831**	3,688,976	3,452,004
Foreign currency	**592,802**	503,179	488,518
Hong Kong, Macau, Taiwan and overseas operations (RMB equivalent of other currencies)	**1,597,027**	1,247,184	1,039,877
Subtotal	**6,080,660**	5,439,339	4,980,399
Personal loans			
Domestic: RMB	**2,000,874**	1,864,654	1,617,123
Foreign currency	**1,444**	1,371	1,037
Hong Kong, Macau, Taiwan and overseas operations (RMB equivalent of other currencies)	**341,617**	302,427	266,137
Subtotal	**2,343,935**	2,168,452	1,884,297

Commercial Banking Business

Domestic Commercial Banking Business

In the first half of 2014, the Bank's domestic commercial banking business recorded an operating income of RMB188.115 billion, an increase of RMB17.742 billion or 10.41% compared with the same period of the prior year. The details are set forth below:

Unit: RMB million, except percentages

Items	**For the six month period ended 30 June 2014**		For the six month period ended 30 June 2013	
	Amount	**% of total**	Amount	% of total
Corporate banking business	**97,021**	**51.58%**	91,697	53.82%
Personal banking business	**56,920**	**30.26%**	55,620	32.65%
Treasury operations	**33,757**	**17.94%**	22,783	13.37%
Other	**417**	**0.22%**	273	0.16%
Total	**188,115**	**100.00%**	170,373	100.00%

Corporate Banking Business

Corporate Deposits Business

The Bank accelerated the expansion of corporate deposits, optimised its business structure, and promoted sustainable business development. It has consistently sharpened its competitiveness in the corporate deposit market by broadening customer base, refining customer segmentation by industry, intensifying targeted customer marketing and product mix marketing, and accelerating the pace of product innovation, application and promotion. As at 30 June 2014, the Bank's domestic RMB-denominated corporate deposits totalled RMB4,651.048 billion, an increase of RMB471.791 billion or 11.29% compared with the prior year-end. Foreign currency-denominated corporate deposits amounted to USD51.163 billion, an increase of USD4.540 billion or 9.74% compared with the prior year-end.

Corporate Loans Business

The Bank has consistently reinforced its credit support for the overall growth of the real economy and offered enhanced financial services for the coordinated development of the regional economy. The Bank pushed forward the transformation of financial services for corporate customers, thus continuing to meet their varied financial needs. It has also actively provided credit support to the cross-border transfer of production capacity and to domestic enterprises' "Going Global" efforts, controlled total loans to local government financing vehicles ("LGFVs"), and strictly constrained lending to industries characterised by high pollution, high energy consumption or overcapacity. As at 30 June 2014, the Bank's domestic RMB-denominated corporate loans totalled RMB3,890.831 billion, an increase of RMB201.855 billion or 5.47% compared with the prior year-end. Foreign currency-denominated corporate loans amounted to USD96.347 billion, an increase of USD13.817 billion or 16.74% compared with the prior year-end.

Trade Finance Business

Fully leveraging its advantages in international settlement and trade finance, the Bank continued to provide its customers with comprehensive and customised services. It utilised the competitive edges arising from comprehensive service platforms and overseas network, to offer efficient supply chain finance services in support of customers' global operations and to provide "Going-Global" corporate customers with a variety of guarantee and credit enhancement support. The Bank launched innovative self-service products such as "Cheque Acceptor", which provided an improved user experience for electronic-channel trade finance customers. The Bank further improved its customer structure through the continued expansion of agency services for fiscal authorities. It led the industry by launching the "BOC Offshore RMB Index (ORI)," which served as the comprehensive indicator of the degree of RMB internationalisation. In the first half of 2014, the Group continued to lead the world in international settlement as measured by transaction volume. The bank maintained the leading position in cross-border RMB settlements with a volume of RMB2.79 trillion, an increase of 63% compared with the same period of the prior year. In addition, the Bank ranked first among its global peers in two-factor export factoring with a total volume of USD5.658 billion. Due to its remarkable market performance, the Bank was awarded "Best Trade Finance Bank in China" and "Best Trade Finance Bank" by renowned local and international media including *Global Finance*, *Trade Finance*, *Global Trade Review* and *The Asset*.

Cash Management Business

The Bank leveraged its advantages as an international bank to provide efficient and convenient global cash management services to its customers. Its cash management business expanded to cover 40 countries and regions in the Asia Pacific region, Europe, Africa and the Americas. The Bank has energetically pursued opportunities to deliver centralised management of foreign exchange funds at the headquarters of multinational companies, leading the industry in successful tender bids. It also undertook product innovation with respect to the cross-border RMB and China (Shanghai) Pilot Free Trade Zone, providing customers with two-way cross-border RMB cash pool services. It launched innovative products such as SWIFT-member connections, which provided multinational companies with new channels of standardised global fund operations. In addition, the Bank enriched and improved the functionality of its global cash management platform to enhance customer experience.

Financial Institutions Business

The Bank continued to strengthen all-around cooperation with global financial institutions. The Bank has established correspondent relationships with over 1,600 financial institutions in 179 countries and regions, and opened over 1,100 cross-border RMB clearing accounts for correspondent banks from over 100 countries and regions. It has established a market-leading comprehensive financial service platform and provided a full-fledged of financial services to foreign invested enterprises and "Going Global" companies. The Bank's Qualified Foreign Institutional Investors (QFII) services continued to grow in terms of customer base and scale of custodian assets, maintaining a leading position among its peers. The Bank increased cooperation with overseas non-bank financial institutions and signed cooperation agreements with institutions including ASX Limited, Deutsche Börse AG, London Stock Exchange Group and Luxembourg Stock Exchange. In the first half of 2014, the Bank continued to lead the market in terms of financial institutions customer coverage, foreign currency-denominated deposits from financial institutions, B-share clearing volume, and incoming settlement business volume directed to the Bank by its overseas correspondent banks. Meanwhile, its market share in third-party custodian business and insurance agency business continued to grow.

SME Finance

The Bank continued to optimise its business models to strengthen financial supports to micro, small and medium-sized enterprises. Through active development of inclusive finance, the Bank stepped up financial support and products development for SME customers. It continually diversified product functions and service channels to enable increased online and mobile functionality and make its services more intelligent and accessible, serving SME customers 24/7. It introduced innovations in the BOC global SME investment service platform to help Chinese SMEs utilise advanced foreign technologies and management experience and enhance their technological capabilities for production and competitiveness of products. Efficient business approval, convenient online financing and the Bank's diversified products system have comprehensively improved SME customers' experience. In addition, the Bank strengthened its risk and compliance management across its operations, enhanced its asset quality early warning mechanism, and made unremitting efforts to sharpen its ability to rapidly identify and effectively mitigate credit risk.

Pension Business

In an effort to support the development of the national social security system, the Bank continuously broadened its pension-related product lines and optimised its service system to improve customer satisfaction. It provided corporate annuity, occupational annuity, social security, employee welfare and pension asset management products. As at 30 June 2014, the Bank's total number of individual pension accounts reached 2.7851 million, and assets in custody amounted to RMB86.507 billion, an increase of 0.3536 million accounts or 14.54% and RMB13.560 billion or 18.59% respectively compared with the prior year-end.

Personal Banking Business

Personal Deposits Business

The Bank enhanced its coordinated marketing efforts for corporate banking and personal banking, aiming to reach customers at the source of their income streams by vigorously expanding fundamental strategic businesses such as payroll disbursements agency and agency of collection and payment. The Bank stepped up product innovation and launched personal "master accounts", which provided customers with one-stop financial and value-added services including account management, comprehensive inquiry, fund pooling and smart time deposit. As at 30 June 2014, the Bank's domestic RMB-denominated personal deposits totalled RMB3,780.081 billion, an increase of RMB271.284 billion or 7.73% compared with the prior year-end. The Bank's domestic foreign currency-denominated personal deposits amounted to USD29.734 billion, continuing to lead its peers in market share.

Personal Loans Business

The Bank continuously improved the structure of its personal loan business. It strictly implemented a differentiated housing credit policy and actively developed personal housing loan business, primarily supporting first-time home ownership mortgages, all within appropriate risk control constraints. The Bank made great efforts to expand personal business loans, accelerated innovation in consumer loans, and sought business growth from non-housing loans. In addition, the Bank continued to improve its personal loan system and the development of electronic channels, further expanding the functionality of its online loan services and continuously enhancing financial service capacity. As at 30 June 2014, the Bank's domestic RMB-denominated personal loans totalled RMB2,000.874 billion, representing an increase of RMB136.220 billion or 7.31% compared with the prior year-end. The Bank maintained its leading position in personal auto loans and the sponsored student loans market.

Wealth Management and Private Banking Business

The Bank continued to improve service satisfaction for its middle and high-end individual customers and comprehensively enhance private banking service capabilities. It continuously strengthened channel development for middle and high-end individual customers and scaled up its wealth management service coverage. It deepened its "Family Office" service offering to include cross-border family trust services, and introduced the "BOC Private Banking Prestigious Loan" brand, an integrated and exclusive financial service offering which covers spending, operations, and collateral financing. Also, the Bank continued to organise "BOC Private Banking Prestigious Activities" events focused on charity endowments and elite education, inviting customers to join the Bank in fulfilling social responsibilities. In addition, the Bank continued to increase its professional research efforts to further develop exclusive products, drive forward innovation in investment products and enhance the Bank's asset allocation capabilities to serve high net-worth clients. As at 30 June 2014, the Bank has established 6,635 wealth management centres, 273 prestigious wealth management centres and 33 private banking centres. The number of private banking customers and related financial assets grew 16% and 22% respectively compared with the prior year-end.

Bank Card Business

The Bank pushed forward credit card product innovation. It designed the "BOC Great Wall International Zhuo Jun Credit Cards" for international students and developed the "BOC-Air China Phoenix Miles Credit Cards (Platinum)" for business travellers, thereby offering a full spectrum of products to meet the needs of corporate executives, business travel, frequent flying and overseas study. With the theme of "Enjoy the World with a BOC Credit Card", a series of marketing activities were launched in an effort to develop a first-choice bank card brand for overseas consumer purchases. The Bank promoted the multifaceted development of its consumer financial products, including the launch of the "Yi Da Qian" series which serves the diversified requirements of individual consumers purchasing on unsecured credit. In addition, the Bank promoted online payment and customised virtual payment, introduced the industry-leading "BOC Acquiring MPOS" product, which provided merchants with a smart payment acquiring service via a mobile platform, brought in an online acquiring service that can process payments on foreign cards across multiple currencies, and improved its WeChat, microblog and app-based mobile interactive service models.

The Bank continued to drive forward debit card innovation and the cross-sector application of its financial IC card product. It launched various new products to fully meet individual customers' needs for payment settlement, consumer purchases, and wealth management, including multi-currency UnionPay cards and payroll cards. The Bank also made great efforts to expand the cross-sector application of financial IC card products, now covering nearly 20 industries. In addition, the Bank further expanded coverage of its internet-based payment services and strengthened business cooperation with third parties in the fields of mobile payment and express payment. The Bank continuously promoted the establishment of financial service systems related to people's welfare, actively supported the building of the social security system by participating in more than 200 social security card projects in 28 provinces of China, and energetically promoted the application of cards in the receivables and payments of social security. Moreover, the Bank issued "Hospital Express Great Wall Health Card" and "Resident Health Card", realised "All-in-One Card" functions at numerous cooperated hospitals nationwide, providing card holders with mobile phone access to hospital registration.

The Bank's bank card issuance and transaction volumes are set out below:

Unit: millions of cards/RMB billion, except percentages

Items	**As at 30 Jun 2014**	As at 31 Dec 2013	Percentage Change
Cumulative number of debit cards	**328.4830**	302.5888	8.56%
Cumulative number of effective credit cards	**46.2210**	41.8994	10.31%
Cumulative number of social security cards with financial functions	**49.0547**	42.1675	16.33%
	For the six month period ended 30 June 2014	For the six month period ended 30 June 2013	Percentage Change
Transaction amount of debit cards	**1,073.652**	860.774	24.73%
Transaction amount of credit cards	**624.546**	457.854	36.41%
RMB card merchant acquiring transaction amount	**1,790.313**	1,495.685	19.70%
Foreign currency card merchant acquiring transaction amount	**13.364**	11.927	12.05%

Financial Markets Business

Investment Business

The Bank continued to optimise the structure of its RMB and foreign currency-denominated investments and rationally manage portfolio durations, further increasing return on investment. It improved mechanisms for investment assessment, decision-making and risk control, enhanced its research and analysis capabilities, and continuously improved its professional capacities in investment operations. Moreover, the Bank sensibly took advantage of international bond market trends and optimised its foreign currency-denominated portfolio. It further promoted centralised operations and decision-making regarding bonds of overseas institutions to strengthen the Group's uniform bond investments management. The Bank was also actively involved in market innovations relating to interbank certificates of deposit, asset securitisations, when-issued Treasury bonds trading, and Treasury-bond futures.

Trading Business

The Bank continuously strengthened innovation in its trading products, optimised product functionality and promoted its trading business. It successfully completed the first New Zealand Dollar (NZD) against RMB and the first British Pound (GBP) against RMB direct deals in the interbank market, and introduced the cash exchange service for Brazilian Real (BRL) against RMB. It introduced a personal financial options trading application and an online banking transaction platform and enhanced customer experience with extended trading hours. It led the banking industry by offering its customers Polish Zloty (PLN) and Malaysian Ringgit (MYR) forward hedging instruments. In addition, the Bank provided the first bulk commodity hedging service, which was USD-denominated but settled in RMB in the China (Shanghai) Pilot Free Trade Zone. The Bank also made efforts to promote exchange rate hedging products to help customers effectively mitigate the challenges of fluctuating RMB exchange rates. It successfully provided RMB interest rate swap services for RMB loans with floating interest rates indexed to SHIBOR and repo rates. The Bank continued to lead the market in gold trading on the Shanghai Gold Exchange and its brokerage volumes for individual customers grew rapidly. As at 30 June 2014, the Bank held the largest market share in spot/forward trading volume of foreign exchange against RMB for customers. It ranked top of the market in RMB-denominated bond trading volume and also led the market in both total gold trading volume and proprietary gold trading volume on the Shanghai Gold Exchange.

Investment Banking and Asset Management

The Bank continued to develop investment banking and asset management products, enhancing financial service capabilities. It established a new channel of onshore bond financing for overseas non-financial enterprises, registered RMB5.0 billion of debt financing instrument (i.e. "Panda Bond") for Daimler AG in interbank market, and completed the first issuance of RMB500 million. The Bank enhanced its offshore bond underwriting capabilities, and participated in underwriting of overseas RMB and USD bonds for a number of medium and large-sized enterprises, ranking the first among Chinese peers in the market share of offshore RMB bonds offering. In addition, the bank vigorously expanded its professional financial advisory business, enhanced integrated services delivery capabilities, and actively promoted diversified financing solutions. It provided diversified consulting services and customised products to corporate clients, and satisfied the funding demands of large-sized clients by designing structured and integrated solutions and improved fund operation efficiency.

The Bank has committed to strengthening its centralised management and risk control of wealth management business. For wealth management product with non-standard underlying assets, internal regulations and procedures have been established to enhance risk control, ensure full compliance and promote sound development. Besides, the Bank continued to promote innovation and differentiation in services, through extending products range, customising products to target customers, and tailoring products to specific distribution channels. It launched "BOC Hui Zeng", an innovative foreign currency-denominated product series, and improved "Wealth Management Night Market" function, steadily enhancing the capability of product innovation. In the first half of 2014, the Bank cumulatively issued over 3,200 wealth management products with a total amount of RMB3,706.190 billion, an increase of 19.47% compared with the same period of the prior year.

The Bank continued to promote credit assets-backed securitisation business. It further adjusted the structure of existing assets, extended the management tools for assets and capital, and pushed forward the transformation of operational practice. It successfully issued the "BOC Credit Assets-backed Securities 2014 Issue I" in the interbank market, with a total scale of RMB9.383 billion.

Custody Business

The Bank deepened its cooperative relationship with custodian clients through product and service innovation. It continued to optimise the structure of its fund custodian products and made greater efforts to target money market funds and funds distributed online. The Bank stepped up its promotion of asset custodian services for insurance companies, securities companies, subsidiaries of fund companies, and managers of securitised assets. It also launched innovative custodian products, such as deposit investment schemes for insurance companies, asset management products for futures companies, and housing provident funds. The Bank made great efforts towards developing its cross-border custody business, including services for RQFIIs, which in turn drove the growth of its overseas custody business. It also enhanced its operational capabilities by upgrading the global custody system and improving the functionality of service modules. The Bank improved clients' online service experience by launching the "Shenzhen Securities Communication" electronic instruction system and enhancing online custodian banking functions. As at 30 June 2014, the Bank's total custodian assets amounted to approximately RMB5.5 trillion, maintaining its industry-leading position. The Bank was awarded "2014 Best RQFII Custodian Bank" by *The Asset*.

Village Bank

BOC Fullerton Community Banks has been committed to providing modern financial services to farmers, small and micro-sized enterprises, individual merchants and the wage-earning class, and promoting the construction of "China's New Countryside" by actively implementing state policy on agriculture, farmers and rural areas and abiding by the development principles of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". As at 30 June 2014, 54 BOC Fullerton Community Banks and 19 branches have been established. The outstanding deposits of these banks reached RMB7.317 billion, an increase of 22.89% compared with the prior year-end, while outstanding loans amounted to RMB7.600 billion, an increase of 56.60% compared with the prior year-end. The NPL ratio was 0.70%. The number of customers reached nearly 285 thousand, an increase of 55% compared with the prior year-end.

Overseas Commercial Banking Business

Seizing the market opportunities arising from RMB internationalisation and the efforts of China's "Going Global" enterprises, the Bank stepped up the integrated development of its domestic and overseas operations, resulting in continued improvement to the Bank's global service capabilities and market competitiveness.

The Bank achieved balanced growth and solid operating results in its overseas commercial banking business. As at 30 June 2014, total assets and liabilities of the Bank's commercial banking business in Hong Kong, Macau, Taiwan and other countries and regions reached USD722.335 billion and USD697.373 billion respectively, an increase of 21.90% and 22.46% compared with the prior year-end. Due to customers and loans amounted to USD356.200 billion and USD311.771 billion respectively, an increase of 16.10% and 24.10% compared with the prior year-end. In the first half of 2014, profit before income tax reached USD3.798 billion, an increase of 35.69% compared with the same period of the prior year, accounting for 19.13% of the Group's total profit. The Bank maintained its leading position among domestic peers in terms of business scale, profitability and market share of overseas business.

The Bank steadily expanded its overseas network to offer a wider range of services and coverage around the globe. As at 30 June 2014, the Bank had 619 overseas institutions, covering Hong Kong, Macau, Taiwan and 37 countries.

BOCHK

In the first half of 2014, BOCHK adhered to its sustainable growth strategy and recorded satisfactory performance in its core businesses. Leveraging on its strong franchise and increasing collaboration within the Group, BOCHK achieved continued growth in core businesses. Meanwhile, it enhanced its capital management and maintained stringent risk management principles with key financial and risk indicators staying at sound levels.

Achieving solid growth in core businesses and continuous improvement in asset structure. In the first half of 2014, BOCHK's deposits and loans grew steadily. Fully leveraging its competitive advantage as the Asia-Pacific Syndicated Loan Centre of the Group, BOCHK recorded favourable growth in its syndicated loan business. It remained the market leader in new residential mortgage loans in Hong Kong. In the UnionPay card business, BOCHK maintained its leadership in Hong Kong both for merchant acquiring business and card issuance. At the same time, it broadened its fund and insurance product offerings to meet customers' investment needs. It continued to optimise its asset structure and manage its capital prudently to support sustainable business growth.

Leveraging on its franchise to boost offshore RMB business. BOCHK continued to improve and enhance its competitive edge in RMB business. It reinforced its market position in RMB deposits and RMB insurance business in Hong Kong. It also developed closer relationships with overseas financial institutions and central banks. Efforts have been made to enhance the RMB clearing capability of the Group's overseas institutions, reinforcing the Group's leading position in the offshore RMB clearing business.

Deepening collaboration within the Group to expand cross-border business. BOCHK worked closely with other institutions of the Group in the areas of RMB clearing service, customer marketing and product offerings. Leveraging the Group's global service capabilities, BOCHK reached out to key customers in major industries and successfully expanded its customer base. Seizing the business opportunities arising from the China (Shanghai) Pilot Free Trade Zone, BOCHK helped clients set up cross-border funding pools and underwrote cross-border RMB loans. At the same time, a two-way information exchange and business referral channel was established within the Group, including a regional cooperation mechanism with the Group's institutions in Guangdong, Hong Kong and Macau, providing comprehensive financial services to customers in those regions.

Optimising business platforms to enhance customer experience. BOCHK optimised its "Business Integrated Account" to provide a diversified product range and business privileges to enhance its overall capacity serving SME customers. It improved its cash management service by introducing a same-day online payroll service. BOCHK was honoured for the seventh consecutive year with the "Best SME's Partner Award" by the *Hong Kong General Chamber of Small and Medium Business*. It was also awarded the "Hong Kong Domestic Cash Management Bank of the Year" by *Asian Banking and Finance*.

Large-scale marketing programmes were launched to enhance brand awareness of BOCHK's "Wealth Management Service". In addition, promotions were rolled out targeting potential customers to boost the customer base of "Enrich Banking Service". BOCHK also optimised its private banking business platform and arranged various exclusive activities to foster customer relationship. As a result, it achieved encouraging growth in both the number of private banking customers and the value of assets under management.

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

Diversified Business Platform

The Bank gave full play to the competitive advantages arising from its diversified business platform, and its subsidiaries embraced the Group's overall strategy by focusing on their specialised business areas, deepening business collaboration, promoting cross-selling and product innovation, thus enhancing the synergies across the Group while providing comprehensive and high quality financial services to customers.

Investment Banking Business

BOCI

The Bank operates its investment banking business through BOCI. BOCI maintained sound development in its security financing business and financial advisory business, steadily expanded its leveraged and structured financing business and continued to lead the market in bond underwriting business. BOCI's securities brokerage business recorded fast development with its market share remaining stable. The financial institutions partnerships business was developed in an orderly way, the management services relating to the employee stock ownership plans for listed companies continued to lead the market, and its equity derivatives business developed rapidly. BOCI actively explored private banking emerging markets and its assets under management steadily increased. The global commodities business made progress with the establishment of its global platforms, posting significant growth and improvements and winning new customers. The private equity business realised solid growth. BOCI-Prudential Asset Management, the asset management arm of BOCI, maintained its leading position in the market in terms of total assets under management, number of participants and asset value of the "Mandatory Provident Fund Schemes". In the first half of 2014, BOCI was awarded the "Best Chinese DCM House in Hong Kong 2014" by *FinanceAsia* and the "Outstanding Private Bank — Wealth Management Award" and the "Outstanding Broker — Customer Marketing Award" by *Metro Finance*.

BOCI China

The Bank operates its domestic securities-related businesses through BOCI China. BOCI China continued to reinforce its traditional businesses with increased business volume such as equity financing and debt financing, while actively promoting the transformation of its brokerage business. Preparations for establishing 21 light brokerage branches were completed. Its investment management capability was strengthened and the asset management business registered steady development. New services such as asset securitisation, "New OTC Board", and privately raised corporate bonds for SMEs expanded rapidly, while innovative businesses such as online account opening, securities margin trading, and stock pledge repo transactions all made strong progress. Its revenue structure was also optimised. In the first half of 2014, BOCI China completed 7 equity financing programmes, 11 debt financing programmes, and won 3 new QFII clients. Its IPO and corporate bond underwriting businesses ranked sixth and first respectively in terms of aggregate value, while its ranking in bond underwriting businesses climbed 5 places. The revenue of the asset management business and of innovative business increased by 49% and 122% respectively compared with the same period of the prior year.

BOCIM

The Bank operates its fund management business in Chinese mainland through BOCIM. BOCIM managed 40 publicly-offered funds and several discretionary products and actively explored investment advisory business. BOCIM achieved a remarkable investment performance and was consecutively awarded the "Golden Bull Fund Investment Manager", the "Golden Fund TOP Fund Manager" and the "Five-year Sustainable Return Star Fund". Several BOCIM funds were awarded five stars and the "Annual Fund Prizes" by *Morningstar* and some other recognitions in the fund industry.

Insurance Business

BOCG Insurance

The Bank operates its insurance business in Hong Kong through BOCG Insurance. In the first half of 2014, BOCG Insurance achieved a gross premium income of HKD0.993 billion. BOCG Insurance continuously enhanced cooperation with agent banks to generate synergies and strived to deepen the collaboration within the Group so as to play a role in providing diversified services. It increased market penetration by actively exploring the Group's network and customer resources in Hong Kong, creating innovative sales channels, and fully leveraging on specialised professional advantages of each entity of the Group, thus broadening the diversified sales channels. BOCG Insurance cooperated with BOC Credit Card to develop product-mix sales and rapidly expanded its reinsurance business with BOC Insurance in an effort to broaden diversified promotion channels. BOCG Insurance proactively build up its professional brand image, improved its post-insurance management scheme and actively undertook its corporate social responsibilities.

BOCG Life

The Bank operates its life insurance business in Hong Kong through BOCG Life. In the first half of 2014, BOCG Life recorded a gross premium income of HKD11.078 billion. It maintained its leading position in the Hong Kong RMB life insurance market. BOCG Life continued its efforts in product optimisation and innovation. The newly launched "Plenteous Life Coupon Plan" provided customers with both life protection coverage and savings. Various marketing and promotional offers were launched to enhance customer experience. It was honoured with all three product awards in the category of "RMB Business Outstanding Awards 2014 — Outstanding Insurance Business" by *Metro Finance, Metro Finance Digital* and *Hong Kong Wen Wei Po*.

BOC Insurance

The Bank operates its property insurance business in Chinese mainland through BOC Insurance. BOC Insurance continued to expand product innovation, deepen bancassurance cooperation, and improve product competitiveness. BOC Insurance built additional insurance product distribution channels through BOC mobile banking, and launched the promotion programme of "Get free insurance when using BOC payment on the 12306 railway online booking system". BOC self-service automobile insurance purchase has been offered at 25 Tier 1 and direct branches. BOC Insurance has built an insurance business module onto BOC's "Global Service Platform for corporate banking clients" (GSP), thus improving its integrated financial services to its customers.

Investment Business

BOCG Investment

The Bank operates its direct investment and investment management business through BOCG Investment. BOCG Investment actively pushed forward business and product innovation, continued to optimise its business structure, further enhanced the building of its private equity project database, deepened business cooperation with other entities of the Group, enhanced cross-region business collaborations, expanded its overseas real estate investment business, strengthened post-investment management of existing projects and accelerated the exit of its mature-stage investments, thus achieving continual development of its business. BOCG Investment was awarded the "2013 Best China Private Equity Investment Institution" and the "2013 China PE/VC Institution Decade Achievement Award" by *China Venture*.

BOC Aviation

The Bank operates its aircraft leasing business through BOC Aviation. As at 30 June 2014, BOC Aviation's fleet comprised 232 owned aircraft and 19 managed aircraft, leased to 56 airlines globally. BOC Aviation was the world's fourth largest and Asia's top aircraft leasing company in terms of value of owned fleet. The average age of its fleet was less than four years. It issued its first 10-year RMB300 million offshore RMB bonds as well as USD300 million senior notes, and maintained its credit ratings of A- from Fitch and BBB from Standard & Poor's. It was awarded "Lessor Treasury Team of the Year" and "Asian Deal of the Year" by the Euromoney publication *Airfinance Journal*.

Service Channel

The Bank not only had domestic and overseas branches and subsidiaries in Chinese mainland, Hong Kong, Macau, Taiwan and 37 countries, but also has established a specialised and diversified e-banking service system. The Bank continued to improve the automation of its service delivery system and has realised unified and interactive online-to-offline services through cross-channel synergy, thus creating a consistent customer experience. Through the in-depth integration of information technologies and financial services, the Bank streamlined its banking services and ensured that "one-point access" would trigger "whole-process response" to satisfy customer needs anytime, anywhere.

Outlet Development

The Bank continuously improved its outlet-related management mechanisms and operating schemes in order to improve customer experience and boost outlet efficiency. The Bank enhanced service regulation and simplified business procedures so as to improve customer experience at the outlet level. It also optimised outlet deployment and improved management mechanisms so as to enhance the business development efficiency of its outlets. In addition, the Bank diversified its product line and adjusted its personnel structure in order to increase its outlets' overall marketing capacity. Closely monitoring changes in customer needs and consumption preferences, the Bank explored new service modes and experimented with higher degrees of automation at outlets on a pilot basis. As at 30 June 2014, the number of the Bank's outlets in Chinese mainland reached 10,693.

The Bank continued to expand the coverage of its self-service facilities while enhancing their functions and improving their operating processes, improving ATM and self-service terminal user experiences. As at 30 June 2014, the Bank had 42.9 thousand ATMs, 24.7 thousand self-service terminals and 13.2 thousand self-service banks in operation in Chinese mainland, an increase of 5.54%, 5.77% and 2.15% respectively compared with the prior year-end, further enhancing the Bank's self-service channel capabilities.

E-Banking

The Bank continued to diversify and improve its e-banking service channels, including online banking, mobile banking, WeChat banking, telephone banking and home banking. It continuously optimised product functions and operating processes with the aim of enhancing customer experience. The improved e-banking service provided stronger support to business development across the Bank. In the first half of 2014, the Bank's e-banking transaction volume reached RMB66 trillion, an increase of 29.71% compared with the same period of the prior year, maintaining a growing trend in the substitution ratio of e-banking channels for traditional outlets. The growth in the Bank's e-banking customers is shown in the table below:

Unit: million, except percentages

Items	**As at 30 June 2014**	As at 31 December 2013	Percentage Change
Number of Corporate Online Banking Customers	**2.4340**	2.2009	10.59%
Number of Personal Online Banking Customers	**106.7185**	101.0740	5.58%
Number of Mobile Banking Customers	**58.3183**	52.1262	11.88%
Number of Telephone Banking Customers	**90.9524**	88.8353	2.38%

Online banking functions were further enhanced and professional service capacity steadily improved. The Bank's domestic corporate online banking function was fully upgraded, service functions were expanded significantly and basic online services were enhanced. Personal online banking service functions were constantly expanded, with multiple internet browsers now fully supported. The Bank also introduced various new products including iOS7-style mobile banking, an iPad-based corporate service client, an iPad-based private banking service and WeChat banking. The Bank comprehensively enhanced customer experience by adding new functions, streamlining the operating process and extending online banking technical support for more terminals and channels. The scope of the Bank's overseas online banking service was continuously expanded and its functions upgraded, with corporate online banking services being launched in the Middle East (Dubai). In addition, the Bank improved its overseas online banking-based debit card service and remittance service in the European Union.

The Bank continued to promote the application of pioneering technologies and innovative service model in the field of e-finance. In the first half of 2014, it introduced online wealth management, "Financial e-Manager", hospital registration, online inquiry of social security & housing provident fund, and online payment for characteristic tourism and school bills, further extending its financial service apps offering. The Bank launched "BOC e-Shipping", the first product of its kind among Chinese banks, providing the shipping logistics industry with a full package of solutions for quick handling, foreign currency payment and credit facilities, and allowing clients to obtain a revolving credit line within one year via a single application. The Bank also launched other e-finance products such as BOC v-Wallet, e-Cashier and AA Collection, further optimising its mobile payment product line.

The Bank's customer service centre provided seamlessly integrated services to its customers all over the world. It continued to improve its core operations, specialised management and standardised services. Across channels including phone, SMS, e-mail, fax, microblog, online service, video service and WeChat banking, the Bank sought to provide its global customers with constantly accessible and interactive services featuring voice-to-voice, text-to-text and face-to-face interaction, hence improving customer experience.

Information Technology Development

Information technology has been an important business driver for the Bank, and science and technology paved the path to financial innovation. The Bank continued to enhance customer experience by improving comprehensive system functionality, operational flexibility, and processing timeliness and risk control effectiveness. The Bank drove forward the integration and transformation of its overseas IT systems, extending the implementation of IT projects recently rolled out in the Asia-Pacific region to Europe and Africa. The Bank made active research and use of mobile internet, cloud computing and other new information technologies and concepts to embed "smart" features in its customer service, operational management and risk control capability. In addition, it promoted the development of IT risk management systems and enhanced the secure operation capacity of its information systems in order to support global business continuity.

Risk Management

The Bank continuously strengthened its comprehensive risk management system so as to enhance the capability, quality and efficiency of its risk management practice. The Bank improved its risk management framework in order to reinforce risk management and internal control. It pushed forward risk management quantification and promoted its application in business management. The Bank accelerated the building of a comprehensive risk management data mart to enhance risk monitoring, analysis and early warning through in-depth risk data analysis. It improved consolidated risk management and identified, assessed and managed risks from a global perspective. To seize development opportunities, the Bank created institutional value through comprehensive, proactive and professional risk management.

Credit Risk Management

Effectively responding to changes in macroeconomic financial conditions and regulatory requirements, the Bank further improved the credit risk and country risk management of its domestic and overseas institutions, pushed forward with adjustments to its credit structure, and took a proactive and forward-looking stance on risk management.

The Bank strengthened its quality management of credit assets. It closely monitored changes in the economic situation and continued to implement its asset quality monitoring and management system, which integrates post-lending management, risk classification, material risk event handling and regular risk investigation. The Bank strengthened its supervision and management of key regions, areas, products and customers, and effectively monitored changes in asset quality. The Bank pushed forward the implementation of the New Basel Capital Accord achievements and improved its credit portfolio management plan. The Bank also strengthened the collection and resolution of non-performing assets ("NPA") and improved NPA cash recoveries. It implemented a bad debt write-off policy, actively resolved NPAs by various means such as bulk transfer-out, and conducted write-offs and fulfilled its accountability obligations in compliance with laws and regulations.

In corporate banking, the Bank mitigated risks from industries with serious overcapacity issues through authorisation limit management. It strengthened the management of loans to local government financing vehicles through controlling total loan balances, regulating new loans and managing existing loans. The Bank also strengthened real estate loan risk management and appropriately controlled credit growth in the real estate industry.

In personal banking, by improving its personal credit risk management policy, the Bank implemented the differentiated personal housing loan policy and also improved its personal operating loan and credit management policy for credit cards to raise personal credit asset quality. In addition, the Bank implemented a personal credit early warning and suspension mechanism based on analysis of the quality of personal credit assets.

The Bank measured and managed credit asset quality in accordance with the *Guidelines for Loan Credit Risk Classification* formulated by the CBRC. As at 30 June 2014, the Group's NPLs totalled RMB85.860 billion, an increase of RMB12.589 billion compared with the prior year-end. The NPL ratio increased by 0.06 percentage point to 1.02% compared with the prior year-end.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 30 June 2014 Amount	As at 30 June 2014 % of total	As at 31 December 2013 Amount	As at 31 December 2013 % of total
Group				
Pass	**8,146,376**	**96.70%**	7,345,227	96.55%
Special-mention	**192,359**	**2.28%**	189,293	2.49%
Substandard	**45,812**	**0.54%**	33,245	0.43%
Doubtful	**21,636**	**0.26%**	26,465	0.35%
Loss	**18,412**	**0.22%**	13,561	0.18%
Total	**8,424,595**	**100.00%**	7,607,791	100.00%
NPLs	**85,860**	**1.02%**	73,271	0.96%
Domestic				
Pass	**6,223,824**	**95.96%**	5,809,080	95.89%
Special-mention	**179,599**	**2.77%**	178,735	2.95%
Substandard	**43,806**	**0.67%**	31,479	0.52%
Doubtful	**20,491**	**0.32%**	25,496	0.42%
Loss	**18,231**	**0.28%**	13,390	0.22%
Total	**6,485,951**	**100.00%**	6,058,180	100.00%
NPLs	**82,528**	**1.27%**	70,365	1.16%

Migration Ratio

Unit: %

Items	For the six month period ended 30 June 2014	2013	2012
Pass	**0.83**	1.68	2.61
Special-mention	**12.14**	10.52	15.31
Substandard	**22.72**	31.09	44.55
Doubtful	**26.11**	8.86	8.48

In accordance with International Accounting Standard No. 39, loans and advances to customers are considered impaired, and allowances are made accordingly, if there is objective evidence of impairment resulting in a measurable decrease in estimated future cash flows from loans and advances. As at 30 June 2014, the Group identified impaired loans of RMB85.691 billion, an increase of RMB12.572 billion compared with the prior year-end. The impaired loans to total loans ratio was 1.02%, an increase of 0.06 percentage point compared with the prior year-end.

Please refer to Note III.15 and IV.1 to the Condensed Consolidated Interim Financial Information for detailed information on the loan classification, the classification of identified impaired loans and allowance for loan impairment losses.

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

Unit: %

Indicator	Regulatory standard	**As at 30 June 2014**	As at 31 December 2013	As at 31 December 2012
Loan concentration ratio of the largest single borrower	≤10	**2.3**	2.1	2.6
Loan concentration ratio of the ten largest borrowers	≤50	**14.4**	14.2	16.9

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 single borrowers as at 30 June 2014.

Unit: RMB million, except percentages

	Industry	Outstanding loans	% of total loans
Customer A	Manufacturing	27,477	0.33%
Customer B	Water, environment and public utility management	24,481	0.29%
Customer C	Commerce and services	18,456	0.22%
Customer D	Transportation, storage and postal services	17,406	0.21%
Customer E	Mining	15,655	0.19%
Customer F	Mining	15,217	0.18%
Customer G	Transportation, storage and postal services	14,108	0.17%
Customer H	Transportation, storage and postal services	14,107	0.17%
Customer I	Transportation, storage and postal services	12,830	0.15%
Customer J	Production and supply of electricity, heating, gas, and water	12,814	0.15%

Market Risk Management

The Bank continued to strengthen its market risk monitoring and early warning mechanism at the Group level, improved the unified management of market risk in both the trading book and the banking book, applied the achievements from implementation of the New Basel Capital Accord, continuously optimised its risk appetite transmission mechanism, improved the risk early warning and monitoring process, appropriately conducted measurement of market risk capital using an advanced approach for capital measurement, thus further enhancing the Group's overall market risk management capabilities.

The Bank continued to enhance market risk management in the Group's trading book. It closely monitored regulatory and market changes, enhanced forward-looking analysis and proactive risk management and leveraged systems integrating the front, middle and back offices of its financial markets business in order to realise complete, process-embedded risk management.

The Bank assessed interest rate risk in the banking book mainly through analysis of interest rate re-pricing gaps, made timely adjustments to the structure of assets and liabilities based on changes in market conditions, and controlled the fluctuation of net interest income within an acceptable range. To manage exchange rate risk, the Bank sought to achieve matching between fund sources and their deployment on a per-currency basis in order to ensure effective control over foreign exchange exposure. Applying value at risk ("VaR"), stress testing and sensitivity indicators, the Bank conducted quantitative evaluation of changes in the risks of its bond investment business, monitored movements in the credit status of issuers, analysed variations in the credit spread indicators of bonds, and strengthened data analysis of underlying asset pools of securitised products. In addition, it made further efforts to uniformly manage the Group's bond investment business and improved the bond investment management capacity of its overseas institutions so as to ensure stable bond asset quality. Please refer to Note IV.2 in the Condensed Consolidated Interim Financial Information section.

Liquidity Risk Management

The Bank continued to develop and enhance its liquidity risk management system with the aim of effectively identifying, measuring, monitoring and controlling the liquidity risk of all Group entities and ensuring that liquidity demand met timely and at a reasonable cost.

Adhering to the principle of balanced safety, liquidity and profitability, the Bank strictly followed regulatory requirements and further improved its management system for liquidity risk. It improved its liquidity risk limit indicators system and strengthened related management including monitoring, early warning and reporting. It improved the emergency plan for liquidity risk and enhanced the emergency response capacity for distressed scenarios. The Bank reinforced liquidity portfolio management, established multi-level liquidity reserve assets, dynamically adjusted the operation of liquidity portfolios and increased fund use efficiency. The Bank improved on-balance and off-balance sheet cash flow management and strengthened overall control over liquidity risk. In addition, it improved its liquidity stress testing methodology and conducted stress testing on a quarterly basis. The testing results showed that the Bank had adequate ability to mitigate stress in distressed scenarios.

As at 30 June 2014, the Bank's liquidity indicators, as shown in the table below, met regulatory requirements. (Liquidity ratio is based on the Group's operations, while excess reserve ratio and inter-bank ratio are based on the Bank's domestic operations.)

Unit: %

Major regulatory ratios		Regulatory standard	**As at 30 June 2014**	As at 31 December 2013	As at 31 December 2012
Liquidity ratio	RMB	≥25	**51.9**	48.0	49.8
	Foreign currency	≥25	**59.8**	62.2	65.2
Excess reserve ratio	RMB	–	**2.1**	1.7	3.2
	Foreign currency	–	**18.2**	23.8	27.7
Inter-bank ratio	Inter-bank borrowings ratio	≤8	**0.04**	0.2	1.6
	Inter-bank lendings ratio	≤8	**2.2**	2.3	2.6

Notes:

1 Liquidity ratio = current assets ÷ current liabilities. Liquidity ratio is calculated in accordance with the relevant provisions of PBOC and the CBRC.

2 RMB excess reserve ratio = (reserve in excess of the mandatory requirements + cash) ÷ (balance of deposits + remittance payables).

3 Foreign currency excess reserve ratio = (reserve in excess of the mandatory requirements + cash + due from banks and due from overseas branches and subsidiaries) ÷ balance of deposits.

4 Inter-bank borrowings ratio = total RMB inter-bank borrowings from other banks and financial institutions ÷ total RMB deposits.

5 Inter-bank lending ratio = total RMB inter-bank lending to other banks and financial institutions ÷ total RMB deposits.

Reputational Risk Management

The Bank implemented the *Guidelines for Reputational Risk Management of Commercial Banks* issued by the CBRC, followed the Group's policy on reputational risk management, and continued to drive forward the establishment of its reputational risk management system. It strengthened the prevention and control of reputational risk, emphasised reputational risk inspection and conducted in-depth identification, analysis, assessment and control of reputational risk. In addition, the Bank stepped up the management of consolidated reputational risk, provided guidance for all entities of the Group on how to monitor, report and respond to public opinions, and improved its assessment and evaluation system. As a result, it responded effectively to reputational risk events and safeguarded its brand reputation.

Internal Control and Operational Risk Management

Internal Control

The Board of Directors, senior management and their special committees fully performed their duties regarding internal control and supervision, focusing on early risk warning and prevention and improving the Bank's forward-looking capability for internal control.

The Bank strived to improve its "three lines of defence" mechanism for internal control. As the first line of defence of internal control, the Bank strengthened the awareness and capabilities of active risk management of its branches and subsidiaries, business departments and staff at various levels. For the second line of defence, the Bank enabled the internal control department and the business management departments to function effectively, strengthening the institutional improvement and communication, improving internal control ability to a more automated, refined and professional level, and enhancing guidance, inspection and supervision over institutional implementation. The Bank's internal audit department effectively performed its duties as the third line of defence of internal control. It closely monitored changes in the economic and financial environment, strengthened the application of off-site technology, devoted more attention in examining the high-risk industries and institutions as well as areas of regulatory focus, and dynamically assessed and helped improve the appropriateness and effectiveness of the Group's risk management and internal control, thus enhancing the Group's overall risk control capability.

The Bank complied with regulatory requirements regarding fraud prevention and control, improved its organisational framework and mechanism, implemented fraud risk inspection on high-risk areas, and raised the ability to identify, control, and mitigate fraud risks. In the first half of 2014, the Bank succeeded in preventing 61 external fraud cases with a total value of RMB0.182 billion.

The Bank established and implemented a systematic financial accounting policy system in accordance with the relevant accounting standards and regulations. Accordingly, the Bank's accounting basis was solidified and the level of standardisation and refinement of its financial accounting management was continuously improved. With a focus on accounting information quality management, the Bank refined accounting of branches, of departments and of outlets, further enhancing the accounting granularity. The Bank continuously strengthened the development of its financial and accounting system to ensure the effectiveness of internal control over financial reporting. The financial statements of the Bank were prepared in accordance with the applicable accounting standards and related accounting regulations, and the financial position, operational performance and cash flows of the Bank were fairly presented in all material respects.

Operational Risk Management

The Bank continuously improved the Group's operational risk management mechanism. It promoted the application of operational risk management tools including risk and control assessment (RACA), key risk indicators (KRI) and loss data collection (LDC), promoted business continuity management (BCM) and continuously optimised its operational risk management information system and risk monitoring system so as to improve the effectiveness of operational risk identification, assessment and monitoring. In addition, the Bank conducted operational risk management assessment and capital measurement, pushed forward the advanced measurement approach ("AMA") project, and developed various management tools and AMA models including scenario analysis (SA) and business environment internal control factor (BEICF) to further enhance risk quantification and forward-looking management.

Compliance Management

The Bank continuously strengthened its compliance risk management systems, improved compliance risk management processes and promoted the implementation of basic rules on compliance risk management. It also continued to upgrade the organisational structure of its compliance risk management, improve the compliance risk management functions of the Group and rationally allocate resources for compliance risk management. Business departments at various levels worked with the legal and compliance departments to actively monitor comprehensive compliance information such as the latest regulatory requirements, inspections and assessments, carry out overall assessment, detailed research and hierarchical management regarding compliance risk, and report and communicate the Group's overall compliance risk profile and material risk events. The Bank ensured that the prevention and control mechanism for regulatory penalties operated in an orderly manner. Moreover, the Bank actively propelled the assessment of compliance risk management and control capabilities throughout the Group and strengthened the compliance risk control of its overseas institutions in order to enhance the overall level of the Group's compliance risk management.

The Bank comprehensively pushed forward money laundering risk grading of customers and continuously implemented the programme for strengthening anti-money laundering. It promoted a centralised identification model for suspicious transactions in all domestic institutions. The Bank continued to conduct off-site monitoring of suspicious transaction reporting. It carried out a special risk identification effort regarding suspected terrorist funds and built a model for monitoring suspected terrorist funds. In addition, the Bank closely tracked and studied international trends and changes in sanction compliance requirements applied to various countries and regions, made timely assessments of risks and adjusted its business policies. Moreover, the Bank continuously improved the functionality of its anti-money laundering system by constantly upgrading the domestic system and extending its application across its overseas institutions. The Bank also conducted multi-level training on anti-money laundering.

The Bank strengthened its management of connected transactions and internal transactions. It followed up on changes in regulatory requirements, continued to upgrade its connected transaction monitoring system, developed standardised processes, promoted a greater refinement in management, and made great efforts to improve the level of management. The Bank improved its management system for internal transactions, optimised the information collection mechanism and constantly monitored the Group's internal transactions, ensuring that those transactions were compliant with laws and regulations.

New Basel Capital Accord Implementation

On 2 April 2014, the CBRC officially approved the Bank's implementation of Advanced Capital Management Approaches ("New Basel Capital Accord") at both the firm-wide and the Group-wide level (including BOCHK). This has played a constructive role in driving the Bank's efforts to raise its capital adequacy ratio, expand business and enhance its reputation in the market. The Bank will continue to enhance the efficiency and effectiveness of risk management by fully applying the New Basel Capital Accord in business practice and management, and create productivity and value, to pursue the "Best Risk Management". Concurrently, the Bank will effectively carry out the subsequent work in implementing the New Basel Capital Accord in compliance with the relevant regulatory requirements.

Capital Management

The Bank's Board of Directors and the shareholders' meeting reviewed and approved the proposal regarding the *Capital Management Plan of Bank of China for 2013–2016* on 30 October 2013 and 12 June 2014 respectively. The Bank implemented the capital management plan for 2013–2016 and continuously improved various capital management rules. Adhering to the principle of "focusing on internal accumulation coupled with external replenishment", the Bank raised capital through various channels and means, continued to reinforce its capital constraint mechanism and realised capital replenishment. Moreover, the Bank strived to maintain adequate capital to support the sustained and sound business development of the Group and to meet shareholders' requirements for investment returns.

The Bank continuously optimised its on-balance and off-balance sheet asset structure and guided all staffs to increase awareness of capital constraints. The Bank increased capital allocation to capital-light businesses, devoted greater efforts to developing fee-based businesses, reasonably controlled the rise of off-balance sheet risk assets, strictly constrained the size of high risk-weighted assets, and required more guarantees and collaterals as mitigation measures during the credit process, in an effort to improve input and output efficiency and efficiently reduce capital charges.

The Bank actively explored diversified channels for capital replenishment and sought to issue new-type capital instruments. On 13 May and 12 June 2014, the Bank's Board of Directors and the shareholders' meeting respectively reviewed and approved a proposal for a non-public offering of no more than RMB100 billion of preference shares at home and abroad. The Bank will complete the issuance of the preference shares and other capital instruments in a well-timed manner so as to continuously improve its capital adequacy.

Capital Adequacy Ratios

The *Capital Rules for Commercial Banks (Provisional)* was formally implemented in 2013, revising capital definitions and risk-weighted asset measurement rules. On 2 April 2014, the CBRC formally approved the Bank's implementation of advanced capital management approaches. As at 30 June 2014, the Group's capital adequacy ratios separately calculated in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks* and the *Capital Rules for Commercial Banks (Provisional)* are listed below:

Capital Adequacy Ratios

Unit: %

Calculated in accordance with the Capital Rules for Commercial Banks (Provisional)		
	Advanced approach	Non-advanced approach
Common equity tier 1 capital adequacy ratio	10.11	9.36
Tier 1 capital adequacy ratio	10.13	9.37
Capital adequacy ratio	12.41	11.78
Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks		
Core capital adequacy ratio	10.45	
Capital adequacy ratio	13.14	

For more information on capital measurement of the Bank, please refer to the "Capital Adequacy Ratio Supplementary Information" in Appendix III to the Interim Financial Information.

Social Responsibilities

The Bank adhered to the philosophy of "Serving Society, Delivering Excellence", earnestly carried out its corporate social responsibilities, and dedicated itself to serving, repaying and contributing to society. It actively participated in the building of a harmonious society and made important contributions to the development of education, science, art and culture, poverty alleviation and aid for the needy, and environmental protection.

The Bank continued its participation in the government-sponsored student loan programme. It has cumulatively granted RMB20 billion loans to help over 1.6 million students with financial difficulties to finish school. The Bank supported the public welfare programme "Rainbow Bridge" co-organised by China Next Generation Education Foundation and Americans Promoting Study Abroad for the third consecutive year, helping 156 outstanding Chinese and American students from low-income families to participate in cross-border short-term study and cultural exchange programmes. It donated funds to set up the "Tan Kah Kee Young Scientist Award" as well as the "Tan Kah Kee Science Award", encouraging China's outstanding young scientists to achieve breakthroughs in science and technology.

The Bank assisted in tackling poverty based on local conditions. Supporting poverty alleviation for the 12th consecutive year in four counties of Xianyang, Shaanxi Province, namely Yongshou, Changwu, Chunhua and Xunyi, it carried out over 100 anti-poverty programmes including the relocation, construction and repair of primary and secondary school premises, provision of water for people and livestock, as well as donating relief funding totalling over RMB50 million. The Bank sponsored the "Mother's Health Express Train" public welfare programme and donated 48 mobile medical vehicles to poverty-stricken areas in Shandong, Anhui and Hubei provinces in an effort to help improve local women's quality of life and promote the sound development of China's women's welfare initiatives.

The Bank was the sole sponsor of the "Traditional Chinese Village Conservation and Development Project" jointly initiated by the Ministry of Housing and Urban-Rural Development, the Ministry of Culture and the Ministry of Finance. By establishing a complete directory and information archive of traditional Chinese villages and formulating conservation and development policies and measures, this project supported rescue and preservation campaigns to improve production and living conditions in such villages as well as forming an enduring conservation and development mechanism.

The Bank remained consciously committed to low carbon and environment friendly development and played an active role in the "Green Charity" initiative in a bid to promote sustainable environmental development. It also actively embedded the "Going Green" and environmental protection philosophy into its day-to-day work by thoroughly implementing the "Green Office" concept, aiming to minimise the impact on environment by saving paper, power and water and promoting electronic-based working approach, video and teleconferences.

The Bank's fulfilment of its social responsibilities was widely recognised throughout society. In the China Banking Association's industry-wide appraisal of banks' social responsibility performance, the Bank was awarded the "Most Socially Responsible Financial Institution of the Year", "Best Financial Services for People's Livelihood in Fulfilling Social Responsibilities of the Year", and "Outlet Making Special Contribution to Fulfilling Social Responsibilities of the Year". At the "Sixth China Corporate Social Responsibility Summit", the Bank was awarded "Excellent Chinese Enterprise in Performing Corporate Social Responsibilities". In the first "Chinese Listed Enterprises Selection" launched by Sina.com.cn, the Bank was awarded "2013 Most Socially Responsible Listed Enterprise". In addition, the Bank was awarded as one of the "Top 100 Listed State-owned Enterprises by Corporate Social Responsibility" by Nanfang Media Group for the sixth consecutive year.

Outlook

In the second half of 2014, the global economy is expected to continue recovery at an unequal pace. China's economy is at a special stage featuring gear shifting of economic growth, throes of restructuring, and ironing-out of previous stimulus policy. With a series of "stabilizing growth" policies implemented and effecting, the internal impetus to economic growth would be gradually stimulated. However, as overall economic growth rate remaining stable but still facing downward pressure, banks are expected to operate in a less advantageous environment.

The Bank will continue to fulfill the strategic goal of "Serving Society, Delivering Excellence", earnestly carry out China's macro-economic policies, maintain sustainable growth with broad picture in mind, deepen reform to promote transformation, improve services to win the market, foster internal coordination to strengthen cohesive force, enhance efficiency to control risks, solidify business foundation to meet future demands, and focus on basic-level outlets to promote team building, thus driving all aspects of work ahead so as to safeguard the sustainable and sound development.

Changes in Share Capital and Shareholdings of Shareholders

Disclosure of Shareholding under A-Share Regulation

Changes in Share Capital during the Reporting Period

Unit: Share

		As at 1 January 2014		Increase/decrease during the reporting period					As at 30 June 2014	
		Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Sub-total	Number of shares	Percentage
I.	**Shares subject to selling restrictions**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
II.	**Shares not subject to selling restrictions**	**279,364,552,437**	**100.00%**	**–**	**–**	**–**	**53,893**	**53,893**	**279,364,606,330**	**100.00%**
1.	RMB-denominated ordinary shares	195,742,276,042	70.07%	–	–	–	53,893	53,893	195,742,329,935	70.07%
2.	Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3.	Overseas listed foreign shares	83,622,276,395	29.93%	–	–	–	–	–	83,622,276,395	29.93%
4.	Others	–	–	–	–	–	–	–	–	–
III.	**Total**	**279,364,552,437**	**100.00%**	**–**	**–**	**–**	**53,893**	**53,893**	**279,364,606,330**	**100.00%**

Notes:

1 As at 30 June 2014, the Bank had issued a total of 279,364,606,330 shares, including 195,742,329,935 A Shares and 83,622,276,395 H Shares.

2 As at 30 June 2014, none of the Bank's A Shares and H Shares was subject to selling restrictions.

3 During the reporting period, 53,893 shares were converted from the A-Share Convertible Bonds of the Bank.

4 "Shares subject to selling restrictions" refers to shares held by shareholders who are subject to restrictions on selling in accordance with laws, regulations and rules or undertakings.

Number of Shareholders and Shareholdings

Number of shareholders as at 30 June 2014: 960,330 (including 740,830 A-Share Holders and 219,500 H-Share Holders)

Top ten shareholders as at 30 June 2014 Unit: Share

No.	Name of shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total share capital	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of shares
1	Central Huijin Investment Ltd.	–	189,179,033,607	67.72%	–	None	State	A
2	HKSCC Nominees Limited	10,422,641	81,614,000,276	29.21%	–	Unknown	Foreign legal person	H
3	The Bank of Tokyo-Mitsubishi UFJ Ltd.	–	520,357,200	0.19%	–	Unknown	Foreign legal person	H
4	Huaxin Trust Co., Ltd.	(112,596,153)	124,931,383	0.04%	–	None	Domestic non state-owned legal person	A
5	Shenhua Group Corporation Limited	–	99,999,900	0.04%	–	None	State-owned legal person	A
5	Aluminum Corporation of China	–	99,999,900	0.04%	–	None	State-owned legal person	A
7	CSOP FTSE China A50 ETF	19,895,800	95,997,489	0.03%	–	None	Foreign legal person	A
8	China Southern Power Grid Co., Ltd.	–	90,909,000	0.03%	–	None	State-owned legal person	A
9	China Securities Finance Corporation Limited	–	83,451,001	0.03%	–	None	State-owned legal person	A
10	Wang Jingfeng	6,578,000	60,588,888	0.02%	–	None	Domestic individual	A

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

HKSCC Nominees Limited acted as the nominee for all institutional and individual investors that maintain an account with it as at 30 June 2014. The aggregate number of H Shares held by HKSCC Nominees Limited included the shares held by National Council for Social Security Fund.

The Bank is not aware of any connected relations or concerted action among the aforementioned shareholders.

Convertible Bonds

Overview of Convertible Bonds Issuance

With the approval of CBRC (Yinjianfu [2010] No.148) and CSRC (Zhengjianxuke [2010] No.723), the Bank issued RMB40 billion A-Share Convertible Bonds on 2 June 2010. With the approval of SSE (Shangzhengfazi [2010] No.17), such Convertible Bonds have been listed on SSE since 18 June 2010.

Convertible Bondholders and Guarantors

Number of convertible bondholders as at 30 June 2014	13,994
Guarantor of the Bank's Convertible Bonds	None
Top ten convertible bondholders as at 30 June 2014	

No.	Name of convertible bondholders	Amount of Convertible Bonds held as at the end of the reporting period (RMB)	Percentage of total unconverted Convertible Bonds
1	Aegon-Industrial Fund — Industrial Bank — Industrial Bank Co., Ltd. Shanghai Branch	2,553,191,000	6.48%
2	An-Bang Insurance Group Co., Ltd. — traditional insurance products	2,198,342,000	5.58%
3	UBS AG	985,036,000	2.50%
4	Industrial Convertible Bond Hybrid Securities Investment Fund	906,417,000	2.30%
5	Industrial Trend Investment Hybrid Securities Investment Fund	856,659,000	2.18%
6	CITIC Securities Co., Ltd.	837,205,000	2.13%
7	GIC Private Limited	747,101,000	1.90%
8	Guotai Junan Securities Co., Ltd.	735,098,000	1.87%
9	The First Capital Security Co., Ltd.	730,729,000	1.86%
10	China Pacific Life Insurance Co., Ltd. — traditional — ordinary insurance products	729,099,000	1.85%

Changes in Convertible Bonds during the Reporting Period

Unit: RMB

Name of Convertible Bonds	Before the change	Increase/decrease				After the change
		Conversion	Redemption	Back-sell	Others	
Bank of China A-Share Convertible Bonds	39,386,767,000	152,000	–	–	–	39,386,615,000

Accumulated Conversion of Convertible Bonds during the Reporting Period

Amount of conversion during the reporting period (RMB)	152,000
Number of converted shares during the reporting period (share)	53,893
Accumulated converted shares (share)	217,443,599
Proportion of accumulated converted shares to total shares before conversion	0.080076%
Amount of unconverted Convertible Bonds (RMB)	39,386,615,000
Proportion of unconverted Convertible Bonds to total issued Convertible Bonds	98.4665%

Previous Adjustments of Conversion Price

Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Reasons of adjustments	Media of disclosure
4 June 2010	RMB3.88 per share	31 May 2010	2009 profit distribution	*China Securities Journal, Shanghai Securities News, Security Times, Securities Daily* and the websites of SSE, HKEx and the Bank
16 November 2010	RMB3.78 per share	11 November 2010	A Share Rights Issue	
16 December 2010	RMB3.74 per share	13 December 2010	H Share Rights Issue	
10 June 2011	RMB3.59 per share	3 June 2011	2010 profit distribution	
13 June 2012	RMB3.44 per share	6 June 2012	2011 profit distribution	
29 March 2013	RMB2.99 per share	27 March 2013	Downward adjustment approved by the shareholders' meeting	
18 June 2013	RMB2.82 per share	6 June 2013	2012 profit distribution	
27 June 2014	RMB2.62 per share	20 June 2014	2013 profit distribution	
Conversion price at the end of the reporting period			RMB2.62 per share	

Note: *Securities Daily* became the Bank's selected newspaper for information disclosure as of 1 January 2012.

The Bank's Outstanding Debts, Creditworthiness and Availability of Cash for Repayment of Debts in Future Years

Dagong Global Credit Rating Co., Ltd. has evaluated the Bank's Convertible Bonds and provided an updated credit rating report (Da Gong Bao SD[2014]No.105) which reaffirmed an AAA credit rating on the Bank's Convertible Bonds. Dagong Global Credit Rating Co., Ltd. believes that the Bank is able to provide significantly strong support to the repayment of its Convertible Bonds issued in 2010.

The Bank's adequate capital, stable mix of assets and liabilities and healthy profitability provide a solid foundation for the repayment of its various debts.

Significant Changes to the Profitability, Asset Condition and Creditworthiness of the Convertible Bonds Guarantor

There is no guarantee in relation to the Bank's issuance of the Convertible Bonds.

Disclosure of Shareholding under H-Share Regulation

Substantial Shareholder Interests

The register maintained by the Bank pursuant to section 336 of the SFO recorded that, as at 30 June 2014, the following entities were substantial shareholders (as defined in the SFO) having the following interests in the Bank:

Name of shareholder	Capacity	Number of shares held/ Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A Shares	Percentage of total issued H Shares	Percentage of total issued share capital
Central Huijin Investment Ltd.[1]	Beneficial owner	188,553,352,005	A	96.33%	–	67.49%
National Council for Social Security Fund	Beneficial owner	7,518,157,041	H	–	8.99%	2.69%
BlackRock, Inc.[2]	Interest of controlled corporations	5,845,338,156	H	–	6.99%	2.09%
		519,000(S)[4]	H	–	0.0006%	0.0002%
JPMorgan Chase & Co.[3]	Beneficial owner	738,529,824	H	–	0.88%	0.26%
		345,564,711(S)[4]	H	–	0.41%	0.12%
	Investment Manager	578,006,415	H	–	0.69%	0.21%
	Custodian corporation/ approved lending agent	3,729,539,663(P)[4]	H	–	4.46%	1.34%
	Total	5,046,075,902	H	–	6.03%	1.81%
		345,564,711(S)[4]	H	–	0.41%	0.12%
		3,729,539,663(P)[4]	H	–	4.46%	1.34%

Notes:

1 The above interest of Central Huijin Investment Ltd. reflects its latest disclosure of interest made pursuant to the SFO, which does not reflect the increase in its holding of the Bank's A Shares from 2011 to the end of the reporting period.

2 BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., which in turn holds the entire issued share capital of BlackRock Financial Management, Inc. Accordingly, BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have the same interests in the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. holds a long position of 5,845,338,156 H Shares and a short position of 519,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. Among the aggregate interests in the long positions of 5,845,338,156 H Shares, 18,043,000 H Shares are held through derivatives. For the aggregate interests in the short position of 519,000 H Shares, all of them are held through derivatives.

3 JPMorgan Chase & Co. holds the entire issued share capital of JPMorgan Chase Bank, N.A. Accordingly, JPMorgan Chase & Co. is deemed to have the same interests in the Bank as JPMorgan Chase Bank, N.A. under the SFO. JPMorgan Chase & Co. holds a long position of 5,046,075,902 H Shares and a short position of 345,564,711 H Shares of the Bank through JPMorgan Chase Bank, N.A. and other corporations controlled by it. Among the aggregate interests in the long position of 5,046,075,902 H Shares, 3,729,539,663 H Shares are held in the lending pool and 284,934,951 H Shares are held through derivatives. Among the aggregate interests in the short position of 345,564,711 H Shares, 345,274,711 H Shares are held through derivatives.

4 "S" denotes short position, "P" denotes lending pool.

All the interests stated above represented long positions except where otherwise stated. Save as disclosed above, as at 30 June 2014, no other interests or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Directors, Supervisors, Senior Management Members and Staff

Directors, Supervisors and Senior Management Members

Board of Directors

Name	Position	Name	Position
TIAN Guoli	Chairman	WANG Yong	Non-executive Director
CHEN Siqing	Vice Chairman and President	CHOW Man Yiu, Paul	Independent Director
LI Zaohang	Executive Director and Executive Vice President	Jackson TAI	Independent Director
SUN Zhijun	Non-executive Director	Nout WELLINK	Independent Director
LIU Lina	Non-executive Director	LU Zhengfei	Independent Director
ZHANG Xiangdong	Non-executive Director	LEUNG Cheuk Yan	Independent Director
ZHANG Qi	Non-executive Director		

Notes:

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

2 Due to age reason, Mr. LI Lihui ceased to serve as Vice Chairman of the Board of Directors, Executive Director, and a member of the Strategic Development Committee of the Bank as of 28 January 2014.

3 Mr. CHEN Siqing began to serve as Vice Chairman of the Board of Directors, Executive Director and a member of the Strategic Development Committee of the Bank as of 4 April 2014 for the term of three years until the date of the Annual General Meeting of the Bank to be held in 2017.

4 Mr. WANG Yongli ceased to serve as Executive Director and a member of the Risk Policy Committee of the Bank as of 16 April 2014.

5 The 2013 Annual General Meeting of the Bank held on 12 June 2014 considered and approved the proposal on the election of Mr. LIU Xianghui as Non-executive Director of the Bank. Mr. LIU Xianghui will begin to serve as Non-executive Director of the Bank from the date of approval by CBRC.

6 Ms. LIU Lina tendered her resignation as Non-executive Director, a member of the Strategic Development Committee and a member of the Risk Policy Committee of the Bank on 30 June 2014. Her resignation will become effective from the date of approval of Mr. WANG Wei's qualification as Non-executive Director of the Bank by CBRC.

7 The 2014 Second Extraordinary General Meeting of the Bank held on 4 August 2014 considered and approved the proposal on the election of Mr. WANG Wei as Non-executive Director of the Bank. Mr. WANG Wei will begin to serve as Non-executive Director of the Bank from the date of approval by CBRC.

8 During the reporting period, none of the directors held any share or convertible bond of the Bank.

Board of Supervisors

Name	Position	Name	Position
LI Jun	Chairman of the Board of Supervisors	LIU Xiaozhong	Employee Supervisor
WANG Xueqiang	Shareholder Supervisor	XIANG Xi	Employee Supervisor
LIU Wanming	Shareholder Supervisor	MEI Xingbao	External Supervisor
DENG Zhiying	Employee Supervisor	BAO Guoming	External Supervisor

Notes:

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

2 During the reporting period, there was no change of supervisors of the Bank.

3 During the reporting period, none of the supervisors held any share or convertible bond of the Bank.

Senior Management

Name	Position	Name	Position
CHEN Siqing	Vice Chairman and President	ZHANG Jinliang	Executive Vice President
LI Zaohang	Executive Director and Executive Vice President	REN Deqi	Executive Vice President
ZHANG Lin	Secretary of Party Discipline Committee	CHIM Wai Kin	Chief Credit Officer
ZHU Shumin	Executive Vice President	LIU Yanfen	Chief Audit Officer
YUE Yi	Executive Vice President	FAN Yaosheng	Secretary to the Board of Directors

Notes:

1 The information listed in the above table pertains to the incumbent senior management members.

2 Due to age reason, Mr. LI Lihui ceased to serve as President of the Bank as of 28 January 2014.

3 Mr. CHEN Siqing began to serve as President of the Bank as of 13 February 2014.

4 Mr. WANG Yongli ceased to serve as Executive Vice President of the Bank as of 16 April 2014.

5 Mr. ZHANG Jinliang began to serve as Executive Vice President of the Bank as of 31 July 2014.

6 Mr. REN Deqi began to serve as Executive Vice President of the Bank as of 31 July 2014.

7 During the reporting period, none of the senior management members held any share or convertible bond of the Bank.

Organisational Management, Human Resources Development and Management

Organisational Management

As at 30 June 2014, the Bank had a total of 11,497 domestic and overseas branches, subsidiaries and outlets, including 10,878 branches, subsidiaries and outlets in Chinese mainland and 619 branches, subsidiaries and representative offices in Hong Kong, Macau, Taiwan and other countries. For the commercial banking business in Chinese mainland, there were 37 tier-one and direct branches, 313 tier-two branches and 10,342 outlets.

Geographic Distribution of Organisations and Employees

Unit: RMB million/unit/person, except percentages

	Assets		Organisations		Employees	
Items	Total assets	% of total	Number of branches and outlets	% of total	Number of employees	% of total
Northern China	4,552,966	25.31%	1,778	15.46%	55,918	18.47%
Northeastern China	707,592	3.93%	954	8.30%	26,283	8.68%
Eastern China	4,009,511	22.28%	3,629	31.56%	92,138	30.43%
Central and Southern China	2,701,812	15.02%	2,807	24.42%	68,538	22.64%
Western China	1,312,081	7.29%	1,710	14.87%	36,913	12.19%
Hong Kong, Macau and Taiwan	2,690,184	14.95%	505	4.39%	18,772	6.20%
Other countries	2,018,492	11.22%	114	1.00%	4,196	1.39%
Elimination	(2,523,542)					
Total	**15,469,096**	**100.00%**	**11,497**	**100.00%**	**302,758**	**100.00%**

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

Human Resources Development and Management

As at 30 June 2014, the Bank had 302,758 employees. There were 279,790 employees in the operations of the Chinese mainland, of which 274,588 (including 8,533 external contractual staff) worked in the domestic commercial banking operations. There were 22,968 employees in the Bank's operations in Hong Kong, Macau, Taiwan and other countries. As at 30 June 2014, the Bank had incurred retirement expenses for a total of 6,255 retirees.

In the first half of 2014, in line with the Group's development strategy and annual priorities, the Bank integrated institutions, optimized human resources allocation, improved incentive and restraint mechanism, and strengthened talent development and training. The Bank integrated institutions at the Head Office by reducing the number of departments and improving position setup, so as to strengthen the linkage between institutions at upper and lower levels and enhance its market response efficiency and customer service. The Bank focused on optimizing the allocation of human resource expenses, personnel, positions, trainings and other resources, gave preference to grassroots institutions and encouraged employees to develop careers there. The Bank improved the allocation mode of human resource expenses and the performance evaluation methods at domestic and overseas institutions to motivate the internal dynamics. The Bank standardized the recruitment management and transferred external contractual staff in a compliant and prudent manner. In addition, the Bank improved the education and training system and the management mode for training institutions, and continued to push forward tiered and classified talent development and training. During the first half of 2014, 27,243 training courses were offered with 924,467 class participants in the domestic commercial banks.

Corporate Governance

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

During the reporting period, the Bank continued to protect the rights of shareholders, and fully disclosed the information of shareholders' concern through regular reports and the websites of the Bank and the stock exchanges. The 2013 Annual General Meeting was held in Beijing and Hong Kong by way of video conference, allowing shareholders from both places to attend in person to ensure that minority shareholders were properly informed and able to participate and make decisions.

During the reporting period, the Bank further improved its corporate governance mechanisms, amended its Articles of Association for the purpose of the issuance of preference shares of the Bank, and formulated the shareholder return plan. The Board of Directors paid close attention to enhancing directors' on-going professional development, organised on-site research activities for the directors and enhanced the communication mechanisms, thus continuously enhancing its efficiency and decision-making capability.

Corporate Governance Compliance

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

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

Shareholders' Meeting

On 25 March 2014, the Bank held its 2014 First Extraordinary General Meeting in Beijing. This meeting considered and approved the proposal on the election of Mr. CHEN Siqing as Executive Director of the Bank.

On 12 June 2014, the Bank held its 2013 Annual General Meeting in Beijing and Hong Kong by way of video conference and on-line voting for A-Share Holders was available. This meeting considered and approved 16 proposals including 2013 work report of the Board of Directors, 2013 work report of the Board of Supervisors, 2013 annual financial statements, the profit distribution for 2013, 2014 annual budget for fixed assets investment, the proposal regarding the appointment of Ernst & Young Hua Ming as the Bank's external auditor for 2014, the proposal regarding the *Capital Management Plan of Bank of China for 2013–2016*, the proposal regarding the election of directors of the Bank, the proposal regarding the re-election of external supervisors of the Bank, the remuneration plan for the Chairman of the Board of Directors, executive directors, Chairman of the Board of Supervisors and shareholder supervisors of 2012, the proposal regarding the amendments to the Articles of Association of the Bank, the proposal regarding the general mandate to issue new shares, the proposal regarding the non-public issuance of domestic preference shares of the Bank, the proposal regarding the non-public issuance of offshore preference shares of the Bank, the proposal regarding the formulation of the Shareholder Return Plan for 2014 to 2016 and proposal regarding dilution of current returns and remedial measures upon the issuance of preference shares. The meeting also heard the 2013 report on connected transactions and 2013 duty report of independent directors. Proposal regarding the amendments to the Articles of Association of the Bank, proposal regarding the general mandate to issue new shares, proposal regarding the non-public issuance of domestic preference shares of the Bank and proposal regarding the non-public issuance of offshore preference shares of the Bank were special resolutions.

On 4 August 2014, the Bank held its 2014 Second Extraordinary General Meeting in Beijing. This meeting considered and approved the proposal on the election of Mr. WANG Wei as Non-executive Director of the Bank and the remuneration distribution plan for Chairman of the Board of Directors, executive directors, the Chairman of the Board of Supervisors and shareholder supervisors in 2013.

All of the aforementioned 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 their 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.

Directors and the Board of Directors

Currently, the Board of Directors comprises thirteen members. There are three executive directors, five non-executive directors and five independent directors. The number of independent directors is no less than one-third of the total number of directors.

Vice Chairman of the Bank Mr. CHEN Siqing began to serve as Vice Chairman of BOCHK (Holdings) as of 25 March 2014. Save as disclosed above, to the best knowledge of the Bank, information regarding the Bank's directors including their appointments is the same as that disclosed in the 2013 Annual Report of the Bank and the announcements regarding the appointments of directors published by the Bank during the reporting period.

During the reporting period, the Bank convened six on-site meetings of the Board of Directors, held on 28 January, 26 March, 24 April, 13 May, 12 June and 30 June respectively. At these meetings, the Board of Directors mainly considered and approved proposals related to the 2013 work report of the Board of Directors, the profit distribution for 2013, the 2013 internal control self-assessment report, the 2013 corporate social responsibility report, 2013 Annual Report, 2013 annual report on the information disclosure of capital adequacy ratio, 2014 First Quarter Report, the nomination of candidates for directors, the appointment of Mr. CHEN Siqing as President of the Bank, proposal regarding the amendments to the Articles of Association of the Bank, proposal regarding the general mandate to issue new shares, proposal regarding the non-public issuance of domestic preference shares of the Bank and proposal regarding the non-public issuance of offshore preference shares of the Bank. The meeting also heard reports related to consolidated management and other matters.

During the reporting period, the Bank convened ten meetings of the Board of Directors via written resolutions. At these meetings, the Board of Directors considered and approved the proposal to publish the *Announcement regarding the Enforcement of Undertakings by Shareholders* and other proposals.

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

Committee	Work Performance
Strategic Development Committee	The Committee held five meetings, including two via written resolutions. In these meetings, it mainly reviewed and approved the proposal on profit distribution for 2013, the proposals regarding applications for establishing Bank of China (Mongolia) LLC, Bank of China Mumbai Branch, Bank of China (New Zealand) Limited and Bank of China Mexico, S.A., Institución de Banca Múltiple and the proposals regarding the domestic and offshore issuance of preference shares of the Bank.
Audit Committee	The Committee held three meetings, in which it mainly reviewed and approved the work plan and budget for 2014. It also reviewed the 2013 financial report, the 2014 first quarter financial report, the 2013 internal control assessment report, the internal control management proposal for 2013 and the three-year development plan for the internal audit of BOC Group. In addition, it listened to the report on the major inspections of internal audit in 2013, the report on period results of internal audit in 2014, the report on matters concerning data quality of the Bank and the report on IT capability evaluation and improvement suggestions.
Risk Policy Committee	The Committee held two meetings, in which it mainly reviewed and approved 2013 annual report on the information disclosure of capital adequacy ratio, market risk limits for the trading book (level A) and the interest rate risk limits for the banking book (level A) in 2014. The Committee also reviewed the Group risk reports and reports on consolidated management on a regular basis.
Personnel and Remuneration Committee	The Committee held five meetings, in which it mainly reviewed and approved the proposals regarding the nomination of Mr. CHEN Siqing as the President, candidate for executive director, Vice Chairman of the Board of Directors and a member of the Strategic Development Committee of the Board of Directors of the Bank, the proposals on appointing Mr. ZHANG Jinliang and Mr. REN Deqi as executive vice presidents of the Bank, the proposal on the nomination of candidates for directors of the Bank, the proposal on changes in composition of special committees under the Board of Directors, the proposal on re-appointment of Ms. YEUNG Cheung Ying as Company Secretary of the Bank, the proposal on the performance evaluation results and remuneration distribution plan for the Chairman of the Board of Directors, executive directors and senior management members in 2013. It also reviewed and approved the *Performance Management Measures for the Chairman of the Board of Directors, President and the Senior Management of BOC (2014 Version)* and the implementation plan on performance management for the Chairman of the Board of Directors, President and the senior management in 2014. It reviewed the performance evaluation results and remuneration distribution plan for the Chairman of the Board of Supervisors and supervisors in 2013.
Connected Transactions Control Committee	The Committee held one meeting, in which it mainly reviewed and approved the 2013 report on connected transactions of the Bank. The committee also reviewed the special report of funds occupied by controlling shareholders and other related parties in 2013 and the statement of the Bank's connected transactions in 2013.

Supervisors and the Board of Supervisors

The Board of Supervisors is currently composed of eight supervisors, including three shareholder supervisors (including the Chairman of the Board of Supervisors), three employee supervisors and two external supervisors.

The Board of Supervisors performed its supervision duties according to relevant laws and diligently reviewed proposals. During the reporting period, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held one meeting and the Finance and Internal Control Supervision Committee of the Board of Supervisors held two meetings. The two special committees reviewed relevant proposals respectively in advance of submission to the Board of Supervisors. The Board of Supervisors held three meetings, in which it reviewed and approved proposals such as the assessment opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors, the senior management and their members in 2013, 2013 Annual Report, the 2013 internal control assessment report, 2014 First Quarter Report and the work plan of the Board of Supervisors for 2014, among others.

During the reporting period, the Board of Supervisors carried out the assessment of the duty performance and due diligence of the Board of Directors, the senior management and their members in 2013, assessed the duty performance and due diligence of the Bank's supervisors, continuously strengthened communication with the Bank's related departments and external auditors, regularly heard special reports on financial and risk management, earnestly performed its financial supervision duties and made timely suggestions. The Board of Supervisors also carried out special investigations into subjects such as the management of credit collaterals, the development of internet finance, the financial support for the cross-border transferring of excess capacity and credit risk management of the branches, with a view to focusing on the Bank's business development priorities and challenges, weak aspects in operational management and the effectiveness of risk management and internal control.

Senior Management

In the first half of 2014, the Bank's senior management carried out operation management within the scope of authorities delegated by the Articles of Association of the Bank and the Board of Directors. Working to the strategic objective of "Serving Society, Delivering Excellence" and following the annual performance objectives approved by the Board of Directors, it made solid progress across all aspects of the Bank's work including business growth, risk management, reform and innovation and team building, enabling the business results to be steadily improved.

During the reporting period, the Bank's senior management held eight meetings of the Executive Committee, studying and making decisions regarding such significant matters as the Group's business growth, performance management, risk management, overseas operations, system development and product innovation. In addition, it held 39 special meetings which studied and arranged specific work including corporate banking, personal banking, financial markets, risk prevention and control, channel building and process optimization.

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

Significant Events

Formulation and Implementation of Profit Distribution Policy

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

The Board of Directors amended the dividend distribution policy in 2011. The Board of Directors agreed that the dividend would be distributed at 35%–45% of the Group's yearly net profits from 2010 to 2013. This resolution was duly disclosed.

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

The 2013 Annual General Meeting of the Bank considered and approved the *Shareholder Return Plan For 2014 to 2016* to specify the basic principles, shareholder return plan and decision-making and supervisory mechanisms regarding the formulation, implementation and amendment of the shareholder return of the Bank.

The 2013 Annual General Meeting of the Bank considered and approved the proposal to amend the Articles of Association to specify the profit distribution policy of the Bank for shareholders holding preference shares. This amendment prescribed that, the shareholders of the Bank holding preference shares shall be entitled to profit distribution at the agreed dividend payout ratio, having priority over shareholders holding ordinary shares. The Bank shall pay dividends to shareholders holding preference shares in cash. The Bank is entitled to cancel dividend payment on preference shares and such cancellation shall not constitute an event of default. This amendment to the Articles of Association has been approved by CBRC.

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

The Bank distributed dividends for 2013 in strict compliance with regulatory regulations, the Articles of Association, dividend distribution policy and the shareholders' meeting resolutions on profit distribution.

Profit Distribution during the Reporting Period

The 2013 Annual General Meeting considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus reserve of RMB14.863 billion; appropriation to general and regulatory reserves of RMB12.545 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, RMB0.196 per share (before tax) was distributed as cash dividend to A-Share Holders and H-Share Holders whose names appear on the register of shareholders of the Bank as at the market close on 26 June 2014, amounting to approximately RMB54.755 billion (before tax) in total. The dividend distribution has been completed. The Bank did not distribute interim dividend for the period ended 30 June 2014, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

Corporate Governance

For details of the corporate governance of the Bank, please refer to the section on Corporate Governance contained in this report.

Purchase and Sale of Assets, and Merger and Acquisition

During the reporting period, the Bank undertook no material purchase or sale of assets, or merger or acquisition.

Material Litigation, Arbitration and Issues of Media Interest

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

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

Significant Connected Transactions

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

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

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

Material Guarantee Business

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

Other Major Contracts

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

Undertakings

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

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

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

Alert of and Explanations for Predicted Loss in Net Profit for the Period from the Beginning of the Year to the End of the Next Reporting Period or Substantial Change Compared with the Same Period of the Previous 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, the issuances of subordinated bonds and Convertible Bonds and the Rights Issue of A Shares and H Shares have been used to replenish the Bank's capital and increase the level of capital adequacy. No further funds was raised during the reporting period of the Bank.

Having obtained the approvals from CBRC and PBOC, the Bank issued tier-2 capital bonds in an amount of RMB30 billion on 8 August 2014. The funds raised from such issuance were used to replenish the Bank's tier-2 capital.

For details, please refer to the related announcements or publications 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 Shares

As at 30 June 2014, the total number of the Bank's treasury shares was approximately 14.02 million.

Implementation of Stock Incentive Plan during the Reporting Period

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

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

Investment Securities

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

No.	Type of securities	Securities code	Company/securities name	Initial investment cost (unit: RMB)	Securities held at period beginning	Securities held at period end	Carrying value at period end (unit: RMB)	Proportion of the total investment securities at period end	Gains/(losses) during the reporting period (unit: RMB)
1	Stock	000651	GREE	702,764,850	8,675,887	23,344,308	681,477,429	6.94%	13,926,107
2	Stock	600900	CYPC	597,969,231	88,056,023	95,629,082	589,610,759	6.01%	231,689
3	Stock	3315 HK	Goldpac Group Limited	186,239,837	90,229,397	90,229,397	567,262,835	5.78%	29,365,879
4	Stock	600741	HASCO	579,316,709	56,158,916	57,719,126	559,556,324	5.70%	74,611
5	Stock	600519	Kweichow Moutai Co., Ltd.	387,755,040	1,958,689	3,115,183	438,424,349	4.47%	11,573,082
6	Stock	000002	VANKE-A	355,659,987	23,552,539	46,318,532	379,703,559	3.87%	6,181,227
7	Convertible Bond	110015	Sinopec Corp.	294,893,792	–	3,076,110	330,262,533	3.36%	888,052
8	Fund	511990	Fortune SG Fund Management Co., Ltd.	272,765,220	–	2,766,328	274,160,100	2.79%	2,795,957
9	Stock	601006	Daqin Railway Co., Ltd.	289,413,873	21,060,568	40,760,557	254,950,297	2.60%	10,337,755
10	Stock	MA	MASTERCARD INC.	–	55,679	556,790	247,642,098	2.52%	(33,980,182)
Other investment securities held at period end				4,980,852,199	–	–	5,492,770,731	55.96%	586,789,069
Gains/(losses) of investment securities sold during the reporting period				–	–	–	–	–	(296,523,361)
Total				8,647,630,738	–	–	9,815,821,014	100.00%	331,659,885

Notes:

1 The table lists the top ten investment securities held by the Group in descending order according to their carrying value at period end.

2 Investment securities listed in this table include stocks, warrants, convertible bonds and open-ended and close-ended funds, which are classified under financial assets at fair value through profit or loss.

3 "Other investment securities held at period end" refers to investment securities other than the top ten investment securities listed above held by the Group by the end of the reporting period.

4 The units of measures are "share" for stocks, "unit" for funds and "issue" for convertible bonds.

Stocks of Other Listed Companies Held by the Group

Stock code	Securities name	Initial investment cost (unit: RMB)	Stocks held at period beginning (unit: share)	Proportion of total capital of the invested company at period beginning	Stocks held at period end (unit: share)	Proportion of total capital of the invested company at period end	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Increase/ (decrease) of equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
549 HK	QIFENG FIBER	54,874,959	94,841,726	10.95%	94,841,726	10.95%	24,392,457	–	(2,710,273)	Available for sale equity investment	Joint-stock reform
2008 HK	PHOENIX TV	309,384,768	412,000,000	8.30%	412,000,000	8.30%	941,891,328	–	22,893,192	Available for sale equity investment	Joint-stock reform
Total		364,259,727	–	–	–	–	966,283,785	–	20,182,919		

Notes:

1 The table lists stocks of listed companies in which the Group had a shareholding of 5% or above, which are classified as long-term equity investments or available for sale equity securities.

2 "Gains during the reporting period" refers to dividend income.

Equity Investments in Unlisted Financial Companies Held by the Group

Company name	Initial investment cost (unit: RMB)	Equity held at period beginning (unit: share)	Proportion of total capital of the invested company at period beginning	Equity held at period end (unit: share)	Proportion of total capital of the invested company at period end	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Decrease of the equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
China Bond Insurance Co., Ltd.	997,101,706	–	14%	–	14%	1,024,576,104	49,450,366	(142,184,736)	Available for sale equity investment	Investment
JCC Financial Company Limited	95,186,844	–	13%	–	13%	259,479,266	17,173,539	–	Investment in associates and joint ventures	Investment
The Debt Management Company Limited	13,177	1,660	11%	1,660	11%	13,177	–	–	Available for sale equity investment	Investment
Hunan Valin Iron & Steel Group Finance Co., Ltd.	57,136,456	–	10%	–	10%	94,632,506	4,269,352	–	Investment in associates and joint ventures	Investment
Total	1,149,438,183	–	–	–	–	1,378,701,053	70,893,257	(142,184,736)		

Notes:

1 Financial companies include securities firms, commercial banks, insurance companies, futures companies, trust companies, among others.

2 The table lists equity investments in unlisted financial companies in which the Group held a proportion of 5% or more of the total shares.

3 Carrying value is value after the reduction of impairment allowance.

4 "Gains during the reporting period" refers to dividend income, investment income of associates and joint ventures.

The Audit Committee

The Audit Committee of the Bank is composed of seven members, including Non-executive Directors Ms. SUN Zhijun, Mr. WANG Yong and Independent Directors Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI, Mr. Nout WELLINK, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan. Independent Director Mr. LU Zhengfei serves as Chairman of the Audit Committee. Acting in line with the principle of independence, the Committee assists the Board of Directors in supervising the Group's financial report, internal control, and internal and external audit.

The Audit Committee reviewed the interim results of the Bank. The Bank's external auditor conducted a review of the interim financial statements in accordance with International Standards on Review Engagements No. 2410. The Audit Committee discussed matters relating to the accounting standards and practices adopted in the financial statements, internal control and financial reporting.

Appointment or Termination of External Auditors

The Bank has appointed Ernst & Young Hua Ming LLP as its domestic auditor and internal control auditor for the year 2014. Ernst & Young Hua Ming LLP offers auditing services on the Bank's financial statements prepared in accordance with CAS as well as internal control auditing. Ernst & Young was appointed as the international auditor for the year 2014 to provide auditing services on the Bank's financial statements prepared in accordance with IFRS.

Directors and Supervisors' Rights to Acquire Shares

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

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

To the best knowledge of the Bank, as at 30 June 2014, 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, amended and implemented the *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* (the "*Management Rules*") to govern securities transactions by the directors, supervisors and senior management members of the Bank. The terms of the *Management Rules* are more stringent than the mandatory standards set out in the *Model Code*. The Bank has made specific enquiries with all directors and supervisors, all of whom confirmed that they have complied with the standards set out in both the *Management Rules* and the *Model Code* throughout the reporting period.

Compliance with International Accounting Standard No. 34

The 2014 interim report of the Bank is in compliance with International Accounting Standard No.34 — Interim Financial Reporting.

Interim Report

Shareholders may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (Address: 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) to request the interim report prepared under IFRS or go to the Bank's office address for copies (Chinese version) 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 there be any queries about how to obtain copies of this interim report or access the document on the Bank's website, please dial the Bank's H-Share Registrar at: (852) 2862 8688 or the Bank's hotlines 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
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 64 to 151, which comprises the condensed consolidated statement of financial position of Bank of China Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2014 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
19 August 2014

Interim Financial Information

CONTENTS

Condensed Consolidated Income Statement

For the six month period ended 30 June 2014 (Amount in millions of Renminbi, unless otherwise stated)

		For the six month period ended 30 June	
	Note	2014 Unaudited	2013 Unaudited
Interest income	III.1	**294,193**	249,870
Interest expense	III.1	**(137,518)**	(112,582)
Net interest income		**156,675**	137,288
Fee and commission income	III.2	**55,575**	48,473
Fee and commission expense	III.2	**(3,444)**	(2,992)
Net fee and commission income		**52,131**	45,481
Net trading gains	III.3	**7,319**	3,918
Net gains on financial investments		**318**	414
Other operating income	III.4	**18,429**	19,150
Operating income		**234,872**	206,251
Operating expenses	III.5	**(85,897)**	(82,209)
Impairment losses on assets	III.7	**(27,782)**	(14,142)
Operating profit		**121,193**	109,900
Share of results of associates and joint ventures		**757**	351
Profit before income tax		**121,950**	110,251
Income tax expense	III.8	**(28,541)**	(26,079)
Profit for the period		**93,409**	84,172
Attributable to:			
Equity holders of the Bank		**89,724**	80,721
Non-controlling interests		**3,685**	3,451
		93,409	84,172
Earnings per share for profit attributable to equity holders of the Bank during the period (Expressed in RMB per ordinary share)	III.9		
— Basic		**0.32**	0.29
— Diluted		**0.31**	0.28

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 2014 (Amount in millions of Renminbi, unless otherwise stated)

	For the six month period ended 30 June	
	2014 Unaudited	**2013 Unaudited**
Profit for the period	**93,409**	84,172
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on available for sale financial assets:		
Amount recorded in equity	**7,638**	(5,632)
Less: related income tax impact	**(2,171)**	1,148
Amount transferred to the income statement	**91**	(123)
Less: related income tax impact	**(39)**	23
	5,519	(4,584)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	**80**	(15)
Less: related income tax impact	**(3)**	4
	77	(11)
Exchange differences from the translation of foreign operations	**1,948**	(3,975)
Less: net amount transferred to the income statement from other comprehensive income	**(35)**	239
	1,913	(3,736)
Other	**453**	23
Subtotal	**7,962**	(8,308)
Items that will not be reclassified to profit or loss:		
Actuarial (losses)/gains on defined benefit plans	**(106)**	1
Less: related income tax impact	**1**	(14)
Subtotal	**(105)**	(13)
Other comprehensive income for the period, net of tax	**7,857**	(8,321)
Total comprehensive income for the period	**101,266**	75,851
Total comprehensive income attributable to:		
Equity holders of the Bank	**96,591**	74,240
Non-controlling interests	**4,675**	1,611

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2014 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 30 June 2014 Unaudited	As at 31 December 2013 Audited (Restated)*
ASSETS			
Cash and due from banks and other financial institutions	III.10	**881,975**	702,584
Balances with central banks	III.11	**2,357,133**	2,132,001
Placements with and loans to banks and other financial institutions	III.12	**759,359**	512,888
Government certificates of indebtedness for bank notes issued		**78,156**	82,069
Precious metals		**215,406**	193,208
Financial assets at fair value through profit or loss	III.13	**87,240**	75,200
Derivative financial assets	III.14	**42,976**	40,823
Loans and advances to customers, net	III.15	**8,238,260**	7,439,742
Financial investments	III.16	**2,400,738**	2,328,431
— Available for sale		**682,646**	701,196
— Held to maturity		**1,300,033**	1,210,531
— Loans and receivables		**418,059**	416,704
Investment in associates and joint ventures		**14,003**	13,368
Property and equipment	III.17	**161,281**	158,968
Investment properties	III.18	**18,424**	20,271
Deferred income tax assets	III.23	**20,980**	22,928
Other assets	III.19	**193,165**	151,818
Total assets		**15,469,096**	13,874,299

* For details of the restatement, please refer to the basis of presentation and principal accounting policies.

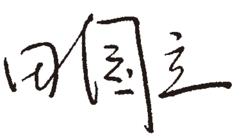
The accompanying notes form an integral part of this interim financial information.

	Note	As at 30 June 2014 Unaudited	As at 31 December 2013 Audited (Restated)*
LIABILITIES			
Due to banks and other financial institutions		**1,824,166**	1,551,624
Due to central banks		**230,424**	200,939
Bank notes in circulation		**78,224**	82,212
Placements from banks and other financial institutions		**435,950**	339,265
Derivative financial liabilities	III.14	**29,266**	36,212
Due to customers	III.20	**11,190,569**	10,097,786
— at amortised cost		**10,996,625**	9,941,288
— at fair value		**193,944**	156,498
Bonds issued	III.21	**254,102**	224,704
Other borrowings		**31,469**	29,570
Current tax liabilities		**29,737**	40,031
Retirement benefit obligations		**4,647**	4,815
Deferred income tax liabilities	III.23	**3,870**	3,385
Other liabilities	III.24	**350,216**	302,279
Total liabilities		**14,462,640**	12,912,822
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital		**279,365**	279,365
Capital reserve		**116,435**	116,121
Treasury shares		**(39)**	(28)
Statutory reserves		**80,334**	80,225
General and regulatory reserves		**144,928**	144,450
Undistributed profits	III.26	**357,942**	323,673
Reserve for fair value changes of available for sale securities	III.25	**6,727**	1,652
Currency translation differences		**(19,959)**	(21,542)
		965,733	923,916
Non-controlling interests		**40,723**	37,561
Total equity		**1,006,456**	961,477
Total equity and liabilities		**15,469,096**	13,874,299

* For details of the restatement, please refer to the basis of presentation and principal accounting policies.

Approved and authorised for issue by the Board of Directors on 19 August 2014.

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



TIAN Guoli
Director

CHEN Siqing
Director

Condensed Consolidated Statement of Changes in Equity

For the six month period ended 30 June 2014 (Amount in millions of Renminbi, unless otherwise stated)

		Unaudited									
		Attributable to equity holders of the Bank									
	Note	Share capital	Capital reserve	Statutory reserves	General and regulatory reserves	Undistributed profits	Reserve for fair value changes of available for sale securities	Currency translation differences	Treasury shares	Non-controlling interests	Total
As at 1 January 2014		279,365	116,121	80,225	144,450	323,673	1,652	(21,542)	(28)	37,561	961,477
Profit for the period		–	–	–	–	89,724	–	–	–	3,685	93,409
Other comprehensive income		–	314	–	–	(105)	5,075	1,583	–	990	7,857
Total comprehensive income for the period		–	314	–	–	89,619	5,075	1,583	–	4,675	101,266
Appropriation to statutory reserves		–	–	117	–	(117)	–	–	–	–	–
Appropriation to general and regulatory reserves		–	–	–	478	(478)	–	–	–	–	–
Dividends	III.26	–	–	–	–	(54,755)	–	–	–	(1,541)	(56,296)
Net change in treasury shares		–	–	–	–	–	–	–	(11)	–	(11)
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	28	28
Other		–	–	(8)	–	–	–	–	–	–	(8)
As at 30 June 2014		279,365	116,435	80,334	144,928	357,942	6,727	(19,959)	(39)	40,723	1,006,456

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

	Note	Share capital	Capital reserve	Statutory reserves	General and regulatory reserves	Undistributed profits	Reserve for fair value changes of available for sale securities	Currency translation differences	Treasury shares	Non-controlling interests	Total
		Unaudited									
		Attributable to equity holders of the Bank									
As at 1 January 2013		279,147	115,451	65,362	131,909	242,899	7,276	(17,352)	(15)	36,865	861,542
Profit for the period		–	–	–	–	80,721	–	–	–	3,451	84,172
Other comprehensive income		–	22	–	–	(13)	(3,317)	(3,173)	–	(1,840)	(8,321)
Total comprehensive income for the period		–	22	–	–	80,708	(3,317)	(3,173)	–	1,611	75,851
Conversion of convertible bonds		1	–	–	–	–	–	–	–	–	1
Appropriation to statutory reserves		–	–	188	–	(188)	–	–	–	–	–
Appropriation to general and regulatory reserves		–	–	–	266	(266)	–	–	–	–	–
Dividends		–	–	–	–	(48,851)	–	–	–	(2,213)	(51,064)
Net change in treasury shares		–	–	–	–	–	–	–	(89)	–	(89)
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	92	92
As at 30 June 2013		279,148	115,473	65,550	132,175	274,302	3,959	(20,525)	(104)	36,355	886,333
Profit for the period		–	–	–	–	76,190	–	–	–	3,379	79,569
Other comprehensive income		–	263	–	–	134	(2,307)	(1,017)	–	(567)	(3,494)
Total comprehensive income for the period		–	263	–	–	76,324	(2,307)	(1,017)	–	2,812	76,075
Conversion of convertible bonds		217	449	–	–	–	–	–	–	–	666
Appropriation to statutory reserves		–	–	14,675	–	(14,675)	–	–	–	–	–
Appropriation to general and regulatory reserves		–	–	–	12,279	(12,279)	–	–	–	–	–
Dividends		–	–	–	–	–	–	–	–	(1,695)	(1,695)
Net change in treasury shares		–	–	–	–	–	–	–	76	–	76
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	89	89
Equity component of convertible bonds		–	(64)	–	–	–	–	–	–	–	(64)
Other		–	–	–	(4)	1	–	–	–	–	(3)
As at 31 December 2013		279,365	116,121	80,225	144,450	323,673	1,652	(21,542)	(28)	37,561	961,477

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 2014 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2014 Unaudited	**2013 Unaudited (Restated)***
Cash flows from operating activities			
Profit before income tax		**121,950**	110,251
Adjustments:			
Impairment losses on assets		**27,782**	14,142
Depreciation of property and equipment		**6,343**	6,427
Amortisation of intangible assets and other assets		**1,383**	1,270
Net gains on disposal of property and equipment, intangible assets and other long-term assets		**(363)**	(282)
Net gains on disposal of investment in subsidiaries, associates and joint ventures		**(681)**	(61)
Share of results of associates and joint ventures		**(757)**	(351)
Interest income arising from financial investments		**(40,275)**	(33,718)
Dividends arising from investment securities		**(284)**	(348)
Net gains on financial investments		**(318)**	(414)
Interest expense arising from bonds issued		**4,555**	4,197
Accreted interest on impaired loans		**(439)**	(311)
Net changes in operating assets and liabilities:			
Net increase in balances with central banks		**(113,895)**	(98,905)
Net increase in due from and placements with and loans to banks and other financial institutions		**(132,650)**	(37,469)
Net (increase)/decrease in precious metals		**(22,198)**	11,696
Net increase in financial assets at fair value through profit or loss		**(9,899)**	(2,849)
Net increase in loans and advances to customers		**(826,061)**	(577,196)
Net (increase)/decrease in other assets		**(52,183)**	21,909
Net increase/(decrease) in due to banks and other financial institutions		**272,542**	(354,954)
Net increase in due to central banks		**29,485**	29,763
Net increase in placements from banks and other financial institutions		**96,685**	109,096
Net increase in due to customers		**1,092,783**	714,455
Net increase/(decrease) in other borrowings		**1,899**	(3,408)
Net increase in other liabilities		**26,842**	10,879
Cash inflow/(outflow) from operating activities		**482,246**	(76,181)
Income tax paid		**(39,279)**	(34,595)
Net cash inflow/(outflow) from operating activities		**442,967**	(110,776)

* For details of the restatement, please refer to the basis of presentation and principal accounting policies.

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

	Note	For the six month period ended 30 June	
		2014	2013
		Unaudited	Unaudited
			(Restated)*
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**5,478**	3,567
Proceeds from disposal of investment in subsidiaries, associates and joint ventures		**784**	213
Dividends received		**595**	386
Interest income received from financial investments		**36,536**	30,518
Proceeds from disposal/maturity of financial investments		**434,403**	598,028
Increase in investment in subsidiaries, associates and joint ventures		**(46)**	(201)
Purchase of property and equipment, intangible assets and other long-term assets		**(11,054)**	(12,740)
Purchase of financial investments		**(486,873)**	(727,465)
Net cash outflow from investing activities		**(20,177)**	(107,694)
Cash flows from financing activities			
Proceeds from issuance of bonds		**67,709**	27,645
Repayments of debts issued		**(39,191)**	(30,046)
Cash payments for interest on bonds issued		**(4,657)**	(4,410)
Dividend payments to equity holders of the Bank		**(38,308)**	–
Dividend payments to non-controlling interests		**(1,541)**	(2,213)
Other net cash flows from financing activities		**18**	3
Net cash outflow from financing activities		**(15,970)**	(9,021)
Effect of exchange rate changes on cash and cash equivalents		**5,345**	(17,636)
Net increase/(decrease) in cash and cash equivalents		**412,165**	(245,127)
Cash and cash equivalents at beginning of the period		**1,150,566**	1,072,283
Cash and cash equivalents at end of the period	III.28	**1,562,731**	827,156

* For details of the restatement, please refer to the basis of presentation and principal accounting policies.

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

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six month period ended 30 June 2014 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 2013.

In 2014, according to "Circular on Regulating the Interbank Business of Financial Institutions" (Yin Fa [2014] 127) jointly promulgated by the People's Bank of China (the "PBOC"), the China Banking Regulatory Commission (the "CBRC"), the China Securities Regulatory Commission (the "CSRC"), the China Insurance Regulatory Commission, the State Administration of Foreign Exchange, the Group has performed reclassification adjustments with respect to the accounting of beneficial trust rights reverse repurchase transactions and financial asset beneficial rights transaction. As at 31 December 2013, the carrying amount of placements with and loans to banks and other financial institutions decreased by RMB147,161 million, the carrying amount of financial investments classified as loans and receivables increased by RMB147,161 million.

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 2013.

Standards, amendments and interpretations effective in 2014

On 1 January 2014, the Group adopted the following new standards, amendments and interpretations.

IAS 32 Amendments	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities
IAS 36 Amendments	Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 Amendments	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Investment Entities
IFRIC Interpretation 21	Levies

The Group adopted the IAS 32 Amendments — Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities in 2014. It provides additional application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. IFRS 7 Amendment — Financial Instruments: Disclosure is also amended to require disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, and master netting agreements, etc. on the entity's financial position.

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Standards, amendments and interpretations effective in 2014 (Continued)

The Group adopted the IAS 36 Amendments — Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets in 2014. It restricts the requirement to disclose the recoverable amount of an asset or cash-generating unit ("CGU") to periods in which an impairment loss has been recognised or reversed. In addition, the amendments require two additional disclosures when an impairment is recognised or reversed and recoverable amount is based on fair value less costs of disposal: (i) the level of the IFRS 13 "fair value hierarchy" within which the fair value measurement of the asset or cash-generating unit has been determined; (ii) for fair value measurements at Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used in the measurement of fair value, including the discount rates used in the current measurement and previous measurement if fair value less costs of disposal is measured using a present value technique.

The Group adopted the IAS 39 Amendments — Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting in 2014. It provides an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations: (i) that arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties; (iii) that did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

The Group adopted the IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments — Investment Entities in 2014. The amendments apply to a particular class of business that qualifies as investment entities. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investments income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Standards, amendments and interpretations effective in 2014 (Continued)

The Group adopted the IFRIC Interpretation 21 — Levies in 2014. The interpretation sets out the accounting for an obligation to pay a levy that is applicable to all levies other than income tax and applies to IAS 37 — Provisions, contingent liabilities and contingent assets. IAS 37 sets out the criteria for recognition of a liability, one of the requirements is that the obligation for past events (called an obligation event) generated by the entity should be recognised as a liability in the current period. The interpretation clarifies that an entity recognises an obligation event for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached.

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

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2014

		Effective for annual periods beginning on or after
Annual Improvements to IFRSs 2010–2012 cycle and 2011–2013 cycle (issued in December 2013)		1 July 2014
IFRS 9, IFRS 9 Amendments	Financial Instruments	1 January 2018
IFRS 11 Amendments	Joint Arrangements	1 January 2016
IAS 16 Amendment	Property, Plant and Equipment	1 January 2016
IAS 38 Amendment	Intangible Assets	1 January 2016
IAS 19 Amendments	Employee Benefits	1 July 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017

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

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 2013.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	For the six month period ended 30 June	
	2014	**2013**
Interest income		
Loans and advances to customers	**207,781**	185,061
Financial investments and financial assets at fair value through profit or loss	**41,439**	34,727
Due from central banks	**17,403**	13,129
Due from and placements with and loans to banks and other financial institutions	**27,570**	16,953
Subtotal	**294,193**	249,870
Interest expense		
Due to customers	**(104,043)**	(87,110)
Due to and placements from banks and other financial institutions	**(28,434)**	(20,860)
Bonds issued and others	**(5,041)**	(4,612)
Subtotal	**(137,518)**	(112,582)
Net interest income [(1)]	**156,675**	137,288
Interest income accrued on impaired financial assets (included within interest income)	**474**	382

(1) Included within "Interest income" and "Interest expense" are RMB292,976 million (for the six month period ended 30 June 2013: RMB248,794 million) and RMB133,390 million (for the six month period ended 30 June 2013: RMB110,802 million) for financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

(Amount in millions of Renminbi, unless otherwise stated)

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

2 Net fee and commission income

	For the six month period ended 30 June	
	2014	**2013**
Agency commissions	**10,907**	10,902
Bank card fees	**10,232**	8,438
Settlement and clearing fees	**8,637**	8,029
Credit commitment fees	**8,434**	7,374
Consultancy and advisory fees	**8,304**	5,790
Spread income from foreign exchange business	**3,695**	3,539
Custodian and other fiduciary service fees	**1,925**	1,545
Other	**3,441**	2,856
Fee and commission income	**55,575**	48,473
Fee and commission expense	**(3,444)**	(2,992)
Net fee and commission income	**52,131**	45,481

3 Net trading gains

	For the six month period ended 30 June	
	2014	**2013**
Net gains from foreign exchange and foreign exchange products	**6,041**	3,772
Net gains/(losses) from interest rate products	**364**	(285)
Net gains from equity products	**494**	19
Net gains from commodity products	**420**	412
Total [(1)]	**7,319**	3,918

(1) Included in "Net trading gains" above for the six month period ended 30 June 2014 are gains of RMB604 million in relation to financial assets and financial liabilities designated at fair value through profit or loss (for the six month period ended 30 June 2013: losses of RMB1,256 million).

4 Other operating income

	For the six month period ended 30 June	
	2014	**2013**
Insurance premiums		
— Life insurance contracts	**5,439**	4,303
— Non-life insurance contracts	**2,610**	2,054
Revenue from sale of precious metals products	**3,780**	7,666
Aircraft leasing income	**2,827**	2,365
Gains on disposal of subsidiaries, associates and joint ventures	**681**	61
Gains on disposal of property and equipment, intangible assets and other assets	**381**	289
Dividend income	**410**	401
Changes in fair value of investment properties (Note III.18)	**120**	147
Other	**2,181**	1,864
Total	**18,429**	19,150

5 Operating expenses

	For the six month period ended 30 June	
	2014	**2013**
Staff costs (Note III.6)	**37,016**	34,344
General operating and administrative expenses (1)	**16,427**	15,974
Business tax and surcharges	**13,226**	11,846
Depreciation and amortisation	**6,567**	6,696
Insurance benefits and claims		
— Life insurance contracts	**5,735**	3,637
— Non-life insurance contracts	**1,570**	991
Cost of sales of precious metals products	**3,502**	7,137
Other	**1,854**	1,584
Total	**85,897**	82,209

(1) Included in the general operating and administrative expenses are operating lease expenses of RMB3,304 million and other premises and equipment related expenses (mainly comprised of property management and building maintenance expenses) of RMB4,989 million (for the six month period ended 30 June 2013: RMB2,910 million and RMB4,351 million, respectively).

(Amount in millions of Renminbi, unless otherwise stated)

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

6 Staff costs

	For the six month period ended 30 June	
	2014	**2013**
Salary, bonus and subsidy	**26,571**	24,832
Staff welfare	**604**	603
Retirement benefits	**105**	94
Social insurance, including:		
Medical	**1,323**	1,140
Pension	**2,960**	2,644
Annuity	**815**	748
Unemployment	**206**	193
Injury at work	**77**	70
Maternity insurance	**99**	88
Housing funds	**2,312**	2,085
Labour union fee and staff education fee	**902**	892
Reimbursement for cancellation of labour contract	**11**	5
Other	**1,031**	950
Total	**37,016**	34,344

7 Impairment losses on assets

	For the six month period ended 30 June	
	2014	**2013**
Loans and advances (1)		
— Individually assessed	**7,918**	1,366
— Collectively assessed	**19,584**	12,517
Subtotal	**27,502**	13,883
Financial investments (2)		
Available for sale		
— Debt securities	**(94)**	(128)
— Other available for sale financial assets	**102**	115
	8	(13)
Held to maturity	**(14)**	(22)
Subtotal	**(6)**	(35)
Other	**286**	294
Total	**27,782**	14,142

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

7 Impairment losses on assets (Continued)

(1) Details of movements in allowances for loans and advances are disclosed in Note III.15.

(2) Impairment charges/(reversal) on financial investments:

	For the six month period ended 30 June	
	2014	**2013**
US Subprime mortgage related debt securities	**(78)**	(94)
US Alt-A mortgage-backed securities	**(10)**	(17)
US Non-Agency mortgage-backed securities	**(18)**	(33)
Other securities	**100**	109
Net reversal	**(6)**	(35)

8 Income tax expense

	For the six month period ended 30 June	
	2014	**2013**
Current income tax		
— Chinese mainland income tax	**23,408**	21,872
— Hong Kong profits tax	**1,834**	1,856
— Macau, Taiwan and other countries and regions taxation	**2,165**	1,494
Adjustments in respect of current income tax of prior years	**750**	(85)
Subtotal	**28,157**	25,137
Deferred income tax (Note III.23.3)	**384**	942
Total	**28,541**	26,079

Provision for Chinese mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Bank and each of its subsidiaries established in Chinese mainland and supplementary PRC tax on overseas operations as determined in accordance with the relevant PRC income tax rules and regulations, as well as income tax withheld by the domestic entities in relation to the taxable income originating from Chinese mainland obtained by the overseas entities.

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

(Amount in millions of Renminbi, unless otherwise stated)

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

8 Income tax expense (Continued)

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

	For the six month period ended 30 June	
	2014	**2013**
Profit before income tax	**121,950**	110,251
Tax calculated at the applicable statutory tax rate	**30,488**	27,563
Effect of different tax rates on Hong Kong, Macau, Taiwan and other countries and regions	**(1,763)**	(1,518)
Supplementary PRC tax on overseas income	**956**	1,806
Income not subject to tax (1)	**(3,690)**	(2,967)
Items not deductible for tax purposes (2)	**1,389**	1,133
Other	**1,161**	62
Income tax expense	**28,541**	26,079

(1) Income not subject to tax mainly comprises interest income from PRC Treasury bonds.

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

9 Earnings per share (basic and diluted)

Basic earnings per share

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

	For the six month period ended 30 June	
	2014	**2013**
Profit attributable to equity holders of the Bank	**89,724**	80,721
Weighted average number of ordinary shares in issue (in million shares)	**279,345**	279,137
Basic earnings per share (in RMB per share)	**0.32**	0.29

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

9 Earnings per share (basic and diluted) (Continued)

Basic earnings per share (Continued)

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

	For the six month period ended 30 June	
	2014	**2013**
Issued ordinary shares as at 1 January	**279,365**	279,147
Weighted average number of shares from conversion of convertible bonds	**–**	–
Weighted average number of treasury shares	**(20)**	(10)
Weighted average number of ordinary shares in issue	**279,345**	279,137

Diluted earnings per share

Diluted earnings per share was computed by dividing the adjusted profit attributable to the equity holders of the Bank based on assuming conversion of all dilutive potential shares for the six month period by the adjusted weighted average number of ordinary shares in issue. The Bank has convertible bonds as dilutive potential ordinary shares.

	For the six month period ended 30 June	
	2014	**2013**
Profit attributable to equity holders of the Bank	**89,724**	80,721
Add: interest expense on convertible bonds, net of tax, outstanding as at 30 June	**576**	537
Profit used to determine diluted earnings per share	**90,300**	81,258
Adjusted weighted average number of ordinary shares in issue (in million shares)	**279,345**	279,137
Add: weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	**13,991**	12,595
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	**293,336**	291,732
Diluted earnings per share (in RMB per share)	**0.31**	0.28

(Amount in millions of Renminbi, unless otherwise stated)

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

10 Cash and due from banks and other financial institutions

	As at 30 June 2014	As at 31 December 2013
Cash	**77,448**	82,339
Due from banks in Chinese mainland	**767,602**	597,620
Due from other financial institutions in Chinese mainland	**355**	746
Due from banks in Hong Kong, Macau, Taiwan and other countries and regions	**36,156**	21,674
Due from other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	**414**	205
Total	**881,975**	702,584

11 Balances with central banks

	As at 30 June 2014	As at 31 December 2013
Mandatory reserves (1)	**1,724,968**	1,613,606
Surplus reserves (2)	**157,939**	98,318
Balance under reverse repo agreements (3)	**46,930**	100,000
Other deposits (4)	**427,296**	320,077
Total	**2,357,133**	2,132,001

(1) The Group places mandatory reserve funds with the PBOC and the central banks of Hong Kong, Macau, Taiwan and other countries and regions where it has operations. As at 30 June 2014, mandatory reserve funds placed with the PBOC were calculated at 20.0% (31 December 2013: 20.0%) and 5.0% (31 December 2013: 5.0%) of qualified RMB deposits and foreign currency deposits from customers of branches in Chinese mainland of the Bank respectively. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group is determined by the PBOC. The amount of mandatory reserve funds placed with the central banks of other jurisdictions is determined by local regulations.

(2) This mainly represented the surplus reserve funds placed with the PBOC by branches in Chinese mainland of the Group.

(3) The Group accepts treasury bonds as collateral in connection with its reverse repo agreements with the PBOC. The Group is not permitted to sell or re-pledge such collateral.

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

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

12 Placements with and loans to banks and other financial institutions

	As at 30 June 2014	As at 31 December 2013
Placements with and loans to:		
Banks in Chinese mainland	**424,450**	286,090
Other financial institutions in Chinese mainland	**250,492**	167,767
Banks in Hong Kong, Macau, Taiwan and other countries and regions	**84,579**	59,154
Other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	**25**	72
Subtotal [(1)]	**759,546**	513,083
Allowance for impairment losses	**(187)**	(195)
Total	**759,359**	512,888
Impaired placements	**187**	195
Percentage of impaired placements to total placements with and loans to banks and other financial institutions	**0.02%**	0.04%

(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 2014	As at 31 December 2013
Debt securities		
— Governments	**168,751**	126,526
— Policy banks	**245,290**	108,047
— Financial institutions	**924**	1,279
Subtotal	**414,965**	235,852
Bills	**52,568**	22,196
Total	**467,533**	258,048

(Amount in millions of Renminbi, unless otherwise stated)

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

13 Financial assets at fair value through profit or loss

	As at 30 June 2014	As at 31 December 2013
Trading financial assets		
Debt securities		
Issuers in Chinese mainland		
— Government	**2,135**	1,679
— Policy banks	**7,619**	5,474
— Financial institutions	**9,663**	3,283
— Corporate	**3,797**	1,994
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**15,348**	12,454
— Public sectors and quasi-governments	**237**	135
— Financial institutions	**953**	440
— Corporate	**4,254**	4,538
	44,006	29,997
Other		
Fund investments and others	**1,468**	758
Equity securities	**6,269**	5,315
Subtotal	**51,743**	36,070

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

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

	As at 30 June 2014	As at 31 December 2013
Financial assets designated at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	**468**	218
— Policy banks	**1,766**	1,777
— Financial institutions	**219**	359
— Corporate	**4,106**	5,857
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**55**	267
— Financial institutions	**19,158**	20,530
— Corporate	**3,324**	3,847
	29,096	32,855
Other		
Fund investments	**507**	520
Loans	**4,281**	4,321
Equity securities	**1,613**	1,434
Subtotal	**35,497**	39,130
Total	**87,240**	75,200
Analysed as:		
Listed in Hong Kong	**17,944**	18,185
Listed outside Hong Kong	**37,922**	32,311
Unlisted	**31,374**	24,704
Total	**87,240**	75,200

(Amount in millions of Renminbi, unless otherwise stated)

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

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

	As at 30 June 2014			As at 31 December 2013		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps [1]	**2,877,737**	**30,469**	**(20,390)**	2,237,388	27,980	(23,926)
Currency options	**193,475**	**3,619**	**(686)**	163,613	683	(811)
Subtotal	**3,071,212**	**34,088**	**(21,076)**	2,401,001	28,663	(24,737)
Interest rate derivatives						
Interest rate swaps	**657,200**	**5,337**	**(5,229)**	571,624	6,837	(6,032)
Interest rate options	**31**	**–**	**–**	30	–	–
Interest rate futures	**1,918**	**–**	**(3)**	2,335	3	(1)
Subtotal	**659,149**	**5,337**	**(5,232)**	573,989	6,840	(6,033)
Equity derivatives	**10,618**	**391**	**(162)**	8,674	124	(152)
Commodity derivatives	**198,454**	**3,160**	**(2,796)**	134,023	5,196	(5,290)
Total [2]	**3,939,433**	**42,976**	**(29,266)**	3,117,687	40,823	(36,212)

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

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

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

15 Loans and advances to customers, net

15.1 Analysis of loans and advances to customers

	As at 30 June 2014	As at 31 December 2013
Corporate loans and advances		
— Loans and advances	**5,928,691**	5,310,894
— Discounted bills	**151,969**	128,445
Subtotal	**6,080,660**	5,439,339
Personal loans		
— Mortgages	**1,615,471**	1,506,331
— Credit cards	**249,589**	222,141
— Other	**478,875**	439,980
Subtotal	**2,343,935**	2,168,452
Total loans and advances	**8,424,595**	7,607,791
Allowance for impairment losses		
— Individually assessed	**(41,639)**	(39,202)
— Collectively assessed	**(144,696)**	(128,847)
Total allowance for impairment losses	**(186,335)**	(168,049)
Loans and advances to customers, net	**8,238,260**	7,439,742

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

(Amount in millions of Renminbi, unless otherwise stated)

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

15 Loans and advances to customers, net (Continued)

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

	Loans and advances for which allowance is collectively assessed [1]	Identified impaired loans and advances [2]				Identified impaired loans and advances as % of total loans and advances
		for which allowance is collectively assessed	for which allowance is individually assessed	Subtotal	Total	
As at 30 June 2014						
Total loans and advances	**8,338,904**	**25,758**	**59,933**	**85,691**	**8,424,595**	**1.02%**
Allowance for impairment losses	**(130,000)**	**(14,696)**	**(41,639)**	**(56,335)**	**(186,335)**	
Loans and advances to customers, net	**8,208,904**	**11,062**	**18,294**	**29,356**	**8,238,260**	
As at 31 December 2013						
Total loans and advances	7,534,672	21,142	51,977	73,119	7,607,791	0.96%
Allowance for impairment losses	(116,459)	(12,388)	(39,202)	(51,590)	(168,049)	
Loans and advances to customers, net	7,418,213	8,754	12,775	21,529	7,439,742	

(1) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(2) Identified impaired loans and advances are loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either:

- individually (including mainly significant corporate loans and advances over a certain amount which are impaired); or

- collectively (portfolios of individually insignificant homogenous loans which share similar credit risk characteristics, including insignificant corporate loans and advances and personal loans which are impaired).

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

15 Loans and advances to customers, net (Continued)

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

	Six month period ended 30 June 2014	Year ended 31 December 2013
As at 1 January	**168,049**	154,656
Impairment losses for the period/year	**50,693**	63,750
Reversal	**(23,191)**	(40,812)
Written off and transfer out	**(9,356)**	(9,096)
Transfer in		
— Recovery of loans and advances written off	**324**	728
— Unwind of discount on allowance	**(439)**	(500)
— Exchange differences	**255**	(677)
As at 30 June/31 December	**186,335**	168,049

(Amount in millions of Renminbi, unless otherwise stated)

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

16 Financial investments

	As at 30 June 2014	As at 31 December 2013
Investment securities available for sale		
Debt securities		
Issuers in Chinese mainland		
— Government	**70,751**	60,043
— Public sectors and quasi-governments	**8,623**	5,987
— Policy banks	**109,110**	81,117
— Financial institutions	**63,327**	72,259
— Corporate	**147,217**	142,680
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**75,445**	89,165
— Public sectors and quasi-governments	**21,052**	41,417
— Financial institutions	**116,835**	138,430
— Corporate	**31,268**	34,660
	643,628	665,758
Equity securities	**25,916**	26,617
Fund investments and others	**13,102**	8,821
Total investment securities available for sale (1)	**682,646**	701,196
Debt securities held to maturity		
Issuers in Chinese mainland		
— Government	**701,247**	663,930
— Public sectors and quasi-governments	**23,387**	20,569
— Policy banks	**265,206**	244,846
— Financial institutions	**54,870**	42,312
— Corporate	**151,821**	154,530
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**58,150**	67,269
— Public sectors and quasi-governments	**20,508**	4,262
— Financial institutions	**15,907**	7,791
— Corporate	**9,172**	5,268
	1,300,268	1,210,777
Allowance for impairment losses	**(235)**	(246)
Total debt securities held to maturity (2)	**1,300,033**	1,210,531

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

16 Financial investments (Continued)

	As at 30 June 2014	As at 31 December 2013
Financial investments classified as loans and receivables		
Issuers in Chinese mainland		
— China Orient Bond	**160,000**	160,000
— Special Purpose Treasury Bond	**42,500**	42,500
— Financial institutions	**25,234**	27,371
— Certificate and Saving-type Treasury Bonds and others	**28,023**	30,058
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Public sectors and quasi-governments	**5,315**	9,668
— Financial institutions	**2**	2
— Corporate	**10**	9
Subtotal of securities investments	**261,084**	269,608
Investment trusts and asset management plans (3)	**157,040**	147,161
Allowance for impairment losses	**(65)**	(65)
Total financial investments classified as loans and receivables	**418,059**	416,704
Total financial investments	**2,400,738**	2,328,431

(Amount in millions of Renminbi, unless otherwise stated)

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

16 Financial investments (Continued)

	As at 30 June 2014	As at 31 December 2013
Analysed as follows:		
Investment securities available for sale		
Debt securities		
— Listed in Hong Kong	**29,528**	30,336
— Listed outside Hong Kong	**355,673**	312,912
— Unlisted	**258,427**	322,510
Equity, fund and others		
— Listed in Hong Kong	**5,732**	5,091
— Listed outside Hong Kong	**245**	306
— Unlisted	**33,041**	30,041
Debt securities held to maturity (4)		
— Listed in Hong Kong	**10,111**	2,656
— Listed outside Hong Kong	**1,074,612**	978,604
— Unlisted	**215,310**	229,271
Financial investments classified as loans and receivables		
— Unlisted	**418,059**	416,704
Total	**2,400,738**	2,328,431
Listed in Hong Kong	**45,371**	38,083
Listed outside Hong Kong	**1,430,530**	1,291,822
Unlisted	**924,837**	998,526
Total	**2,400,738**	2,328,431

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

16 Financial investments (Continued)

(1) The Group's accumulated impairment charge on debt, equity securities and other available for sale held as at 30 June 2014 amounted to RMB2,024 million and RMB4,661 million, respectively (31 December 2013: RMB2,533 million and RMB4,480 million, respectively).

(2) During the six month period ended 30 June 2014, the Group reclassified certain debt securities with a total carrying value of RMB39,574 million from "Investment securities available for sale" to "Investment securities held to maturity" in response to a change in intention of management.

(3) This represents the Group's investments in investment trusts and asset management plans which were managed by third-party trust companies or securities companies. The underlying assets of these investment trusts and asset management plans mainly consist of beneficial rights in financial assets, etc. Other banks or financial institutions are obliged to purchase these underlying assets forward or bear the payment obligations in the future.

(4) The market values of the above listed held to maturity securities are set out below:

	As at 30 June 2014		As at 31 December 2013	
	Carrying value	**Market value**	**Carrying value**	**Market Value**
Debt securities held to maturity				
Listed in Hong Kong	**10,111**	**10,246**	2,656	2,699
Listed outside Hong Kong	**1,074,612**	**1,059,916**	978,604	936,328

(Amount in millions of Renminbi, unless otherwise stated)

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

17 Property and equipment

	Six month period ended 30 June 2014				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	86,599	58,785	23,040	62,964	231,388
Additions	16	421	1,196	8,944	10,577
Transfer from/(to) investment properties (Note III.18)	1,112	–	(2)	–	1,110
Construction in progress transfer in/(out)	887	174	(2,020)	959	–
Disposals	(218)	(746)	(21)	(4,084)	(5,069)
Exchange differences	306	73	31	602	1,012
As at 30 June	88,702	58,707	22,224	69,385	239,018
Accumulated depreciation					
As at 1 January	(24,067)	(40,486)	–	(6,660)	(71,213)
Depreciation charge	(1,372)	(3,812)	–	(1,159)	(6,343)
Disposals	198	736	–	415	1,349
Transfer to investment properties (Note III.18)	17	–	–	–	17
Exchange differences	(70)	(55)	–	(63)	(188)
As at 30 June	(25,294)	(43,617)	–	(7,467)	(76,378)
Allowance for impairment losses					
As at 1 January	(757)	–	(245)	(205)	(1,207)
Impairment losses	–	–	–	(223)	(223)
Disposals	3	–	–	70	73
Exchange differences	–	–	–	(2)	(2)
As at 30 June	(754)	–	(245)	(360)	(1,359)
Net book value					
As at 1 January	61,775	18,299	22,795	56,099	158,968
As at 30 June	62,654	15,090	21,979	61,558	161,281

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

17 Property and equipment (Continued)

	Year ended 31 December 2013				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	82,142	54,120	23,744	53,586	213,592
Additions	508	6,043	9,890	12,976	29,417
Transfer from/(to) investment properties (Note III.18)	220	–	(2)	–	218
Construction in progress transfer in/(out)	5,246	495	(10,412)	4,671	–
Disposals	(645)	(1,677)	(178)	(6,661)	(9,161)
Exchange differences	(872)	(196)	(2)	(1,608)	(2,678)
As at 31 December	86,599	58,785	23,040	62,964	231,388
Accumulated depreciation					
As at 1 January	(22,268)	(33,883)	–	(5,931)	(62,082)
Depreciation charge	(2,589)	(8,327)	–	(2,092)	(13,008)
Disposals	586	1,589	–	1,184	3,359
Exchange differences	204	135	–	179	518
As at 31 December	(24,067)	(40,486)	–	(6,660)	(71,213)
Allowance for impairment losses					
As at 1 January	(765)	–	(252)	(169)	(1,186)
Impairment losses	–	–	–	(187)	(187)
Disposals	8	–	7	146	161
Exchange differences	–	–	–	5	5
As at 31 December	(757)	–	(245)	(205)	(1,207)
Net book value					
As at 1 January	59,109	20,237	23,492	47,486	150,324
As at 31 December	61,775	18,299	22,795	56,099	158,968

(Amount in millions of Renminbi, unless otherwise stated)

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

18 Investment properties

	Six month period ended 30 June 2014	Year ended 31 December 2013
As at 1 January	**20,271**	17,142
Additions	**406**	2,775
Transfer to property and equipment, net (Note III.17)	**(1,127)**	(218)
Disposals	**(1,464)**	(7)
Fair value changes (Note III.4)	**120**	662
Exchange differences	**218**	(83)
As at 30 June/31 December	**18,424**	20,271

19 Other assets

	As at 30 June 2014	As at 31 December 2013
Interest receivable (1)	**77,972**	62,820
Accounts receivable and prepayments	**88,367**	63,780
Intangible assets	**3,882**	3,979
Land use rights	**8,624**	8,840
Long-term deferred expense	**3,554**	3,882
Repossessed assets (2)	**1,227**	1,171
Goodwill	**1,963**	1,982
Other	**7,576**	5,364
Total	**193,165**	151,818

19 Other assets (Continued)

(1) Interest receivable

	As at 30 June 2014	As at 31 December 2013
Financial investments and financial assets at fair value through profit or loss	**34,088**	29,868
Loans and advances to customers	**29,196**	24,047
Due from and placements with and loans to banks, other financial institutions and central banks	**14,688**	8,905
Total	**77,972**	62,820

The movements of interest receivable are as follows:

	Six month period ended 30 June 2014	Year ended 31 December 2013
As at 1 January	**62,820**	54,188
Accrued during the period/year	**293,720**	518,446
Received during the period/year	**(278,568)**	(509,814)
As at 30 June/31 December	**77,972**	62,820

(2) Repossessed assets

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

	As at 30 June 2014	As at 31 December 2013
Commercial properties	**1,299**	1,281
Residential properties	**178**	177
Other	**775**	842
Subtotal	**2,252**	2,300
Allowance for impairment	**(1,025)**	(1,129)
Repossessed assets, net	**1,227**	1,171

The total book value of repossessed assets disposed for the six month period ended 30 June 2014 amounted to RMB273 million (for the year ended 31 December 2013: RMB263 million). The Group plans to dispose of the repossessed assets held at 30 June 2014 by auction, bidding or transfer.

(Amount in millions of Renminbi, unless otherwise stated)

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

20 Due to customers

	As at 30 June 2014	As at 31 December 2013
At amortised cost		
Demand deposits		
Corporate deposits	**2,801,078**	2,635,353
Personal deposits	**1,948,236**	1,835,753
Subtotal	**4,749,314**	4,471,106
Time deposits		
Corporate deposits	**3,180,758**	2,655,911
Personal deposits	**2,713,145**	2,517,922
Subtotal	**5,893,903**	5,173,833
Certificates of deposit	**298,762**	238,264
Other deposits	**54,646**	58,085
Total due to customers at amortised cost	**10,996,625**	9,941,288
At fair value		
Structured deposits		
Corporate deposits	**155,302**	129,614
Personal deposits	**38,642**	26,884
Total due to customers at fair value (1)	**193,944**	156,498
Total due to customers (2)	**11,190,569**	10,097,786

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

There were no significant changes in the Group's credit risk and therefore there were no significant gains or losses attributable to changes in the Group's credit risk for the abovementioned structured deposits during the six month period ended 30 June 2014 and the year ended 31 December 2013.

(2) Due to customers included margin deposits for security received by the Group as at 30 June 2014 of RMB563,391 million (31 December 2013: RMB438,174 million).

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

21 Bonds issued

During the six month period ended 30 June 2014 and the year ended 31 December 2013, the movement of the liability component of A share convertible bonds issued by the Bank is as follows:

	Six month period ended 30 June 2014	Year ended 31 December 2013
Liability component as at 1 January	**38,597**	38,199
Accretion	**485**	996
Amounts converted to shares	**–**	(598)
Liability component as at 30 June/31 December	**39,082**	38,597

Convertible bonds with a principal amount of RMB152,000 were converted into 53,893 ordinary A shares during the six month period ended 30 June 2014.

22 Share appreciation rights plan

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

23 Deferred income taxes

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

	As at 30 June 2014		As at 31 December 2013	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets	**79,680**	**20,980**	86,518	22,928
Deferred income tax liabilities	**(23,287)**	**(3,870)**	(17,487)	(3,385)
	56,393	**17,110**	69,031	19,543

(Amount 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 2014		As at 31 December 2013	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	**103,809**	**26,062**	91,594	22,961
Pension, retirement benefits and salary payable	**16,156**	**4,039**	21,162	5,290
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	**14,647**	**3,662**	18,293	4,573
Fair value changes of available for sale investment securities credited to equity	**247**	**59**	9,168	2,110
Other temporary differences	**3,590**	**848**	4,049	918
Subtotal	**138,449**	**34,670**	144,266	35,852
Deferred income tax liabilities				
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	**(20,006)**	**(5,002)**	(20,998)	(5,250)
Fair value changes of available for sale investment securities charged to equity	**(4,299)**	**(983)**	(3,197)	(821)
Depreciation of property and equipment	**(10,657)**	**(1,825)**	(9,944)	(1,690)
Revaluation of property and investment properties	**(10,818)**	**(2,113)**	(10,848)	(2,192)
Other temporary differences	**(36,276)**	**(7,637)**	(30,248)	(6,356)
Subtotal	**(82,056)**	**(17,560)**	(75,235)	(16,309)
Net	**56,393**	**17,110**	69,031	19,543

As at 30 June 2014, deferred tax liabilities relating to temporary differences of RMB54,544 million associated with the Group's investment in subsidiaries have not been recognised (31 December 2013: RMB46,109 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 2014	Year ended 31 December 2013
As at 1 January	**19,543**	17,454
Charged to the income statement (Note III.8)	**(384)**	(366)
(Charged)/Credited to equity	**(2,212)**	2,669
Other	**163**	(214)
As at 30 June/31 December	**17,110**	19,543

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

	For the six month period ended 30 June	
	2014	2013
Asset impairment allowances	**3,101**	1,097
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	**(663)**	(346)
Pension, retirement benefits and salary payable	**(1,252)**	(913)
Other temporary differences	**(1,570)**	(780)
Total	**(384)**	(942)

(Amount in millions of Renminbi, unless otherwise stated)

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

24 Other liabilities

	As at 30 June 2014	As at 31 December 2013
Items in the process of clearance and settlement	**33,060**	27,653
Interest payable	**151,580**	132,052
Insurance liabilities		
— Life insurance contracts	**57,362**	52,390
— Non-life insurance contracts	**8,427**	7,202
Salary and welfare payables	**19,940**	24,929
Dividend payable (Note III.26)	**16,447**	–
Provision	**1,937**	2,139
Short position in debt securities	**9,961**	7,681
Placements from banks and other financial institutions at fair value (1)	**5,145**	–
Deferred income	**8,881**	8,342
Other	**37,476**	39,891
Total	**350,216**	302,279

(1) Certain financial liabilities related to placements from banks and other financial institutions have been matched with derivatives as part of a documented risk management strategy to mitigate market risk. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the income statement. As at 30 June 2014, the fair value of the financial liabilities related to placements from banks and other financial institutions was approximately the same as the amount that the Group would be contractually required to pay to the holders. There were no significant changes in the Group's credit risk and therefore the amounts of changes in fair value of the abovementioned placements from banks and other financial institutions that were attributable to changes in credit risk were considered not significant during the six month period ended 30 June 2014 and the year ended 31 December 2013.

25 Reserve for fair value changes of available for sale securities

	Six month period ended 30 June 2014	Year ended 31 December 2013
As at 1 January	**1,652**	7,276
Net changes in fair value	**6,941**	(8,348)
Share of associates' reserve for fair value changes of available for sale securities	**65**	(16)
Net impairment charges transferred to the income statement	**8**	265
Net fair value changes transferred to the income statement on de-recognition	**(305)**	(580)
Deferred income taxes	**(2,029)**	2,408
Other	**395**	647
As at 30 June/31 December	**6,727**	1,652

26 Dividends

A dividend of RMB0.196 per share in respect of the profit for the year ended 31 December 2013 amounting to RMB54,755 million was approved by the equity holders of the Bank at the Annual General Meeting held on 12 June 2014. Of this amount, RMB38,308 million was distributed during the six month period ended 30 June 2014. The undistributed portion of RMB16,447 million was recorded in other liabilities (Note III.24) as at 30 June 2014. Such dividend was distributed on 23 July 2014 after the appropriate withholding of individual and enterprise income taxes.

(Amount in millions of Renminbi, unless otherwise stated)

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

27 Contingent liabilities and commitments

27.1 Legal proceedings and arbitrations

As at 30 June 2014, the Group was involved in certain legal proceedings and arbitrations arising from its normal business operations. In addition, in terms of the range and scale of its international operations, the Group may face a wide variety of legal proceedings within different jurisdictions, including sensitive issues related to anti-money laundering. As at 30 June 2014, provisions of RMB736 million (31 December 2013: RMB738 million) were made based on court judgements or the advice of counsel. After consulting legal professionals, senior management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

27.2 Assets pledged

Assets pledged by the Group as collateral 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 2014	As at 31 December 2013
Debt securities	**66,857**	101,181
Bills	**3,099**	2,071
Total	**69,956**	103,252

27.3 Collateral accepted

The Group accepts securities collateral that are permitted to sell or re-pledge in connection with reverse repurchase agreements with banks and other financial institutions. As at 30 June 2014, the fair value of collateral received from banks and financial institutions accepted by the Group amounted to RMB25,543 million (31 December 2013: RMB9,065 million). As at 30 June 2014, the Group had sold or re-pledged such collateral accepted amounted to RMB77 million (31 December 2013: RMB17 million). These transactions are conducted under standard terms and in the normal course of business.

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

27 Contingent liabilities and commitments (Continued)

27.4 Capital commitments

	As at 30 June 2014	As at 31 December 2013
Property and equipment		
— Contracted but not provided for	**58,229**	66,445
— Authorised but not contracted for	**39,337**	6,149
Intangible assets		
— Contracted but not provided for	**679**	683
— Authorised but not contracted for	**6**	16
Total	**98,251**	73,293

27.5 Operating leases

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

	As at 30 June 2014	As at 31 December 2013
Within 1 year	**5,737**	5,399
Between 1 and 2 years	**4,647**	4,526
Between 2 and 3 years	**3,574**	3,517
Over 3 years	**7,700**	9,498
Total	**21,658**	22,940

(Amount in millions of Renminbi, unless otherwise stated)

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

27 Contingent liabilities and commitments (Continued)

27.6 Treasury bonds redemption commitments

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

As at 30 June 2014, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB33,455 million (31 December 2013: RMB32,561 million). The original maturities of these Treasury bonds vary from 1 to 5 years and management expects the amount of redemption before the maturity dates of these bonds through the Bank will not be material.

27.7 Credit commitments

	As at 30 June 2014	As at 31 December 2013
Loan commitments (1)		
— with an original maturity of under 1 year	**78,607**	63,800
— with an original maturity of 1 year or over	**624,670**	589,427
Letters of guarantee issued (2)	**890,344**	846,497
Bank bill acceptance	**538,154**	465,496
Accepted bill of exchange under letters of credit	**321,689**	309,959
Letters of credit issued	**172,334**	198,079
Undrawn credit card limits	**456,799**	404,141
Other	**21,799**	26,552
Total (3)	**3,104,396**	2,903,951

(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 2014, the unconditionally revocable loan commitments of the Group amounted to RMB242,732 million (31 December 2013: RMB223,161 million).

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

27 Contingent liabilities and commitments (Continued)

27.7 Credit commitments (Continued)

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

For the 2014 interim report, the risk-weighted assets for credit risk of the Group were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* promulgated by the CBRC under the Advanced Capital Measurement Approaches. The amounts are determined by the creditworthiness of the counterparties, the maturity characteristics of each type of contract and other factors. The risk-weighted assets for credit risk as at 31 December 2013 were calculated under non-Advanced Approaches.

	As at 30 June 2014	As at 31 December 2013
Credit commitments	**1,050,282**	981,223

27.8 Underwriting obligations

As at 30 June 2014, the firm commitment in underwriting securities of the Group amounted to RMB1,055 million (31 December 2013: RMB169 million).

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 2014	As at 30 June 2013
Cash and due from banks and other financial institutions	**371,606**	202,052
Balances with central banks	**614,662**	371,201
Placements with and loans to banks and other financial institutions	**535,982**	197,833
Financial investments	**40,481**	56,070
Total	**1,562,731**	827,156

(Amount in millions of Renminbi, unless otherwise stated)

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

29 Related party transactions

29.1 China Investment Corporation ("CIC") was established on 29 September 2007 with registered capital of RMB1,550,000 million. CIC is a wholly State-owned company engaging in foreign currency investment management. The Group is subject to the control of the State Council of the PRC Government through CIC and its wholly owned subsidiary, Central Huijin Investment Ltd. ("Huijin").

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

29.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

Legal representative	DING Xuedong
Registered capital	RMB828,209 million
Location of registration	Beijing
Capital shares in the Bank	67.72%
Voting rights in the Bank	67.72%
Nature	Wholly State-owned company
Principal activities	Investment in major State-owned financial institutions on behalf of the State Council; other related businesses approved by the State Council.
National organisation code	71093296-1

(2) Transactions with Huijin

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

Due to Huijin

	Six month period ended 30 June 2014	**Year ended 31 December 2013**
As at 1 January	**35,001**	28,036
Received during the period/year	**37,409**	49,653
Repaid during the period/year	**(27,489)**	(42,688)
As at 30 June/31 December	**44,921**	35,001

29 Related party transactions (Continued)

29.2 Transactions with Huijin and companies under Huijin (Continued)

(2) Transactions with Huijin (Continued)

Bonds issued by Huijin

As at 30 June 2014, the Bank held "government-backed bonds held to maturity" issued by Huijin in the carrying value of RMB5,810 million (31 December 2013: RMB5,790 million). These bonds have maturity of not more than 30 years and bear fixed interest rates, payable annually. Purchasing of these bonds was in the ordinary course of business of the Group, complying with requirements of related regulations and corporate governance.

(3) Transactions with companies under Huijin

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

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

	As at 30 June 2014	As at 31 December 2013
Due from banks and other financial institutions	**103,389**	44,427
Placements with and loans to banks and other financial institutions	**72,591**	108,335
Financial assets at fair value through profit or loss and financial investments	**249,885**	236,840
Derivative financial assets	**613**	792
Loans and advances to customers	**8,169**	7,403
Due to banks and other financial institutions	**(250,797)**	(176,388)
Placements from banks and other financial institutions	**(98,081)**	(64,824)
Derivative financial liabilities	**(741)**	(808)
Credit commitments	**861**	554

(Amount in millions of Renminbi, unless otherwise stated)

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

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 at commercial terms, including purchase and redemption of investment securities issued by government agencies, underwriting and distribution of Treasury bonds issued by government agencies through the Group's branch network, foreign exchange transactions and derivative transactions, lending, provision of credit and guarantees and deposit 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 at commercial terms. These include loans and advances, deposit taking and other normal banking businesses. The main outstanding balances with associates and joint ventures as of the respective period/year end dates are stated below:

	As at 30 June 2014	As at 31 December 2013
Loans and advances to customers	**672**	624
Due to customers, banks and other financial institutions	**(4,091)**	(3,386)
Financial assets at fair value through profit or loss and financial investments	**250**	–
Credit commitments	**1,403**	1,405

29.5 Transactions with the Annuity Fund

Apart from the obligations for defined contributions to Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the six month period ended 30 June 2014 and the year ended 31 December 2013.

29 Related party transactions (Continued)

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 2014 and the year ended 31 December 2013, 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 2014, the Bank's balance of loans to the connected natural persons as defined in the *Administration of Connected Transactions between Commercial Banks and Their Insiders and Shareholders* of the CBRC and the *Administrative Measures for the Disclosure of Information of Listed Companies* of the CSRC totalled RMB90 million (31 December 2013: RMB104 million) and RMB17 million (31 December 2013: RMB16 million) respectively.

29.8 Balances with subsidiaries

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

	As at 30 June 2014	As at 31 December 2013
Due from banks and other financial institutions	**22,243**	23,407
Placements with and loans to banks and other financial institutions	**59,200**	43,793
Due to banks and other financial institutions	**(116,004)**	(74,474)
Placements from banks and other financial institutions	**(37,199)**	(62,134)

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

30 Segment reporting

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

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

Geographical segments

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

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

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

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

30 Segment reporting (Continued)

Business segments

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

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

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

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

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

30 Segment reporting (Continued)

The Group as at and for the six month period ended 30 June 2014

		Hong Kong, Macau and Taiwan					
	Chinese mainland	BOC Hong Kong Group	Other	Subtotal	Other countries and regions	Elimination	Total
Interest income	262,211	19,083	13,307	32,390	17,228	(17,636)	294,193
Interest expense	(129,990)	(6,348)	(9,617)	(15,965)	(9,199)	17,636	(137,518)
Net interest income	132,221	12,735	3,690	16,425	8,029	–	156,675
Fee and commission income	46,982	5,029	2,469	7,498	2,189	(1,094)	55,575
Fee and commission expense	(1,262)	(1,505)	(523)	(2,028)	(941)	787	(3,444)
Net fee and commission income	45,720	3,524	1,946	5,470	1,248	(307)	52,131
Net trading gains	4,888	719	714	1,433	998	–	7,319
Net gains/(losses) on financial investments	58	122	140	262	(2)	–	318
Other operating income (1)	7,302	5,881	5,205	11,086	69	(28)	18,429
Operating income	190,189	22,981	11,695	34,676	10,342	(335)	234,872
Operating expenses (1)	(69,629)	(10,365)	(4,287)	(14,652)	(1,951)	335	(85,897)
Impairment losses on assets	(25,711)	(301)	(775)	(1,076)	(995)	–	(27,782)
Operating profit	94,849	12,315	6,633	18,948	7,396	–	121,193
Share of results of associates and joint ventures	–	(2)	759	757	–	–	757
Profit before income tax	94,849	12,313	7,392	19,705	7,396	–	121,950
Income tax expense							(28,541)
Profit for the period							93,409
Segment assets	12,271,715	1,622,648	1,053,533	2,676,181	2,018,492	(1,511,295)	15,455,093
Investment in associates and joint ventures	–	45	13,958	14,003	–	–	14,003
Total assets	12,271,715	1,622,693	1,067,491	2,690,184	2,018,492	(1,511,295)	15,469,096
Include: non-current assets (2)	93,053	21,624	80,247	101,871	5,471	(161)	200,234
Segment liabilities	11,488,590	1,512,453	992,337	2,504,790	1,980,395	(1,511,135)	14,462,640
Other segment items:							
Intersegment net interest (expense)/income	(12,607)	2,059	7,817	9,876	2,731	–	–
Intersegment net fee and commission income	157	27	397	424	(274)	(307)	–
Capital expenditure	1,853	224	9,029	9,253	122	–	11,228
Depreciation and amortisation	5,814	417	1,379	1,796	116	–	7,726
Credit commitments	3,078,635	186,304	115,005	301,309	278,232	(553,780)	3,104,396

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

30 Segment reporting (Continued)

The Group as at 31 December 2013 and for the six month period ended 30 June 2013

	Chinese mainland	Hong Kong, Macau and Taiwan: BOC Hong Kong Group	Hong Kong, Macau and Taiwan: Other	Hong Kong, Macau and Taiwan: Subtotal	Other countries and regions	Elimination	Total
Interest income	224,321	15,291	5,557	20,848	10,144	(5,443)	249,870
Interest expense	(105,027)	(4,373)	(3,707)	(8,080)	(4,918)	5,443	(112,582)
Net interest income	119,294	10,918	1,850	12,768	5,226	–	137,288
Fee and commission income	39,891	4,924	2,257	7,181	2,155	(754)	48,473
Fee and commission expense	(978)	(1,467)	(390)	(1,857)	(583)	426	(2,992)
Net fee and commission income	38,913	3,457	1,867	5,324	1,572	(328)	45,481
Net trading gains/(losses)	3,244	489	313	802	(128)	–	3,918
Net gains on financial investments	288	81	17	98	28	–	414
Other operating income (1)	10,286	4,724	4,038	8,762	131	(29)	19,150
Operating income	172,025	19,669	8,085	27,754	6,829	(357)	206,251
Operating expenses (1)	(69,302)	(7,922)	(3,707)	(11,629)	(1,635)	357	(82,209)
Impairment losses on assets	(12,731)	(298)	(476)	(774)	(637)	–	(14,142)
Operating profit	89,992	11,449	3,902	15,351	4,557	–	109,900
Share of results of associates and joint ventures	–	(1)	352	351	–	–	351
Profit before income tax	89,992	11,448	4,254	15,702	4,557	–	110,251
Income tax expense							(26,079)
Profit for the period							84,172
Segment assets	11,082,460	1,577,423	813,479	2,390,902	1,441,923	(1,054,354)	13,860,931
Investment in associates and joint ventures	–	47	13,321	13,368	–	–	13,368
Total assets	11,082,460	1,577,470	826,800	2,404,270	1,441,923	(1,054,354)	13,874,299
Include: non-current assets (2)	96,998	21,071	77,133	98,204	5,256	(161)	200,297
Segment liabilities	10,328,324	1,476,087	754,764	2,230,851	1,407,841	(1,054,194)	12,912,822
Other segment items:							
Intersegment net interest (expense)/income	(2,189)	535	1,385	1,920	269	–	–
Intersegment net fee and commission income	48	55	314	369	(89)	(328)	–
Capital expenditure	2,957	201	9,419	9,620	127	–	12,704
Depreciation and amortisation	6,005	364	1,212	1,576	116	–	7,697
Credit commitments	2,724,554	189,968	98,416	288,384	230,513	(339,500)	2,903,951

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

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

(Amount in millions of Renminbi, unless otherwise stated)

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

30 Segment reporting (Continued)

The Group as at and for the six month period ended 30 June 2014

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	163,206	87,047	71,210	641	1,031	276	(29,218)	294,193
Interest expense	(89,081)	(44,575)	(31,756)	(239)	–	(1,085)	29,218	(137,518)
Net interest income/(expense)	74,125	42,472	39,454	402	1,031	(809)	–	156,675
Fee and commission income	31,930	17,585	5,349	1,365	–	227	(881)	55,575
Fee and commission expense	(1,383)	(1,073)	(300)	(360)	(1,033)	(12)	717	(3,444)
Net fee and commission income	30,547	16,512	5,049	1,005	(1,033)	215	(164)	52,131
Net trading gains/(losses)	778	260	5,677	591	75	(68)	6	7,319
Net gains on financial investments	6	1	157	–	27	127	–	318
Other operating income	345	3,871	689	120	8,504	5,809	(909)	18,429
Operating income	105,801	63,116	51,026	2,118	8,604	5,274	(1,067)	234,872
Operating expenses	(34,538)	(31,696)	(9,171)	(998)	(8,043)	(2,518)	1,067	(85,897)
Impairment (losses)/reversal on assets	(22,554)	(4,884)	90	(37)	(16)	(381)	–	(27,782)
Operating profit	48,709	26,536	41,945	1,083	545	2,375	–	121,193
Share of results of associates and joint ventures	–	–	–	144	(5)	619	(1)	757
Profit before income tax	48,709	26,536	41,945	1,227	540	2,994	(1)	121,950
Income tax expense								(28,541)
Profit for the period								93,409
Segment assets	6,548,491	2,426,170	6,182,594	83,806	82,959	240,989	(109,916)	15,455,093
Investment in associates and joint ventures	–	–	–	2,815	(1)	11,249	(60)	14,003
Total assets	6,548,491	2,426,170	6,182,594	86,621	82,958	252,238	(109,976)	15,469,096
Segment liabilities	7,605,829	4,794,288	1,860,638	76,449	73,985	161,207	(109,756)	14,462,640
Other segment items:								
Intersegment net interest (expense)/income	(11,579)	28,346	(16,495)	114	58	(444)	–	–
Intersegment net fee and commission income	4	104	–	–	(710)	766	(164)	–
Capital expenditure	579	643	31	16	32	9,927	–	11,228
Depreciation and amortisation	2,509	3,153	552	38	25	1,449	–	7,726

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

30 Segment reporting (Continued)

The Group as at 31 December 2013 and for the six month period ended 30 June 2013

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	142,084	80,900	54,461	530	876	554	(29,535)	249,870
Interest expense	(67,355)	(41,094)	(32,561)	(191)	–	(916)	29,535	(112,582)
Net interest income/(expense)	74,729	39,806	21,900	339	876	(362)	–	137,288
Fee and commission income	27,833	15,281	4,569	1,320	–	222	(752)	48,473
Fee and commission expense	(1,249)	(929)	(291)	(286)	(861)	(13)	637	(2,992)
Net fee and commission income	26,584	14,352	4,278	1,034	(861)	209	(115)	45,481
Net trading gains/(losses)	28	264	3,682	144	(533)	328	5	3,918
Net gains on financial investments	15	3	357	–	28	11	–	414
Other operating income	361	7,735	480	30	6,730	4,644	(830)	19,150
Operating income	101,717	62,160	30,697	1,547	6,240	4,830	(940)	206,251
Operating expenses	(33,263)	(34,110)	(7,393)	(736)	(5,335)	(2,312)	940	(82,209)
Impairment (losses)/reversal on assets	(9,056)	(5,083)	161	–	(3)	(161)	–	(14,142)
Operating profit	59,398	22,967	23,465	811	902	2,357	–	109,900
Share of results of associates and joint ventures	–	–	–	104	(4)	251	–	351
Profit before income tax	59,398	22,967	23,465	915	898	2,608	–	110,251
Income tax expense								(26,079)
Profit for the period								84,172
Segment assets	5,811,719	2,269,883	5,506,172	63,597	76,016	235,598	(102,054)	13,860,931
Investment in associates and joint ventures	–	–	–	2,968	–	10,458	(58)	13,368
Total assets	5,811,719	2,269,883	5,506,172	66,565	76,016	246,056	(102,112)	13,874,299
Segment liabilities	6,615,029	4,478,752	1,640,775	57,303	67,942	154,915	(101,894)	12,912,822
Other segment items:								
Intersegment net interest (expense)/income	(6,766)	28,871	(21,933)	60	47	(279)	–	–
Intersegment net fee and commission income	5	72	–	–	(619)	657	(115)	–
Capital expenditure	910	1,007	48	24	10	10,705	–	12,704
Depreciation and amortisation	2,607	3,268	534	45	24	1,219	–	7,697

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

31 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose trusts. 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 repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received as collateral.

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

	As at 30 June 2014		As at 31 December 2013	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	**21,622**	**21,234**	21,186	21,018

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities 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.

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

31 Transfers of financial assets (Continued)

Securitisation transactions (Continued)

As at 30 June 2014, the total pre-transfer carrying amount of the original credit assets transferred by the Group into the special purpose trusts was RMB18,517 million (31 December 2013: RMB6,336 million). Among these, the Group has determined it has retained continuing involvements in some transferred assets. The corresponding carrying amount of these original credit assets, which the Group determined that it has continuing involvement, is RMB3,062 million and the carrying amount of assets that the Group continues to recognise was RMB153 million at 30 June 2014 (31 December 2013: RMB153 million). In the securitisation transactions where the transferred credit assets were derecognised in their entirety, the corresponding total carrying amount of asset-backed securities held by the Group was RMB432 million at 30 June 2014 (31 December 2013: Nil), which also approximates the Group's maximum exposure to loss.

32 Interests in the unconsolidated structured entities

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

Structured entities sponsored by the Group

In conducting wealth management business, the Group established various structured entities to provide customers specialised investment opportunities within narrow and well-defined objectives. As at 30 June 2014, the balance of the unconsolidated bank wealth management products sponsored by the Group amounted to RMB758,198 million (31 December 2013: RMB838,015 million). Fee and commission income includes commission, custodian fee and management fee income from wealth management business that amounted to RMB4,552 million (for the six month period ended 30 June 2013: RMB5,377 million).

For the purpose of asset-liability management, wealth management products may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into repurchase and placement transactions with these wealth management products in accordance with market principles. During the six month period ended 30 June 2014, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB25,550 million (for the six month period ended 30 June 2013: RMB37,500 million). As at 30 June 2014, financing to wealth management products provided by the Group was included in "Placements with and loans to banks and other financial institutions" and amounted to RMB25,550 million (31 December 2013: RMB29,000 million). The maximum exposure to loss of those placements approximated the carrying amount. As of the date when these financial statements were authorised for issue, those placements have matured and the amounts have been fully repaid.

(Amount in millions of Renminbi, unless otherwise stated)

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

32 Interests in the unconsolidated structured entities (Continued)

Structured entities sponsored by the Group (Continued)

The total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB9,383 million during the six month period ended 30 June 2014 (for the six month period ended 30 June 2013: Nil). For description of the portion of asset-backed securities issued by above structured entities and held by the Group, refer to Note III.31. As at 30 June 2014, the amount of assets held by publicly offered funds that are sponsored by the Group was RMB91,700 million (31 December 2013: RMB121,700 million).

Structured entities sponsored by other financial institutions

As at 30 June 2014, the interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out as below:

	As at 30 June 2014					
Structured entity type	Financial assets at fair value through profit or loss	Investment securities available for sale	Debt securities held to maturity	Financial investments classified as loans and receivables	Total	Maximum exposure to loss
Fund	**783**	**10,845**	**–**	**–**	**11,628**	**11,670**
Wealth management plans	**–**	**–**	**–**	**320**	**320**	**320**
Investment trusts and asset management plans	**–**	**–**	**–**	**157,040**	**157,040**	**157,040**
Asset-backed securitisations	**–**	**13,121**	**5,683**	**193**	**18,997**	**18,997**

	As at 31 December 2013					
Structured entity type	Financial assets at fair value through profit or loss	Investment securities available for sale	Debt securities held to maturity	Financial investments classified as loans and receivables	Total	Maximum exposure to loss
Fund	355	7,435	–	–	7,790	7,840
Wealth management plans	–	–	–	50	50	50
Investment trusts and asset management plans	–	–	–	147,161	147,161	147,161
Asset-backed securitisations	–	14,270	1,299	153	15,722	15,722

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

33 Events after the financial reporting date

On 8 July 2014, the Bank redeemed at face value all of the fixed-rate subordinated bonds issued in 2009 with a maturity of 10 years amounting to RMB14 billion and all of the floating-rate subordinated bonds issued in 2009 with a maturity of 10 years amounting to RMB2 billion. The redemption details have been set out in the Bank's announcement dated 9 July 2014.

Having obtained the approvals from the CBRC and PBOC, the Bank issued tier 2 capital bonds in an amount of RMB30 billion on 8 August 2014. The issuance details have been set out in the Bank's announcement dated 12 August 2014.

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 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Chinese mainland	**6,485,951**	**76.99%**	6,058,180	79.63%
Hong Kong, Macau and Taiwan	**1,072,082**	**12.72%**	945,414	12.43%
Other countries and regions	**866,562**	**10.29%**	604,197	7.94%
Total loans and advances to customers	**8,424,595**	**100.00%**	7,607,791	100.00%

Chinese mainland

	As at 30 June 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Northern China	**1,014,424**	**15.64%**	945,815	15.61%
Northeastern China	**442,385**	**6.82%**	425,990	7.03%
Eastern China	**2,665,702**	**41.10%**	2,462,657	40.65%
Central and Southern China	**1,558,438**	**24.03%**	1,473,512	24.32%
Western China	**805,002**	**12.41%**	750,206	12.39%
Total loans and advances to customers	**6,485,951**	**100.00%**	6,058,180	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

	As at 30 June 2014			
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	Total
Corporate loans				
— Trade bills	**730,589**	**170,587**	**378,212**	**1,279,388**
— Other	**3,753,044**	**581,706**	**466,522**	**4,801,272**
Personal loans	**2,002,318**	**319,789**	**21,828**	**2,343,935**
Total loans and advances to customers	**6,485,951**	**1,072,082**	**866,562**	**8,424,595**

	As at 31 December 2013			
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	Total
Corporate loans				
— Trade bills	743,516	153,414	228,427	1,125,357
— Other	3,448,639	507,815	357,528	4,313,982
Personal loans	1,866,025	284,185	18,242	2,168,452
Total loans and advances to customers	6,058,180	945,414	604,197	7,607,791

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 2014		As at 31 December 2013	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Manufacturing	**1,749,186**	**20.76%**	1,557,044	20.47%
Commerce and services	**1,309,504**	**15.55%**	1,148,963	15.10%
Transportation, storage and postal services	**789,602**	**9.37%**	724,189	9.52%
Real estate	**700,202**	**8.31%**	625,191	8.22%
Production and supply of electricity, heating, gas and water	**413,792**	**4.91%**	392,643	5.16%
Mining	**347,844**	**4.13%**	329,728	4.33%
Financial services	**225,218**	**2.67%**	168,734	2.22%
Water, environment and public utility management	**188,480**	**2.24%**	198,920	2.62%
Construction	**168,429**	**2.00%**	143,278	1.88%
Public utilities	**86,949**	**1.03%**	72,682	0.96%
Other	**101,454**	**1.21%**	77,967	1.02%
Subtotal	**6,080,660**	**72.18%**	5,439,339	71.50%
Personal loans				
Mortgages	**1,615,471**	**19.18%**	1,506,331	19.80%
Credit cards	**249,589**	**2.96%**	222,141	2.92%
Other	**478,875**	**5.68%**	439,980	5.78%
Subtotal	**2,343,935**	**27.82%**	2,168,452	28.50%
Total loans and advances to customers	**8,424,595**	**100.00%**	7,607,791	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Chinese mainland

	As at 30 June 2014		As at 31 December 2013	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Manufacturing	**1,445,407**	**22.28%**	1,347,808	22.25%
Commerce and services	**812,553**	**12.53%**	763,597	12.60%
Transportation, storage and postal services	**668,042**	**10.30%**	634,768	10.48%
Real estate	**465,788**	**7.18%**	405,075	6.69%
Production and supply of electricity, heating, gas and water	**377,142**	**5.81%**	365,889	6.04%
Mining	**202,069**	**3.12%**	192,932	3.18%
Financial services	**73,657**	**1.14%**	67,212	1.11%
Water, environment and public utility management	**188,476**	**2.91%**	198,877	3.28%
Construction	**144,220**	**2.22%**	125,825	2.08%
Public utilities	**83,040**	**1.28%**	71,112	1.17%
Other	**23,239**	**0.36%**	19,060	0.32%
Subtotal	**4,483,633**	**69.13%**	4,192,155	69.20%
Personal loans				
Mortgages	**1,376,532**	**21.22%**	1,282,276	21.17%
Credit cards	**238,618**	**3.68%**	211,456	3.49%
Other	**387,168**	**5.97%**	372,293	6.14%
Subtotal	**2,002,318**	**30.87%**	1,866,025	30.80%
Total loans and advances to customers	**6,485,951**	**100.00%**	6,058,180	100.00%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Group

	As at 30 June 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Unsecured loans	**2,730,355**	**32.41%**	2,370,291	31.16%
Guaranteed loans	**1,499,040**	**17.80%**	1,380,146	18.14%
Collateralised and other secured loans				
— Loans secured by property and other immovable assets	**2,987,661**	**35.46%**	2,891,696	38.01%
— Other pledged loans	**1,207,539**	**14.33%**	965,658	12.69%
Total loans and advances to customers	**8,424,595**	**100.00%**	7,607,791	100.00%

Chinese mainland

	As at 30 June 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Unsecured loans	**1,876,765**	**28.94%**	1,681,717	27.76%
Guaranteed loans	**1,249,428**	**19.26%**	1,212,925	20.02%
Collateralised and other secured loans				
— Loans secured by property and other immovable assets	**2,570,383**	**39.63%**	2,505,607	41.36%
— Other pledged loans	**789,375**	**12.17%**	657,931	10.86%
Total loans and advances to customers	**6,485,951**	**100.00%**	6,058,180	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

Group

	As at 30 June 2014			As at 31 December 2013		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	**82,596**	**96.39%**	**1.27%**	70,433	96.33%	1.16%
Hong Kong, Macau and Taiwan	**2,359**	**2.75%**	**0.22%**	1,955	2.67%	0.21%
Other countries and regions	**736**	**0.86%**	**0.08%**	731	1.00%	0.12%
Total	**85,691**	**100.00%**	**1.02%**	73,119	100.00%	0.96%

Chinese mainland

	As at 30 June 2014			As at 31 December 2013		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	**10,313**	**12.49%**	**1.02%**	9,831	13.96%	1.04%
Northeastern China	**3,915**	**4.74%**	**0.88%**	3,945	5.60%	0.93%
Eastern China	**41,008**	**49.65%**	**1.54%**	31,666	44.96%	1.29%
Central and Southern China	**22,875**	**27.69%**	**1.47%**	20,658	29.33%	1.40%
Western China	**4,485**	**5.43%**	**0.56%**	4,333	6.15%	0.58%
Total	**82,596**	**100.00%**	**1.27%**	70,433	100.00%	1.16%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

(ii) Impaired loans and advances by customer type

Group

	As at 30 June 2014			As at 31 December 2013		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**68,663**	**80.13%**	**1.13%**	59,127	80.86%	1.09%
Personal loans	**17,028**	**19.87%**	**0.73%**	13,992	19.14%	0.65%
Total	**85,691**	**100.00%**	**1.02%**	73,119	100.00%	0.96%

Chinese mainland

	As at 30 June 2014			As at 31 December 2013		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**65,732**	**79.58%**	**1.47%**	56,570	80.32%	1.35%
Personal loans	**16,864**	**20.42%**	**0.84%**	13,863	19.68%	0.74%
Total	**82,596**	**100.00%**	**1.27%**	70,433	100.00%	1.16%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

	As at 30 June 2014			As at 31 December 2013		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Manufacturing	**28,973**	**33.81%**	**2.00%**	26,284	35.95%	1.95%
Commerce and services	**18,129**	**21.16%**	**2.23%**	12,028	16.45%	1.58%
Transportation, storage and postal services	**11,693**	**13.65%**	**1.75%**	10,322	14.12%	1.63%
Real estate	**1,546**	**1.80%**	**0.33%**	2,292	3.13%	0.57%
Production and supply of electricity, heating, gas and water	**3,781**	**4.41%**	**1.00%**	4,140	5.66%	1.13%
Mining	**326**	**0.38%**	**0.16%**	242	0.33%	0.13%
Financial services	**2**	**0.00%**	**0.00%**	2	0.00%	0.00%
Water, environment and public utility management	**220**	**0.26%**	**0.12%**	89	0.12%	0.04%
Construction	**519**	**0.61%**	**0.36%**	670	0.92%	0.53%
Public utilities	**336**	**0.39%**	**0.40%**	335	0.46%	0.47%
Other	**207**	**0.24%**	**0.89%**	166	0.23%	0.87%
Subtotal	**65,732**	**76.71%**	**1.47%**	56,570	77.37%	1.35%
Personal loans						
Mortgages	**4,889**	**5.71%**	**0.36%**	4,463	6.10%	0.35%
Credit cards	**4,860**	**5.67%**	**2.04%**	3,588	4.91%	1.70%
Other	**7,115**	**8.30%**	**1.84%**	5,812	7.95%	1.56%
Subtotal	**16,864**	**19.68%**	**0.84%**	13,863	18.96%	0.74%
Total for Chinese mainland	**82,596**	**96.39%**	**1.27%**	70,433	96.33%	1.16%
Hong Kong, Macau, Taiwan and other countries and regions	**3,095**	**3.61%**	**0.16%**	2,686	3.67%	0.17%
Total	**85,691**	**100.00%**	**1.02%**	73,119	100.00%	0.96%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

(iv) Impaired loans and advances and related allowance by geographical area

	As at 30 June 2014			
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	Net
Chinese mainland	**82,596**	**(40,187)**	**(14,563)**	**27,846**
Hong Kong, Macau and Taiwan	**2,359**	**(931)**	**(76)**	**1,352**
Other countries and regions	**736**	**(521)**	**(57)**	**158**
Total	**85,691**	**(41,639)**	**(14,696)**	**29,356**

	As at 31 December 2013			
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	Net
Chinese mainland	70,433	(37,933)	(12,252)	20,248
Hong Kong, Macau and Taiwan	1,955	(793)	(50)	1,112
Other countries and regions	731	(476)	(86)	169
Total	73,119	(39,202)	(12,388)	21,529

For description of allowances on identified impaired loans and advances, refer to Note III. 15.3.

(3) Loans and advances rescheduled

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

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(3) Loans and advances rescheduled (Continued)

All rescheduled loans are subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "special-mention" upon review if certain criteria are met. If the rescheduled loans fall overdue or if the borrower is unable to demonstrate its repayment ability, these loans will be reclassified to "doubtful" or below. All rescheduled loans within surveillance period were determined to be impaired as at 30 June 2014 and 31 December 2013.

As at 30 June 2014 and 31 December 2013, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

(4) Overdue loans and advances to customers

Analysis of overdue loans and advances by geographical area

	As at 30 June 2014	As at 31 December 2013
Chinese mainland	**106,007**	81,335
Hong Kong, Macau and Taiwan	**6,573**	5,606
Other countries and regions	**1,422**	1,172
Subtotal	**114,002**	88,113
Percentage	**1.35%**	1.16%
Less: total loans and advances to customers which have been overdue for less than 3 months	**(49,347)**	(34,415)
Total loans and advances to customers which have been overdue for more than 3 months	**64,655**	53,698
Individually assessed impairment allowance — for loans and advances to customers which have been overdue for more than 3 months	**(30,456)**	(27,298)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities

The table below represents an analysis of the carrying value of debt securities by credit or issuer rating and credit risk characteristics.

	As at 30 June 2014					
	Unrated	AAA	AA	A	Lower than A	Total
Issuers in Chinese mainland						
— Government	–	–	819,702	2,056	–	821,758
— Public sectors and quasi-governments	34,510	–	–	–	–	34,510
— Policy banks	–	–	52,959	335,741	–	388,700
— Financial institutions	19,090	497	2,221	86,156	40,348	148,312
— Corporate	222,109	–	9,424	77,506	18,714	327,753
— China Orient	160,000	–	–	–	–	160,000
Subtotal	435,709	497	884,306	501,459	59,062	1,881,033
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	–	51,392	91,022	3,229	3,355	148,998
— Public sectors and quasi-governments	749	24,699	21,523	–	99	47,070
— Financial institutions	1,327	21,466	57,690	57,701	14,568	152,752
— Corporate	8,816	1,330	2,303	23,584	11,896	47,929
Subtotal (1)	10,892	98,887	172,538	84,514	29,918	396,749
Total (2)	446,601	99,384	1,056,844	585,973	88,980	2,277,782

(1) Included mortgage backed securities as follows:

	As at 30 June 2014					
	Unrated	AAA	AA	A	Lower than A	Total
US Subprime mortgage related debt securities	–	77	199	767	1,529	2,572
US Alt-A mortgage-backed securities	–	–	1	17	598	616
US Non-Agency mortgage-backed securities	–	7	6	102	961	1,076
Total	–	84	206	886	3,088	4,264

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities (Continued)

	As at 31 December 2013					
	Unrated	AAA	AA	A	Lower than A	Total
Issuers in Chinese mainland						
— Government	–	–	774,002	1,364	–	775,366
— Public sectors and quasi-governments	29,056	–	–	–	–	29,056
— Policy banks	–	–	39,287	298,927	–	338,214
— Financial institutions	17,847	496	1,002	92,005	29,232	140,582
— Corporate	220,717	–	35,643	50,156	19,051	325,567
— China Orient	160,000	–	–	–	–	160,000
Subtotal	427,620	496	849,934	442,452	48,283	1,768,785
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	–	33,806	128,293	4,197	2,859	169,155
— Public sectors and quasi-governments	684	25,032	29,440	181	105	55,442
— Financial institutions	7,175	24,244	58,202	60,102	17,357	167,080
— Corporate	10,292	1,443	3,114	22,441	10,932	48,222
Subtotal (1)	18,151	84,525	219,049	86,921	31,253	439,899
Total (2)	445,771	85,021	1,068,983	529,373	79,536	2,208,684

(1) Included mortgage backed securities as follows:

	As at 31 December 2013					
	Unrated	AAA	AA	A	Lower than A	Total
US Subprime mortgage related debt securities	–	120	214	910	1,686	2,930
US Alt-A mortgage-backed securities	–	–	2	26	655	683
US Non-Agency mortgage-backed securities	–	10	10	111	1,052	1,183
Total	–	130	226	1,047	3,393	4,796

(2) The Group's available for sale and held to maturity debt securities are individually assessed for impairment. The Group's accumulated impairment charges on available for sale and held to maturity debt securities at 30 June 2014 amounted to RMB2,024 million and RMB235 million, respectively (31 December 2013: RMB2,533 million and RMB246 million). The carrying values of the available for sale and held to maturity debt securities considered impaired as at 30 June 2014 were RMB3,633 million and RMB413 million, respectively (31 December 2013: RMB4,007 million and RMB464 million).

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 Derivatives

The risk-weighted assets for counterparty credit risk ("CCR") of derivatives of the Group were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* promulgated by the CBRC under the Advanced Capital Management Approaches. For derivative transactions, risk-weighted assets for CCR include risk-weighted assets for default risk, the risk-weighted assets for credit valuation adjustment ("CVA") and the risk-weighted assets for central counterparties ("CCPs"). The risk-weighted assets for CCR as at 31 December 2013 were calculated under non-Advanced Approaches.

CCR risk-weighted assets for derivatives are as follows:

	As at 30 June 2014	As at 31 December 2013
Risk-weighted assets for default risk		
Currency derivatives	**25,580**	28,393
Interest rate derivatives	**3,546**	2,784
Equity derivatives	**517**	564
Commodity derivatives	**2,015**	1,844
	31,658	33,585
CVA risk-weighted assets	**30,769**	26,761
CCPs risk-weighted assets	**2,226**	–
Total	**64,653**	60,346

1.4 Repossessed assets

The Group obtained assets by taking possession of collateral held as security. Detailed information of such repossessed assets of the Group is disclosed in Note III.19.

2 Market risk

2.1 Market risk measurement techniques and limits

(1) Trading book

Market risk in trading book is managed by establishing Value at Risk (VaR) limits. Total exposures, stress testing and utilisation of VaR are monitored on a daily basis for each trading desk and dealer.

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

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

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

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

Stress testing is performed based on the characteristics of trading transactions to simulate and estimate losses in adverse and exceptional market conditions. The Group sets stress testing limits, adjusts and enhances the scenarios for stress testing taking into account financial market fluctuations in order to capture the potential impact of market price fluctuations and volatility on the trading book, enhancing the Group's market risk management capabilities.

The table below shows the VaR of the trading book by type of risk for the six month period ended 30 June 2014 and 2013:

Unit: USD million

	Six month period ended 30 June					
	2014			2013		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	**5.31**	**7.43**	**3.71**	2.40	3.02	1.84
Foreign exchange risk	**9.48**	**13.97**	**6.02**	0.40	1.76	0.14
Volatility risk	**0.09**	**0.20**	**0.04**	0.02	0.09	0.00
Commodity risk	**0.30**	**1.32**	**0.01**	–	–	–
Total of the Bank's trading VaR	**10.29**	**14.67**	**6.94**	2.47	3.13	1.88

The Bank's VaR for the six month period ended 30 June 2014 was calculated on the Group's trading positions, excluding those of BOCHK (Holdings) and BOCI. The Bank's VaR for the six month period ended 30 June 2013 was calculated on the Group's trading positions, excluding those of BOCHK (Holdings) and BOCI and excluding foreign currency against RMB transactions.

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					
	2014			2013		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	**3.55**	**5.09**	**2.17**	2.09	2.80	1.14
Foreign exchange risk	**1.84**	**2.51**	**1.24**	1.91	3.56	1.32
Equity risk	**0.03**	**0.09**	**0.01**	0.13	0.31	0.00
Commodity risk	**0.04**	**0.17**	**0.00**	0.02	0.09	0.00
Total BOCHK (Holdings)'s trading VaR	**3.41**	**4.52**	**2.35**	2.65	3.49	1.79
BOCI's trading VaR*						
Equity derivatives unit	**0.99**	**1.65**	**0.46**	0.93	1.81	0.34
Fixed income unit	**1.10**	**1.54**	**0.68**	1.21	1.84	0.75
Total BOCI's trading VaR	**1.45**	**1.82**	**1.10**	1.65	2.50	0.99

* BOCI monitors its trading VaR for equity derivatives unit and fixed income unit separately, which include equity risk, interest rate risk and foreign exchange risk.

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

(2) Banking book

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

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis

The tables below summarise the Group's exposure to interest rate 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 2014						
	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	244,637	173,050	383,471	2,219	–	78,598	881,975
Balances with central banks	2,251,438	–	–	–	–	105,695	2,357,133
Placements with and loans to banks and other financial institutions	521,794	78,813	156,639	2,113	–	–	759,359
Financial assets at fair value through profit or loss	6,524	12,560	17,033	30,482	10,643	9,998	87,240
Derivative financial assets	–	–	–	–	–	42,976	42,976
Loans and advances to customers, net	1,802,363	1,842,142	4,263,807	61,824	54,328	213,796	8,238,260
Financial investments							
— Available for sale	54,337	87,563	149,170	229,607	123,272	38,697	682,646
— Held to maturity	55,550	88,878	151,817	674,368	329,420	–	1,300,033
— Loans and receivables	36,876	83,950	58,535	18,516	220,182	–	418,059
Other	7,791	9,352	8,981	–	–	675,291	701,415
Total assets	**4,981,310**	**2,376,308**	**5,189,453**	**1,019,129**	**737,845**	**1,165,051**	**15,469,096**
Liabilities							
Due to banks and other financial institutions	1,280,857	123,089	378,319	13,423	1,629	26,849	1,824,166
Due to central banks	103,243	34,976	90,643	–	–	1,562	230,424
Placements from banks and other financial institutions	213,952	137,114	84,884	–	–	–	435,950
Derivative financial liabilities	–	–	–	–	–	29,266	29,266
Due to customers	6,067,022	1,233,631	2,564,401	1,187,045	6,715	131,755	11,190,569
Bonds issued	29,123	9,825	19,186	78,827	117,141	–	254,102
Other	13,846	21,360	13,802	419	481	448,255	498,163
Total liabilities	**7,708,043**	**1,559,995**	**3,151,235**	**1,279,714**	**125,966**	**637,687**	**14,462,640**
Total interest repricing gap	**(2,726,733)**	**816,313**	**2,038,218**	**(260,585)**	**611,879**	**527,364**	**1,006,456**

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2013						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	176,568	149,957	290,432	608	–	85,019	702,584
Balances with central banks	2,058,786	–	–	–	–	73,215	2,132,001
Placements with and loans to banks and other financial institutions	321,306	63,054	127,710	818	–	–	512,888
Financial assets at fair value through profit or loss	5,630	7,499	12,010	29,773	12,139	8,149	75,200
Derivative financial assets	–	–	–	–	–	40,823	40,823
Loans and advances to customers, net	1,872,529	1,675,457	3,583,425	63,893	60,738	183,700	7,439,742
Financial investments							
— Available for sale	65,023	103,863	143,685	238,679	114,508	35,438	701,196
— Held to maturity	41,181	65,469	240,205	550,115	313,561	–	1,210,531
— Loans and receivables	25,739	53,564	93,625	24,894	218,882	–	416,704
Other	5,580	5,259	5,242	–	–	626,549	642,630
Total assets	4,572,342	2,124,122	4,496,334	908,780	719,828	1,052,893	13,874,299
Liabilities							
Due to banks and other financial institutions	837,211	149,230	299,784	216,749	4,095	44,555	1,551,624
Due to central banks	82,965	46,555	66,189	–	–	5,230	200,939
Placements from banks and other financial institutions	187,104	105,048	47,113	–	–	–	339,265
Derivative financial liabilities	–	–	–	–	–	36,212	36,212
Due to customers	5,715,009	1,105,255	2,155,915	1,004,641	4,383	112,583	10,097,786
Bonds issued	6,199	10,695	20,570	69,711	117,529	–	224,704
Other	15,063	19,523	5,639	300	212	421,555	462,292
Total liabilities	6,843,551	1,436,306	2,595,210	1,291,401	126,219	620,135	12,912,822
Total interest repricing gap	(2,271,209)	687,816	1,901,124	(382,621)	593,609	432,758	961,477

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2014 and 31 December 2013. 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 2014							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	790,529	59,062	9,871	5,140	2,138	913	14,322	881,975
Balances with central banks	1,928,549	364,616	3,062	32,564	9,637	51	18,654	2,357,133
Placements with and loans to banks and other financial institutions	641,130	71,826	5,895	1,682	564	8,386	29,876	759,359
Financial assets at fair value through profit or loss	31,254	32,259	23,098	596	31	1	1	87,240
Derivative financial assets	9,594	10,897	16,218	1,086	450	1,789	2,942	42,976
Loans and advances to customers, net	5,993,456	1,440,044	599,873	73,626	9,608	12,673	108,980	8,238,260
Financial investments								
— Available for sale	337,768	212,054	89,819	8,360	638	4,952	29,055	682,646
— Held to maturity	1,186,518	100,293	6,358	59	730	165	5,910	1,300,033
— Loans and receivables	411,248	1,228	279	–	–	–	5,304	418,059
Other	265,299	90,807	117,572	1,170	1,517	2,877	222,173	701,415
Total assets	11,595,345	2,383,086	872,045	124,283	25,313	31,807	437,217	15,469,096
Liabilities								
Due to banks and other financial institutions	1,075,617	483,433	16,915	24,003	9,620	7,273	207,305	1,824,166
Due to central banks	75,933	142,089	12,402	–	–	–	–	230,424
Placements from banks and other financial institutions	103,438	290,885	16,109	11,744	6,226	2,670	4,878	435,950
Derivative financial liabilities	2,402	9,858	12,598	1,230	546	1,014	1,618	29,266
Due to customers	8,924,256	991,515	775,015	160,161	36,490	56,885	246,247	11,190,569
Bonds issued	182,133	57,501	746	8,063	1,362	3,280	1,017	254,102
Other	274,488	76,313	133,076	1,873	725	1,796	9,892	498,163
Total liabilities	10,638,267	2,051,594	966,861	207,074	54,969	72,918	470,957	14,462,640
Net on-balance sheet position	957,078	331,492	(94,816)	(82,791)	(29,656)	(41,111)	(33,740)	1,006,456
Net off-balance sheet position	(113,441)	(247,504)	166,347	87,360	29,673	43,103	41,932	7,470
Credit commitments	2,051,047	671,000	196,078	92,885	8,864	17,855	66,667	3,104,396

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2013							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	606,351	64,084	12,379	4,067	1,989	4,648	9,066	702,584
Balances with central banks	1,860,127	223,218	5,468	22,607	6,638	41	13,902	2,132,001
Placements with and loans to banks and other financial institutions	408,230	78,573	1,591	4,411	29	2,694	17,360	512,888
Financial assets at fair value through profit or loss	18,578	34,325	21,024	1,016	48	–	209	75,200
Derivative financial assets	9,753	11,162	15,984	664	244	1,592	1,424	40,823
Loans and advances to customers, net	5,596,690	1,134,219	535,127	61,111	6,645	12,054	93,896	7,439,742
Financial investments								
— Available for sale	290,979	262,079	99,681	14,447	786	416	32,808	701,196
— Held to maturity	1,120,644	77,730	6,674	480	693	–	4,310	1,210,531
— Loans and receivables	401,439	3,176	2,417	–	–	–	9,672	416,704
Other	236,450	75,217	125,851	1,454	1,139	3,029	199,490	642,630
Total assets	10,549,241	1,963,783	826,196	110,257	18,211	24,474	382,137	13,874,299
Liabilities								
Due to banks and other financial institutions	963,948	352,134	16,120	20,798	6,433	8,858	183,333	1,551,624
Due to central banks	56,044	120,540	23,431	–	–	–	924	200,939
Placements from banks and other financial institutions	148,018	161,084	12,794	5,275	8,076	641	3,377	339,265
Derivative financial liabilities	6,692	10,719	12,472	677	1,813	1,384	2,455	36,212
Due to customers	8,091,102	848,525	701,985	144,712	36,762	46,567	228,133	10,097,786
Bonds issued	175,400	40,418	1,525	3,350	–	3,784	227	224,704
Other	256,526	62,633	134,433	1,870	567	2,493	3,770	462,292
Total liabilities	9,697,730	1,596,053	902,760	176,682	53,651	63,727	422,219	12,912,822
Net on-balance sheet position	851,511	367,730	(76,564)	(66,425)	(35,440)	(39,253)	(40,082)	961,477
Net off-balance sheet position	(23,364)	(309,362)	135,296	71,474	33,690	40,922	55,022	3,678
Credit commitments	1,892,010	672,072	175,354	84,313	8,004	15,835	56,363	2,903,951

2.4 Price risk

The Group is exposed to equity risk on its available for sale listed equity securities. As at 30 June 2014, a 5 percentage variance in listed equity prices from the 30 June 2014 price would impact the fair value of available for sale listed equity positions by RMB299 million (31 December 2013: RMB270 million). For those available for sale equities considered impaired, the impact would be taken to the income statement. The Group is also exposed to commodity risk, mainly related to bullion. The Group manages such risk together with foreign exchange risk (Note IV.2.1).

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk

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

	As at 30 June 2014							
	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	–	187,891	135,339	167,098	389,489	2,158	–	881,975
Balances with central banks	1,724,968	536,296	95,820	49	–	–	–	2,357,133
Placements with and loans to banks and other financial institutions	–	–	521,346	78,844	156,858	2,311	–	759,359
Financial assets at fair value through profit or loss	9,170	–	6,217	11,435	16,414	32,339	11,665	87,240
Derivative financial assets	–	11,386	3,550	6,910	14,667	3,419	3,044	42,976
Loans and advances to customers, net	38,261	107,147	447,514	1,066,303	2,197,868	1,833,721	2,547,446	8,238,260
Financial investments								
— Available for sale	37,073	–	28,986	53,044	151,628	276,789	135,126	682,646
— Held to maturity	–	–	24,616	53,969	125,724	734,648	361,076	1,300,033
— Loans and receivables	–	–	36,876	83,950	53,535	23,516	220,182	418,059
Other	215,297	313,535	44,114	30,323	32,868	46,402	18,876	701,415
Total assets	2,024,769	1,156,255	1,344,378	1,551,925	3,139,051	2,955,303	3,297,415	15,469,096
Liabilities								
Due to banks and other financial institutions	–	810,651	169,664	125,641	471,209	225,660	21,341	1,824,166
Due to central banks	–	85,719	19,082	34,974	90,647	2	–	230,424
Placements from banks and other financial institutions	–	–	213,917	134,760	87,273	–	–	435,950
Derivative financial liabilities	–	8,092	3,778	3,619	7,931	4,316	1,530	29,266
Due to customers	–	4,857,465	1,327,587	1,164,625	2,613,214	1,213,534	14,144	11,190,569
Bonds issued	–	–	28,620	9,825	19,504	79,012	117,141	254,102
Other	–	126,698	76,410	50,353	127,197	68,107	49,398	498,163
Total liabilities	–	5,888,625	1,839,058	1,523,797	3,416,975	1,590,631	203,554	14,462,640
Net liquidity gap	2,024,769	(4,732,370)	(494,680)	28,128	(277,924)	1,364,672	3,093,861	1,006,456

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 2013							
	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	1	162,408	99,073	137,465	302,129	1,508	–	702,584
Balances with central banks	1,613,606	403,586	114,809	–	–	–	–	2,132,001
Placements with and loans to banks and other financial institutions	–	–	321,306	62,181	128,583	818	–	512,888
Financial assets at fair value through profit or loss	7,622	–	5,270	7,093	10,416	32,332	12,467	75,200
Derivative financial assets	–	11,005	5,163	5,437	11,336	4,235	3,647	40,823
Loans and advances to customers, net	21,678	83,794	434,613	878,725	1,915,073	1,716,505	2,389,354	7,439,742
Financial investments								
— Available for sale	34,245	–	39,352	69,970	152,305	277,096	128,228	701,196
— Held to maturity	–	–	18,387	33,814	195,971	617,451	344,908	1,210,531
— Loans and receivables	–	–	25,739	53,564	88,625	29,894	218,882	416,704
Other	212,668	289,907	34,222	21,982	22,927	44,685	16,239	642,630
Total assets	1,889,820	950,700	1,097,934	1,270,231	2,827,365	2,724,524	3,113,725	13,874,299
Liabilities								
Due to banks and other financial institutions	–	727,316	131,752	146,786	324,654	217,021	4,095	1,551,624
Due to central banks	–	65,077	23,118	41,344	64,538	6,862	–	200,939
Placements from banks and other financial institutions	–	–	187,104	105,048	47,113	–	–	339,265
Derivative financial liabilities	–	7,529	4,348	5,812	11,124	6,165	1,234	36,212
Due to customers	–	4,581,538	1,233,777	1,071,379	2,174,469	1,024,471	12,152	10,097,786
Bonds issued	–	–	5,951	10,695	20,571	69,958	117,529	224,704
Other	–	132,880	64,851	29,405	128,742	65,423	40,991	462,292
Total liabilities	–	5,514,340	1,650,901	1,410,469	2,771,211	1,389,900	176,001	12,912,822
Net liquidity gap	1,889,820	(4,563,640)	(552,967)	(140,238)	56,154	1,334,624	2,937,724	961,477

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value of financial assets and liabilities

4.1 Financial instruments not measured at fair value

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

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

	Carrying value		Fair value	
	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
Financial assets				
Debt securities (1)				
— Held to maturity	**1,300,033**	1,210,531	**1,284,988**	1,163,807
— Loans and receivables	**261,019**	269,543	**260,774**	268,559
Financial liabilities				
Bonds issued (2)	**254,102**	224,704	**253,290**	215,070

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

The China Orient Bond and Special Purpose Treasury Bond held by the Bank are non-negotiable. As there are no observable market prices or yields reflecting arm's length transactions of a comparable size and tenor, the fair value is determined based on 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 flows models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd.

(2) Bonds issued

The aggregate fair values are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity. The fair value for the convertible bonds (including the conversion option value) is based on the quoted market price on the Shanghai Stock Exchange.

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value of financial assets and liabilities (Continued)

4.1 Financial instruments not measured at fair value (Continued)

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

	As at 30 June 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Debt securities				
— Held to maturity	**52,753**	**1,232,173**	**62**	**1,284,988**
— Loans and receivables	**–**	**58,081**	**193**	**58,274**
Financial liabilities				
Bonds issued	**40,135**	**213,155**	**–**	**253,290**

	As at 31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Debt securities				
— Held to maturity	62,575	1,100,976	256	1,163,807
— Loans and receivables	–	65,906	153	66,059
Financial liabilities				
Bonds issued	38,197	176,873	–	215,070

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

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value of financial assets and liabilities (Continued)

4.2 Financial instruments measured at fair value

Financial assets and liabilities 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 exchange or debt instrument issued by certain governments and certain exchange-traded derivative contracts.

- Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter ("OTC") derivative contracts, debt securities for which quotations are available from pricing services providers, traded loans and issued structured deposits.

- Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

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

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

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

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value of financial assets and liabilities (Continued)

4.2 Financial instruments measured at fair value (Continued)

	As at 30 June 2014			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Financial assets at fair value through profit or loss				
— Debt securities	**102**	**72,724**	**276**	**73,102**
— Fund investments and others	**1,975**	**–**	**–**	**1,975**
— Loans	**–**	**4,281**	**–**	**4,281**
— Equity securities	**7,634**	**248**	**–**	**7,882**
Derivative financial assets	**12,206**	**30,770**	**–**	**42,976**
Investment securities available for sale				
— Debt securities	**36,738**	**604,427**	**2,463**	**643,628**
— Fund investments and others	**2,973**	**321**	**9,808**	**13,102**
— Equity securities	**4,745**	**2,559**	**18,612**	**25,916**
Financial liabilities measured at fair value through profit or loss				
Due to customers at fair value	**–**	**(193,944)**	**–**	**(193,944)**
Short position in debt securities	**–**	**(9,961)**	**–**	**(9,961)**
Placements from banks and other financial institutions at fair value	**–**	**(5,145)**	**–**	**(5,145)**
Derivative financial liabilities	**(8,514)**	**(20,752)**	**–**	**(29,266)**

	As at 31 December 2013			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Financial assets at fair value through profit or loss				
— Debt securities	267	62,284	301	62,852
— Fund investments and others	1,278	–	–	1,278
— Loans	–	4,321	–	4,321
— Equity securities	6,470	279	–	6,749
Derivative financial assets	11,175	29,648	–	40,823
Investment securities available for sale				
— Debt securities	54,911	605,417	5,430	665,758
— Fund investments and others	1,891	–	6,930	8,821
— Equity securities	4,667	2,735	19,215	26,617
Financial liabilities measured at fair value through profit or loss				
Due to customers at fair value	–	(156,498)	–	(156,498)
Short position in debt securities	–	(7,681)	–	(7,681)
Derivative financial liabilities	(7,649)	(28,563)	–	(36,212)

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value of financial assets and liabilities (Continued)

4.2 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 Items

	Financial assets at fair value through profit or loss	Investment securities available for sale			Due to customers at fair value
	Debt securities	Debt securities	Fund investments and others	Equity securities	Structured deposits
As at 1 January 2014	**301**	**5,430**	**6,930**	**19,215**	**–**
Total gains and losses					
— profit or loss	**(11)**	**4**	**27**	**(134)**	**–**
— other comprehensive income	**–**	**20**	**327**	**(1,395)**	**–**
Sales	**(14)**	**(1,327)**	**(302)**	**(196)**	**–**
Purchases	**–**	**791**	**2,826**	**1,122**	**–**
Settlements	**–**	**–**	**–**	**–**	**–**
Transfers out of Level 3, net	**–**	**(2,455)**	**–**	**–**	**–**
As at 30 June 2014	**276**	**2,463**	**9,808**	**18,612**	**–**
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	**(11)**	**2**	**(3)**	**(140)**	**–**
As at 1 January 2013	268	2,952	7,054	17,846	(622)
Total gains and losses					
— profit or loss	19	44	(121)	5	–
— other comprehensive income	–	49	168	681	–
Sales	–	(614)	(934)	(63)	–
Purchases	142	3,813	1,346	746	–
Settlements	–	–	–	–	622
Transfers out of Level 3, net	(128)	(456)	(583)	–	–
Reclassification to held to maturity securities	–	(358)	–	–	–
As at 31 December 2013	301	5,430	6,930	19,215	–
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	17	15	(120)	–	–

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value of financial assets and liabilities (Continued)

4.2 Financial instruments measured at fair value (Continued)

Total gains or losses for the six month period ended 30 June 2014 and for the year ended 31 December 2013 included in the income statement as well as total gains or losses included in the income statement relating to financial instruments held at 30 June 2014 and 31 December 2013 are presented in "Net trading gains", "Net gains on financial investments" or "Impairment losses on assets" depending on the nature or category of the related financial instruments.

The financial assets and liabilities measured at fair value have been no significant transfers between level 1 and level 2 during the six month period ended 30 June 2014.

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

	For the six month period ended 30 June 2014		
	Realised	**Unrealised**	**Total**
Total gains/(losses)	**37**	**(151)**	**(114)**

	For the six month period ended 30 June 2013		
	Realised	**Unrealised**	**Total**
Total gains/(losses)	47	(85)	(38)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management

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

- Adequate capital and sustainable development. Implement the Scientific Outlook on Development thoroughly; follow the lead of the strategic planning of the Group development; and maintain the high quality and adequacy of capital as to meet regulation requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business in the Group.

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

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

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

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC. As a Systemically Important Bank, the Group is required to meet the requirements of the CBRC by the end of 2018, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 8.50%, 9.50% and 11.50%, respectively.

The Group's regulatory capital is managed by its Financial Management Department and consists of the following:

- Common equity tier 1 capital, including common shares, capital reserve, surplus reserve, general reserve, undistributed profits, and eligible portion of minority interests;

- 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.

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

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

The Group took various measures to manage risk-weighted assets including adjusting the composition of its on-balance and off-balance sheet assets.

In April 2014, the Group obtained approval from the CBRC to adopt 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.

The CBRC determines the parallel run period for a commercial bank approved to adopt the Advanced Capital Measurement Approaches. The parallel run period shall last for three years starting from the end of year when the bank is approved to adopt the Advanced Capital Measurement Approaches. During the parallel run period, the Group will calculate the capital adequacy ratio under both the Advanced Capital Measurement Approaches and the original non-Advanced Approaches, and will be subject to the capital floor requirements as specified in the *Capital Rules for Commercial Banks (Provisional).*

Before the adoption of the Advanced Capital Measurement Approaches, the Group adopted the Regulatory Weighting Approach for credit risk, the Standardised Measurement Approach for market risk and the Basic Indicator Approach for operational risk according to the *Capital Rules for Commercial Banks (Provisional)*. While using the Regulatory Weighting Approach to calculate risk-weighted assets, on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee. A similar calculation is adopted for off-balance sheet exposures, with adjustments made to reflect the contingent nature of the potential losses. The CCR risk-weighted assets are the summation of CCR risk-weighted assets from OTC derivative transactions and securities financing transactions, and the credit risk-weighted assets from the CCPs.

(Amount in millions of Renminbi, unless otherwise stated)

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 promulgated by the CBRC.

	Advanced Approaches	Non-Advanced Approaches	
	As at 30 June 2014	As at 30 June 2014	As at 31 December 2013
Common equity tier 1 capital adequacy ratio	**10.11%**	**9.36%**	9.69%
Tier 1 capital adequacy ratio	**10.13%**	**9.37%**	9.70%
Capital adequacy ratio	**12.41%**	**11.78%**	12.46%
Composition of the Group's capital base			
Common equity tier 1 capital	**965,567**	**965,567**	925,037
Common shares	**279,365**	**279,365**	279,365
Capital reserve	**117,752**	**117,752**	111,507
Surplus reserve	**79,928**	**79,928**	79,868
General reserve	**144,913**	**144,913**	144,434
Undistributed profits	**334,497**	**334,497**	303,053
Eligible portion of minority interests	**26,364**	**26,364**	25,225
Other [2]	**(17,252)**	**(17,252)**	(18,415)
Regulatory deductions	**(12,085)**	**(12,085)**	(12,089)
Goodwill	**(96)**	**(96)**	(96)
Other intangible assets (except land use rights)	**(3,799)**	**(3,799)**	(3,887)
Gains on sales related to securitisation transactions	**(118)**	**(118)**	(60)
Direct or indirect investments in own shares	**(39)**	**(39)**	(28)
Reserve relating to cash-flow hedge items not measured at fair value	**(2)**	**(2)**	(1)
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	**(8,031)**	**(8,031)**	(8,017)
Net common equity tier 1 capital	**953,482**	**953,482**	912,948
Additional tier 1 capital	**1,150**	**1,150**	698
Eligible portion of minority interests	**1,150**	**1,150**	698
Net tier 1 capital	**954,632**	**954,632**	913,646

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

	Advanced Approaches	Non-Advanced Approaches	
	As at 30 June 2014	As at 30 June 2014	As at 31 December 2013
Tier 2 capital	**218,858**	**249,199**	262,768
Tier 2 capital instruments issued and related premium	**131,646**	**131,646**	148,102
Excess loan loss provisions	**70,135**	**100,476**	94,778
Eligible portion of minority interests	**17,077**	**17,077**	19,888
Regulatory deductions	**(3,534)**	**(3,534)**	(3,067)
Significant minority capital investment in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	**(3,534)**	**(3,534)**	(3,067)
Net capital	**1,169,956**	**1,200,297**	1,173,347
Risk-weighted assets	**9,427,218**	**10,185,020**	9,418,726

(1) When calculating the capital adequacy ratios, Bank of China Group Investment Limited, Bank of China Insurance Company Limited, Bank of China Group Insurance Company Limited and Bank of China Group Life Assurance Company Limited were excluded from the scope of subsidiary consolidation in accordance with requirements of the CBRC.

(2) Other represents foreign currency translation reserve.

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

1 Liquidity ratios

	As at 30 June 2014	As at 31 December 2013
RMB current assets to RMB current liabilities	**51.89%**	48.00%
Foreign currency current assets to foreign currency current liabilities	**59.75%**	62.16%

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and the CBRC. Financial data as at 30 June 2014 and 31 December 2013 is based on *Chinese Accounting Standards* ("CAS").

2 Currency concentrations

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

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
As at 30 June 2014				
Spot assets	**1,214,114**	**21,207**	**181,169**	**1,416,490**
Spot liabilities	**(935,484)**	**(236,710)**	**(411,096)**	**(1,583,290)**
Forward purchases	**2,104,340**	**333,013**	**753,681**	**3,191,034**
Forward sales	**(2,362,865)**	**(162,295)**	**(545,599)**	**(3,070,759)**
Net options position*	**16,617**	**157**	**(2,779)**	**13,995**
Net long/(short) position	**36,722**	**(44,628)**	**(24,624)**	**(32,530)**
Net structural position	**21,222**	**117,363**	**41,200**	**179,785**
As at 31 December 2013				
Spot assets	1,089,001	24,075	158,852	1,271,928
Spot liabilities	(760,343)	(211,491)	(376,382)	(1,348,216)
Forward purchases	1,514,637	301,642	615,512	2,431,791
Forward sales	(1,838,096)	(162,214)	(415,138)	(2,415,448)
Net options position*	10,879	529	(464)	10,944
Net long/(short) position	16,078	(47,459)	(17,620)	(49,001)
Net structural position	20,498	107,204	36,379	164,081

* The net option position is calculated using the delta equivalent approach as set out in the requirements of the CBRC.

3 Cross-border claims

The Group is principally engaged in business operations within Chinese mainland, and regards all claims on third parties outside Chinese mainland as cross-border claims.

Cross-border claims include "Balances with central banks", "Placements with and loans to banks and other financial institutions", "Government certificates of indebtedness for bank notes issued", "Financial assets at fair value through profit or loss", "Loans and advances to customers, net" and "Financial investments".

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. 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 bank whose head office is located in another country.

	Banks and other financial institutions	Public sector entities	Other*	Total
As at 30 June 2014				
Asia Pacific excluding Chinese mainland				
Hong Kong	**27,371**	**5,184**	**763,791**	**796,346**
Other Asia Pacific locations	**119,839**	**6,420**	**252,449**	**378,708**
Subtotal	**147,210**	**11,604**	**1,016,240**	**1,175,054**
North and South America	**55,611**	**27,448**	**175,287**	**258,346**
Europe	**51,663**	**7,909**	**80,557**	**140,129**
Middle East and Africa	**2,440**	**595**	**10,655**	**13,690**
Total	**256,924**	**47,556**	**1,282,739**	**1,587,219**
As at 31 December 2013				
Asia Pacific excluding Chinese mainland				
Hong Kong	25,849	5,130	720,915	751,894
Other Asia Pacific locations	84,934	19,287	217,214	321,435
Subtotal	110,783	24,417	938,129	1,073,329
North and South America	45,397	29,532	199,494	274,423
Europe	64,045	9,785	65,807	139,637
Middle East and Africa	3,948	655	9,901	14,504
Total	224,173	64,389	1,213,331	1,501,893

* Claims to the government entities are included in "Other".

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX I — UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

4 Overdue assets

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

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

	As at 30 June 2014	As at 31 December 2013
Total loans and advances to customers which have been overdue		
within 3 months	**49,347**	34,415
between 3 and 6 months	**15,376**	9,277
between 6 and 12 months	**15,815**	12,480
over 12 months	**33,464**	31,941
Total	**114,002**	88,113
Percentage		
within 3 months	**0.58%**	0.45%
between 3 and 6 months	**0.18%**	0.12%
between 6 and 12 months	**0.19%**	0.17%
over 12 months	**0.40%**	0.42%
Total	**1.35%**	1.16%

(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 2014 and 31 December 2013 is not considered material.

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

There are no differences in the Group's operating results for the six month period ended 30 June 2014 and 2013 or total equity as at 30 June 2014 and as at 31 December 2013 presented in the Group's condensed consolidated interim financial information prepared under IFRS and those prepared under CAS.

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION

1 The Capital Adequacy Ratios calculated under the Advanced Capital Measurement Approaches in accordance with *Capital Rules for Commercial Banks (Provisional)* are set forth in the table below.

	As at 30 June 2014	
	Group [(1)]	Bank [(1)]
Net common equity tier 1 capital	953,482	835,159
Net tier 1 capital	954,632	835,159
Net capital	1,169,956	1,034,037
Risk-weighted assets	9,427,218	8,381,731
Common equity tier 1 capital adequacy ratio	10.11%	9.96%
Tier 1 capital adequacy ratio	10.13%	9.96%
Capital adequacy ratio	12.41%	12.34%

(1) The Group excluded Bank of China Group Investment Limited, Bank of China Insurance Company Limited, Bank of China Group Insurance Company Limited and Bank of China Group Life Assurance Company Limited when calculating the Group's CARs, while including other branches and subsidiaries in consolidation. For the Bank's CAR calculations, only the branches were included, and the subsidiaries were excluded.

2 Risk-weighted assets

	As at 30 June 2014
Credit risk-weighted assets	8,629,890
Market risk-weighted assets	69,660
Operational risk-weighted assets	647,618
Additional risk-weighted assets required due to the application of the capital floor	80,050
Total risk-weighted assets	9,427,218

3 Credit risk exposures

	As at 30 June 2014		
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk
Credit risk exposures covered by IRB Approach	6,942,827	1,424,690	14,357
Corporate exposures	4,926,412	1,289,999	14,357
Retail exposures	2,016,415	134,691	–
Credit risk exposures not covered by IRB Approach	8,365,963	155,031	136,113
Of which: Asset securitisation	13,439	–	–

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

4 Capital charges for market risk

	As at 30 June 2014		
	Standardised Approach	Internal Models Approach	Total
General market risk	653	3,576	–
Interest rate risk	–	–	–
Equity risk	518	–	–
Foreign exchange risk	–	–	–
Commodity risk	135	–	–
Option risk	–	–	–
Specific risk	1,344	–	–
Incremental risk	–	–	–
Specific risk of asset securitisation risk exposures in the trading book	–	–	–
Total amount of capital charges for market risk	1,997	3,576	5,573

5 Period-end VaR and average VaR for market risk

	As at 30 June 2014			
	General VaR		Stressed VaR	
	General VaR at the end of the period	Average general VaR of the past 60 trading days	General VaR at the end of the period	Average general VaR of the past 60 trading days
Interest rate	158	125	411	425
Equities	–	–	–	–
Foreign exchange	317	397	530	587
Commodities	3	23	4	37
Total general risk	320	389	605	730

6 Operational Risk Management

The Bank continuously improved the Group's operational risk management mechanism. It promoted the application of operational risk management tools including Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC), promoted Business Continuity Management (BCM), continuously enhanced its operational risk management information system and risk monitoring system to improve the effectiveness of operational risk identification, assessment and monitoring. In addition, the Bank conducted operational risk management assessment and capital measurement, pushed forward the Advanced Measurement Approach (AMA) project, and developed various management tools and AMA models including Scenario Analysis (SA) and Business Environment Internal Control Factor (BEICF) to further enhance risk quantification and forward-looking management.

7 Other Information

	As at 30 June 2014
Overdue loans	114,002
Non-performing loans	85,860
Allowance for impairment losses on loans	186,335
Long-term equity investment	40,815
Gain/loss on long-term equity investment	82

8 Interest rate risk in the banking book

The Group manages interest rate risk in the banking book primarily through an interest rate repricing gap analysis. The interest rate repricing gap analysis (including the trading book) is set out below.

	As at 30 June 2014						
	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	242,787	173,050	383,471	561	–	78,472	878,341
Balances with central banks	2,251,438	–	–	–	–	105,695	2,357,133
Placements with and loans to banks and other financial institutions	521,445	78,713	156,502	2,113	–	–	758,773
Financial assets at fair value through profit or loss	6,235	12,299	15,704	25,152	5,176	9,751	74,317
Derivative financial assets	–	–	–	–	–	42,689	42,689
Loans and advances to customers, net	1,802,313	1,842,142	4,263,807	61,824	54,328	213,796	8,238,210
Financial investments							
— Available for sale	53,920	87,262	148,305	223,038	113,565	6,366	632,456
— Held to maturity	55,283	88,637	150,488	669,342	324,331	–	1,288,081
— Loans and receivables	36,876	83,950	58,315	18,416	220,182	–	417,739
Other	7,710	9,352	8,981	–	–	599,564	625,607
Total assets	4,978,007	2,375,405	5,185,573	1,000,446	717,582	1,056,333	15,313,346
Liabilities							
Due to banks and other financial institutions	1,280,857	123,089	378,319	13,423	1,629	26,849	1,824,166
Due to central banks	103,243	34,976	90,643	–	–	1,562	230,424
Placements from banks and other financial institutions	213,118	135,754	84,884	–	–	–	433,756
Derivative financial liabilities	–	–	–	–	–	29,106	29,106
Due to customers	6,069,849	1,233,790	2,564,401	1,187,213	6,715	133,401	11,195,369
Bonds issued	29,123	9,825	18,818	69,138	113,496	–	240,400
Other	5,506	4,757	7,276	419	481	361,686	380,125
Total liabilities	7,701,696	1,542,191	3,144,341	1,270,193	122,321	552,604	14,333,346
Total interest repricing gap	(2,723,689)	833,214	2,041,232	(269,747)	595,261	503,729	980,000

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 1: Regulatory Consolidated Statement of Financial Position and Illustration of Accounting Items

	As at 30 June 2014	Code
ASSETS		
Cash and due from banks and other financial institutions	878,341	
Balances with central banks	2,357,133	
Placements with and loans to banks and other financial institutions	758,773	
Government certificates of indebtedness for bank notes issued	78,156	
Precious metals	215,406	
Financial assets at fair value through profit or loss	74,317	
Derivative financial assets	42,689	
Loans and advances to customers, net	8,238,210	
Of which: Attributable part of excess loan loss reserve to tier 2 capital	(70,135)	a
Financial investments	2,338,276	
— Available for sale	632,456	
— Held to maturity	1,288,081	
— Loans and receivables	417,739	
Of which: Significant minority capital investment in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	3,534	b
Investment in subsidiaries	37,664	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	8,031	c
Investment in associates and joint ventures	3,151	
Property and equipment	94,390	
Investment properties	10,534	
Deferred income tax assets	20,584	
Other assets	165,722	
— Intangible assets	11,763	d
Of which: Land use rights	7,964	e
— Goodwill	96	f
Total assets	**15,313,346**	

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 1: Regulatory Consolidated Statement of Financial Position and Illustration of Accounting Items (Continued)

	As at 30 June 2014	Code
LIABILITIES		
Due to banks and other financial institutions	1,824,166	
Due to central banks	230,424	
Bank notes in circulation	78,224	
Placements from banks and other financial institutions	433,756	
Derivative financial liabilities	29,106	
Due to customers	11,195,369	
Bonds issued	240,400	
Of which: Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	131,646	g
Other borrowings	–	
Current tax liabilities	29,401	
Retirement benefit obligations	4,647	
Deferred income tax liabilities	1,288	
Other liabilities	266,565	
Total liabilities	14,333,346	
EQUITY		
Capital and reserves attributable to equity holders of the Bank		
Share capital	279,365	h
Capital reserve	115,403	i
Of which: Cash flow hedge reserve	2	j
Treasury shares	(39)	k
Statutory reserves	79,928	l
General and regulatory reserves	144,913	m
Undistributed profits	334,497	n
Of which: Asset securitisation sales gains	118	o
Reserve for fair value changes of available for sale securities	2,349	p
Currency translation differences	(17,252)	q
Non-controlling interests	40,836	
Of which: Amount attributable to common equity tier 1 capital	26,364	r
Of which: Amount attributable to additional tier 1 capital	1,150	s
Total equity	980,000	
Total equity and liabilities	15,313,346	

Note: Consolidated Statement of Financial Position please refer to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2014.

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 2: Capital Composition and Mapping Relationship with Statement of Financial Position

		As at 30 June 2014	Code
Common equity tier 1 capital			
1	Common shares	279,365	h
2	Undistributed profits	559,338	
2a	Surplus reserve	79,928	l
2b	General reserve	144,913	m
2c	Undistributed profits	334,497	n
3	Other cumulative comprehensive earnings and disclosed reserves	100,500	
3a	Capital reserve	117,752	i+p
3b	Others	(17,252)	q
4	Amount attributable to common equity tier 1 capital in transitional period	–	
5	Eligible portion of minority interests	26,364	r
6	**Common equity tier 1 capital before regulatory adjustment**	965,567	
Common equity tier 1 capital: regulatory adjustment			
7	Prudential valuation adjustment	–	
8	Goodwill (net of deferred tax liabilities deduction)	(96)	-f
9	Other intangible assets (except land use rights) (net of deferred tax liabilities deduction)	(3,799)	e-d
10	Net deferred tax assets relying on future profitability to be realised and incurred by operating losses	–	
11	Reserves relating to cash-flow hedge items not measured at fair value	(2)	-j
12	Shortfall of loan loss provisions	–	
13	Gains on sales related to securitisation transactions	(118)	-o
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	(39)	k
17	Common equity tier 1 capital cross-held between banks or between the bank and other financial institutions based on agreement	–	
18	Deductible amount out of common equity tier 1 capital in minority capital investment in small amount in unconsolidated financial institutions	–	
19	Deductible amount out of common equity tier 1 capital in minority capital investment in large amount in unconsolidated financial institutions	–	
20	Mortgage loan service rights	Not applicable	
21	Deductible amount of other net deferred tax assets dependent on the bank's future profit	–	
22	Deductible amount of non-deducted part of common equity tier 1 capital in minority capital investment in large amount in unconsolidated financial institutions and other net deferred tax assets dependent on the bank's future profit in excess of 15% of common equity tier 1 capital	–	

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 2: Capital Composition and Mapping Relationship with Statement of Financial Position (Continued)

		As at 30 June 2014	Code
23	Where: Amount deductible out of minority capital investment in large amount in financial institutions	–	
24	Where: Amount deductible out of mortgage loan service rights	**Not applicable**	
25	Where: Amount deductible out of other net deferred tax assets dependent on the bank's future profit	–	
26a	Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(8,031)	-c
26b	Gap of common equity tier 1 capital of controlled but unconsolidated financial institutions	–	
26c	Total of other items deductible out of common equity tier 1 capital	–	
27	Non-deducted gap deductible out of additional tier 1 capital and tier 2 capital	–	
28	**Total regulatory adjustment of common equity tier 1 capital**	**(12,085)**	
29	**Common equity tier 1 capital**	**953,482**	
Additional tier 1 capital			
30	Additional tier 1 capital instruments and premiums	–	
31	Where: Equity part	–	
32	Where: Liability part	–	
33	Instruments non-attributable to additional tier 1 capital after transitional period	–	
34	Eligible portion of minority interests	1,150	s
35	Where: Part of instruments non-attributable to additional tier 1 capital after transitional period	–	
36	**Additional tier 1 capital before regulatory adjustment**	**1,150**	
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 the agreement	–	
39	Deductible part of additional tier 1 capital in minority capital investment in small amount in unconsolidated financial institutions	–	
40	Additional tier 1 capital in minority capital investment in large amount in unconsolidated financial institutions	–	
41a	Investment in additional tier 1 capital of controlled but unconsolidated financial institutions	–	
41b	Gap of additional tier 1 capital of controlled but unconsolidated financial institutions	–	
41c	Other items deductible out of additional tier 1 capital	–	
42	Nondeductible gaps deductible out of tier 2 capital	–	
43	**Total regulatory adjustment of common equity tier 1 capital**	**–**	
44	**Additional tier 1 capital**	**1,150**	
45	**Tier 1 capital (common equity tier 1 capital + additional tier 1 capital)**	**954,632**	

(Amount in millions of Renminbi, unless otherwise stated)

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 2: Capital Composition and Mapping Relationship with Statement of Financial Position (Continued)

		As at 30 June 2014	Code
Tier 2 capital			
46	Tier 2 capital instruments issued and related premium	**131,646**	**g**
47	Where: Part of instruments non-attributable to tier 2 capital after transitional period	**131,646**	
48	Eligible portion of minority interests	**17,077**	
49	Where: Part non-attributable after expiration of transitional period	**6,631**	
50	Attributable part of excess loan loss provisions	**70,135**	**-a**
51	**Tier 2 capital before regulatory adjustment**	**218,858**	
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 the agreement	**–**	
54	Deductible part of tier 2 capital in minority capital investment in small amount in unconsolidated financial institutions	**–**	
55	Significant minority capital investment in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	**(3,534)**	**-b**
56a	Investment in tier 2 capital of controlled but unconsolidated financial institutions	**–**	
56b	Gap of tier 2 capital of controlled but unconsolidated financial institutions	**–**	
56c	Other items deductible out of tier 2 capital	**–**	
57	**Total regulatory adjustment of tier 2 capital**	**(3,534)**	
58	**Tier 2 capital**	**215,324**	
59	**Total capital (tier 1 capital + tier 2 capital)**	**1,169,956**	
60	**Total risk-weighted assets**	**9,427,218**	

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 2: Capital Composition and Mapping Relationship with Statement of Financial Position (Continued)

		As at 30 June 2014	Code
Capital adequacy ratio and reserve capital requirement			
61	Common equity tier 1 capital adequacy ratio	10.11%	
62	Tier 1 capital adequacy ratio	10.13%	
63	Capital adequacy ratio	12.41%	
64	Institution-specific capital requirement	3.5%	
65	Where: Capital reserve requirement	2.5%	
66	Where: Countercyclical reserve requirement	–	
67	Where: Additional capital requirement of G-SIFIs	1%	
68	Ratio of common equity tier 1 capital meeting buffer area to risk-weighted assets	5.11%	
Domestic minimum regulatory capital requirement			
69	Common equity tier 1 capital adequacy ratio	5%	
70	Tier 1 capital adequacy ratio	6%	
71	Capital adequacy ratio	8%	
Non-deducted part of threshold deductibles			
72	Non-deducted part of minority capital investment in small amount in financial institutions that are outside the scope of regulatory consolidation	43,580	
73	Non-deducted part of minority capital investment in large amount in financial institutions that are outside the scope of regulatory consolidation	3,006	
74	Mortgage loan service rights (net of deferred tax liabilities deduction)	Not applicable	
75	Other net deferred tax assets dependent on the bank's future profit (net of deferred tax liabilities deduction)	20,584	
Limit of excess loan loss reserve attributable to tier 2 capital			
76	Actually accrued loan loss reserve amount under the Weighting Approach	Not applicable	
77	Amount of excess loan loss reserve attributable to tier 2 capital under the Weighting Approach	Not applicable	
78	Actually accrued loan loss reserve amount under the IRB Approach	75,870	
79	Amount of excess loan loss reserve attributable to tier 2 capital under the internal IRB Approach	70,135	-a
Capital instruments meeting exit arrangement			
80	Amount attributable to common equity tier 1 capital of the current period derived from transitional period arrangement	–	
81	Amount non-attributable to common equity tier 1 capital derived from transitional period arrangement	–	
82	Amount attributable to additional tier 1 capital of the current period derived from transitional period arrangement	–	
83	Amount non-attributable to additional tier 1 capital derived from transitional period arrangement	–	
84	Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	131,646	g
85	Amount non-attributable to tier 2 capital of the current period derived from transitional period arrangement	32,299	

APPENDIX III — CAPITAL ADEQUACY RATIO SUPPLEMENTARY INFORMATION (Continued)

Annex 3: Capital Instrument Major Attributes

1	Issuer	Bank of China Limited	Bank of China Limited
2	Identification code	A-share code: 601988	H-share code: 3988
3	Applicable Law	Chinese Laws	Hong Kong Laws
	Regulatory processing		
4	Where: Applicable to transitional period rules specified by *Capital Rules for Commercial Banks (Provisional)*	Common equity tier 1 capital	Common equity tier 1 capital
5	Where: 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
6	Where: Applicable to bank/group level	Bank/Group	Bank/Group
7	Instrument type	Common shares	Common shares
8	Amount attributable to regulatory capital (in millions of RMB, the last reporting day)	232,416	151,808
9	Face value of instrument	195,525	83,622
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve
11	Initial issuing date	2006/6/29	2006/6/1 2006/6/9
12	Term (term or perpetual)	Perpetual	Perpetual
13	Where: Original maturity date	No maturity date	No maturity date
14	Issuer's redemption (subject to regulatory approval)	No	No
15	Where: Redemption date (or have redemption date) and amount	Not applicable	Not applicable
16	Where: Subsequent redemption date (if any)	Not applicable	Not applicable
	Dividend or interest payment		
17	Where: Fixed or floating dividend or interest payment	Floating	Floating
18	Where: Coupon rate and relevant indicators	Not applicable	Not applicable
19	Where: Existence of dividend brake mechanism	No	No
20	Where: Discretion to cancel dividend or interest payment	Full discretion	Full discretion
21	Where: Existence of redemption incentive mechanism	No	No
22	Where: Cumulative or noncumulative	Not applicable	Not applicable
23	Conversion into shares	No	No
24	Where: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable
25	Where: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable
26	Where: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable
27	Where: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable
28	Where: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable
29	Where: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable
30	Write down	No	No
31	Where: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable
32	Where: Please specify write down in whole or in part, if write-down is allowed	Not applicable	Not applicable
33	Where: Please specify the write-down is perpetual or temporary, if write-down is allowed	Not applicable	Not applicable
34	Where: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The claim comes after other liabilities of the Group	The claim comes after other liabilities of the Group
36	Does the instrument contain temporary illegible attribute?	No	No
	Where: If yes, please specify such attribute	Not applicable	Not applicable

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