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**中國銀行股份有限公司**  
**BANK OF CHINA LIMITED**

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

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

**Report for the First Quarter ended 31 March 2017**

The Board of Directors (the "Board") of the Bank is pleased to announce the unaudited results of the Bank and its subsidiaries (the "Group") for the first quarter ended 31 March 2017. This announcement is made by the Bank pursuant to Part XIVA of the *Securities and Futures Ordinance* (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

## **I. BASIC INFORMATION**

### **1.1 Corporate information**

#### **A Share**

**Stock name** 中國銀行  
**Stock code** 601988  
**Listing venue** The Shanghai Stock Exchange

#### **H Share**

**Stock name** Bank of China  
**Stock code** 3988  
**Listing venue** The Stock Exchange of Hong Kong Limited

#### **Domestic Preference Share**

##### **First Tranche**

**Stock name** 中行優1  
**Stock code** 360002

##### **Second Tranche**

**Stock name** 中行優2  
**Stock code** 360010  
**Trading venue** The Shanghai Stock Exchange

#### **Offshore Preference Share**

**Stock name** BOC 2014 PREF  
**Stock code** 4601  
**Listing venue** The Stock Exchange of Hong Kong Limited

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

**GENG Wei (耿偉)**  
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## 1.2 Key financial data and performance indicators

### 1.2.1 Key financial data and performance indicators for the Group prepared in accordance with International Financial Reporting Standards (“IFRS”)

Unit: RMB million (unless otherwise stated)

Items	As at 31 March 2017	As at 31 December 2016	Change (%)	
Total assets	<b>18,917,549</b>	18,148,889	4.24	
Capital and reserves attributable to equity holders of the Bank	<b>1,451,448</b>	1,411,682	2.82	
Net assets per share (RMB)	<b>4.59</b>	4.46	3.03	
Items	Three-month period ended 31 March 2017	Change (%)	Three-month period ended 31 March 2017	Change (%)
Operating income	<b>129,523</b>	5.21	<b>129,523</b>	5.21
Profit for the period	<b>50,327</b>	3.48	<b>50,327</b>	3.48
Profit attributable to equity holders of the Bank	<b>46,649</b>	0.06	<b>46,649</b>	0.06
Basic earnings per share (RMB)	<b>0.15</b>	0.07	<b>0.15</b>	0.07
Diluted earnings per share (RMB)	<b>0.15</b>	0.07	<b>0.15</b>	0.07
Return on average equity (%)	<b>13.74</b>	Down by 1.03 percentage points	<b>13.74</b>	Down by 1.03 percentage points
Net cash inflow from operating activities	<b>384,691</b>	N/A	<b>384,691</b>	N/A
Net cash inflow from operating activities per share (RMB)	<b>1.31</b>	N/A	<b>1.31</b>	N/A

### 1.2.2 Differences between IFRS and Chinese Accounting Standards (“CAS”) consolidated financial statements

There are no differences in the Group’s operating results for the three-month period ended 31 March 2017 and 2016 or the total equity as at 31 March 2017 and as at 31 December 2016 presented in the Group’s consolidated financial statements prepared under IFRS and those prepared under CAS.

### 1.3 Number of ordinary shareholders and top ten ordinary shareholders

#### 1.3.1 Number of ordinary shareholders as at 31 March 2017: 830,098 (including 631,127 A-Share Holders and 198,971 H-Share Holders)

#### 1.3.2 Top ten ordinary shareholders as at 31 March 2017

Unit: share

No.	Name of ordinary shareholder	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	188,461,533,607	64.02%	–	None	State	A
2	HKSCC Nominees Limited	81,808,986,764	27.79%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	7,470,982,358	2.54%	–	None	State-owned legal person	A
4	Central Huijin Asset Management Ltd.	1,810,024,500	0.61%	–	None	State-owned legal person	A
5	Buttonwood Investment Platform Ltd.	1,060,059,360	0.36%	–	None	State-owned legal person	A
6	The Bank of Tokyo-Mitsubishi UFJ Ltd.	520,357,200	0.18%	–	Unknown	Foreign legal person	H
7	Anbang Life Insurance Co., Ltd. — Conservative Investment Portfolio	477,023,612	0.16%	–	None	Other	A
8	HKSCC Limited	425,754,443	0.14%	–	None	Foreign legal person	A
9	Anbang Property & Casualty Insurance Co., Ltd. — Traditional Product	208,018,959	0.07%	–	None	Other	A
10	China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH	195,521,462	0.07%	–	None	Other	A

#### Notes:

- The number of shares held by H-Share Holders was recorded in the register of members kept at the H-Share Registrar of the Bank.
- HKSCC Nominees Limited acted as the nominee for all the institutional and individual investors that maintain an account with it as at 31 March 2017. The aggregate number of the Bank's H Shares held by HKSCC Nominees Limited included the number of shares held by National Council for Social Security Fund.
- Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd.
- Both Anbang Life Insurance Co., Ltd. and Anbang Property & Casualty Insurance Co., Ltd. are subsidiaries of Anbang Insurance Group Co., Ltd.
- HKSCC Limited is the nominee holder who holds securities on behalf of others. The securities included the SSE securities acquired by Hong Kong and overseas investors through Shanghai-Hong Kong Stock Connect.
- Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned ordinary shareholders.

## 1.4 Number of preference shareholders and top ten preference shareholders

### 1.4.1 Number of preference shareholders as at 31 March 2017: 48 (including 47 domestic preference shareholders and 1 offshore preference shareholder)

### 1.4.2 Top ten preference shareholders as at 31 March 2017

Unit: Share

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

#### Notes:

1. The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintain an account with Euroclear and Clearstream as at 31 March 2017, held 399,400,000 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.
2. Both Yunnan Branch of China National Tobacco Corporation and China Shuangwei Investment Co., Ltd. are wholly-owned subsidiaries of China National Tobacco Corporation. Zhong Wei Capital Holdings Co., Ltd. is a subsidiary of China Shuangwei Investment Co., Ltd.
3. Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned preference shareholders, and between the aforementioned preference shareholders and the Bank's aforementioned top ten ordinary shareholders.

## II. SUMMARY OF ANALYSIS ON OVERALL OPERATING ACTIVITIES

During the first quarter of 2017, the Group achieved a profit for the period of RMB50.327 billion and a profit attributable to equity holders of the Bank of RMB46.649 billion, an increase of 3.48% and 0.06% respectively compared with the same period of 2016. Return on average total assets (ROA) was 1.09% and return on average equity (ROE) was 13.74%, a decrease of 0.06 and 1.03 percentage points respectively compared with the same period of 2016. The common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 11.16%, 12.04% and 13.77% respectively<sup>1</sup>.

### 2.1 The principal components of the Group's income statement for the three-month period ended 31 March 2017 were as follows:

1. The Group's net interest income amounted to RMB78.608 billion, representing a decrease of RMB0.928 billion or 1.17% compared with the same period of 2016. The net interest margin was 1.80%, a decrease of 0.17 percentage point compared with the same period of 2016.
2. The Group's non-interest income amounted to RMB50.915 billion, representing an increase of RMB7.338 billion or 16.84% compared with the same period of 2016. Non-interest income represented 39.31% of the total operating income, an increase of 3.91 percentage points compared with the same period of 2016. Particularly, net fee and commission income amounted to RMB25.751 billion, an increase of RMB0.024 billion or 0.09% compared with the same period of 2016.
3. The Group's operating expenses amounted to RMB42.986 billion, a decrease of RMB1.452 billion or 3.27% compared with the same period of 2016. The cost to income ratio (calculated under domestic regulations) was 24.18%, a decrease of 0.43 percentage point compared with the same period of 2016.
4. The Group's impairment losses on assets amounted to RMB22.243 billion, an increase of RMB6.290 billion or 39.43% compared with the same period of 2016. The Group reported non-performing loans totalling RMB150.318 billion, and the ratio of non-performing loans to total loans was 1.45%. The ratio of allowance for loan impairment losses to non-performing loans was 159.52%.

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<sup>1</sup> Capital adequacy ratios are calculated under the advanced approaches in accordance with the *Capital Rules for Commercial Banks (Provisional)* promulgated by China Banking Regulatory Commission ("CBRC").

## **2.2 The principal components of the Group's financial position as at 31 March 2017 were as follows:**

The Group's total assets amounted to RMB18,917.549 billion, an increase of RMB768.660 billion or 4.24% compared with the prior year-end. Total liabilities amounted to RMB17,388.917 billion, an increase of RMB727.120 billion or 4.36% compared with the prior year-end.

1. The Group's due to customers amounted to RMB13,759.960 billion, an increase of RMB820.212 billion or 6.34% compared with the prior year-end. Particularly, domestic RMB-denominated deposits amounted to RMB10,241.371 billion, an increase of RMB659.776 billion or 6.89% compared with the prior year-end.
2. The Group's loans and advances to customers amounted to RMB10,364.753 billion, an increase of RMB391.391 billion or 3.92% compared with the prior year-end. Particularly, domestic RMB-denominated loans amounted to RMB7,734.722 billion, an increase of RMB253.889 billion or 3.39% compared with the prior year-end.
3. The Group's investments<sup>2</sup> amounted to RMB4,169.309 billion, an increase of RMB196.425 billion or 4.94% compared with the prior year-end. The RMB-denominated investments amounted to RMB3,177.279 billion, an increase of RMB176.344 billion or 5.88% compared with the prior year-end. Foreign currency-denominated investments amounted to USD143.787 billion, an increase of USD3.676 billion or 2.62% compared with the prior year-end.

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<sup>2</sup> Investments include financial investments available for sale, debt securities held to maturity, financial investments classified as loans and receivables, and financial assets at fair value through profit or loss.

### III. SIGNIFICANT EVENTS

#### 3.1 Significant changes in major financial data and indicators and the reasons thereof

Applicable

Not Applicable

The Group's key financial data and indicators which fluctuated over 30% compared with those as at the end of 2016, or compared with those for the three-month period ended 31 March 2016 are as follows:

Unit: RMB million, except percentages

Items	As at 31 March 2017	As at 31 December 2016	Change	Main reasons
Derivative financial assets	<b>84,065</b>	130,549	-35.61%	Due to fluctuation of market parameters such as exchange rates and interest rates.
Assets held for sale	<b>5,795</b>	50,371	-88.50%	Due to disposal of subsidiary.
Derivative financial liabilities	<b>68,490</b>	107,109	-36.06%	Due to fluctuation of market parameters such as exchange rates and interest rates.
Liabilities classified as held for sale	<b>731</b>	42,488	-98.28%	Due to disposal of subsidiary.
Other comprehensive income	<b>(9,431)</b>	(3,854)	144.71%	Due to change of fair value of debt securities available for sale.



Unit: RMB million, except percentages

Items	Three-month period ended 31 March 2017	Three-month period ended 31 March 2016	Change	Main reasons
Net trading gains	7,727	1,935	299.33%	Due to increase in net gains from foreign exchange and foreign exchange products.
Net gains on financial investments	264	4,493	-94.12%	Due to decrease in net gains from the disposal of debt securities available for sale.
Other operating income	17,173	11,422	50.35%	Due to increase in insurance premiums and gains from the disposal of subsidiary.
Impairment losses on assets	(22,243)	(15,953)	39.43%	Due to increase in allowance for impairment losses on domestic loans.
Share of results of associates and joint ventures	339	180	88.33%	Due to increase in share of results of associates.
Profit for the period attributable to non-controlling interests	3,678	2,014	82.62%	Due to gains from the disposal of subsidiary.

### 3.2 Development of significant events, related impact and resolution

Applicable                       Not Applicable

### 3.3 Undertakings failed to be fulfilled during the reporting period

Applicable                       Not Applicable

### 3.4 Warnings and explanations of any forecasted losses or significant changes to accumulated net profit from the beginning of the year to the end of the next reporting period

Applicable                       Not Applicable

### 3.5 Implementation of cash dividend policy during the reporting period

Applicable                       Not Applicable

At the Board meeting held on 23 January 2017, the dividend distribution plan for the Bank's Domestic Preference Shares (Second Tranche) was approved. The Bank distributed a total of RMB1.540 billion (before tax) of dividends on the Domestic Preference Shares (Second Tranche) on 13 March 2017, with an annual dividend rate of 5.50% (before tax). The dividend distribution plan has been accomplished.

#### IV. QUARTERLY REPORT

This announcement is simultaneously available on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and that of the Bank at [www.boc.cn](http://www.boc.cn). The 2017 first quarter report prepared in accordance with CAS is also available on the website of the Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and that of the Bank at [www.boc.cn](http://www.boc.cn).

By Order of the Board  
**Bank of China Limited**  
**GENG Wei**

*Secretary to the Board of Directors and Company Secretary*

Beijing, PRC  
28 April 2017

*As at the date of this announcement, the directors of the Bank are: Tian Guoli, Chen Siqing, Ren Deqi, Gao Yingxin, Zhang Xiangdong\*, Zhang Qi\*, Liu Xianghui\*, Li Jucui\*, Nout Wellink#, Lu Zhengfei#, Leung Cheuk Yan#, Wang Changyun# and Angela Chao#.*

\* *Non-executive Directors*

# *Independent Non-executive Directors*

APPENDIX I — FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH IFRS)

Consolidated Income Statement

	Unit: RMB million	
	<b>For the three-month period ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	(unaudited)	(unaudited)
Interest income	144,807	145,509
Interest expense	(66,199)	(65,973)
<b>Net interest income</b>	<b>78,608</b>	<b>79,536</b>
Fee and commission income	28,268	27,793
Fee and commission expense	(2,517)	(2,066)
<b>Net fee and commission income</b>	<b>25,751</b>	<b>25,727</b>
Net trading gains	7,727	1,935
Net gains on financial investments	264	4,493
Other operating income	17,173	11,422
<b>Operating income</b>	<b>129,523</b>	<b>123,113</b>
Operating expenses	(42,986)	(44,438)
Impairment losses on assets	(22,243)	(15,953)
<b>Operating profit</b>	<b>64,294</b>	<b>62,722</b>
Share of results of associates and joint ventures	339	180
<b>Profit before income tax</b>	<b>64,633</b>	<b>62,902</b>
Income tax expense	(14,306)	(14,269)
<b>Profit for the period</b>	<b>50,327</b>	<b>48,633</b>
<b>Attributable to:</b>		
Equity holders of the Bank	46,649	46,619
Non-controlling interests	3,678	2,014
	<b>50,327</b>	<b>48,633</b>
Earnings per share (RMB)		
— Basic	0.15	0.15
— Diluted	0.15	0.15

## Consolidated Statement of Comprehensive Income

	Unit: RMB million	
	<b>For the three-month period ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	(unaudited)	(unaudited)
<b>Profit for the period</b>	<b>50,327</b>	<b>48,633</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
— Actuarial losses on defined benefit plans	(323)	(2)
Subtotal	(323)	(2)
<b>Items that may be reclassified subsequently to profit or loss</b>		
— Net fair value losses on available for sale financial assets	(4,317)	(2,143)
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method	15	(18)
— Exchange differences from the translation of foreign operations	(1,008)	(4)
— Other	57	24
Subtotal	(5,253)	(2,141)
<b>Other comprehensive income for the period, net of tax</b>	<b>(5,576)</b>	<b>(2,143)</b>
<b>Total comprehensive income for the period</b>	<b>44,751</b>	<b>46,490</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Bank	41,072	44,689
Non-controlling interests	3,679	1,801
	<b>44,751</b>	<b>46,490</b>

## Consolidated Statement of Financial Position

	Unit: RMB million	
	As at 31 March 2017 (unaudited)	As at 31 December 2016 (audited)
<b>ASSETS</b>		
Cash and due from banks and other financial institutions	631,496	659,982
Balances with central banks	2,465,986	2,271,640
Placements with and loans to banks and other financial institutions	628,326	594,048
Government certificates of indebtedness for bank notes issued	121,651	117,421
Precious metals	173,995	161,417
Financial assets at fair value through profit or loss	138,411	124,090
Derivative financial assets	84,065	130,549
Loans and advances to customers, net	10,124,969	9,735,646
Financial investments	4,030,898	3,848,794
— available for sale	1,675,784	1,609,830
— held to maturity	1,957,147	1,843,043
— loans and receivables	397,967	395,921
Investment in associates and joint ventures	15,707	14,059
Property and equipment	196,073	194,897
Investment properties	21,633	21,659
Deferred income tax assets	31,741	34,341
Assets held for sale	5,795	50,371
Other assets	246,803	189,975
<b>Total assets</b>	<b>18,917,549</b>	<b>18,148,889</b>

**Consolidated Statement of Financial Position (continued)**

Unit: RMB million

	<b>As at 31 March 2017</b> (unaudited)	<b>As at 31 December 2016</b> (audited)
<b>LIABILITIES</b>		
Due to banks and other financial institutions	1,324,319	1,420,527
Due to central banks	849,786	867,094
Bank notes in circulation	121,313	117,656
Placements from banks and other financial institutions	352,502	302,792
Derivative financial liabilities	68,490	107,109
Due to customers	13,759,960	12,939,748
— at amortised cost	13,362,553	12,589,437
— at fair value	397,407	350,311
Bonds issued	382,439	362,318
Other borrowings	27,558	27,152
Current tax liabilities	32,744	28,055
Retirement benefit obligations	3,648	3,439
Deferred income tax liabilities	4,574	4,501
Liabilities classified as held for sale	731	42,488
Other liabilities	460,853	438,918
<b>Total liabilities</b>	<b>17,388,917</b>	<b>16,661,797</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the Bank</b>		
Share capital	294,388	294,388
Other equity instruments	99,714	99,714
Capital reserve	142,218	141,972
Treasury shares	(62)	(53)
Other comprehensive income	(9,431)	(3,854)
Statutory reserves	125,748	125,714
General and regulatory reserves	193,681	193,462
Undistributed profits	605,192	560,339
	<b>1,451,448</b>	<b>1,411,682</b>
<b>Non-controlling interests</b>	<b>77,184</b>	<b>75,410</b>
<b>Total equity</b>	<b>1,528,632</b>	<b>1,487,092</b>
<b>Total equity and liabilities</b>	<b>18,917,549</b>	<b>18,148,889</b>

**TIAN Guoli**  
*Director*

**CHEN Siqing**  
*Director*

## Consolidated Statement of Cash Flows

Unit: RMB million

	<b>For the three-month period ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax	64,633	62,902
Adjustments:		
Impairment losses on assets	22,243	15,953
Depreciation of property and equipment	3,240	3,145
Amortisation of intangible assets and other assets	660	667
Net gains on disposal of property and equipment, intangible assets and other long-term assets	(38)	(62)
Net gains on disposal of investment in subsidiaries, associates and joint ventures	(2,833)	–
Share of results of associates and joint ventures	(339)	(180)
Interest income arising from financial investments	(28,874)	(27,849)
Dividends arising from investment securities	(96)	(130)
Net gains on financial investments	(264)	(4,493)
Interest expense arising from bonds issued	3,229	2,825
Accreted interest on impaired loans	(503)	(334)
Net changes in operating assets and liabilities:		
Net decrease/(increase) in balances with central banks	13,605	(79,697)
Net decrease in due from, placements with and loans to banks and other financial institutions	9,745	113,471
Net increase in precious metals	(12,652)	(12,039)
Net (increase)/decrease in financial assets at fair value through profit or loss	(3,672)	4,359
Net increase in loans and advances to customers	(410,827)	(348,861)
Net increase in other assets	(605)	(22,240)
Net decrease in due to banks and other financial institutions	(96,208)	(266,439)
Net (decrease)/increase in due to central banks	(17,308)	19,345
Net increase/(decrease) in placements from banks and other financial institutions	51,270	(103,969)
Net increase in due to customers	820,956	504,072
Net increase in other borrowings	406	380
Net decrease in other liabilities	(23,731)	(4,444)
Cash inflow/(outflow) from operating activities	392,037	(143,618)
Income tax paid	(7,346)	(7,045)
Net cash inflow/(outflow) from operating activities	<b>384,691</b>	<b>(150,663)</b>

**Consolidated Statement of Cash Flows (continued)**

Unit: RMB million

	<b>For the three-month period ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	(unaudited)	(unaudited)
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property and equipment, intangible assets and other long-term assets	1,383	1,464
Proceeds from disposal of investment in subsidiaries, associates and joint ventures	867	–
Dividends received	99	152
Interest income received from financial investments	21,652	23,215
Proceeds from disposal/maturity of financial investments	528,341	462,913
Increase in investment in subsidiaries, associates and joint ventures	(1,284)	(685)
Purchase of property and equipment, intangible assets and other long-term assets	(7,069)	(3,774)
Purchase of financial investments	(693,039)	(452,172)
Net cash (outflow)/inflow from investing activities	<b>(149,050)</b>	<b>31,113</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of bonds	65,668	27,387
Proceeds from non-controlling shareholders investment	–	387
Repayments of debts issued	(45,594)	(17,375)
Cash payments for interest on bonds issued	(1,641)	(2,145)
Dividend payments to equity holders of the Bank	(1,540)	(1,540)
Dividend payments to non-controlling shareholders	(67)	(51)
Other net cash flows from financing activities	(9)	57
Net cash inflow from financing activities	<b>16,817</b>	<b>6,720</b>
Effect of exchange rate changes on cash and cash equivalents	1,879	2,163
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>254,337</b>	<b>(110,667)</b>
Cash and cash equivalents at beginning of the period	1,019,247	1,052,078
Cash and cash equivalents at end of the period	<b><u>1,273,584</u></b>	<b><u>941,411</u></b>



## APPENDIX II — CAPITAL ADEQUACY RATIO, LEVERAGE RATIO AND LIQUIDITY COVERAGE RATIO

### I. Capital Adequacy Ratio

Unit: RMB million, except percentages

	<b>As at 31 March 2017</b>	As at 31 December 2016
<b>Calculated in accordance with the <i>Capital Rules for Commercial Banks (Provisional)</i><sup>Note</sup></b>		
Net common equity tier 1 capital	<b>1,312,602</b>	1,280,841
Net tier 1 capital	<b>1,416,373</b>	1,384,364
Net capital	<b>1,620,084</b>	1,609,537
Common equity tier 1 capital adequacy ratio	<b>11.16%</b>	11.37%
Tier 1 capital adequacy ratio	<b>12.04%</b>	12.28%
Capital adequacy ratio	<b><u>13.77%</u></b>	<u>14.28%</u>
<b>Calculated in accordance with the <i>Regulation Governing Capital Adequacy of Commercial Banks</i></b>		
Core capital adequacy ratio	<b>11.52%</b>	11.77%
Capital adequacy ratio	<b><u>14.21%</u></b>	<u>14.67%</u>

Note: The capital adequacy ratios are calculated under the advanced approaches in accordance with the *Capital Rules for Commercial Banks (Provisional)* by using the following to measure risk-weighted assets: Internal Ratings-Based Approach for credit risk, Internal Models Approach for market risk and Standardised Approach for operational risk.

### II. Leverage Ratio

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

	Unit: RMB million, except percentages			
	<b>As at 31 March 2017</b>	As at 31 December 2016	As at 30 September 2016	As at 30 June 2016
Net tier 1 capital	<b>1,416,373</b>	1,384,364	1,362,159	1,322,016
Adjusted on- and off- balance sheet assets	<b><u>20,397,353</u></b>	<u>19,604,737</u>	<u>19,251,144</u>	<u>19,062,650</u>
Leverage ratio	<b><u>6.94%</u></b>	<u>7.06%</u>	<u>7.08%</u>	<u>6.94%</u>

### III. Liquidity Coverage Ratio

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

#### Regulatory requirements of liquidity coverage ratio

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

#### The Group’s liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis<sup>(2)</sup>. In the first quarter of 2017, the Group measured 90-day LCR on this basis, with average ratio standing at 119.54%<sup>(3)</sup>, representing an increase of 2.37 percentage points over the previous quarter, which was primarily due to the increase of high-quality liquid assets (“HQLA”).

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

	2017	2016		
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	31 March	31 December	30 September	30 June
Average value of LCR	<u>119.54%</u>	<u>117.17%</u>	<u>117.54%</u>	<u>118.08%</u>

### III. Liquidity Coverage Ratio (continued)

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

		Unit: RMB million, except percentages	
No.		Total un-weighted value	Total weighted value
<b>High-quality liquid assets</b>			
1	Total high-quality liquid assets (HQLA)		3,292,642
<b>Cash outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	6,426,531	466,649
3	Stable deposits	3,385,342	162,530
4	Less stable deposits	3,041,189	304,119
5	Unsecured wholesale funding, of which:	7,846,067	3,012,332
6	Operational deposits (excluding those generated from correspondent banking activities)	4,120,478	1,019,635
7	Non-operational deposits (all counterparties)	3,711,340	1,978,448
8	Unsecured debt	14,249	14,249
9	Secured funding		5,759
10	Additional requirements, of which:	2,126,289	1,208,179
11	Outflows related to derivative exposures and other collateral requirements	1,139,942	1,139,942
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	986,347	68,237
14	Other contractual funding obligations	54,389	54,389
15	Other contingent funding obligations	3,032,556	51,924
16	<b>Total cash outflows</b>		4,799,232
<b>Cash inflows</b>			
17	Secured lending (including reverse repos and securities borrowing)	128,357	111,712
18	Inflows from fully performing exposures	1,040,516	705,137
19	Other cash inflows	1,300,110	1,223,875
20	<b>Total cash inflows</b>	2,468,983	2,040,724
			<b>Total adjusted value</b>
21	<b>Total HQLA</b>		3,292,642
22	<b>Total net cash outflows</b>		2,758,508
23	<b>Liquidity coverage ratio (%)</b>		119.54%

### **III. Liquidity Coverage Ratio (continued)**

- (1) The LCR aims to ensure that commercial banks have sufficient HQLA that can be converted into cash to meet the liquidity requirements for at least thirty days under stress scenarios determined by the CBRC.
- (2) When calculating the consolidated LCR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of subsidiary consolidation in accordance with the requirements of the CBRC.
- (3) In the first quarter of 2017, the average values of LCR and individual line items are the simple arithmetic average of 90-day figures in the quarter. For quarters in 2016, the average values of LCR are the simple arithmetic average of 3-month-end values in the quarter.