中國銀行
BANK OF CHINA

中國銀行股份有限公司

BANK OF CHINA LIMITED

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

(the "Bank")

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

2018 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of the Bank is pleased to announce the unaudited results of the Bank and its subsidiaries for the six months period ended 30 June 2018. This announcement, containing the full text of the 2018 Interim Report of the Bank, complies with the relevant content requirements of the Hong Kong Listing Rules in relation to preliminary announcements of interim results. The printed version of the Bank's 2018 Interim Report will be delivered to the H-Share Holders of the Bank and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Bank at www.boc.cn in September 2018.

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

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

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

Important Notice

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

The 2018 Interim Report and the 2018 Interim Results Announcement of the Bank have been reviewed and approved at the meeting of the Board of Directors of the Bank held on 28 August 2018. The number of directors who should attend the meeting is 10, with 8 directors attending the meeting in person. Non-executive Directors Ms. XIAO Lihong and Ms. WANG Xiaoya did not attend the meeting due to other important business engagements and respectively appointed Non-executive Directors Mr. ZHAO Jie and Mr. LI Jucai as their authorised proxy to attend and vote on their behalf. 10 directors of the Bank exercised their voting rights at the meeting. Some supervisors and senior management members of the Bank attended the meeting as non-voting attendees.

The 2018 interim financial statements prepared by the Bank in accordance with Chinese Accounting Standards ("CAS") and International Financial Reporting Standards ("IFRS") have been reviewed by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and international standards on review engagements, respectively.

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

As considered and approved by the 2017 Annual General Meeting, the Bank distributed the 2017 cash dividend of RMB0.176 per share (before tax) to ordinary shareholders whose names appeared on the register of members of the Bank as at market close on 12 July 2018, amounting to approximately RMB51.812 billion (before tax) in total. The Bank would not declare 2018 interim dividend on ordinary shares, nor would it propose any capitalisation of capital reserve into share capital during the reporting period.

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

This report may contain forward-looking statements that involve risks and future plans. These forward-looking statements are based on the Bank's own information and information from other sources that the Bank believes to be reliable. They relate to future events or the Bank's future financial, business or other performance and are subject to a number of factors and uncertainties that may cause the actual results to differ materially. Any future plans mentioned do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.

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

Corporate Information

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

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

Legal Representative and Chairman
CHEN Siqing

President
LIU Liange

Secretary to the Board of Directors and Company Secretary
MEI Feiqi
Office Address:
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Listing Affairs Representative
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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 Interim Report can be Obtained
Head Office of Bank of China Limited
Shanghai Stock Exchange

Registered Capital
RMB294,387,791,241

Securities Information

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

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

Domestic Preference Share
Shanghai Stock Exchange
First Tranche
Stock Name: 中行優1
Stock Code: 360002

Second Tranche
Stock Name: 中行優2
Stock Code: 360010

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

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

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

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

Financial Highlights

Note: The financial information in this report has been prepared in accordance with IFRS[1]. The data are presented in RMB and reflect amounts related to the Group, unless otherwise noted.

Unit: RMB million

	Note	For the six-month period ended 30 June 2018	For the six-month period ended 30 June 2017	For the six-month period ended 30 June 2016
Results of operations				
Net interest income		**176,701**	165,042	154,858
Non-interest income	2	**74,781**	83,326	107,761
Operating income		**251,482**	248,368	262,619
Operating expenses		**(82,132)**	(81,663)	(83,572)
Impairment losses on assets		**(28,270)**	(26,960)	(49,946)
Operating profit		**141,080**	139,745	129,101
Profit before income tax		**141,961**	140,378	129,617
Profit for the period		**115,575**	110,549	107,308
Profit attributable to equity holders of the Bank		**109,088**	103,690	93,037
Basic earnings per share (RMB)		**0.37**	0.35	0.31
Key financial ratios				
Return on average total assets (%)	3	**1.16**	1.18	1.25
Return on average equity (%)	4	**15.29**	15.20	14.78
Net interest margin (%)	5	**1.88**	1.84	1.90
Non-interest income to operating income (%)	6	**29.74**	33.55	41.03
Cost to income ratio (calculated under domestic regulations, %)	7	**25.78**	25.39	24.25
Credit cost (%)	8	**0.57**	0.52	1.04
		As at 30 June 2018	As at 31 December 2017	As at 31 December 2016
Statement of financial position				
Total assets		**20,294,918**	19,467,424	18,148,889
Loans, gross		**11,403,241**	10,896,558	9,973,362
Allowance for loans at amortised cost		**(267,636)**	(252,254)	(237,716)
Allowance for loans at fair value through other comprehensive income		**(1,475)**	–	–
Investments	9	**4,807,555**	4,554,722	3,972,884
Total liabilities		**18,684,257**	17,890,745	16,661,797
Due to customers		**14,352,853**	13,657,924	12,939,748
Capital and reserves attributable to equity holders of the Bank		**1,526,978**	1,496,016	1,411,682
Share capital		**294,388**	294,388	294,388
Net assets per share (RMB)	10	**4.85**	4.74	4.46
Capital ratios	11			
Common equity tier 1 capital		**1,403,716**	1,377,408	1,297,421
Additional tier 1 capital		**104,507**	105,002	103,523
Tier 2 capital		**247,796**	264,652	225,173
Common equity tier 1 capital adequacy ratio (%)		**10.99**	11.15	11.37
Tier 1 capital adequacy ratio (%)		**11.82**	12.02	12.28
Capital adequacy ratio (%)		**13.78**	14.19	14.28
Asset quality				
Identified impaired loans to total loans (%)	12	**1.43**	1.45	1.46
Non-performing loans to total loans (%)	13	**1.43**	1.45	1.46
Allowance for loan impairment losses to non-performing loans (%)	14	**164.79**	159.18	162.82
Allowance for loan impairment losses to total loans (%)	15	**2.81**	2.77	2.87

Notes:

1 The International Accounting Standards Board ("IASB") issued the final version of *International Financial Reporting Standard No. 9 Financial Instruments* (IFRS 9) in 2014. In 2017, the MOF issued amendments to *China Accounting Standard No. 22 Recognition and Measurement of Financial Instruments* ("CAS 22"), *China Accounting Standard No. 23 Transfer of Financial Assets* ("CAS 23"), *China Accounting Standard No. 24 Hedging Accounting* ("CAS 24") and *China Accounting Standard No. 37 Presentation of Financial Instruments* ("CAS 37") (collectively referred to hereon as the "new financial instrument standards"). The new financial instrument standards provide guidance for the classification and measurement of financial instruments, asset impairment and hedge accounting. Starting on 1 January 2018, the Bank has applied these new financial instrument standards as required, which has had a certain impact on how it measures investments and allowance for loan impairment losses, etc., as well as on certain ratios such as credit cost, allowance for loan impairment losses to non-performing loans and allowance for loan impairment losses to total loans. The comparative data of the previous reporting period was not restated accordingly.

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

3 Return on average total assets = profit for the period ÷ average total assets × 100%, annualised. Average total assets = (total assets at the beginning of reporting period + total assets at the end of reporting period) ÷ 2.

4 Return on average equity = profit attributable to ordinary shareholders of the Bank ÷ weighted average capital and reserves attributable to ordinary shareholders of the Bank × 100%, annualised. Calculation is based on *No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies — Calculation and Disclosure of Return on Average Equity and Earnings per Share (Revised in 2010)* (CSRC Announcement [2010] No. 2) issued by the CSRC.

5 Net interest margin = net interest income ÷ average balance of interest-earning assets × 100%, annualised. Average balance is average daily balance derived from the Bank's management accounts (unreviewed).

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

7 Cost to income ratio is calculated in accordance with the *Measures of the Performance Evaluation of Financial Enterprises* (Cai Jin [2016] No. 35) formulated by the MOF.

8 Credit cost = impairment losses on loans ÷ average balance of loans × 100%, annualised. Average balance of loans = (balance of loans at the beginning of reporting period + balance of loans at the end of reporting period) ÷ 2.

9 Investments include financial investments 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 – other equity instruments) ÷ number of ordinary shares in issue at the end of reporting period.

11 The capital ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Y.J.H.L. [2012] No. 1) and related regulations, under the advanced approaches.

12 Identified impaired loans to total loans = identified impaired loans at the end of reporting period ÷ total loans at the end of reporting period × 100%.

13 Non-performing loans to total loans = non-performing loans at the end of reporting period ÷ total loans at the end of reporting period × 100%.

14 Allowance for loan impairment losses to non-performing loans = allowance for loan impairment losses at the end of reporting period ÷ non-performing loans at the end of reporting period × 100%. Allowance for loan impairment losses at the end of reporting period = allowance for loans at amortised cost + allowance for loans at fair value through other comprehensive income.

15 Allowance for loan impairment losses to total loans = allowance for loan impairment losses at the end of reporting period ÷ total loans at the end of reporting period × 100%. Calculation is based on the data of the Bank's domestic institutions. Allowance for loan impairment losses at the end of reporting period = allowance for loans at amortised cost + allowance for loans at fair value through other comprehensive income.

Overview of Operating Performance

In 2018, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank remained committed to its strategic goal of building BOC into a world-class bank in the new era. It continued to pursue progress while safeguarding stability, and steadily advanced towards the full accomplishment of its strategic tasks. As a result, the Bank stably improved its business management and operating performance, exhibiting new momentum and making new achievements in the new era.

Forging new strategic progress

The Bank remained committed to serving the real economy and steadfastly pushed forward initiatives with the aim of enabling advancement through technology, driving development through innovation, delivering performance through transformation and enhancing strength through reform. Thanks to these efforts, the Bank made satisfactory progress in implementing its key strategies. Positive results emerged from the Bank's strategy of enabling advancement through technology. It made fresh progress in the promotion of mobile banking and smart counter services, and carried out key technology-driven projects in an orderly manner. As at 30 June 2018, the Bank's mobile banking transaction volumes increased by 72.7% compared with the same period of the prior year, the domestic outlet coverage ratio of its smart counters reached 93.6%, and its overseas mobile banking services were available in 17 countries and regions. The Bank's strategy of driving development through innovation gathered pace. It worked towards establishing its first headquarter-led R&D innovation base and launched "BOC Robot Advisor", an intelligent investment advisory product. It introduced a traded bond index in cooperation with the China Foreign Exchange Trading System, and implemented a number of blockchain applications, including one for UnionPay cross-border remittance. The Bank made steady progress towards its goal of delivering performance through transformation. It actively promoted business transformation, accelerated the development of its personal banking business, made greater efforts to develop green finance and facilitated the continuous improvement of its credit structure. The Bank fully implemented its goal of enhancing strength through reform. It continually upgraded its management system by pushing forward multiple reforms to its management mechanisms, in order to expedite bank-wide business transformation and upgrading.

Exhibiting new momentum in operating performance

Adhering to the principle of high-quality development, the Bank steadily pushed forward business expansion and continued to strengthen its internal management, thus achieving sound operating results and steady improvement in the quality of its development. As at 30 June 2018, the Group's assets totalled RMB20,294.918 billion and its liabilities stood at RMB18,684.257 billion, representing steady and reasonable growth of 4.25% and 4.44% respectively compared with the prior year-end. In the first half of 2018, the Group recorded a profit for the period of RMB115.575 billion, an increase of 4.55% compared with the same period of the prior year, with the profit attributable to equity holders of the Bank also increasing by 5.21% year-on-year to RMB109.088 billion. Financial efficiency continued to improve. Return on average total assets (ROA) stood at 1.16%, and return on average equity (ROE) was 15.29%.

Seizing opportunities to record new achievements

The Bank actively served the state's key strategies and proactively participated in the progressive development of China's all-round opening up. For example, it participated in over 600 major projects along the Belt and Road, providing credit support of approximately USD115.9 billion. It also organised Belt and Road international finance seminars in four Central and Eastern European countries. The Bank made a concerted effort to support the development of key regions. Of the Bank's total loans, the proportion of loans granted to the Beijing-Tianjin-Hebei region, the Yangtze Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay Area further increased compared with that at the prior year-end. It also established a branch in Xiongan, Hebei Province. The Bank continued to consolidate its role as a key channel for RMB internationalisation and remained first place in global markets in terms of cross-border RMB settlement and clearing volumes. As part of its intensified efforts to develop inclusive finance, the Bank implemented the CBIRC's requirements of "Two Increases and Two Controls": that is, increasing the total amount of loans granted to small and medium-sized enterprises as well as boosting the number of such customers, and controlling both the quality and overall cost of such loans. It also implemented the PBOC's requirements regarding improvements to the macro-prudential assessment system (MPA). Moreover, it continued to provide cross-border matchmaking services for SMEs.

Achieving new breakthroughs in risk mitigation

The Bank remained committed to preventing and mitigating financial risks, and continued to improve all aspects of its risk management mechanism. It strengthened credit asset quality management and promoted ongoing improvement in its credit structure. As at 30 June 2018, the Group's outstanding non-performing loans (NPLs) stood at RMB163.304 billion and its NPL ratio remained at the reasonable level of 1.43%. The allowance for loan impairment losses to non-performing loans was 164.79%, which was in compliance with regulatory requirements. Thanks to the Bank's active responses to the US interest rate hike, liquidity risk in both its RMB and foreign currencies remained controllable. The Bank carried out in-depth governance regarding market disruption and pushed forward compliance work in relation to effective risk data aggregation and risk reporting, so as to ensure compliant operations. It also implemented advanced approaches to capital management, continued to develop and refine its risk measurement model and increased the coverage of its internal ratings-based management. In addition, it advanced the construction of its risk management information system, consolidated its risk database, improved its risk data governance and proactively promoted the construction of an intelligent risk management system.

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

In the first half of 2018, the global economy continued to recover. Growth remained strong in the US, where the unemployment rate fell to a low level since the subprime crisis. Economic recovery in the Eurozone, the UK and Japan slightly slowed. Emerging market economies continued to record relatively rapid growth, albeit with on-going divergence in performance given that certain economies remained under pressures from economic restructuring and transformation.

Volatility increased in global financial markets amid growing uncertainties. Regarding interest rates, the US Federal Reserve raised its benchmark interest rate twice, and the US long-term interest rates increased at a faster pace. Regarding exchange rates, the USD Index rebounded, the Euro fell amid fluctuations and emerging market currencies broadly depreciated. The stock markets of major economies experienced retreats, while commodity prices rose amid fluctuations.

China's economy maintained stable growth, with deepened economic restructuring, shift in growth drivers, thriving emerging industries, good quality and sound efficiency. A sound pattern of steady growth, expanding employment and moderate inflation has taken shape. In the first half of 2018, China's gross domestic product (GDP) grew by 6.8% year-on-year and the consumer price index (CPI) rose by 2.0%. Total retail sales of consumer goods (TRSCG) increased by 9.4%. Total fixed asset investments (TFAI) grew by 6.0%. China's trade surplus was RMB0.9013 trillion.

In the first half of 2018, the Chinese government continued to implement a sound and neutral monetary policy, strengthened preemptive adjustments and fine-tunings, strengthened financial regulation, and pushed forward the opening-up of its financial markets. It implemented targeted reserve requirement ratio (RRR) cuts, issued new regulatory requirement on asset management business and eased restrictions on foreign investment in securities companies. Financial markets operated smoothly, money and credit maintained reasonable growth, and the resilience of the RMB exchange rate strengthened. As at 30 June 2018, the broad money supply (M2) was RMB177.0 trillion, an increase of 8.0% year-on-year, and the balance of RMB deposits was RMB173.1 trillion, an increase of 8.4% year-on-year. In the first half of 2018, RMB loans increased by RMB9.0 trillion, RMB1.1 trillion more than that of the same period of the prior year. Increments of all-system financing aggregates totalled RMB9.1 trillion. As at 30 June 2018, the central parity of the RMB against the USD was 6.6166, a depreciation of 1.25% compared with the prior year-end. The SSE Composite Index dropped by 460 points, and the combined market capitalisation of the Shanghai and Shenzhen Exchanges decreased by 10.5% compared with the prior year-end.

Income Statement Analysis

In the first half of 2018, the Group achieved a profit for the period of RMB115.575 billion, an increase of 4.55% compared with the same period of the prior year. It realised a profit attributable to equity holders of the Bank of RMB109.088 billion, an increase of 5.21% compared with the same period of the prior year. Return on average total assets (ROA) was 1.16%, and return on average equity (ROE) was 15.29%.

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 2018**	For the six-month period ended 30 June 2017	Change	Change (%)
Net interest income	**176,701**	165,042	11,659	7.06%
Non-interest income	**74,781**	83,326	(8,545)	(10.25%)
Including: net fee and commission income	**48,188**	49,187	(999)	(2.03%)
Operating income	**251,482**	248,368	3,114	1.25%
Operating expenses	**(82,132)**	(81,663)	(469)	0.57%
Impairment losses on assets	**(28,270)**	(26,960)	(1,310)	4.86%
Operating profit	**141,080**	139,745	1,335	0.96%
Profit before income tax	**141,961**	140,378	1,583	1.13%
Income tax expense	**(26,386)**	(29,829)	3,443	(11.54%)
Profit for the period	**115,575**	110,549	5,026	4.55%
Profit attributable to equity holders of the Bank	**109,088**	103,690	5,398	5.21%

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

Unit: RMB million

	For the three-month period ended					
Items	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017	31 March 2017
Operating income	125,396	126,086	119,629	115,764	118,845	129,523
Profit attributable to equity holders of the Bank	60,087	49,001	26,901	41,816	57,041	46,649
Net cash flow from operating activities	(23,613)	382,682	27,475	(243,037)	237,007	384,691

Net Interest Income and Net Interest Margin

In the first half of 2018, the Group achieved a net interest income of RMB176.701 billion, an increase of RMB11.659 billion or 7.06% compared with the same period of the prior year. The average balances[1] and average interest rates of the major interest-earning assets and interest-bearing liabilities of the Group, as well as the impact on interest income/expense of variances in the volume factor and the interest rate factor[2], are summarised in the following table:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2018			For the six-month period ended 30 June 2017			Analysis of changes in interest income/expense		
	Average balance	Interest income/ expense	Average interest rate	Average balance	Interest income/ expense	Average interest rate	Volume factor	Interest rate factor	Total
Interest-earning assets									
Loans	**11,105,745**	**224,925**	**4.08%**	10,386,246	200,494	3.89%	13,879	10,552	24,431
Investments	**4,627,470**	**73,645**	**3.21%**	4,176,164	62,391	3.01%	6,736	4,518	11,254
Balances with central banks and due from and placements with banks and other financial institutions	**3,245,424**	**36,013**	**2.24%**	3,510,857	37,749	2.17%	(2,856)	1,120	(1,736)
Total	**18,978,639**	**334,583**	**3.56%**	18,073,267	300,634	3.35%	17,759	16,190	33,949
Interest-bearing liabilities									
Due to customers	**13,861,722**	**110,448**	**1.61%**	13,386,551	100,770	1.52%	3,582	6,096	9,678
Due to and placements from banks and other financial institutions	**3,007,791**	**37,969**	**2.55%**	2,815,659	27,485	1.97%	1,877	8,607	10,484
Bonds issued	**515,867**	**9,465**	**3.70%**	399,041	7,337	3.71%	2,149	(21)	2,128
Total	**17,385,380**	**157,882**	**1.83%**	16,601,251	135,592	1.65%	7,608	14,682	22,290
Net interest income		**176,701**			165,042		10,151	1,508	11,659
Net interest margin			**1.88%**			1.84%			4 Bps

Notes:

1 Starting on 1 January 2018, the Bank has applied new financial instrument standards, under which investments include debt securities at fair value through other comprehensive income, debt securities at amortised cost, investment trusts and asset management plans, etc. In the data of the previous reporting period, investments included available for sale debt securities, held to maturity debt securities, debt securities classified as loans and receivables, investment trusts and asset management plans, etc.

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

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

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

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

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

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2018 Average balance	For the six-month period ended 30 June 2018 Average interest rate	For the six-month period ended 30 June 2017 Average balance	For the six-month period ended 30 June 2017 Average interest rate	Change Average balance	Change Average interest rate
Domestic RMB businesses						
Loans						
Corporate loans	**4,713,585**	**4.44%**	4,434,259	4.41%	279,326	3 Bps
Personal loans	**3,583,846**	**4.34%**	3,123,174	4.26%	460,672	8 Bps
Trade bills	**148,901**	**4.83%**	201,005	3.68%	(52,104)	115 Bps
Total	**8,446,332**	**4.40%**	7,758,438	4.33%	687,894	7 Bps
Including:						
Medium and long term loans	**5,891,632**	**4.59%**	5,309,769	4.53%	581,863	6 Bps
Short term loans within 1 year and others	**2,554,700**	**3.97%**	2,448,669	3.90%	106,031	7 Bps
Due to customers						
Corporate demand deposits	**3,057,703**	**0.64%**	2,841,451	0.61%	216,252	3 Bps
Corporate time deposits	**2,241,171**	**2.76%**	2,215,367	2.77%	25,804	(1) Bp
Personal demand deposits	**1,910,825**	**0.64%**	1,808,100	0.63%	102,725	1 Bp
Personal time deposits	**2,593,768**	**2.69%**	2,642,726	2.74%	(48,958)	(5) Bps
Other	**513,441**	**4.29%**	371,320	3.44%	142,121	85 Bps
Total	**10,316,908**	**1.80%**	9,878,964	1.77%	437,944	3 Bps
Domestic foreign currency businesses			Unit: USD million, except percentages			
Loans	**53,906**	**2.87%**	50,675	2.37%	3,231	50 Bps
Due to customers						
Corporate demand deposits	**45,607**	**0.44%**	42,571	0.19%	3,036	25 Bps
Corporate time deposits	**31,897**	**1.67%**	21,353	1.28%	10,544	39 Bps
Personal demand deposits	**27,889**	**0.05%**	28,173	0.05%	(284)	–
Personal time deposits	**19,619**	**0.63%**	20,641	0.59%	(1,022)	4 Bps
Other	**2,169**	**2.23%**	2,324	2.17%	(155)	6 Bps
Total	**127,181**	**0.72%**	115,062	0.47%	12,119	25 Bps

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

In the first half of 2018, the Group's net interest margin was 1.88%, an increase of 4 basis points compared with the same period of the prior year. Major factors that affected the Group's net interest margin include:

First, the Bank continuously optimised its assets and liabilities structure. In response to changes in the external environment, the Bank proactively adjusted and optimised its existing assets and liabilities and efficiently allocated their increments, resulting in continuous improvement to its assets and liabilities structure. In the first half of 2018, the proportion of the average balance of the Group's domestic RMB personal loans within its domestic RMB loan business increased by 2.17 percentage points compared with the same period of the prior year. The proportion of the average balance of the Group's domestic RMB demand deposits within its domestic RMB deposit business increased by 1.10 percentage points compared with the same period of the prior year.

Second, the PBOC reduced reserve requirement ratios. As a result, in the first half of 2018, the Group's average balance of domestic RMB placed with central banks and the proportion of this balance to the average balance of the Group's domestic RMB interest-earning assets decreased compared with the same period of the prior year.

Non-interest Income

In the first half of 2018, the Group reported a non-interest income of RMB74.781 billion, a decrease of RMB8.545 billion or 10.25% compared with the same period of the prior year. Non-interest income represented 29.74% of operating income.

Net Fee and Commission Income

The Group earned a net fee and commission income of RMB48.188 billion, a decrease of RMB0.999 billion or 2.03% compared with the same period of the prior year. Net fee and commission income represented 19.16% of operating income. This was mainly due to a decline in fee and commission income from the Bank's consultancy and advisory, off-balance sheet wealth management and bancassurance businesses, which occurred as a result of the Bank's implementation of new regulations, including new regulatory requirements on asset management business. Please refer to Note III.2 to the Condensed Consolidated Interim Financial Information.

Other Non-interest Income

The Group realised other non-interest income of RMB26.593 billion, a decrease of RMB7.546 billion or 22.10% compared with the same period of the prior year. This was primarily attributable to the following reasons: (1) The sale of Chiyu Banking Corporation Limited and the recognised related gain on the investment disposal in the first half of 2017. (2) Net gains from foreign exchange derivative trading decreased compared with the same period of the prior year amid market price fluctuations. Please refer to Notes III.3, 4, 5 to the Condensed Consolidated Interim Financial Information.

Operating Expenses

In the first half of 2018, the Group recorded operating expenses of RMB82.132 billion, an increase of RMB0.469 billion or 0.57% compared with the same period of the prior year. The Group's cost to income ratio (calculated under domestic regulations) was 25.78%. The Bank continued to operate its business prudently. It optimised its cost structure, increased investment in technological innovation, allocated greater resources to key areas, business frontlines and overseas institutions, and made greater efforts to support mobile finance, internet finance and RMB internationalisation, as well as the construction of smart service outlets. Please refer to Notes III.6, 7 to the Condensed Consolidated Interim Financial Information.

Impairment Losses on Assets

In the first half of 2018, the Group's impairment losses on assets amounted to RMB28.270 billion, an increase of RMB1.310 billion or 4.86% compared with the same period of the prior year. Specifically, the Group's impairment losses on loans and advances amounted to RMB31.857 billion, an increase of RMB5.268 billion or 19.81% compared with the same period of the prior year. The Bank continued to improve its comprehensive risk management system and adopted a proactive and forward-looking approach to risk management, ensuring a relatively stable credit asset quality. It stringently implemented a sound risk provisioning policy and maintained an adequate capacity for risk mitigation. Please refer to the section "Risk Management – Credit Risk Management" and Notes III.8, 17 and Note IV.1 to the Condensed Consolidated Interim Financial Information for more information on loan quality and allowance for loan impairment losses.

Financial Position Analysis

As at 30 June 2018, the Group's total assets amounted to RMB20,294.918 billion, an increase of RMB827.494 billion or 4.25% compared with the prior year-end. The Group's total liabilities amounted to RMB18,684.257 billion, an increase of RMB793.512 billion or 4.44% compared with the prior year-end.

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

Unit: RMB million, except percentages

Items	As at 30 June 2018		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Assets				
Loans and advances to customers, net	**11,135,605**	**54.87%**	10,644,304	54.68%
Investments	**4,807,555**	**23.69%**	4,554,722	23.40%
Balances with central banks	**2,141,715**	**10.55%**	2,227,614	11.44%
Due from and placements with banks and other financial institutions	**1,200,705**	**5.92%**	1,060,456	5.45%
Other assets	**1,009,338**	**4.97%**	980,328	5.03%
Total assets	**20,294,918**	**100.00%**	19,467,424	100.00%
Liabilities				
Due to customers	**14,352,853**	**76.82%**	13,657,924	76.34%
Due to and placements from banks and other financial institutions and due to central banks	**2,949,786**	**15.79%**	2,961,151	16.55%
Other borrowed funds	**549,830**	**2.94%**	529,756	2.96%
Other liabilities	**831,788**	**4.45%**	741,914	4.15%
Total liabilities	**18,684,257**	**100.00%**	17,890,745	100.00%

Notes:

1 Investments include financial investments 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 line with China's macroeconomic policies and the financial demands of the real economy, the Bank rationally allocated credit extension and expanded its lending scale at a stable and moderate pace. The Bank continuously improved its credit structure, proactively supported the credit needs of key areas and industries, and provided credit support to the construction of financial artery of the Belt and Road Initiative, cross-border capacity transfer as well as Chinese enterprises' "Going Global" efforts. The Bank strictly controlled credit facilities granted to industries characterised by high pollution, high energy consumption and overcapacity. It also continued to implement a differentiated residential mortgage loan policy and steadily expanded its personal loan business.

As at 30 June 2018, the Group's loans and advances to customers amounted to RMB11,403.241 billion, an increase of RMB506.683 billion or 4.65% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB8,719.842 billion, an increase of RMB394.829 billion or 4.74% compared with the prior year-end, while its foreign currency loans amounted to USD405.556 billion, an increase of USD12.004 billion or 3.05% compared with the prior year-end.

The Bank continuously improved its risk management, paid close attention to changes in the macroeconomic situation, strengthened risk identification and management in key areas and made greater efforts in the disposal of non-performing loans, thus maintaining a relatively stable asset quality. As at 30 June 2018, the balance of the Group's allowance for loan impairment losses amounted to RMB269.111 billion, an increase of RMB16.857 billion compared with the prior year-end. In particular, the balance of the Group's allowance for loans at amortised cost amounted to RMB267.636 billion and the Group's allowance for loans at fair value through other comprehensive income amounted to RMB1.475 billion. The balance of the Group's restructured loans amounted to RMB9.009 billion, an increase of RMB0.872 billion compared with the prior year-end.

Investments

The Bank closely tracked financial market dynamics, increased its investment in both RMB and foreign currency bonds, and continuously optimised its investment structure. As at 30 June 2018, the Group held investments of RMB4,807.555 billion, an increase of RMB252.833 billion or 5.55% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB3,688.190 billion, an increase of RMB157.517 billion or 4.46% compared with the prior year-end, while its foreign currency investments totalled USD169.175 billion, an increase of USD12.454 billion or 7.95% compared with the prior year-end.

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

Unit: RMB million, except percentages

Items	As at 30 June 2018 Amount	As at 30 June 2018 % of total	As at 31 December 2017 Amount	As at 31 December 2017 % of total
Financial assets at fair value through profit or loss	**302,908**	**6.30%**	193,611	4.25%
Financial investments				
— Financial assets at fair value through other comprehensive income	**1,742,722**	**36.25%**	–	–
— Financial assets at amortised cost	**2,761,925**	**57.45%**	–	–
— Investment securities available for sale	**–**	**–**	1,857,222	40.78%
— Debt securities held to maturity	**–**	**–**	2,089,864	45.88%
— Financial investments classified as loans and receivables	**–**	**–**	414,025	9.09%
Total	**4,807,555**	**100.00%**	4,554,722	100.00%

Investments by Currency

Unit: RMB million, except percentages

Items	As at 30 June 2018 Amount	As at 30 June 2018 % of total	As at 31 December 2017 Amount	As at 31 December 2017 % of total
RMB	**3,688,190**	**76.72%**	3,530,673	77.52%
USD	**672,938**	**14.00%**	645,339	14.17%
HKD	**197,863**	**4.11%**	185,368	4.07%
Other	**248,564**	**5.17%**	193,342	4.24%
Total	**4,807,555**	**100.00%**	4,554,722	100.00%

Top Ten Financial Bonds by Value Held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual Rate	Maturity Date	Impairment Allowance
Bond issued by policy banks in 2016	14,320	2.65%	2019-10-20	–
Bond issued by policy banks in 2017	11,280	4.39%	2027-09-08	–
Bond issued by non-bank financial institutions in 2018	10,000	5.10%	2019-05-15	(3)
Bond issued by non-bank financial institutions in 2018	10,000	5.20%	2019-05-17	(3)
Bond issued by policy banks in 2017	9,743	3.88%	2020-04-19	–
Bond issued by policy banks in 2018	9,100	4.98%	2025-01-12	–
Bond issued by policy banks in 2018	8,450	4.99%	2023-01-24	–
Bond issued by policy banks in 2014	8,386	5.44%	2019-04-08	–
Bond issued by policy banks in 2017	7,620	3.54%	2020-01-06	–
Bond issued by policy banks in 2018	6,590	4.97%	2023-01-29	–

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 aligned itself with the trend towards interest rate liberalisation, accelerated product and service innovation and thus enhanced its financial services offering. As a result, its liability business grew steadily. It further improved salary payment agency, payment collection and other basic services, optimised the functions of personal certificates of deposit (CDs), steadily expanded its administrative institution customer base, and solidified its relationships with basic settlement and cash management customers. As a result, it steadily grew its customer deposits.

As at 30 June 2018, the Group's due to customers amounted to RMB14,352.853 billion, an increase of RMB694.929 billion or 5.09% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB10,825.198 billion, an increase of RMB588.869 billion or 5.75% compared with the prior year-end, while its foreign currency due to customers stood at USD533.152 billion, an increase of USD9.508 billion or 1.82% compared with the prior year-end.

Equity

As at 30 June 2018, the Group's total equity was RMB1,610.661 billion, an increase of RMB33.982 billion or 2.16% compared with the prior year-end. This was primarily attributable to the following reasons: (1) Starting on 1 January 2018, the Bank has applied new financial instrument standards, which resulted in decrease of total equity of RMB35.417 billion. (2) In the first half of 2018, the Group realised a profit for the period of RMB115.575 billion, of which profit attributable to equity holders of the Bank amounted to RMB109.088 billion. (3) As per the 2017 profit distribution plan approved at the Annual General Meeting, the cash dividend paid out on ordinary shares was RMB51.812 billion. (4) The Bank paid a dividend on its preference shares of RMB1.540 billion. Please refer to the "Condensed Consolidated Statement of Changes in Equity" in the Condensed Consolidated Interim Financial Information.

Cash Flow Analysis

As at 30 June 2018, the balance of the Group's cash and cash equivalents was RMB1,224.502 billion, an increase of RMB265.750 billion compared with the prior year-end.

In the first half of 2018, net cash flow from operating activities was an inflow of RMB359.069 billion, a decrease of RMB262.629 billion compared with the same period of the prior year. This was mainly attributable to the decrease of the net changes in due to central banks and placements from banks and other financial institutions, and the decrease of the net increase in due to customers compared with the same period of the prior year.

Net cash flow from investing activities was an outflow of RMB128.873 billion, a decrease of RMB182.777 billion compared with the same period of the prior year. This was mainly attributable to the decrease in net cash outflow of financial investment compared with the same period of the prior year.

Net cash flow from financing activities was an inflow of RMB31.803 billion, a decrease of RMB35.263 billion compared with the same period of the prior year. This was primarily attributable to the increase of repayments of debts issued compared with the same period of the prior year.

Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value

Unit: RMB million

Items	Opening balance	Closing balance	Change	Impact on profit for the period
Financial assets at fair value through profit or loss				
Debt securities	168,399	206,082	37,683	(407)
Loans	5,493	6,261	768	
Equity securities	8,029	40,827	32,798	
Fund investments and other	11,690	49,738	38,048	
Loans and advances to customers	–	170,666	170,666	(450)
Financial assets at fair value through other comprehensive income				
Debt securities	–	1,726,901	1,726,901	(74)
Equity securities and other	–	15,821	15,821	
Investment securities available for sale				
Debt securities	1,769,758	–	(1,769,758)	–
Equity securities	38,694	–	(38,694)	
Fund investments and other	48,770	–	(48,770)	
Derivative financial assets	94,912	122,341	27,429	2,695
Derivative financial liabilities	(111,095)	(106,931)	4,164	

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

Other Financial Information

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

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

Business Review

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

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2018 Amount	% of total	For the six-month period ended 30 June 2017 Amount	% of total
Commercial banking business	**230,579**	**91.69%**	224,692	90.47%
Including: Corporate banking business	**106,244**	**42.25%**	104,192	41.95%
Personal banking business	**86,448**	**34.38%**	80,811	32.54%
Treasury operations	**37,887**	**15.06%**	39,689	15.98%
Investment banking and insurance	**12,612**	**5.01%**	14,174	5.70%
Others and elimination	**8,291**	**3.30%**	9,502	3.83%
Total	**251,482**	**100.00%**	248,368	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 2018	As at 31 December 2017	As at 31 December 2016
Corporate deposits			
Domestic: RMB	**5,723,765**	5,495,494	5,213,790
Foreign currency	**486,056**	436,458	378,368
Hong Kong, Macao, Taiwan and overseas operations	**1,500,324**	1,451,822	1,401,055
Subtotal	**7,710,145**	7,383,774	6,993,213
Personal deposits			
Domestic: RMB	**4,894,522**	4,551,168	4,349,300
Foreign currency	**317,484**	310,253	342,045
Hong Kong, Macao, Taiwan and overseas operations	**1,024,879**	969,807	869,441
Subtotal	**6,236,885**	5,831,228	5,560,786
Corporate loans			
Domestic: RMB	**4,917,962**	4,761,874	4,496,888
Foreign currency	**337,975**	338,379	336,294
Hong Kong, Macao, Taiwan and overseas operations	**1,987,490**	1,872,448	1,735,787
Subtotal	**7,243,427**	6,972,701	6,568,969
Personal loans			
Domestic: RMB	**3,691,781**	3,481,682	2,983,945
Foreign currency	**1,170**	1,250	1,381
Hong Kong, Macao, Taiwan and overseas operations	**466,863**	440,925	419,067
Subtotal	**4,159,814**	3,923,857	3,404,393

Commercial Banking

Domestic Commercial Banking

In the first half of 2018, the Bank's domestic commercial banking business recorded an operating income of RMB194.499 billion, an increase of RMB6.062 billion or 3.22% compared with the same period of the prior year. Details are set forth below:

Unit: RMB million, except percentages

Items	**For the six-month period ended 30 June 2018**		For the six-month period ended 30 June 2017	
	Amount	**% of total**	Amount	% of total
Corporate banking business	**92,811**	**47.72%**	91,735	48.68%
Personal banking business	**76,562**	**39.36%**	72,086	38.25%
Treasury operations	**23,845**	**12.26%**	23,536	12.49%
Other	**1,281**	**0.66%**	1,080	0.58%
Total	**194,499**	**100.00%**	188,437	100.00%

Corporate Banking

Corporate Deposits

The Bank facilitated stable growth in corporate deposits by continuously improving its financial services. It expanded its corporate customer base by refining its service system and the hierarchical management of its customers. It managed to attract more administrative institution customers by improving products and services for customers engaged in industries relating to people's livelihood, public finance and social security as well as education and public health, thus achieving rapid growth in deposits from such institutions. The Bank also actively sought out customers along the upstream and downstream of supply chains and industrial chains in order to acquire more potential customer deposits. In response to the trend of interest rate liberalisation, the Bank struck a balance between scale and return and stepped up the upgrading of product functions. It also improved the functions of its outlets so as to enhance their customer service capabilities and increase their contribution of deposits. As at 30 June 2018, RMB corporate deposits in the Bank's domestic operations totalled RMB5,723.765 billion, an increase of RMB228.271 billion or 4.15% compared with the prior year-end. Foreign currency corporate deposits amounted to USD73.460 billion, an increase of USD6.664 billion or 9.98% compared with the prior year-end.

Corporate Loans

The Bank made greater efforts to serve the real economy by providing stronger credit support to key sectors and strategic emerging industries including advanced manufacturing, modern services, infrastructure, energy conservation and environmental protection. It continually improved its credit structure by making better use of new assets and revitalising existing assets, thus supporting the transformation and upgrading of the domestic economy. Seizing market opportunities, the Bank allocated more resources to key regions such as the Beijing-Tianjin-Hebei region, the Yangtze Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay

Area. It leveraged its competitive edge in trade finance and increased the volume of its trade and bill finance business. Catering to customers' diversified financing needs, the Bank expedited the transformation of its corporate banking services and guided customers to broaden their financing channels. As at 30 June 2018, RMB corporate loans of the Bank's domestic operations totalled RMB4,917.962 billion, an increase of RMB156.088 billion or 3.28% compared with the prior year-end. Foreign currency corporate loans totalled USD51.080 billion, a decrease of USD0.706 billion or 1.36% compared with the prior year-end.

Trade Finance and Services

Fully leveraging its traditional advantages in trade finance, the Bank actively participated in projects related to the Belt and Road Initiative, RMB internationalisation and the development of free trade zones and free trade ports. In the first half of 2018, the Bank's domestic institutions maintained the largest market share in international trade services and cross-border RMB payment services. As part of its commitment to product innovation, the Bank incorporated a documents service system into its online banking service, as well as offering online applications for letters of credit and letters of guarantee, so as to promote paperless operations and real-time information exchange. Together with the National Office of Port Administration, the Bank developed and incorporated a financial services function into the "China International Trade Single Window" platform, thus enhancing customer experience. The Bank earnestly expanded its structured commodity finance business, provided comprehensive financial services, and helped to attract more overseas investors to trade crude oil and iron ore futures in the domestic market. Moreover, continuous improvement in services for payment accounts resulted in steady growth in the Bank's payment business.

Cash Management

Drawing on the strength of its global operations, the Bank continuously improved its global cash management services and achieved rapid growth in its cash management customer base. It upgraded and promoted its cash management products, catered to "Going Global" enterprises' needs for global information sharing and fund operation, supported administrative institutions in their financial management reform and provided customers with interbank information inquiry as well as centralised fund management services. To fulfil customers' needs for multi-channel, multi-segment and one-stop capital management services, the Bank carried out on-going improvements to its "Global Cash Management Platform+" integrated product system, which enabled greater connectivity of the Global Cash Management Platform, Swift Direct Connection, Bank Host-to-Host Direct Connection, Multi-Bank Cash Management System and trading data applications, and therefore enhanced customer experience.

Financial Institutions Business

The Bank continued to deepen comprehensive cooperation with various global financial institutions including domestic banks, overseas correspondent banks, non-bank financial institutions, overseas central banks, sovereign wealth funds and international financial organisations. It built its integrated financial services platform and maintained a leading position in respect of financial institution customer coverage. The Bank has established correspondent relationships with more than 1,600 institutions in 178 countries and regions and opened 1,478 cross-border RMB clearing accounts for correspondent banks from 121 countries and regions, thus holding a leading position among domestic banks. It also promoted the RMB Cross-Border Interbank Payment System (CIPS) and has signed cooperation agreements for indirect participants with 223 domestic and overseas financial institutions, maintaining the largest market share among peers. The Bank's custodian service for Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII) and its agency service for overseas central banks and other sovereign institutions ranked among the top in the industry in terms of both customer base and business scale. The Bank strengthened its cooperation with Asian Infrastructure Investment Bank, New Development Bank and Silk Road Fund, assisted the Republic of the Philippines, the Emirate of Sharjah in the United Arab Emirates, MUFG Bank and Mizuho Bank in issuing Panda Bonds, and signed a memorandum on strategic cooperation with the Astana International Financial Centre of Kazakhstan. It was one of the first banks designated by the Dalian Commodity Exchange to act as a margin depository bank for overseas customers. It was also the only bank to participate in the pilot stage of the H shares "full circulation" programme. In the first half of 2018, the Bank ranked first in terms of market share in foreign currency deposits from financial institutions. It also ranked first in terms of B-Share clearing business volume. Its market share in terms of the number of third-party custody customers with outstanding balances also further increased.

SME Finance

The Bank proactively implemented national policies and measures to support the development of small and medium-sized enterprises (SMEs), persisted in serving the real economy and constantly improved its financial services to SMEs. It closely followed market opportunities, including those related to the Belt and Road Initiative and "16+1 cooperation", and improved its cross-border matchmaking services, which further enhanced its brand reputation. It held five SME cross-border trade and investment conferences in the first half of 2018: in Kuala Lumpur, Malaysia; Zhengzhou, Henan Province; Jieyang, Guangdong Province; Dalian, Liaoning Province and Qingdao, Shandong Province, attracting the participation of more than 2,000 enterprises. It has hosted 46 cross-border matchmaking events since 2014, attracting the participation of over 20,000 enterprises worldwide. It promoted the transformation of its cross-border matchmaking service towards an online model, developing the BOC global matching system (GMS) so as to enhance the efficiency of matching and customer experience. Moreover, the Bank reinforced risk control and compliance management and strengthened AML and sanction compliance management so as to keep the quality of SME loans stable and controllable.

Pension Business

In an effort to support the development of China's social security system, the Bank extended its pension business coverage, promoted product innovation and developed a comprehensive service system with optimised functions. It provided a series of pension-related financial services including enterprise annuities, occupational annuities, employee benefit plans, employee stock ownership plans and pension security management products, which led to a continuous uplift in customer satisfaction. Having already been designated to act as a custodian and account manager for enterprise annuities, the Bank became qualified in the first half of 2018 to also act as a trustee of enterprise annuity funds. As a result, its capability to provide whole-process annuity services further strengthened. As at 30 June 2018, the total number of individual pension accounts held by the Bank reached 4.7841 million, an increase of 0.2681 million or 5.94% compared with the prior year-end. Assets under custody of the Bank's pension business amounted to RMB205.067 billion, an increase of RMB12.827 billion or 6.67% compared with the prior year-end, with more than 10,000 clients being served.

Personal Banking

Personal Deposits

The Bank capitalised on its advantages in comprehensive financial services, intensified efforts in developing personal deposit products, enriched product offerings and conducted targeted marketing so as to meet customers' diverse needs. It solidified its capacity in funds pooling by expanding core businesses such as salary payment agency, collection and payment agency, sweep agency and escrow agency. It continued to enrich its personal foreign exchange services, with the number of foreign currencies available for personal deposit and withdrawal reaching 25 and the number of convertible foreign currencies reaching 33, allowing the Bank to secure a leading position in foreign exchange services. It launched "BOC Intra-Group Remittance" for personal customers to conduct cross-border remittance within the Group. This service, which covers 36 countries and regions including the UK, Canada, Australia, Singapore, the USA, South Korea, Japan, Hong Kong and Macao, streamlines cross-border remittance and has therefore proved to be both time-efficient and cost-efficient for customers. As at 30 June 2018, the Bank's domestic RMB personal deposits totalled RMB4,894.522 billion, an increase of RMB343.354 billion or 7.54% compared with the prior year-end. Personal foreign currency deposits amounted to USD47.983 billion, maintaining a leading position in terms of market share.

Personal Loans

The Bank implemented the national policies of supporting the real economy, stimulating domestic demand and promoting consumption by steadily expanding its personal loan business. It actively put into practice the state's regulatory policies on real estate, continued to implement a differentiated residential mortgage loan policy, prioritised residents' needs for owner-occupied housing and extended residential mortgage loans on a rational basis. It promoted "BOC E-Credit" products, enhanced business development, improved risk prevention and control and reinforced control over fund flows, so as to provide a convenient and efficient whole-process online consumer loan service that satisfies customers' real and reasonable consumption needs. To promote campus loans, the Bank has served as the host bank for government-sponsored student loans to central government-administered colleges since 2004. It has also introduced online services for such loans for the convenience of student customers. In an effort to establish a friendly, convenient and safe cooperation platform for campus finance, the Bank pioneered the launch of the "BOC E-Credit • Youth E-Loan", through which smooth and regular campus loan services are made available to support college students' reasonable consumption needs. As at 30 June 2018, the total amount of RMB personal loans of the Bank's domestic operations stood at RMB3,691.781 billion, an increase of RMB210.099 billion or 6.03% compared with the prior year-end.

Wealth Management and Private Banking

The Bank enhanced its wealth management and private banking services by accelerating the construction of a specialised decision-making mechanism for asset allocation and continuously driving the transformation of its product sales and service models, thus improving the competitiveness of its products. It increased investment in FinTech and launched "BOC Robot Advisor", an intelligent investment advisory product that had registered RMB4.0 billion in sales as at 30 June 2018. Utilising its fully dimensional, integrated customer relationship management system, the Bank optimised its customer acquisition approach, carrying out customer profiling as well as targeted marketing in order to expand its customer base and improve customer quality. It continued to cultivate its team of relationship managers and made full use of the BOC Wealth and Investment Academy for its talent cultivation. In addition, the Bank further developed its platform of privileged reward points and BOC privileged services so as to foster a differentiated service system and improve customer experience. Leveraging its strengths in cross-border business, the Bank promoted an integrated service model for personal customers in the Guangdong-Hong Kong-Macao Greater Bay Area and improved the functionality of its online cross-border services for personal customers. It sped up the development of its private banking business, refined its service network and strengthened innovation in products and services. It also launched an insurance trust service and further expanded the coverage of its family trust business. As at 30 June 2018, the Bank had set up 7,692 wealth management centres, 1,040 prestigious wealth management centres and 40 private banking centres in the Chinese mainland.

Bank Card

The Bank stepped up credit card product innovation and service upgrading to create a better experience for key customers. Thanks to product innovation, targeted marketing and benefit upgrading, the number of cardholders continued to increase. Following market opportunities, the Bank launched new credit cards featuring various themes, including the Guangdong-Hong Kong-Macao Greater Bay Area, ice and snow sports, family life, cross-border transactions and football games. Drawing on its competitive advantages in online banking and using AI and big data techniques, the Bank focused on the diverse ways that customers use bank cards, carried out targeted marketing related to their lifelong needs and endeavoured to boost the development of its e-channel products, which led to continuous growth in the number of cardholders. It enriched its instalments product offerings in order to encourage upgrading of consumption. This included promoting scenario-based instalments products as part of its "colourful" consumer instalments product line. For example, instalments for payments related to automobile leasing, second-hand cars, "easy-rent", weddings and births. It also made a concerted effort to acquire more merchant customers and establish the brand of its "BOC Smart Payment" acquiring business. Moreover, the Bank consolidated its online product channels by means of smart POS and aggregate QR codes, so as to meet merchants' needs for accepting payments via various methods. As at 30 June 2018, the cumulative number of credit cards issued by the Bank reached 103.7177 million, and the instalments volume amounted to RMB130.620 billion for the first half of 2018.

Adapting to the trend of developing online, virtual, digital and media-free debit card business, the Bank steadily promoted the issuance and use of online and offline debit cards and endeavoured to utilise Type II and Type III personal bank accounts according to the account classification standards of the PBOC. Alongside its mobile finance convenience project, it expanded scenario-based applications for mobile payment, built online platforms for campuses, transportation, rural areas and cross-border payment, and popularised online financial services, aggregate payment and debit card QR code payment. The Bank, in cooperation with local Human Resources and Social Security Bureaux, has accumulatively issued nearly 100 million social security cards equipped with financial functions and launched innovative electronic health cards, as well as providing customers with the "Finance+" one-stop financial services platform.

Financial Markets Business

Securities Investment

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

Trading

The Bank accelerated the construction of an integrated global financial markets business system founded on the three core product lines of interest rates, exchange rates and commodities. It endeavoured to build a new customer-centric, market-oriented and product-based service model so as to serve the real economy and achieve the smooth and fast development of its financial markets business. It continued to outperform its peers in market share of foreign currency exchange against RMB business. The Bank has increased the total number of its tradable foreign currencies to 62, among which 51 are currencies of emerging economies and 28 are currencies of countries along the Belt and Road, thus establishing a leading position in the domestic financial sector. In order to enhance its competitiveness, the Bank sped up product innovation by enriching options underlying and commodity trading products, as well as launching new personal options trading and commodity trading services. Together with the China Foreign Exchange Trading System & National Interbank Funding Centre, it introduced the "CFETS-BOC Traded Bond Index", which paves the way for further moves to enrich product offerings in the interbank market and fulfil the trading needs of investors at home and abroad.

Investment Banking and Asset Management

The Bank focused on serving the real economy, strived to expand its investment banking and asset management business and worked to establish a competitive advantage as a provider of integrated "commercial banking + investment banking" services. Capitalising on its specialised, internationalised and comprehensive operations, the Bank made greater efforts to develop direct financing, domestic and overseas cross-border financing and asset securitisation, and managed to meet customers' needs for diversified financial services on the basis of "domestic + overseas" and "financing + intelligent". In line with new regulatory requirements on asset management business, it enhanced product R&D and pushed forward the all-round transformation of its asset management business by popularising products without predetermined yields. In the first half of

2018, the Bank underwrote debt financing instruments for non-financial institutions in the China interbank bond market of a total amount of RMB191.868 billion, assisted offshore issuers such as the Republic of the Philippines and the Emirate of Sharjah in issuing Panda Bonds, underwrote a total amount of RMB1.0 billion of commercial paper to finance construction projects in poverty-stricken areas and issued residential mortgage-backed securities and non-performing credit card asset-backed securities of a total amount of RMB10.668 billion. It has accumulatively issued 4,157 wealth management products. As at 30 June 2018, the balance of wealth management products of the Bank reached RMB1,599.1 billion. The Bank maintained the largest market share in offshore bond underwriting, a leading position in "Bond Connect" primary market underwriting volumes, and the leading market share of Panda Bond underwriting. As a result, the brand influence of "BOC Debt Capital Markets" was continuously enhanced.

Custody Business

The Bank strived to expand mutual fund custody, strengthen pension fund custody, refine cross-border custody and optimise banking wealth management custody, so as to enhance the overall competitiveness of its custody business. It seized opportunities arising from the mixed ownership reform of state-owned enterprises (SOEs) and managed to provide a custody service for China's first regional SOE-themed ETF mutual fund. It served the real economy by vigorously developing its asset securitisation custody business and improving integrated service models such as "custody + outsourcing". Leveraging opportunities from the two-way opening up of capital markets, the Bank actively innovated in capital market connectivity service mechanisms, including Chinese Depository Receipt (CDR) and Shanghai-London Stock Connect. It enhanced its global custody service capability by expediting the construction of its custody system, developing the accounting, valuation and investment supervision functions of its global custody system, launching a new version of its online custody service and establishing whole-process service standards for marketing and customer service. As at 30 June 2018, the Group's assets under custody stood at RMB9.71 trillion, which includes the largest scale cross-border custody business in the market.

Inclusive Finance

As part of its commitment to serving the real economy, the Bank continued to strengthen support for inclusive finance by utilising the advantages of its Group-wide integrated operations. It improved its inclusive service system, refined its organisational structure and pushed forward the establishment of key outlets to initiate inclusive finance credit. The Bank improved resource allocation, refined incentive and restraint mechanisms and upgraded its inclusive finance service. It innovated inclusive finance products, enhanced service capabilities and offered a series of products and services including "BOC E-Credit" and cross-border matchmaking. To foster the sustainable development of inclusive finance, the Bank optimised its risk management mechanism, strengthened the whole-process management of loans, implemented its due diligence and liability exemption policy and prevented moral hazards. It catered to customer groups in need of inclusive finance and scaled up support in this regard. As a result, its loans to micro and small-sized enterprises grew faster year-on-year than other types of loans and the number of customers with outstanding loans increased compared with the same period of the prior year. As at 30 June 2018, the Bank's outstanding loans granted to micro and small-sized enterprises measured on a full-scale basis[3] stood at RMB1,409.2 billion. Its outstanding inclusive finance loans granted to micro and small-sized enterprises[4] reached RMB286.9 billion, representing year-on-year growth of over 10%, more rapid than that of the Bank's total loans.

Village Bank

BOC Fullerton Community Bank actively implemented national strategies on agriculture, farmers and rural areas, with the aim of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". It is committed to providing modern financial services to farmers, micro and small-sized enterprises, individual merchants and the wage-earning class, thus promoting the construction of China's "New Countryside".

BOC Fullerton Community Bank expedited the construction of its institutional distribution network to support financial development in county areas. It acquired shares in 15 village banks held by China Development Bank, further expanding its business scale and providing stronger support for the development of China's central and western regions and county economies. As at 30 June 2018, BOC Fullerton Community Bank controlled 95 village banks and 119 sub-branches in 19 provinces (including municipalities directly under the Central Government) via self-establishment and acquisition, of which 76% were located in central and western regions. BOC Fullerton Community Bank has become the largest domestic village bank in terms of total institutions and business scope. Its product system improved continuously and the number of customers grew further. As at 30 June 2018, the registered capital of BOC Fullerton Community Bank amounted to RMB4.751 billion, with its total assets and net assets standing at RMB43.903 billion and RMB6.433 billion respectively. The balances of total deposits and loans of these banks were RMB28.041 billion and RMB29.266 billion respectively. The NPL ratio was 2.57% and the ratio of allowance for loan impairment losses to NPLs stood at 220.60%. In the first half of 2018, it achieved a profit for the period of RMB209 million.

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3 Loans granted to micro and small-sized enterprises are measured in accordance with the Guiding Opinions on Financial Services for Micro and Small-sized Enterprises in 2014 (Yinjianfa [2014] No. 7).

4 Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the Circular on Promoting the High-quality Development of Banks' Financial Services for Micro and Small-sized Enterprises in 2018 (Yinjianfa [2018] No. 29).

Overseas Commercial Banking

In the first half of 2018, the Bank seized market opportunities arising from the construction of the financial artery of the Belt and Road Initiative, RMB internationalisation and Chinese enterprises' "Going Global" efforts. It promoted the establishment of overseas institutions in an organised manner and pushed forward the integrated development of its domestic and overseas operations, thus continually enhancing its global service and support capacities.

As at 30 June 2018, the balance of due to customers and loans of the Bank's overseas commercial banking operations amounted to USD430.918 billion and USD367.730 billion respectively, an increase of 0.97% and 4.68% compared with the prior year-end. In the first half of 2018, the Bank's overseas commercial banking operations achieved a profit before income tax of USD4.907 billion, accounting for 22.07% of the Group's total profit before income tax. The Bank continued to lead its domestic peers in international operations in terms of business scale, profitability and the overall proportion of its internationalised business.

Regarding branch distribution, the Bank actively tracked the financial services demands of global customers and accelerated the distribution of institutions in countries along the Belt and Road, so as to improve its global service network. As at 30 June 2018, the overseas institutions of the Bank totalled 552, covering 55 countries and regions across the world, of which 23 countries were along the Belt and Road.

In corporate banking business, the Bank tapped into opportunities in cross-border corporate services with a focus on "Going Global" customers, foreign "Bringing In" enterprises, "Fortune Global 500" enterprises and local corporate customers. It improved its global customer tiered service system and cross-border financing product and service system. Through core products including syndicated loans, project financing, cross-border M&A, export credit, global cash management and letters of guarantee, the Bank provided great support to key projects related to the Belt and Road infrastructure, energy resource development, international production capacity cooperation and overseas industrial parks, with the aim to encourage domestic equipment, services and technical standards to "Go Global" while "Bringing In" enterprises that meet the needs of domestic industrial development and consumption upgrading.

In personal banking, the Bank provided account opening witness services for personal customers studying abroad or making cross-border business trips in 18 countries and regions by leveraging the advantages of its global service network. The Bank actively built up its cross-border marketing ecosystem, consolidated marketing resources across platforms and improved the availability of cross-border credit card services, so as to provide customers with preferential, convenient and quality cross-border credit card services, thus enhancing the brand influence of its cross-border business. It expanded its overseas credit card issuance and acquiring business, developed new products such as BOC Miles Credit Cards, promoted the overseas China UnionPay Quick Pass and Financial IC Card Quick Pass functions, and accelerated the move towards electronic overseas credit card services. It supported Macao SAR and Singapore in launching locally featured aggregate payment acquiring businesses, in order to further enhance its influence in local payment markets. The Bank established a platform for an overseas debit card issuance system and launched UnionPay dual-currency (RMB and local currency) debit cards and Visa and MasterCard single currency debit cards. It has now issued more than one million cards in 18 countries and regions including Singapore, Japan, South Korea, Australia and Macao.

In financial markets business, the Bank fully leveraged the advantages arising from its cross-border operations. It actively engaged in RMB futures market-making in the exchanges of Taiwan, Singapore and South Korea, further expanded its debt hedging business in Asia, Europe, Oceania and Latin America, supported business development in Africa and Latin America and improved its quotation and customer services. The Bank seized opportunities arising from the two-way opening up of capital markets and exerted every effort to market custody services to "Going Global" and "Bringing In" customers. It sped up efforts to shape its global customer service network and enhanced its global custody service capability, as well as the local and cross-border customer custody service capability of its key overseas institutions. It actively innovated in capital market connectivity service mechanisms and accomplished the integration of its cross-border custody service processes. As at 30 June 2018, the Bank's cross-border custody business ranked first in the market with an enlarged market share, with its QFII custody business scale also topping the market. In the overseas markets, the Bank successfully issued green bonds as well as the Belt and Road-themed bonds for the fourth time, with total volumes equivalent to USD3.2 billion and USD1.0 billion, respectively. It also issued Sustainability Bond, the first of its kind to be issued by a Chinese bank in the overseas markets, with an amount of HKD3.0 billion.

In clearing business, the Bank continuously improved its cross-border RMB clearing capabilities and consolidated its position at the leading edge of international payments. In the first half of 2018, the Bank's cross-border RMB clearing transactions totalled RMB173.42 trillion, maintaining first place in global markets. The Bank owned 11 of the world's 24 authorised RMB clearing banks, leading its peers. It also maintained first place in the global market in terms of the number of CIPS indirect participant clients. It successfully launched Bank of China Cross-border Interbank Payment System (BCIPS) II, and provided an efficient 24-hour uninterrupted cross-border RMB clearing service for global customers.

In e-banking, the Bank further expanded the coverage of its overseas channel services. It finished promoting mobile services in the Vientiane Branch, thus increasing the availability of overseas online banking to 46 countries and regions, and overseas mobile banking services to 17 countries and regions. The Bank also strengthened the development of its overseas mobile financial services. Taking "Mobile First" as its strategy for expanding overseas channels, it further enriched and improved service functions to offer a better service experience. It added services in the Lao language, meaning that it now provides services in 13 languages across its overseas e-channels. The Bank paid constant attention to the core demands of "Going Global" enterprises, and completed the building of overseas bank-enterprise connection channels.

BOCHK

In the first half of 2018, BOCHK remained committed to building a top-class, full-service and internationalised regional bank. It seized market opportunities and steadily pushed forward its business focuses. Its core businesses realised satisfactory growth, with major financial indicators remaining at solid levels. It continued to implement its regional development strategies and made satisfactory progress in its business expansion in Southeast Asia. BOCHK remained committed to expanding its cross-border business with a focus on the integrated collaboration within the Group in Guangdong, Hong Kong and Macao. In pursuit of full-service development, BOCHK accelerated the construction of its diversified business platforms. Moreover, it stepped up innovation in FinTech and optimised online platforms to push forward its development as a digital bank. As at 30 June 2018, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD2,774.445 billion, and net assets reached HKD252.325 billion. In the first half of 2018, BOCHK achieved a profit for the period of HKD17.878 billion.

BOCHK continued to develop the local market in Hong Kong and outperformed its peers in key business areas. The growth of its total customer deposits and loans was above the market average. Its asset and liability structure was further optimised, with asset quality outperforming the local market. Moreover, it diversified its corporate finance business and successfully arranged a number of significant syndicated loans. As a result, BOCHK remained the top mandated arranger in the Hong Kong-Macao syndicated loan market. It also maintained its leading market position in serving as the main receiving bank for initial public offerings in Hong Kong. BOCHK provided differentiated products and services in order to acquire more local commercial customers in Hong Kong, and achieved a continuous rise in market penetration. It maintained its leadership in the UnionPay merchant acquiring and card issuing business in Hong Kong, and achieved rapid development in its governmental and institutional businesses. In addition, BOCHK expedited the development of its cash pooling and treasury centre businesses and promoted competitive products and integrated solutions in its transaction banking business. It pushed forward the comprehensive, scenario-based and globalised development of its products and services, so as to meet clients' needs for one-stop financial services. It provided diversified products and tailored services to cater for the different needs of individual clients. BOCHK also captured opportunities from the development of FinTech by accelerating the setup of a new smart branch and stepping up its online innovation in livelihood finance. It enhanced customer development across various dimensions by optimising its service channels and wealth management service models, which led to a continuous increase in mid- to high-end customers and the scale of assets under wealth management.

BOCHK integrated its Southeast Asian institutions in an orderly manner and saw effective regional management starting to emerge. It successfully completed the acquisition of the Vietnam Business and the Philippines Business of the Bank in January 2018. Its business coverage now reaches countries across Southeast Asia including Thailand, Malaysia, Vietnam, the Philippines, Indonesia, Cambodia and Brunei. It refined its regional management mechanism and model and defined the strategic positioning of its Southeast Asian institutions. It reinforced its resource support to them, pushed forward their differentiated development and enhanced regional synergy. Fully leveraging its competitive advantages in funding and products in Hong Kong, BOCHK continued to enrich and enhance the product offering and service capabilities of its Southeast Asian institutions, with a focus on serving and attracting more customers from mainland "Going

Global" enterprises, high-quality leading corporates in local areas, overseas Chinese as well as high-net-worth customers. Its customer base and business coverage continued to expand. In addition, BOCHK enhanced supervision of its Southeast Asian institutions' risk management, to make sure that its regional operations follow the standards of BOCHK and comply with the regulatory requirements of the HKMA and local regulatory agencies.

BOCHK strengthened collaboration within the Group so as to expand its cross-border business. Through a focus on mainstream clients, key industrial sectors and major projects, BOCHK made a concerted effort to explore business along the Belt and Road, which further raised its market share and influence. What's more, BOCHK enhanced its business collaboration within the Group with regard to the Guangdong-Hong Kong-Macao Greater Bay Area, for example by introducing the BOC UnionPay Dual Currency Card for the Greater Bay Area, which facilitates livelihood consumption and payments in the area. In an effort to establish cross-border network channels, BOCHK implemented a point-to-point Hong Kong boundary strategy, including the proposed setup of a self-service banking centre at West Kowloon Rail Station, the terminus of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, and an automated banking site at the Hong Kong-Zhuhai-Macao Bridge. It also pushed forward service sharing, product innovation and the construction of distribution channels so as to upgrade its cross-border service model and regional competitiveness, which led to a satisfactory increase in the number of cross-border customers.

BOCHK sharpened its competitive edge in financial markets and accelerated the development of its diversified business platforms. Capturing market opportunities, BOCHK continued to enlarge its business coverage and customer base. It enriched its products and services in order to fulfil clients' treasury needs. It deepened business relationships with overseas central banks, sovereign institutions and international financial institutions. BOCHK made progress towards strengthening its trading capacities and product competitiveness by optimising the functions of its trading platforms and enhancing product innovation. Moreover, its banknote business recorded stable growth in business coverage in the Hong Kong and Southeast Asian markets, further consolidating its leading position in the banknote market. Through its continuous efforts to boost its diversified business platforms, including credit cards, private banking, life insurance, asset management, transaction banking, custody and trust as well as securities and futures, BOCHK was able to provide customers with a wider range of financial services, and thus increase income from its comprehensive business operations.

BOCHK expedited innovation in FinTech so as to push forward digital development and application. The new BOCHK Mobile Banking and smart counter service were introduced as part of its commitment to improving customer experience. As a result, both the total number of customers using e-channels and the number of e-channel transactions continued to rise. It also proactively invested in the mobile payment business by developing online integration projects in the Guangdong-Hong Kong-Macao Greater Bay Area, in order to upgrade its capabilities in cross-border mobile payment services. BOCHK continued to develop its big data platform and to optimise insight analysis of customers and scenario-based applications so as to support more effective marketing.

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

Comprehensive Operation Platforms

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

Investment Banking Business

BOCI

The Bank is engaged in investment banking business through BOC International Holdings Limited ("BOCI"). As at 30 June 2018, BOCI had issued share capital of HKD3.539 billion, total assets of HKD75.054 billion, and net assets of HKD18.874 billion. In the first half of 2018, BOCI realised a profit for the period of HKD1.263 billion.

BOCI actively captured strategic opportunities arising from the Belt and Road Initiative, Chinese enterprises' "Going Global" efforts, mixed ownership reform of SOEs and the development of the Guangdong-Hong Kong-Macao Greater Bay Area. It continuously strengthened its marketing efforts, reinforced internal controls and improved risk management practices. With the aim of serving the real economy, BOCI strived for excellence in its key business areas and strengthened its integrated "investment banking + commercial banking" services, achieving leading positions in its core businesses.

BOCI made solid progress in providing integrated cross-border services for global clients. It actively explored opportunities in the Southeast Asian market and solidified its M&A business structure. Its equity underwriting and financial advisory businesses steadily grew and its bond issuance and underwriting businesses maintained leading positions in the market. It advanced product innovation and completed a number of benchmark projects. With a focus on the Hong Kong market, business collaboration in the Chinese mainland and global projects, BOCI increased cross-border cooperation with institutions and continued to expand its sales network. Keeping abreast of market changes, it further improved its value and influence as a "think tank" in terms of research capability.

BOCI solidified its leading position in the Hong Kong warrant market through steady upgrades in its brokerage and trading system. It improved targeted marketing and customer services with the aid of big data and AI technologies. Its private banking and asset management services strengthened and its trust business achieved solid growth. Moreover, BOCI-Prudential Asset Management Limited (BOCI-Prudential), a subsidiary of BOCI, maintained its position as a top-ranked service provider in the Hong Kong Mandatory Provident Fund and Macao Pension Fund businesses. BOCI-Prudential continued to enrich its investment product offerings and actively participated in the Chinese Mainland-Hong Kong Mutual Recognition of Funds scheme so as to provide quality services to investors.

BOCI seized opportunities arising from the capital market developments in the Chinese mainland, explored high-quality projects in emerging industries and increased RMB equity investment. It established a new benchmark in the global commodities market by launching the "BOCI China Commodities Index", and boosted the internationalisation of China's futures market by completing the first offshore trades of Chinese domestic crude oil and iron ore futures.

BOCI China

The Bank is engaged in securities-related business in the Chinese mainland through BOCI China. As at 30 June 2018, the registered capital, total assets and net assets of BOCI China were RMB2.500 billion, RMB48.010 billion and RMB11.892 billion, respectively. It realised a profit of RMB520 million for the first half of 2018.

BOCI China adhered to a robust and aggressive development principle and adopted a customer-centric approach. Implementing its "Transition + Synergy" strategy, it strived to push forward business transformation and outperform its peers while holding fast to the risk compliance bottom line. It continued to transform its investment banking business model to "investment bank + commercial bank", "investment bank + investment" and "domestic + overseas". It shifted its brokerage business focus towards wealth management, and its asset management business focus towards active management, while improving the versatility of its branches. As a result, its service capability, core competitiveness and market influence strengthened.

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at 30 June 2018, BOCIM's registered capital, total assets and net assets totalled RMB100 million, RMB4.578 billion and RMB3.360 billion respectively. In the first half of 2018, BOCIM realised a profit for the period of RMB522 million.

By steadily expanding its asset management business and implementing sound internal controls and risk management, BOCIM achieved continuous growth in profitability, enhancing its brand and market reputation. As at 30 June 2018, BOCIM's assets under management reached RMB843.7 billion. In particular, its public-offered funds reached RMB434.4 billion and its non-monetary public-offered funds reached RMB270.5 billion.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at 30 June 2018, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD8.370 billion and net assets of HKD4.045 billion. In the first half of 2018, BOCG Insurance recorded gross written premiums of HKD1.131 billion and a profit for the period of HKD80 million, remaining at the forefront of the Hong Kong general insurance market in terms of gross written premiums.

Staying committed to the development strategy of "Foothold in Hong Kong, Move in Concert with the Chinese Mainland, Dedicate to the Group, Uplift Core Value" and the principle of "carrying out featured and market-oriented insurance business with technology and innovation at its core", BOCG Insurance played an active role in serving the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area. Through strengthened collaboration with the Group's institutions, it secured a contract of all-risk property insurance with the Vientiane World Trade Center in Laos and a contract of third-party liability insurance for cars passing over the Hong Kong-Zhuhai-Macao Bridge, thus enhancing the Group's integrated financial service capacity.

BOCG Insurance proactively pushed forward the updating and upgrading of its core business systems in accordance with its medium- and long-term core system development plan and its marketing strategy of "Deepen Services in Hong Kong, Refine Business Approach in the Chinese Mainland, Reach Out to Overseas Markets, Widen Brand Awareness". In addition, it optimised its official website and improved its customer service system and e-commerce marketing platform to further enhance the user experience.

Taking strategy, market, regulations and technology into consideration, BOCG Insurance improved its organisational structure in accordance with the management principles governing customers, products and channels. It also made a concerted effort to establish a full-scale, full-process and all-staff risk management system so as to ensure the sound function of the "three lines of defence" for internal control. Moreover, it reinforced its risk appetite management for insurance underwriting, reinsurance and investment, and enhanced risk compliance awareness through performance assessment, all of which led to more efficient risk management.

BOC Life

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at 30 June 2018, BOC Life's issued share capital was HKD3.538 billion, total assets amounted to HKD134.809 billion and net assets amounted to HKD8.198 billion. In the first half of 2018, BOC Life realised a profit for the period of HKD0.549 billion.

BOC Life proactively broadened multiple distribution channels and developed innovative products and value-added services. As part of its distribution platform innovation, BOC Life joined the insurance product and service platforms of renowned internet companies and launched the first critical illness product "AlongPro Critical Illness Plan", which is available on such platforms as well as on the BOC Life online platform, in order to attract customers using mobile networks. The year 2018 marked the 20th anniversary of BOC Life. It proactively delivered promotional campaigns to improve customers' knowledge of BOC Life's insurance business and to further strengthen its brand image.

BOC Life made active use of innovative technology and effectively enhanced customer experience. It launched "Easy Chat", an innovative AI chatbot service, to provide customers with information about policies, payments and claims. In its efforts to develop the younger customer segment, BOC Life bolstered customer interactions through social media, internet services and a brand new BOC Life WeChat Official Account. By promoting its electronic policy services, BOC Life improved its operational efficiency and enhanced its image as an advanced enterprise with a focus on innovative technology and services.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at 30 June 2018, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB13.027 billion and net assets of RMB3.795 billion. In the first half of 2018, it achieved gross written premiums of RMB3.454 billion and a profit for the period of RMB93 million.

Following national strategies, BOC Insurance paid attention to market trends and customer needs and remained committed to serving the real economy and providing comprehensive financial services to customers. It pushed forward the formation of its customer segmentation strategy and business system, made notable progress in acquiring major domestic projects and realised a year-on-year growth of 51.7% in written premiums from customers with premiums over RMB1 million. It also actively responded to the Belt and Road Initiative by supporting large domestic enterprises in their "Going Global" efforts. It has become one of the Chinese market's major participants in overseas insurance business, with its overseas insurance business now covering nearly 30 industries in more than 70 countries and regions including Asia, Africa and South America. It pushed forward product innovation, launching new products such as integrated insurance for overseas special medical treatments, personal account security insurance and insurance for the first set of major technical equipment. In addition, it achieved continual growth in its telesales and internet-based insurance business as a result of insurance channel expansion. BOC Insurance handled various insurance claims in an efficient and dedicated manner so as to better assume its share of social responsibility. It launched a timely emergency mechanism to deal with natural disasters and major accidents. Through green channels for claims, prepaid claims and the introduction of well-known third-party institutions at home and abroad, it ensured the quick treatment of claims in order to alleviate the burdens on customers caused by disasters and effectively support them in restoring production. This was highly recognised by customers. Thanks to a sound risk condition and steady operations, BOC Insurance received an "A" regulatory rating for the seventh consecutive quarter, and also maintained an "A-" rating and "stable" outlook from Standard & Poor's in recognition of the remarkable enhancement in its overall capabilities.

BOC-Samsung Life

The Bank is engaged in life insurance business in the Chinese mainland through BOC-Samsung Life. As at 30 June 2018, BOC-Samsung Life's registered capital stood at RMB1.667 billion, total assets amounted to RMB14.189 billion and net assets amounted to RMB1.250 billion. In the first half of 2018, BOC-Samsung Life recorded written premiums and premium deposits of RMB3.542 billion and a profit for the period of RMB46 million.

BOC-Samsung Life continued to enhance its cross-selling and collaborative service capabilities with the Group. In the first half of 2018, it realised a year-on-year increase of 81% in group insurance premiums brokered by the Bank, and a year-on-year increase of 268% in premiums insuring BOC credit card clients. It optimised its operating processes by utilising its upgraded mobile sales system and service platforms, improving its underwriting efficiency by nearly 30% and improving the efficiency of self-service claims via the mobile app for group medical insurance by nearly 40%. It also added insurance application functionality to its WeChat official account. Moreover, it introduced the pension annuity product "LeXiangJinSheng" for the young and middle-aged, and accident insurance product "LeXingWuYou" featuring integrated protections at a cost-effective price, which strengthened the protection function of its product line.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. As at 30 June 2018, BOCG Investment recorded issued share capital of HKD34.052 billion. Its total assets of HKD112.465 billion and net assets of HKD61.061 billion. In the first half of 2018, it recorded a profit for the period of HKD2.135 billion.

BOCG Investment steadily pushed forward its business transformation from "investment" to "investment + investment management". It expanded its overseas investments by stepping up the launch of the BOC Overseas Fund. Seizing investment opportunities in emerging industries, it completed investments in JD Finance and SenseTime, etc. In the course of diversifying its financing channels, BOCG Investment issued its first exchange-traded Panda Bond. Following the Group's targeted poverty alleviation initiatives, it invested in the Xianyang City — CP Group Pig-Farming Project and facilitated the operation of the BOC Western China Logistics Fund. Moreover, it strengthened post-investment management and exit management in order to achieve sustainable development.

BOC Asset Investment

The Bank is engaged in debt-for-equity conversion and related business in the Chinese mainland through BOC Asset Investment. As at 30 June 2018, BOC Asset Investment's registered capital was RMB10.000 billion, total assets amounted to RMB10.130 billion and net assets amounted to RMB10.098 billion. In the first half of 2018, its profit for the period was RMB164 million.

BOC Asset Investment actively implemented the strategic decision of the state to deepen supply-side structural reform. It conducted debt-for-equity conversions based on both market-oriented and law-based principles, with the aim of improving enterprises' business operations and helping them to reduce leverage ratios and improve market value, thus effectively serving the real economy and preventing and mitigating financial risks.

Leasing Business

BOC Aviation

The Bank is engaged in the aircraft leasing business through BOC Aviation. BOC Aviation is one of the world's leading aircraft operating leasing companies and is the largest aircraft operating leasing company headquartered in Asia, as measured by the value of owned aircraft. As at 30 June 2018, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD17.111 billion and net assets of USD3.988 billion. In the first half of 2018, it recorded a profit for the period of USD297 million.

Committed to pursuing sustainable growth, BOC Aviation continued to implement its proactive business strategy and steadily promoted its standing in the aircraft leasing industry. As of 30 June 2018, it had leased more than 70% of its aircraft to airlines of the Belt and Road countries and regions as well as the Chinese mainland, Hong Kong, Macao and Taiwan, thus supporting the Belt and Road Initiative. Catering to customer needs, it took delivery of 27 aircraft, all of which have been placed on long-term leases. As a result, its owned fleet continued to expand. During the first half of 2018, BOC Aviation signed 30 leases for future deliveries and acquired 10 new customers. It consistently sought to optimise its asset structure and reinforce sustainable development. It sold 18 owned aircraft and 1 managed aircraft in the first half of 2018, leaving it with an average owned fleet age of 3.0 years (weighted by net book value) as at 30 June 2018, one of the youngest aircraft portfolios in the aircraft leasing industry.

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

Service Channels

Dedicated to enhancing customer experience, the Bank integrated its service channels and transformed its outlets so as to attract more customers and cultivate an ecosystem wherein online and offline channels are integrated and financial and non-financial scenarios are seamlessly connected.

Outlet Development

The Bank pushed forward the construction of its next-generation smart outlets, which feature smart counters. Led by the popularisation and upgrading of smart counters, it endeavoured to transform its outlets' service model from "transaction-processing" to "value-creating". As at 30 June 2018, the Bank had installed smart counters in 9,927 outlets under 36 tier-1 branches in the Chinese mainland, thus covering 93.6% of outlets. Smart counters now provide 132 service functions, organised into 33 categories, further enhancing the Bank's smart service capacity. The Bank also launched pilot "Mobile Counters" in 19 branches, with the aim of encouraging a proactive approach to acquiring customers beyond the boundary of outlet halls, and of expanding its financial service coverage and transforming its operation model.

The Bank consistently improved the operational management of its outlets. It optimised its outlet performance assessment system and pushed forward the classification and differentiated development of outlets in order to improve their value-creating capacity. It also extended service channels and improved financial services in county areas. With the allocation of more marketing personnel, the marketing capacity of outlets improved. Moreover, the Bank reinforced its risk management over various businesses provided through outlets so as to enhance comprehensive operational efficiency. As at 30 June 2018, the Bank's domestic commercial banking network (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised 10,689 branches and outlets. Domestic non-commercial banking institutions totalled 393, and institutions in Hong Kong, Macao, Taiwan and other countries and regions totalled 552.

Unit: single item, except percentages

Items	**As at 30 June 2018**	As at 31 December 2017	Change (%)
ATM	**45,298**	42,507	6.57%
Smart counter	**18,177**	16,235	11.96%
Self-service terminal	**29,423**	31,239	(5.81%)

Internet Finance

Thanks to the accelerated development of its internet finance business, the Bank realised satisfactory growth in its mobile banking business. In the first half of 2018, the Bank's substitution ratio of e-banking channels for outlet-based business transactions reached 95.32%, while its e-channel transaction amount reached RMB106.69 trillion, an increase of 19.02% compared with the same period of the prior year. Among this, mobile banking transaction volumes hit RMB8.32 trillion, an increase of 72.74% compared with the same period of the prior year, evidencing that mobile banking has become the online trading channel with the most active customers.

Unit: million customers, except percentages

Items	**As at 30 June 2018**	As at 31 December 2017	Change (%)
Number of corporate online banking customers	**3.6480**	3.4169	6.76%
Number of personal online banking customers	**157.2328**	147.9722	6.26%
Number of mobile banking customers	**128.2382**	115.3257	11.20%
Number of telephone banking customers	**113.4446**	113.3691	0.07%

Following a "Mobile First" strategy, the Bank built a mobile portal for its integrated financial services and improved the service capabilities of its e-channels with a focus on the construction of mobile banking services. Services including Visa Express, reservation of foreign currency banknotes, campus consumer loans, government-sponsored student loans, intelligent investment advisory and digital credit cards were added to the functionality of the Bank's new mobile banking service, which now offers approximately 200 types of financial services. It enriched the security authentication method of its mobile banking service by coordinating with China Mobile to unveil SIM Key, a new authentication tool. It sought to boost scenario-based marketing and loyalty-enhancing customer interactions by means of innovative marketing approaches such as webcasting. The Bank further improved the service functions of its online banking, telephone banking, WeChat banking and SMS banking, thus creating a better experience for customers.

The Bank further leveraged FinTech to enhance the fundamental capacity of its internet finance. It built an online financing platform where data and scenario are the key focus, endeavoured to expand the customer base of its "BOC E-Credit" product and accelerated the implementation of innovative incubation projects for online financing, including "BOC E-Credit • Youth E-Credit" as well as large-amount credit granting based on customers' behaviour and characteristics. It sped up the development of its mobile payment business and launched a cross-border payment service to supplement its existing domestic payment service, by introducing the pioneering cross-border UnionPay QR code payment product, which enables domestic UnionPay cardholders to make QR code payments abroad through mobile banking. The Bank continued to refine its asset management services. It now offers approximately 8,000 products in 17 categories covering bank wealth management, fund distribution and foreign exchange through the BOC financial supermarket. Its balance wealth management became one of the most active products in mobile banking, with notable growth in business volume. The Bank consolidated its competitive advantages in tariff business and cooperated with regulators to launch the single-window model ordinary payment service, ahead of its peers. The "BOC Easy-trade Cyber-tariff" business continued to maintain a market-leading share. It officially launched the New Generation Internet Finance Concurrent Risk Control System, a whole-process risk management and control system for internet finance that covers pre-event, concurrent and post-event risk control. The Bank advanced the construction of its "New Generation Customer Service System" and its global expert online support system so as to facilitate the transformation of its customer service system in an orderly manner.

Information Technology Development

Following a technology-driven strategy, the Bank remained committed to building a digitalised bank characterised by rich scenarios, smooth online and offline coordination, excellent user experience, flexible and innovative products, efficient operation and management as well as intelligent risk control.

The Bank reinforced the development of its globally integrated information technology systems. The launch of its overseas information system in Hong Kong and Macao marked the successful completion of the Bank's system integration and transformation project. This project has achieved information system version unification, centralised deployment and integrated operation and management in 53 overseas institutions, as well as shoring up information system development in newly established overseas institutions. To support business development, the Bank launched key projects such as "Mobile Banking 4.0", "risk management 7+2", smart counters, consumer finance, "quantitative trading platform" and cross-border matchmaking services for SMEs, rolled out the "BOC Smart Investor" smart investment advisor and used big data to strengthen its intelligent risk control system.

Following a technical development route that gives equal emphasis to centralised and distributed architectures, the Bank boosted the strategic transformation of its technical architecture and constructed the three fundamental platforms of cloud computing, big data and artificial intelligence (AI), in order to lay a foundation for the long-term development of the Bank's technological capacity. Keeping abreast of contemporary development trends, the Bank actively carried out pilot applications of such cutting-edge technologies as AI, big data, biometric identification, virtual reality/augmented reality, blockchain, and quantum communication in financial scenarios.

Adhering to the principle that FinTech innovation should serve the essence of the business development, the Bank closely tracked developments in core FinTech applications, optimised key aspects of its businesses and explored scenario-based applications. It conducted in-depth research into the application of blockchain and AI technologies and actively pushed forward the integration of innovative technologies with its businesses. It used blockchain technology to carry out a prototype verification project for its KYC platform and used AI technologies to conduct in-depth research into its foreign exchange price forecast model as well as its intelligent SWIFT routing model. It also explored how to apply recent breakthroughs in deep learning technology to improve modelling and continuously enhance the reliability of forecast.

Risk Management

The Bank endeavoured to fulfil the requirement of preventing and mitigating material risks and continued to improve its risk management system in line with the Group's strategies. It followed local and overseas regulatory requirements, carried out in-depth governance regarding market disruption and pushed forward compliance work in relation to effective risk data aggregation and risk reporting, so as to ensure compliant operations. The Bank refined its comprehensive risk management mechanism as well as the Group's risk appetite management system, researched a new model of risk management pertaining to new regulatory requirement on asset management business and strengthened the risk management of its comprehensive operation platforms. The Bank implemented advanced approaches to capital management, continued to develop and refine its risk measurement model and increased the coverage of its internal ratings-based management. In addition, it advanced the construction of its risk management information system, consolidated its risk database, improved its risk data governance and proactively promoted the construction of an intelligent risk management system.

Credit Risk Management

Closely tracking changes in economic and financial conditions as well as regulatory requirements, the Bank improved its management mechanisms, adjusted its structure, and controlled and mitigated credit risks. In addition, the Bank strengthened credit asset quality management, further improved its credit risk management policies and pushed forward the optimisation of its credit structure. It also held fast to the risk compliance bottom line and took a proactive and forward-looking stance towards the continual improvement of its credit risk management.

The Bank strengthened its credit asset quality management. Pursuant to the principle of substance over form, the Bank managed full-scope credit risks and pushed forward its unified management of marketing, credit approval, credit granting and post-lending. It kept a close eye on changes in the economic situation, intensified post-lending management and consolidated its risk monitoring and early warning mechanisms, including periodic inventory system, period management and management of material credit risk events, thus strengthening the proactive control of potential risks. It promoted centralised approval for group customers and strengthened customer concentration management so as to control concentration risk. The Bank maintained relatively stable asset quality by enhancing the supervision of risk analysis and asset quality control for key regions, and strengthening window guidance on key products.

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

The Bank further improved its credit risk management policies. In corporate banking, the Bank strengthened differentiated industrial policy guidance in line with the economic trends at home and abroad and the direction of national policy. On the one hand, the Bank granted more credit resources to fields related to national macroeconomic policy and industry policies in order to ensure that the industrial structure is rational and the risk is controllable. On the other hand, the

Bank further strengthened risk identification and control, proactively reduced and exited from credit relationships in key fields, strictly controlled the gross outstanding amount and use of loans through limit management, and prevented and mitigated risk from overcapacity industries. It reinforced risk control over local government debts to prevent related risks. In addition, the Bank implemented the government's macro-control policies and regulatory measures in the real estate sector and carried out credit control by classification so as to strengthen the risk management of real estate loans. It also prevented and controlled risks in overseas loans under domestic guarantee and cross-border M&A business. For personal banking, the Bank enforced regulatory requirements on residential mortgage loans and continued to strictly implement differentiated policies. It revised policies on personal credit management and strengthened uniform personal credit management covering personal loans, bank cards and other businesses. It continued to reinforce the risk control of key products and regions. Moreover, the Bank enhanced risk control over financial institutions by risk screening small and medium-sized banks and non-bank financial institutions.

The Bank strengthened country risk management and incorporated it into its comprehensive risk management system. It performed its annual review of country risk ratings and implemented limit management of country risk exposures. It adopted the Country Risk Exposure and Limit Monitoring System to assess, monitor, analyse and report its exposures on a regular basis, thereby managing the use of limits in a precise manner. The Bank also established a country risk monitoring and reporting system covering yearly reporting, quarterly monitoring and the timely reporting of material risk events, which made it possible to regularly publish country risk analysis reports within the Group, organise overseas institutions to update country risk monitoring tables, make timely assessments of the impact of material country risk events and release risk prompts within the Group. In addition, the Bank differentiated the management of potentially high-risk and sensitive countries and regions. The Bank's net exposures to country risk concentrated in the countries and regions where country risk was low and thus the Bank contained its overall country risk at a reasonable level.

The Bank also stepped up the collection of NPAs. It developed a philosophy regarding the management of non-performing assets and established a long-acting mechanism for the resolution of such assets. It enhanced the efficiency of NPA disposals through unified allocation of internal and external recovery resources and centralised management of NPA projects. It also expanded disposal channels for NPLs in its bank card and personal banking businesses through various measures and successfully issued NPL-backed securities drawn from those businesses. It adopted policies based on the actual conditions of individual enterprises, strengthened restructuring efforts and strived to help enterprises get out of difficulties. Taking advantage of its internationalised and diversified businesses, the Bank explored multiple channels to resolve NPAs. It conducted NPA disposal and implemented accountability measures for losses in compliance with relevant laws and regulations.

The Bank reasonably measured and managed the quality of its credit assets based on the *Guidelines for Loan Credit Risk Classification* issued by the CBIRC. As at 30 June 2018, the Group's NPLs totalled RMB163.304 billion, an increase of RMB4.835 billion compared with the prior year-end. The NPL ratio was 1.43%, down by 0.02 percentage point compared with the prior year-end. The Group's allowance for loan impairment losses amounted to RMB269.111 billion, an increase of RMB16.857 billion compared with the prior year-end. In particular, the balance of the Group's allowance for loans at amortised cost amounted to RMB267.636 billion, and the Group's allowance for loans at fair value through other comprehensive income amounted to RMB1.475 billion. The coverage ratio of allowance for loan impairment losses to NPLs was 164.79%.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 30 June 2018 Amount	As at 30 June 2018 % of total	As at 31 December 2017 Amount	As at 31 December 2017 % of total
Group				
Pass	**10,906,023**	**95.64%**	10,421,064	95.64%
Special-mention	**333,914**	**2.93%**	317,025	2.91%
Substandard	**84,479**	**0.74%**	59,265	0.54%
Doubtful	**40,016**	**0.35%**	45,404	0.42%
Loss	**38,809**	**0.34%**	53,800	0.49%
Total	**11,403,241**	**100.00%**	10,896,558	100.00%
NPLs	**163,304**	**1.43%**	158,469	1.45%
Domestic				
Pass	**8,500,075**	**94.98%**	8,140,120	94.83%
Special-mention	**290,707**	**3.25%**	288,857	3.37%
Substandard	**82,571**	**0.92%**	57,659	0.67%
Doubtful	**38,068**	**0.43%**	43,370	0.51%
Loss	**37,467**	**0.42%**	53,179	0.62%
Total	**8,948,888**	**100.00%**	8,583,185	100.00%
NPLs	**158,106**	**1.77%**	154,208	1.80%

Migration Ratio

Unit: %

Items	For the six-month period ended 30 June 2018	2017	2016
Pass	**1.33**	1.97	3.05
Special-mention	**16.03**	20.37	19.39
Substandard	**18.00**	57.97	36.67
Doubtful	**12.42**	31.98	44.31

In accordance with IFRS 9, the Bank assesses expected credit losses (ECL) with forward-looking information and makes relevant allowances. In particular, it makes allowances for assets classified into stage 1 and assets classified into stage 2 & 3 according to ECL of 12 months and ECL of the entire lifetime respectively. As at 30 June 2018, the Group's stage 1, stage 2 and stage 3 loans totalled RMB10,758.057 billion, RMB481.867 billion and RMB163.317 billion respectively, accounting for 94.34%, 4.23% and 1.43% of total loans. In the first half of 2018, the Group's impairment losses on loans amounted to RMB31.857 billion, an increase of RMB5.268 billion compared with the same period of the prior year. Credit cost accounted for 0.57%, an increase of 0.05 percentage point compared with the same period of the prior year. Please refer to

Notes III.17 and IV.1 to the Condensed Consolidated Interim Financial Information for detailed information regarding loan classification, the classification of ECL stages and allowance for loan impairment losses.

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

Unit: %

Indicator	Regulatory Standard	**As at 30 June 2018**	As at 31 December 2017	As at 31 December 2016
Loan concentration ratio of the largest single borrower	≤10	**3.8**	3.8	2.3
Loan concentration ratio of the ten largest borrowers	≤50	**16.6**	17.4	14.2

Notes:

1 Loan concentration ratio of the largest single borrower = total outstanding loans to the largest single borrower ÷ net regulatory capital.

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

The following table shows the top ten individual borrowers as at 30 June 2018.

Unit: RMB million, except percentages

	Industry	**Related Parties or not**	**Outstanding loans**	**% of total loans**
Customer A	Manufacturing	No	66,166	0.58%
Customer B	Manufacturing	No	35,142	0.31%
Customer C	Transportation, storage and postal services	No	34,670	0.30%
Customer D	Transportation, storage and postal services	No	34,541	0.30%
Customer E	Transportation, storage and postal services	No	21,840	0.19%
Customer F	Commerce and services	No	21,426	0.19%
Customer G	Commerce and services	No	20,185	0.18%
Customer H	Commerce and services	No	18,381	0.16%
Customer I	Production and supply of electricity, heating, gas and water	No	18,250	0.16%
Customer J	Commerce and services	No	18,150	0.16%

Market Risk Management

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

The Bank actively adapted to changes in its business and the market by improving its market risk appetite transmission mechanism and refining its model for the market risk limit management of the Group. To further improve counterparty credit risk management procedures of counterparties and improve its risk warning and mitigation capabilities, the Bank conducted forward-looking research and judgement regarding market risks and cross-financial risks. It continuously advanced the improvement of the market risk data mart and management system, so as to enhance the accuracy of risk measurement and improve its ability to quantify risk. Please refer to Note IV.2 to the Condensed Consolidated Interim Financial Information for detailed information regarding market risk.

Closely tracking the financial market volatility and changes in regulatory policies, the Bank studied popular products and major risk areas in the market, and strengthened risk control. It regularly executed risk review and stress tests on the Group's bond investment business, and performed specific review of bond investments after conducting a research on the emerging characteristics of bonds defaulted this year.

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

Liquidity Risk Management

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

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

As at 30 June 2018, the Group's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio is listed in the table below (in accordance with relevant provisions of domestic regulatory authorities):

Unit: %

Indicator		Regulatory standard	**As at 30 June 2018**	As at 31 December 2017	As at 31 December 2016
Liquidity ratio	RMB	≥25	**53.6**	47.1	45.6
	Foreign currency	≥25	**60.8**	56.9	52.7

Reputational Risk Management

The Bank earnestly implemented regulatory requirements on reputational risk management, continued to enhance its reputational risk management system and mechanism and strengthened the consolidated management of reputational risk, so as to enhance the overall reputational risk management level of the Group. It attached great importance to the investigation and pre-warning of potential reputational risk factors, further improved its routine public opinion monitoring capability, conducted reputational risk identification, assessment and reporting, established a coordination mechanism between reputational risk management departments and liable departments and dealt appropriately with reputational risk events, thus effectively maintaining the brand reputation of the Group. In addition, the Bank continued to roll out training on reputational risk, so as to enhance employees' awareness of reputational risk and foster the Group's culture of reputational risk management.

Internal Control and Operational Risk Management

Internal Control

The Board of Directors, senior management and their special committees earnestly performed their duties regarding internal control and supervision, emphasising early risk warning and prevention so as to improve the compliance management of the Group.

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

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

The third line of defence rests in the audit and inspection departments of the Bank. The audit department is responsible for performing internal audit of the Bank's internal control and risk management in respect of its adequacy and effectiveness. The inspection department is responsible for staff non-compliance sanctions, investigation of cases and management accountability. The Bank continuously strengthened education and raised employees' awareness of moral hazards. It reinforced employee behaviour management, seriously investigated internal fraud cases and strictly pursued accountability according to the basic principles of "inquiry of four accountable subjects into one case", "both institutional and business-line management accountability" and "management two levels higher than the branch-outlet accountable where serious fraud occurs". The Bank continued to push forward the implementation of the reform of its human resource management system for the audit line, and further intensified the vertical management of its audit function. It enhanced audit team building, accelerated the implementation of the three-year plan for IT applications in audit, reinforced the use of IT-based audit approaches and further advanced circulatory monitoring. Taking an issue-oriented approach, the Bank focused on comprehensive audits of its institutions and special audits of its businesses. It strengthened audits and inspections of high-risk institutions and businesses, as well as fields prioritised by the Group and of special concern to regulators. The Bank concentrated its attention on systemic matters, trends as well as emerging and important issues, so as to practically perform its internal audit function. It applied "integrated inspection and rectification" on audit findings, as well as improving the quality and impact of rectification, so as to achieve the timely and effective rectification of problems and to continually improve the Bank's internal governance and control mechanism.

In order to rigorously implement the requirements of the CBIRC regarding further rectification of market disruption in the banking sector, the Bank organised bank-wide risk inspections to actively identify and mitigate risks. It launched a staff compliance archive system to reinforce behaviour management and foster a compliance culture. In addition, the Bank developed an internal control and compliance management evaluation system so as to enhance the routine management and control of its branches.

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

The Bank established and implemented a systematic financial accounting policy framework in accordance with relevant accounting laws and regulations. Accordingly, the level of standardisation and refinement of its financial accounting management was further improved. Progress was made in the qualification of basic accounting work, and the Bank has propelled the establishment of a long-term mechanism for basic accounting work since 2018. It continually strengthened the quality management of its accounting information, so as to ensure the effectiveness of internal control over financial reporting. The financial statements of the Bank were prepared in accordance with the applicable accounting standards and related accounting regulations, and the financial position, operational performance and cash flows of the Bank were fairly presented in all material respects.

Focusing on fraud risk prevention and control, the Bank proactively identified, assessed, controlled and mitigated risks. In the first half of 2018, the Bank successfully prevented 113 external cases involving RMB109 million.

Operational Risk Management

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

Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the stable and sound development and sustainable operation of the Group. It implemented an AML system building plan, integrated resources for monitoring and analysis, pushed forward system and model building and improved system functionality. It reinforced sanction compliance management, implemented rigorous sanction management policies as well as the sanction requirements of the UN, Chinese regulators and overseas local regulators, standardised customer and transaction due diligence, and enhanced centralised correspondent banking management. It stepped up the implementation of its 50 Rules on Further Strengthening Overseas Compliance Management. It also tracked local and overseas regulatory trends, regulatory inspection and evaluation as well as other compliance risk information in a timely manner, and implemented the requirements of regulators. It implemented the "All Employee AML Training Plan" by conducting various forms of AML training so as to enhance all employees' compliance awareness and capacity.

The Bank enhanced the management of its connected transactions and internal transactions. It strengthened the routine monitoring of connected transactions and strictly controlled their risks. It also conducted self-evaluation and realised improvement with regard to regulation implementation, system management, data quality and other dimensions. In addition, it revised its measures for managing internal transactions, continuously implemented internal transaction monitoring and reporting, and guided and standardised the operation mechanism for internal transaction verification.

Capital Management

The Bank consistently strengthened its capital management and formulated the *2017–2020 Capital Management Plan of Bank of China*, which was approved at the Annual General Meeting. It continued to improve its internal capital adequacy assessment process (ICAAP) and completed its 2018 internal capital adequacy assessment.

The Bank stepped up the optimisation of its risk-return balance mechanism which keeps capital at its core. It established a new system governing value creation in order to facilitate high-quality development with less capital consumption, more centralised operation and more effective management. Adhering to the principle of value creation, the Bank further improved its internal management mechanism, reinforced the application of indicators such as Economic Value Added (EVA) and Risk-adjusted Return on Capital (RAROC) in the course of operation and management, further refined capital management and accelerated the development of capital-lite businesses, all of which enhanced its ability to create value. In the first half of the year, the Bank achieved enhanced organic growth of capital, increased awareness of capital preservation as well as steady expansion of risk-weighted assets. Its capital adequacy ratio remained at an appropriate level and continued to meet the regulatory requirement.

Capital Adequacy Ratios

As at 30 June 2018, the capital adequacy ratios separately calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Regulation Governing Capital Adequacy of Commercial Banks* are listed below:

Capital Adequacy Ratios

Unit: RMB million, except percentages

	Group		**Bank**	
Items	**As at 30 June 2018**	As at 31 December 2017	**As at 30 June 2018**	As at 31 December 2017
Calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*				
Net common equity tier 1 capital	**1,382,465**	1,356,088	**1,183,797**	1,180,299
Net tier 1 capital	**1,486,972**	1,461,090	**1,283,511**	1,280,013
Net capital	**1,734,364**	1,725,330	**1,518,868**	1,526,537
Common equity tier 1 capital adequacy ratio	**10.99%**	11.15%	**10.74%**	10.85%
Tier 1 capital adequacy ratio	**11.82%**	12.02%	**11.64%**	11.77%
Capital adequacy ratio	**13.78%**	14.19%	**13.78%**	14.04%
Calculated in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks*				
Core capital adequacy ratio	**11.58%**	11.69%	**11.31%**	11.39%
Capital adequacy ratio	**14.53%**	14.56%	**14.24%**	14.36%

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

Leverage Ratio

As at 30 June 2018, the leverage ratio calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* is listed below:

Unit: RMB million, except percentages

Items	**As at 30 June 2018**	As at 31 December 2017
Net tier 1 capital	**1,486,972**	1,461,090
Adjusted on- and off-balance sheet assets	**21,764,394**	20,927,313
Leverage ratio	**6.83%**	6.98%

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

Social Responsibilities

The Bank actively assumed its social responsibilities as a state-owned commercial bank. Leveraging the competitive advantages arising from its global and integrated operations, it explored innovative social responsibility practices and promoted the sound and sustainable development of the economy, society and environment.

The Bank resolutely bolstered the state's battle against poverty by enriching financial solutions for poverty alleviation and implementing tailored and targeted measures according to the industrial characteristics of poverty-stricken areas. Through the stable and continual granting of loans for targeted poverty alleviation, it helped poverty-stricken areas to upgrade their public services and capability for industrial development. It continued to create innovative financial services related to poverty alleviation, helped enterprises to issue special poverty alleviation bonds and encouraged them to invest in poverty-stricken areas. The Bank has employed more than 1,000 low-income college students through a special campus recruitment plan for students from impoverished areas, which has been in place for two consecutive years. It further improved its service channel network in impoverished areas by establishing outlets and village banks and allocating agriculture-friendly service stations, so as to continuously upgrade basic financial services in these areas.

As part of its intensified efforts into poverty alleviation, the Bank sent 270 groups and 1,026 officials (including the Secretary-General) to carry out poverty alleviation in 590 counties, as well as making welfare donations of RMB28.24 million to poverty-stricken areas in the first half of the year. The Bank has supported poverty alleviation in Yongshou, Changwu, Xunyi and Chunhua counties of Xianyang, Shaanxi Province for 16 consecutive years, worked to establish four BOC Fullerton Community Banks there and has injected RMB54.00 million into major farming poverty alleviation projects in these areas, so as to support the implementation of industrial poverty alleviation projects.

The Bank continued to provide government-sponsored student loans to support education. As at 30 June 2018, it had granted student loans of RMB23.090 billion to sponsor 1.80 million financially underprivileged students to complete studies. It has sponsored the Tan Kah Kee Science Award for 15 consecutive years, in order to honour over 50 Chinese scientists with original scientific and technological achievements. The Bank also carried out strategic cooperation with the National Centre for the Performing Arts for 10 consecutive years, with the aim of encouraging the advance of culture and arts. Moreover, as the official banking partner of the Beijing 2022 Olympic and Paralympic Winter Games, the Bank provided solid financial support for important transportation infrastructure projects such as the Beijing-Zhangjiakou high-speed railway and the Chongli railway.

The Bank conscientiously implemented national policies on green credit and promoted innovation in green finance. It provided support for green industries such as clean energy, environmental protection, energy-saving and green transportation so as to facilitate energy saving and emissions reduction. It advocated the "green office" concept in its day-to-day operations, promoted "electronic" review process, and convened video and telephone conferences.

The Bank's fulfilment of its social responsibilities was widely recognised by society. It received awards for "2017 Most Socially Responsible Financial Institution", "2017 Best Outlets with Special Contribution to Corporate Social Responsibility" and "2017 Best Social Responsibility Manager" from the China Banking Association.

Outlook

In the second half of 2018, the Bank will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, earnestly implement national strategies and remain committed to its strategic goal of building BOC into a world-class bank in the new era. Fully leveraging the competitive advantages arising from its global and comprehensive operations, it will focus on three major tasks: serving the real economy, preventing and controlling financial risks, and deepening financial reform. It will also remain committed to enabling advancement through technology, driving development through innovation, delivering performance through transformation and enhancing strength through reform, in order to pursue progress while safeguarding stability. It will enhance its technological development, focus on innovation, consolidate its foundations, seek stable growth, adjust its structure, boost transformation, control risks, reinforce compliance and strengthen Party building and team building, so as to ensure a sound start on the journey to building BOC into a world-class bank in the new era.

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Share Capital

Unit: Share

	As at 1 January 2018		Increase/decrease during the reporting period					As at 30 June 2018	
	Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	Number of shares	Percentage
I. Shares subject to selling restrictions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
II. Shares not subject to selling restrictions	**294,387,791,241**	**100.00%**	**–**	**–**	**–**	**–**	**–**	**294,387,791,241**	**100.00%**
1. RMB-denominated ordinary shares	210,765,514,846	71.59%	–	–	–	–	–	210,765,514,846	71.59%
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	83,622,276,395	28.41%	–	–	–	–	–	83,622,276,395	28.41%
4. Others	–	–	–	–	–	–	–	–	–
III. Total Ordinary Shares	**294,387,791,241**	**100.00%**	**–**	**–**	**–**	**–**	**–**	**294,387,791,241**	**100.00%**

Notes:

1 As at 30 June 2018, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.

2 As at 30 June 2018, none of the Bank's A Shares and H Shares were subject to selling restrictions.

Number of Ordinary Shareholders and Shareholdings

Number of ordinary shareholders as at 30 June 2018: 761,085 (including 571,615 A-Share Holders and 189,470 H-Share Holders)

The top ten ordinary shareholders as at 30 June 2018 are set forth below:

Unit: Share

No.	Name of ordinary shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	–	188,461,533,607	64.02%	–	None	State	A
2	HKSCC Nominees Limited	39,797,361	81,911,932,270	27.82%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	482,796,943	8,553,945,328	2.91%	–	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	HKSCC Limited	35,436,269	532,237,920	0.18%	–	None	Foreign legal person	A
7	MUFG Bank, Ltd.	–	520,357,200	0.18%	–	Unknown	Foreign legal person	H
8	Anbang Property & Casualty Insurance Co., Ltd. — Traditional Product	–	208,018,959	0.07%	–	None	Other	A
9	China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH	35,767,477	187,935,670	0.06%	–	None	Other	A
10	China Life Insurance (Group) Company — traditional — general insurance product	25,312,880	173,724,971	0.06%	–	None	Other	A

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

HKSCC Nominees Limited acted as the nominee for all the institutional and individual investors that maintain an account with it as at 30 June 2018. The aggregate number of the Bank’s H Shares held by HKSCC Nominees Limited included the number of shares held by the National Council for Social Security Fund.

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

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

China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company.

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

Substantial Shareholder Interests

The register maintained by the Bank under section 336 of the SFO recorded that, as at 30 June 2018, the shareholders indicated in the following table were substantial shareholders (as defined in the SFO) having the following interests in shares of the Bank:

Name of shareholder	Capacity (types of interest)	Number of shares held/ Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A-Share capital	Percentage of total issued H-Share capital	Percentage of total issued ordinary share capital
Central Huijin Investment Ltd.	Beneficial owner	188,461,533,607	A	89.42%	–	64.02%
	Interest of controlled corporations	1,810,024,500	A	0.86%	–	0.61%
	Total	190,271,558,107	A	90.28%	–	64.63%
National Council for Social Security Fund	Beneficial owner	7,518,157,041	H	–	8.99%	2.55%
BlackRock, Inc.	Interest of controlled corporations	5,833,956,809	H	–	6.98%	1.98%
		2,190,000(S)	H	–	0.003%	0.001%

Notes:

1 BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., while BlackRock Holdco 2 Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. Thus BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have equal interests in shares of the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. holds a long position of 5,833,956,809 H Shares and a short position of 2,190,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 5,833,956,809 H Shares, 10,728,000 H Shares are held through derivatives. In the short position of 2,190,000 H Shares, 1,559,000 H Shares are held through derivatives.

2 "S" denotes short position.

Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 30 June 2018, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Preference Shares

Number of Preference Shareholders and Shareholdings

Number of preference shareholders as at 30 June 2018: 48 (including 47 domestic preference shareholders and 1 offshore preference shareholder)

The top ten preference shareholders as at 30 June 2018 are set forth below:

Unit: Share

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

The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintain an account with Euroclear and Clearstream as at 30 June 2018, held 399,400,000 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.

Both Yunnan Branch of China National Tobacco Corporation and China Shuangwei Investment Co., Ltd. are wholly-owned subsidiaries of China National Tobacco Corporation. Zhong Wei Capital Holdings Co., Ltd. is a subsidiary of China Shuangwei Investment Co., Ltd.

As at 30 June 2018, China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH is one of both the Bank's top ten ordinary shareholders and top ten preference shareholders.

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

Profit Distribution of the Preference Shares

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

Other Information regarding Preference Shares

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

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

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

Directors, Supervisors, Senior Management Members and Staff

Directors, Supervisors and Senior Management Members

Board of Directors

Name	Position	Name	Position
CHEN Siqing	Chairman	WANG Xiaoya	Non-executive Director
ZHANG Qingsong	Executive Director and Executive Vice President	LU Zhengfei	Independent Director
ZHAO Jie	Non-executive Director	LEUNG Cheuk Yan	Independent Director
LI Jucai	Non-executive Director	WANG Changyun	Independent Director
XIAO Lihong	Non-executive Director	Angela CHAO	Independent Director

Notes:

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

2 Mr. GAO Yingxin ceased to serve as Executive Director and member of the Risk Policy Committee of the Board of Directors of the Bank as of 24 January 2018 due to a change of job.

3 Mr. LU Zhengfei ceased to serve as Independent Non-executive Director of China National Materials Co., Ltd. as of 1 May 2018. Mr. LU Zhengfei ceased to serve as Independent Non-executive Director of Sinotrans Ltd. as of 1 June 2018.

4 The Meeting of the Board of Directors of the Bank held on 31 May 2018 considered and approved the proposal on the nomination of Mr. JIANG Guohua as Candidate for Independent Director of the Bank. The proposal on the appointment of Mr. JIANG Guohua as Independent Director of the Bank will be submitted to the 2018 First Extraordinary General Meeting of the Bank for consideration and approval, and his qualification to CBIRC for approval.

5 Mr. REN Deqi ceased to serve as Executive Director and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 12 June 2018 due to a change of job.

6 The 2017 Annual General Meeting of the Bank held on 28 June 2018 considered and approved the proposal on the election of Mr. LIAO Qiang to be appointed as Non-executive Director of the Bank. The qualification of Mr. LIAO Qiang as Non-executive Director of the Bank is subject to the approval by CBIRC.

7 Mr. ZHANG Xiangdong ceased to serve as Non-executive Director and member of the Strategic Development Committee and the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 29 June 2018 due to reason of age.

8 Mr. Nout WELLINK ceased to serve as Independent Director, member of the Strategic Development Committee and the Audit Committee, and Chairman and member of the Risk Policy Committee of the Board of Directors of the Bank as of 29 June 2018 due to the expiration of his term of office.

9 Mr. WANG Changyun began to serve as Chairman of the Risk Policy Committee of the Board of Directors of the Bank as of 29 June 2018.

10 The Meeting of the Board of Directors of the Bank held on 17 July 2018 considered and approved the proposal on the nomination of Mr. LIU Liange as Candidate for Executive Director of the Bank, the election of Mr. LIU Liange as Vice Chairman of the Board of Directors of the Bank, and the appointment of Mr. LIU Liange as Member of Strategic Development Committee of the Board of Directors of the Bank. The proposal on the appointment of Mr. LIU Liange as Executive Director of the Bank will be submitted to the 2018 First Extraordinary General Meeting of the Bank for consideration and approval, and his qualification to CBIRC for approval. Mr. LIU Liange shall serve as Vice Chairman of the Board of Directors from the date of approval of his qualification by CBIRC, and shall serve as member of the Strategic Development Committee of the Board of Directors from the date on which he begins to serve as Executive Director of the Bank.

11 Mr. ZHANG Qingsong began to serve as Executive Director and member of the Risk Policy Committee of the Board of Directors of the Bank as of 20 August 2018.

12 During the reporting period, Non-executive Directors of the Bank Mr. ZHANG Xiangdong (left the post in June 2018), Mr. ZHAO Jie, Mr. LI Jucai, Ms. XIAO Lihong and Ms. WANG Xiaoya are recommended by Central Huijin Investment Ltd.

13 During the reporting period, none of the directors held any share of the Bank.

Board of Supervisors

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

Notes:

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

2 Mr. WANG Xueqiang ceased to serve as Shareholder Supervisor and member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 31 March 2018 due to reason of age.

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

Senior Management Members

Name	Position	Name	Position
LIU Liange	President	PAN Yuehan	Chief Risk Officer
ZHANG Qingsong	Executive Director and Executive Vice President	XIAO Wei	Chief Audit Officer
LIU Qiang	Executive Vice President	LIU Qiuwan	Chief Information Officer
FAN Dazhi	Secretary of Party Discipline Committee	MEI Feiqi	Secretary to the Board of Directors and Company Secretary
LIN Jingzhen	Executive Vice President		

Notes:

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

2 Mr. GAO Yingxin ceased to serve as Executive Vice President of the Bank as of 24 January 2018.

3 Mr. GENG Wei ceased to serve as Secretary to the Board of Directors and Company Secretary of the Bank as of 2 March 2018.

4 Mr. MEI Feiqi began to serve as Company Secretary of the Bank as of 2 March 2018. Mr. MEI Feiqi began to serve as Secretary to the Board of Directors of the Bank as of 27 April 2018.

5 Mr. LIN Jingzhen began to serve as Executive Vice President of the Bank as of 28 March 2018.

6 The Board of Directors of the Bank considered and approved the proposal on the appointment of Mr. SUN Yu as the Chief Overseas Business Officer of the Bank on 27 April 2018. On 19 June 2018, the Board of Directors of the Bank approved the adjustment of the position's Chinese title from "業務總裁 (海外業務)" to "海外業務總監" according to the work arrangements, with its English title remaining unchanged.

7 Mr. REN Deqi ceased to serve as Executive Vice President of the Bank as of 12 June 2018.

8 Mr. LIU Qiuwan began to serve as Chief Information Officer of the Bank as of 26 June 2018, with Mr. ZHANG Qingsong ceasing to serve in this position at the same time.

9 Mr. LIU Liange began to serve as President of the Bank as of 27 August 2018.

10 During the reporting period, none of the senior management members held any share of the Bank.

Organisational Management, Human Resources Development and Management

Organisational Management

As at 30 June 2018, the Bank had a total of 11,634 domestic and overseas institutions, including 11,082 institutions in the Chinese mainland and 552 institutions in Hong Kong, Macao, Taiwan and other countries and regions. Its domestic commercial banking business comprised 10,689 institutions, including 38 tier-1 and direct branches, 344 tier-2 branches and 10,306 outlets.

Geographic distribution of institutions and employees:

Unit: RMB million/unit/person, except percentages

	Assets		Institutions		Employees	
Items	**Total assets**	**% of total**	**Number of institutions**	**% of total**	**Number of employees**	**% of total**
Northern China	6,235,804	28.72%	2,001	17.20%	60,361	19.75%
Northeastern China	696,341	3.21%	951	8.17%	24,882	8.14%
Eastern China	4,363,946	20.10%	3,606	31.00%	92,009	30.10%
Central and Southern China	3,229,473	14.88%	2,801	24.08%	67,772	22.17%
Western China	1,616,512	7.45%	1,723	14.81%	37,346	12.22%
Hong Kong, Macao and Taiwan	3,728,313	17.17%	426	3.66%	17,808	5.83%
Other countries and regions	1,837,721	8.47%	126	1.08%	5,477	1.79%
Elimination	(1,413,192)					
Total	**20,294,918**	**100.00%**	**11,634**	**100.00%**	**305,655**	**100.00%**

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

Human Resources Development and Management

As at 30 June 2018, the Bank had a total of 305,655 employees. There were 282,370 employees in the Bank's operations of the Chinese mainland, of which 271,672 worked in the Bank's domestic commercial banking operations. There were 23,285 employees in the Bank's operations in Hong Kong, Macao, Taiwan and other countries and regions. As at 30 June 2018, the Bank bore costs for a total of 5,574 retirees.

In the first half of 2018, in line with the Group's strategies and annual priorities, the Bank continued to improve its organisational structure, and refined the management model of its institutions in provincial capitals in order to sharpen their market competitiveness on the market. It adhered to its performance-based and strategy-oriented personnel allocation mechanism, continually improved its personnel structure, devoted great energy to enhance the cultivation of its talent pool, and allocated more personnel to its strategically important businesses and to regions with good output performance and rapid increase of benefit, so as to continually increase the input-output efficiency of personnel allocation. Moreover, the Bank thoroughly implemented the national strategy of targeted poverty alleviation, selecting and dispatching outstanding personnel to frontline outlets and to areas facing challenging conditions, so as to support local economic development.

Based on the Group's new development strategy, the Bank reformed its internal personnel expense allocation mechanism and performance assessment system, reinforced the concept of value creation and benefit orientation, and vigorously enhanced its resource input-output efficiency. It encouraged institutions and personnel at all levels to improve performance and devote themselves to making outstanding contributions on all fronts.

Actively responding to the Belt and Road Initiative, the Bank successfully held the Belt and Road International Financial Exchange & Cooperation Seminars for four central and eastern European countries: namely, Serbia, Montenegro, Romania and Bulgaria. In this way, the Bank effectively promoted cross-border economic and trade cooperation as well as cultural and educational exchanges, and demonstrated its international vision and sense of responsibility. During the first half of 2018, 30,618 training courses were offered in its domestic commercial banking institutions, with an aggregate of 1,277,265 participants.

Corporate Governance

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

During the reporting period, the Bank further improved its corporate governance mechanisms. It conducted self-inspection on the implementation of the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China Limited* and the *Measures of Authorisation to the President by the Board of Directors of Bank of China Limited*. The implementation was satisfactory with no approval in excess of authority identified.

The Board of Directors paid close attention to enhancing directors' continuing professional development, organised research activities and training for the directors and improved the communication mechanisms, thus continuously enhancing its decision-making efficiency and capability.

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

Corporate Governance Compliance

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

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

Shareholders' Meeting

On 28 June 2018, the Bank held its 2017 Annual General Meeting in Beijing and Hong Kong by way of video conference. This meeting considered and approved the proposals including the 2017 work report of the Board of Directors, the 2017 work report of the Board of Supervisors, the 2017 annual financial report, the 2017 profit distribution plan, the 2018 annual budget for fixed assets investment, the appointment of Ernst & Young Hua Ming as the Bank's external auditor for 2018, the election of Mr. ZHANG Qingsong to be appointed as Executive Director of the Bank, the election of Mr. LI Jucai to be re-appointed as Non-executive Director of the Bank, the election of Mr. CHEN Yuhua to be re-appointed as External Supervisor of the Bank, the 2016 remuneration distribution plan for the Chairman of the Board of Directors and Executive Directors, the 2016 remuneration distribution plan for the Chairman of the Board of Supervisors and Shareholder Supervisors, the capital management plan of Bank of China for 2017-2020, adjusting the authorisation of outbound donations to the Board of Directors by the Shareholders' Meeting, the issuance of bonds, the issuance of qualified write-down tier 2 capital instruments, the issuance of write-down undated capital bonds, and the election of Mr. LIAO Qiang to be appointed as

Non-executive Director of Bank of China Limited. The meeting also heard the 2017 report on the connected transactions, the 2017 duty report of independent directors and the 2017 report on the implementation of the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China*. The proposals regarding the issuance of bonds, the issuance of qualified write-down tier 2 capital instruments and the issuance of write-down undated capital bonds were special resolutions, while the rest of the proposals were ordinary resolutions.

The shareholders' meeting was convened and held in strict compliance with relevant laws and regulations as well as the listing rules of the Bank's listing exchanges. The Bank's directors, supervisors and senior management members attended the meeting and communicated with shareholders on issues of concern. The Bank published announcements on the resolutions and legal opinions of the aforementioned shareholders' meeting pursuant to the regulatory requirements in a timely manner. For details, please refer to the Bank's announcements published on the websites of SSE, HKEX and the Bank on 28 June 2018.

Directors and the Board of Directors

Currently, the Board of Directors comprises ten members. Besides the Chairman, there are one executive director, four non-executive directors and four independent directors. The total number of independent directors accounts for no less than one-third of the Board of Directors, which is in compliance with the Articles of Association of the Bank and the relevant regulatory provisions.

Save as disclosed in this report, to the best knowledge of the Bank, information regarding the Bank's directors including their appointments during the reporting period is the same as that disclosed in the 2017 Annual Report of the Bank.

During the reporting period, the Bank convened six on-site meetings of the Board of Directors respectively on 19 January, 2 March, 29 March, 27 April, 31 May and 28 June and four meetings of the Board of Directors via written resolution on 8 June, 12 June, and 19 June (two on 19 June). At these meetings, the Board of Directors mainly considered and approved proposals regarding the 2017 work report of the Board of Directors, the 2017 profit distribution plan, the 2017 internal control self-assessment report, the 2017 corporate social responsibility report, the 2017 annual report, the 2017 capital adequacy ratio report, the 2018 first quarter report, the nomination of candidates for directorships, and the issuance of bonds, among other proposals.

The Board of Directors has set up the Strategic Development Committee, the Audit Committee, the Risk Policy Committee, the Personnel and Remuneration Committee, and the Connected Transactions Control Committee as well as the US Risk and Management Committee established under the Risk Policy Committee, to assist the Board of Directors in performing its functions under the authorisation of the Board of Directors. Independent directors individually serve as the chairman of the Audit Committee, the Risk Policy Committee, the Personnel and Remuneration Committee and the Connected Transactions Control Committee.

The positions of Chairman of the Board of Directors and President of the Bank are assumed by two persons. Mr. CHEN Siqing ceased to serve as President of the Bank as of 16 August 2017, and began to serve as Chairman of the Board of Directors of the Bank as of 29 August 2017. Prior to the appointment of a new President by the Bank and the approval by CBIRC, Mr. CHEN Siqing performed duties as President. The Board of Directors of the Bank considered and approved the proposal on the appointment of Mr. LIU Liange as President of the Bank on 17 July 2018. As of the date of his qualification approved by CBIRC on 27 August 2018, Mr. LIU Liange has begun to serve as President of the Bank and Mr. CHEN Siqing ceased to perform the duties as President. The work performance of each special committee during the reporting period was as follows:

Special Committees	**Work Performance**
Strategic Development Committee	The committee held six meetings, at which it mainly reviewed and approved the development strategy of Bank of China, the profit distribution plan for 2017, the business plan and financial budget for 2018, the proposal on the dividend distribution of domestic preference shares (second tranche), the 2017 corporate social responsibility report, the proposal regarding the issuance of the qualified write-down tier-2 capital instruments, the proposal regarding the issuance of write-down undated capital bonds, among others. The committee also heard the report regarding inclusive finance.
Audit Committee	The committee held three meetings, at which it mainly reviewed and approved the 2018 work plan and financial budget for internal audit. It reviewed the 2017 financial report, the 2018 first quarter financial report, the 2017 internal control work report, the 2017 internal control self-assessment report, the audit results on internal control and management proposal, and proposal on appointment of external auditors and audit fees for 2018. In addition, it heard the work report on internal audit in 2017, the three-year plan for IT application in audit, the 2017 report on the overseas supervision information, progress report in internal control audit of Ernst & Young in 2017, updates on compliance with the principle of independence, the 2018 audit plan, and the report on asset quality in the first quarter of 2018, among others.
Risk Policy Committee	The committee held three meetings, at which it mainly reviewed and approved proposals including the *Internal Capital Adequacy Assessment Report for 2018,* the *Capital Adequacy Ratio Report of 2017* and the *Trading Book Market Risk Limits (Level A) in 2018*. The committee also regularly reviewed Group risk reports and *Progress Report on Compliance Work Plan for Effective Risk Data Aggregation and Risk Reporting.*

Special Committees	Work Performance
Personnel and Remuneration Committee	The committee held six meetings, at which the committee mainly reviewed and approved the proposal to appoint Mr. LIN Jingzhen as Executive Vice President of the Bank, the proposal to appoint Mr. MEI Feiqi as Secretary to the Board of Directors, the proposal to appoint Mr. MEI Feiqi as Company Secretary, the proposal on nominating Mr. LI Jucai to be re-appointed as Non-executive Director of the Bank, the proposal on nominating Mr. ZHANG Qingsong as candidate of Executive Director of the Bank, the proposal to appoint Mr. LIU Qiuwan as Chief Information Officer of the Bank, the proposal to appoint Mr. SUN Yu as Chief Overseas Business Officer of the Bank, the proposal on nominating Mr. JIANG Guohua as candidate of Independent Non-executive Director of the Bank. It also reviewed and approved the proposal to include shareholders' proposals in the agenda of the 2017 Annual General Meeting, the proposal on matters regarding adjustment to the title of Chief Overseas Business Officer of the Bank, the proposal on adjusting the chairmen of special committees under the Board of Directors and the proposal on the performance evaluation results of the Chairman of the Board of Directors, executive directors and senior management members in 2017.
Connected Transactions Control Committee	The committee held one meeting, at which it mainly reviewed and approved the report on connected transactions of the Bank in 2017 and the report on the request for confirmation of the connected party list of the Bank. It also reviewed the statement of connected transactions of the Bank in 2017, among others.

Supervisors and the Board of Supervisors

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

During the reporting period, closely adhering to the strategic goal of "Building BOC into a World-class Bank in the New Era", the Board of Supervisors of the Bank performed its supervisory duties in accordance with the law, carried out all of its supervision work in a more forward-looking and far-sighted approach, and thus improved the delivery of its constructive supervisory role. In accordance with regulatory requirements, it performed duty performance assessment of the Board of Directors, the Senior Management and its members for 2017, carried out its annual self-assessment and peer assessment of duty performance by supervisors, as well as conducting effective day-to-day supervision over duty performance. In order to exercise solid strategic and financial supervision, the Board of Supervisors followed up and kept abreast of the evaluation and deliberation of the Bank's development strategy, thus developing an in-depth understanding of bank-wide dynamics in operation and management. It strengthened the tracking and research of the macroeconomic situation and regulatory policies, regularly heard relevant work reports, carefully reviewed regular reports and put forward supervisory opinions. At the same time, it strengthened its forward-looking analysis and judgment on risk management and internal control status, and issued prompt reminders to the Senior Management and relevant departments, in order to enhance its supervision over risk management and internal control. In addition, the Board of Supervisors gave full play to the synergy of the Bank's supervision system by strengthening information sharing with the auditing, monitoring and other departments, so as to improve supervision efficiency and earnestly performed its supervisory function. It organised and launched special surveys regarding various topics including domestic RMB deposits, corporate credit risk management, the integration and development of the Bank's institutions in Southeast Asia, and IT supporting capabilities.

During the reporting period, the Board of Supervisors held two on-site meetings on 29 March and 27 April, at which it mainly reviewed and approved the proposals regarding the Bank's 2017 annual report, 2017 profit distribution plan, 2017 internal control assessment report, evaluation opinions of the Board of Supervisors on the duty performance of the Board of Directors, the Senior Management and its members for 2017, the 2017 work report of the Board of Supervisors, and the 2018 First Quarter Report, among others. The Duty Performance and Due Diligence Supervision Committee held one on-site meeting and one meeting via written resolution, and the Finance and Internal Control Supervision Committee held two on-site meetings, at which the two committees respectively carried out preliminary review of the relevant issues and submitted them to the Board of Supervisors for review and approval.

Senior Management

In the first half of 2018, the Senior Management of the Bank managed the Bank's operations in accordance with the powers bestowed upon them by the Articles of Association and the authorisations of the Board of Directors. Closely adhering to the strategic goal of "Building BOC into a World-class Bank in the New Era" and to the annual performance objectives approved by the Board of Directors, persistently enabling advancement through technology, driving development through innovation, delivering performance through transformation and enhancing strength through reform, it actively seized development opportunities, overcame development bottlenecks, and held the bottom line for risk management. Through all these efforts, it pushed forward work on all fronts, thus realising continuous improvement in business performance.

During the reporting period, the Senior Management of the Bank held 12 regular meetings, at which it discussed and decided upon a series of significant matters, including the Group's business development, performance management, risk management, IT system development, product and service innovation, integrated operation, mobile banking and inclusive finance. It also convened 75 special meetings to study and make arrangements for matters relating to globalised operations, corporate banking, personal banking, financial markets, channel building, compliance management and data governance.

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

Significant Events

Formulation and Implementation of Profit Distribution Policy

Ordinary Shares

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

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

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

The profit distribution plan for ordinary shares of the Bank shall be approved by the shareholders' meeting. In 2018, the Bank distributed dividends on ordinary shares for 2017 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

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

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

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

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

In the first half of 2018, the Bank distributed dividends on domestic preference shares in strict compliance with the Articles of Association, the terms of issuance of preference shares and the Board of Directors' resolutions on dividend distribution.

Profit Distribution during the Reporting Period

The 2017 Annual General Meeting on 28 June 2018 considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus reserve of RMB15.808 billion; appropriation to general and regulatory reserves of RMB14.450 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, RMB0.176 per share (before tax) was proposed to be distributed as cash dividends on ordinary shares to A-Share Holders and H-Share Holders whose names appeared on the register of members of the Bank as at market close on 12 July 2018, amounting to approximately RMB51.812 billion (before tax) in total. The dividend distribution has been completed. The Bank did not distribute an interim dividend on ordinary shares for the period ended on 30 June 2018, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

At the Board meeting held on 19 January 2018, 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 2018, with an annual dividend rate of 5.50% (before tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 28 August 2018, the dividend distribution plans for the Bank's Offshore Preference Shares and Domestic Preference Shares (First Tranche) were approved. The Bank will distribute dividends on Offshore Preference Shares on 23 October 2018. According to the issuance terms of the Offshore Preference Shares, dividends on Offshore Preference Shares will be denominated in RMB and paid in US dollars converted at a fixed exchange rate, with a total of approximately USD439 million (after tax) at an annual dividend rate of 6.75% (after tax). The Bank will distribute dividends on Domestic Preference Shares (First Tranche) on 21 November 2018 with a total of RMB1.920 billion (before tax) at an annual dividend rate of 6.00% (before tax).

Corporate Governance

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

Purchase and Sale of Material Assets

As part of the Group's strategic restructuring plan in the ASEAN region, on 6 November 2017, the Bank (as transferor) and BOCHK (as transferee) entered into agreements in relation to the transfer of the banking businesses operated by the Bank in Vietnam through Bank of China Limited-Hochiminh City Branch and the banking businesses operated by the Bank in the Philippines through Bank of China Limited, Manila Branch respectively. The completion of the transfers took place on 29 January 2018 in accordance with the respective terms and conditions of the agreements.

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

Material Litigation, Arbitration

The Bank was involved in certain litigation and arbitration cases in its regular course of business. In addition, because of the scope and scale of the Bank's international operations, the Bank is from time to time subject to a variety of claims under the laws of various jurisdictions in which the Bank operates. After consulting legal professionals, the Senior Management of the Bank holds the view that none of the litigation and arbitration cases will have significant impact on the financial position or operating results of the Bank at the current stage.

Significant Connected Transactions

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

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

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

Material Guarantee Business

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

Other Major Contracts

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

Undertakings

Central Huijin Investment Ltd. made a "non-competing commitment" when the Bank launched its IPO. As at 30 June 2018, Central Huijin Investment Ltd. strictly observed its commitment and no breach of the commitment was found.

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

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

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

Not applicable.

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

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

Use of Raised Funds

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

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

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

As at 30 June 2018, the total number of the Bank's treasury shares was approximately 15.53 million.

Implementation of Stock Incentive Plan and Employee Stock Ownership Plan

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

Audit Committee

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

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

Appointment of External Auditors

The Bank engaged Ernst & Young Hua Ming LLP as the Bank's domestic auditor and internal control external auditor for 2018 to provide audit services on its financial statements and internal control pursuant to CAS and engaged Ernst & Young as its international auditor for 2018 to provide audit services on financial statements pursuant to IFRS.

Directors and Supervisors' Rights to Acquire Shares

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

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

To the best knowledge of the Bank, as at 30 June 2018, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "*Model Code*") as set out in Appendix 10 to the Hong Kong Listing Rules.

Securities Transactions by Directors and Supervisors

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

Consumer Rights Protection

The Bank attaches great importance to and made active efforts in the protection of consumer rights and interests, carefully implements national laws and regulations on consumer protection, and earnestly protects the legitimate rights and interests of financial consumers. In the first half of 2018, in accordance with regulatory requirements and market changes, the Bank further improved its consumer protection system, enhanced the building of the working systems and mechanisms for consumer protection, and further incorporates consumer protection efforts into its corporate governance and product and service management. The Bank also proactively carried out various financial knowledge promotional and educational activities, with the themes such as the "3.15 Rights • Responsibilities • Risks, Financial Consumer Rights Day", and the "Promoting Financial Knowledge, Protecting Personal Wealth", and won awards such as the "Most Socially Responsible Financial Institution in 2017", the "Best Outlets with Special Contribution in Corporate Social Responsibility in 2017" and the "Best Social Responsibility Manager in 2017" from the China Banking Association.

Integrity of the Bank and its Controlling Shareholder

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

Other Significant Events

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

Compliance with International Accounting Standard No. 34

The 2018 interim report of the Bank is in compliance with International Accounting Standard No. 34 — Interim Financial Reporting.

Interim Report

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

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

Report on Review of Interim Financial Information

To the Board of Directors of Bank of China Limited
(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 83 to 197, which comprises the condensed consolidated statement of financial position of Bank of China Limited (the "Bank") and its subsidiaries (the "Group") as at 30 June 2018 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

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

Scope of review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

Hong Kong
28 August 2018

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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2018 (Amount in millions of Renminbi, unless otherwise stated)

		For the six month period ended 30 June	
	Note	2018 Unaudited	2017 Unaudited
Interest income	III.1	334,583	300,634
Interest expense	III.1	(157,882)	(135,592)
Net interest income		**176,701**	**165,042**
Fee and commission income	III.2	53,641	54,348
Fee and commission expense	III.2	(5,453)	(5,161)
Net fee and commission income		**48,188**	**49,187**
Net trading (losses)/gains	III.3	(127)	4,877
Net gains on financial investments	III.4	1,160	1,516
Other operating income	III.5	25,560	27,746
Operating income		**251,482**	**248,368**
Operating expenses	III.6	(82,132)	(81,663)
Impairment losses on assets	III.8	(28,270)	(26,960)
Operating profit		**141,080**	**139,745**
Share of results of associates and joint ventures		881	633
Profit before income tax		**141,961**	**140,378**
Income tax expense	III.9	(26,386)	(29,829)
Profit for the period		**115,575**	**110,549**
Attributable to:			
Equity holders of the Bank		109,088	103,690
Non-controlling interests		6,487	6,859
		115,575	**110,549**
Earnings per share (in RMB)	III.10		
— Basic		0.37	0.35
— Diluted		0.37	0.35

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 2018 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June 2018 Unaudited	2017 Unaudited
Profit for the period		**115,575**	**110,549**
Other comprehensive income:	III.11		
Items that will not be reclassified to profit or loss			
— Actuarial losses on defined benefit plans		(70)	(218)
— Net losses on investments in equity instruments designated at fair value through other comprehensive income		(16)	–
— Other		(5)	3
Subtotal		(91)	(215)
Items that may be reclassified subsequently to profit or loss			
— Net gains on investments in debt instruments measured at fair value through other comprehensive income		7,568	–
— Net fair value losses on available for sale financial assets		–	(8,506)
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(107)	364
— Exchange differences from the translation of foreign operations		2,406	(6,487)
— Other		251	60
Subtotal		10,118	(14,569)
Other comprehensive income for the period, net of tax		**10,027**	**(14,784)**
Total comprehensive income for the period		**125,602**	**95,765**
Total comprehensive income attributable to:			
Equity holders of the Bank		118,681	90,516
Non-controlling interests		6,921	5,249

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 30 June 2018 Unaudited	As at 31 December 2017 Audited
ASSETS			
Cash and due from banks and other financial institutions	III.12	415,609	560,463
Balances with central banks	III.13	2,141,715	2,227,614
Placements with and loans to banks and other financial institutions	III.14	854,216	575,399
Government certificates of indebtedness for bank notes issued		137,009	129,350
Precious metals		161,183	172,763
Financial assets at fair value through profit or loss	III.15	302,908	193,611
Derivative financial assets	III.16	122,341	94,912
Loans and advances to customers, net	III.17	11,135,605	10,644,304
Financial investments	III.18	4,504,647	4,361,111
— financial assets at fair value through other comprehensive income		1,742,722	–
— financial assets at amortised cost		2,761,925	–
— available for sale		–	1,857,222
— held to maturity		–	2,089,864
— loans and receivables		–	414,025
Investments in associates and joint ventures		18,434	17,180
Property and equipment	III.19	209,786	205,614
Investment properties	III.20	22,614	21,026
Deferred income tax assets	III.24	42,021	46,487
Other assets	III.21	226,830	217,590
Total assets		**20,294,918**	**19,467,424**

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2018 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 30 June 2018 Unaudited	As at 31 December 2017 Audited
LIABILITIES			
Due to banks and other financial institutions		1,656,134	1,425,262
Due to central banks		928,965	1,035,797
Bank notes in circulation		136,951	129,671
Placements from banks and other financial institutions		364,687	500,092
Derivative financial liabilities	III.16	106,931	111,095
Due to customers	III.22	14,352,853	13,657,924
Bonds issued		522,889	499,128
Other borrowings		26,941	30,628
Current tax liabilities		25,318	34,521
Retirement benefit obligations		2,931	3,027
Deferred income tax liabilities	III.24	4,076	4,018
Other liabilities	III.25	555,581	459,582
Total liabilities		**18,684,257**	**17,890,745**
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital		294,388	294,388
Other equity instruments		99,714	99,714
Capital reserve		142,126	141,880
Treasury shares		(51)	(102)
Other comprehensive income	III.11	(18,965)	(35,573)
Statutory reserves		141,199	141,334
General and regulatory reserves		208,319	207,817
Undistributed profits		660,248	646,558
		1,526,978	**1,496,016**
Non-controlling interests		**83,683**	**80,663**
Total equity		**1,610,661**	**1,576,679**
Total equity and liabilities		**20,294,918**	**19,467,424**

Approved and authorised for issue by the Board of Directors on 28 August 2018.

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

CHEN Siqing
Director

ZHANG Qingsong
Director

BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2018 (Amount in millions of Renminbi, unless otherwise stated)

		Unaudited									
		Attributable to equity holders of the Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 31 December 2017		294,388	99,714	141,880	(35,573)	141,334	207,817	646,558	(102)	80,663	1,576,679
Changes in accounting policies – impact of adopting IFRS 9		–	–	–	7,119	(87)	(415)	(41,281)	–	(753)	(35,417)
As at 1 January 2018		294,388	99,714	141,880	(28,454)	141,247	207,402	605,277	(102)	79,910	1,541,262
Total comprehensive income for the period		–	–	–	9,593	–	–	109,088	–	6,921	125,602
Appropriation to statutory reserves		–	–	–	–	(48)	–	48	–	–	–
Appropriation to general and regulatory reserves		–	–	–	–	–	917	(917)	–	–	–
Dividends	III.26	–	–	–	–	–	–	(53,352)	–	(2,904)	(56,256)
Net change in treasury shares		–	–	–	–	–	–	–	51	–	51
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	2	2
Other comprehensive income transferred to retained earnings		–	–	–	(104)	–	–	104	–	–	–
Other		–	–	246	–	–	–	–	–	(246)	–
As at 30 June 2018		294,388	99,714	142,126	(18,965)	141,199	208,319	660,248	(51)	83,683	1,610,661

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six month period ended 30 June 2018 (Amount in millions of Renminbi, unless otherwise stated)

		Unaudited									
		Attributable to equity holders of the Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2017		294,388	99,714	141,972	(3,854)	125,714	193,462	560,339	(53)	75,410	1,487,092
Total comprehensive income for the period		–	–	–	(13,174)	–	–	103,690	–	5,249	95,765
Appropriation to statutory reserves		–	–	–	–	142	–	(142)	–	–	–
Appropriation to general and regulatory reserves		–	–	–	–	–	662	(662)	–	–	–
Dividends		–	–	–	–	–	–	(50,997)	–	(2,325)	(53,322)
Net change in treasury shares		–	–	–	–	–	–	–	(70)	–	(70)
Disposal of subsidiaries and other		–	–	247	–	(186)	(92)	278	–	(1,840)	(1,593)
As at 30 June 2017		294,388	99,714	142,219	(17,028)	125,670	194,032	612,506	(123)	76,494	1,527,872
Total comprehensive income for the period		–	–	–	(18,545)	–	–	68,717	–	2,975	53,147
Appropriation to statutory reserves		–	–	–	–	15,666	–	(15,666)	–	–	–
Appropriation to general and regulatory reserves		–	–	–	–	–	13,788	(13,788)	–	–	–
Dividends		–	–	–	–	–	–	(5,214)	–	(2,183)	(7,397)
Net change in treasury shares		–	–	–	–	–	–	–	21	–	21
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	2,152	2,152
Disposal of subsidiaries and other		–	–	(339)	–	(2)	(3)	3	–	1,225	884
As at 31 December 2017		294,388	99,714	141,880	(35,573)	141,334	207,817	646,558	(102)	80,663	1,576,679

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 2018 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2018 Unaudited	2017 Unaudited
Cash flows from operating activities			
Profit before income tax		141,961	140,378
Adjustments:			
Impairment losses on assets		28,270	26,960
Depreciation of property and equipment		6,526	6,584
Amortisation of intangible assets and other assets		1,704	1,361
Net gains on disposal of property and equipment, intangible assets and other long-term assets		(360)	(301)
Net gains on disposal of investments in subsidiaries, associates and joint ventures		(28)	(3,828)
Share of results of associates and joint ventures		(881)	(633)
Interest income arising from financial investments		(69,379)	(60,303)
Dividends arising from investment securities		(119)	(346)
Net gains on financial investments		(1,160)	(1,516)
Interest expense arising from bonds issued		9,465	7,337
Accreted interest on impaired loans		(881)	(1,035)
Net changes in operating assets and liabilities:			
Net decrease in balances with central banks		55,215	37,804
Net decrease in due from and placements with and loans to banks and other financial institutions		136,281	31,688
Net decrease in precious metals		11,581	10,351
Net decrease/(increase) in financial assets at fair value through profit or loss		26,264	(19,118)
Net increase in loans and advances to customers		(550,425)	(715,722)
Net (increase)/decrease in other assets		(68,784)	40,447
Net increase in due to banks and other financial institutions		230,872	170,686
Net (decrease)/increase in due to central banks		(106,832)	48,968
Net (decrease)/increase in placements from banks and other financial institutions		(135,405)	118,312
Net increase in due to customers		694,929	793,055
Net (decrease)/increase in other borrowings		(3,687)	2,035
Net (decrease)/increase in other liabilities		(24,316)	15,020
Cash inflow from operating activities		380,811	648,184
Income tax paid		(21,742)	(26,486)
Net cash inflow from operating activities		**359,069**	**621,698**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six month period ended 30 June 2018 (Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June 2018 Unaudited	2017 Unaudited
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		5,284	4,966
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		938	3,490
Dividends received		124	380
Interest income received from financial investments		71,495	57,523
Proceeds from disposal/maturity of financial investments		1,110,639	1,125,811
Increase in investments in subsidiaries, associates and joint ventures		(988)	(1,791)
Purchase of property and equipment, intangible assets and other long-term assets		(16,172)	(17,550)
Purchase of financial investments		(1,300,193)	(1,484,479)
Net cash outflow from investing activities		**(128,873)**	**(311,650)**
Cash flows from financing activities			
Proceeds from issuance of bonds		243,981	161,850
Repayments of debts issued		(206,016)	(87,811)
Cash payments for interest on bonds issued		(4,080)	(4,978)
Dividend payments to equity holders of the Bank		(1,540)	(1,540)
Dividend payments to non-controlling shareholders		(593)	(385)
Other net cash flows from financing activities		51	(70)
Net cash inflow from financing activities		**31,803**	**67,066**
Effect of exchange rate changes on cash and cash equivalents		3,751	(7,413)
Net increase in cash and cash equivalents		265,750	369,701
Cash and cash equivalents at beginning of the period		958,752	1,019,247
Cash and cash equivalents at end of the period	III.28	**1,224,502**	**1,388,948**

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

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six month period ended 30 June 2018 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 2017.

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 2017.

1 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018

On 1 January 2018, the Group adopted the following new standards, amendments and interpretations.

IAS 40 Amendments	*Transfers of Investment Property*
IFRS 2 Amendments	*Share-based Payment*
IFRS 4 Amendments	*Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 9 Amendments	*Prepayment Features with Negative Compensation*
IFRS 15 and Amendments	*Revenue from Contracts with Customers*
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to IFRSs 2014–2016 Cycle (issued in December 2016):	
IAS 28	*Investments in Associates and Joint Ventures*

IAS 40 Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (Continued)

The IASB issued amendments to IFRS 4 that address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the IASB is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. IFRS 15 does not apply to revenue associated with financial instruments, and therefore, will not impact the majority of the Group's revenue, including net interest income, net trading gains and net gains on financial investments which are covered under IFRS 9.

IFRIC Interpretation 22 clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Annual Improvements to IFRSs 2014–2016 Cycle was issued in December 2016. The amendments to IAS 28 *Investments in Associates and Joint Ventures* clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

Except for the adoption of IFRS 9, the adoption of the above standards, amendments and interpretations does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (Continued)

1.1 IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project. IFRS 9 replaces IAS 39 *Financial Instruments* for annual periods on or after 1 January 2018.

In October 2017, the IASB issued amendments to IFRS 9 Financial Instruments. The amendments allow financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract to be measured at amortised cost or at fair value through other comprehensive income. The amendments are effective for annual reporting periods beginning on or after 1 January 2019, but earlier application is permitted. The Group adopted IFRS 9 amendments from 1 January 2018.

The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018 on this interim financial information. Differences arising from the adoption of IFRS 9 have been recognised directly in shareholders' equity as at 1 January 2018.

Classification and Measurement

In IFRS 9, financial assets are classified into three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the financial assets and their contractual cash flow characteristics. In addition, investments in equity instruments are required to be measured at fair value through profit or loss, unless an option is irrevocably exercised at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to profit or loss in the future.

Business model

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are classified as part of "other" business model. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (Continued)

1.1 IFRS 9 Financial Instruments (Continued)

Classification and Measurement (Continued)

Characteristics of the contractual cash flows

The assessment of the characteristics of the contractual cash flows aims to identify whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement.

Impairment

IFRS 9 requires that the measurement of impairment of a financial asset be changed from "incurred loss model" to "expected credit loss model" ("ECL model") and this way of measurement applies to financial assets measured at amortised cost, measured at fair value with changes taken to other comprehensive income, and loan commitments and financial guarantee contracts. Refer to Note IV. 1.1.

Hedge accounting

The new hedge accounting model aims to provide a better link among an entity's risk management strategy, the rationale for hedging and the impact of hedging on the financial statements. Greater flexibility has been introduced to the types of transactions eligible for hedge accounting. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to continue to apply the existing hedge accounting requirements in IAS 39. The Group chose to adopt the new hedge accounting requirements in IFRS 9 from 1 January 2018.

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (Continued)

1.1 IFRS 9 Financial Instruments (Continued)

1.1.1 Transition disclosures of the balances in financial statements from IAS 39 to IFRS 9

A reconciliation between the carrying amounts of the assets under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

	IAS 39 measurement		Re-classification	Re-measurement		IFRS 9	
	Category	Amount		ECL	Other	Amount	Category
Cash and due from banks and other financial institutions	L&R	560,463	–	(272)	–	560,191	AC
Balances with central banks	L&R	2,227,614	–	–	–	2,227,614	AC
Placements with and loans to banks and other financial institutions	L&R	575,399	–	(96)	–	575,303	AC
Government certificates of indebtedness for bank notes issued	L&R	129,350	–	–	–	129,350	AC
Loans and advances to customers, net	L&R	10,644,304	–	(28,309)	–	10,615,995	AC/ FVOCI
To: Loans and advances to customers at FVOCI	L&R		(179,179)				AC
From: Loans and advances to customers at AC	L&R		179,179				FVOCI
Financial investments — L&R	L&R	414,025	(414,025)			N/A	
To: Financial assets at AC			(380,382)				
To: Debt instruments at FVOCI			(469)				
To: Financial assets at FVPL			(33,174)				
Financial investments — AFS	AFS	1,857,222	(1,857,222)			N/A	
To: Financial assets at AC			(249,067)				
To: Debt instruments at FVOCI			(1,489,878)				
To: Equity instruments at FVOCI			(13,685)				
To: Financial assets at FVPL			(104,592)				
Financial investments — HTM	HTM	2,089,864	(2,089,864)			N/A	
To: Financial assets at AC			(2,072,930)				
To: Debt instruments at FVOCI			(101)				
To: Financial assets at FVPL			(16,833)				

Note:
- L&R Loans and receivables
- AFS Available for sale
- HTM Held to maturity
- AC Amortised cost
- FVPL Fair value through profit or loss
- FVOCI Fair value through other comprehensive income
- ECL Expected credit losses
- N/A Not applicable

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (Continued)

1.1 IFRS 9 Financial Instruments (Continued)

1.1.1 Transition disclosures of the balances in financial statements from IAS 39 to IFRS 9 (Continued)

	IAS 39		Re-classification	Re-measurement		IFRS 9	
	Category	Amount		ECL	Other	Amount	Category
Financial assets at AC		N/A	2,707,362	(126)	13,643	2,720,879	AC
From: Financial investments — AFS			249,067	(25)	13,848		
From: Financial investments — HTM			2,072,930	(368)	(22)		
From: Financial investments — L&R			380,382	268			
From: Financial assets at FVPL			4,983	(1)	(183)		
Debt instruments at FVOCI		N/A	1,494,843	–	(1)	1,494,842	FVOCI
From: Financial investments — AFS			1,489,878				
From: Financial investments — HTM			101		1		
From: Financial investments — L&R			469		(2)		
From: Financial investments at FVPL			4,395				
Equity instruments at FVOCI		N/A	13,685	–	–	13,685	FVOCI
From: Financial investments — AFS			13,685				
Financial assets at FVPL — Trading financial assets and other financial assets at fair value through profit or loss	FVPL	143,094	173,915	–	(892)	316,117	FVPL
To: Financial investments at AC			(595)				
To: Debt instruments at FVOCI			(149)				
From: Financial assets at FVPL (designated)			26,596				
From: Financial investments — HTM			16,833		(267)		
From: Financial investments — AFS			98,056		(25)		
From: Financial investments — L&R			33,174		(600)		
Financial assets at FVPL (designated)	FVPL	50,517	(28,694)	–	–	21,823	FVPL
To: Financial assets at FVPL — Trading financial assets and other financial assets at fair value through profit or loss			(26,596)				
To: Financial assets at AC			(4,388)				
To: Debt instruments at FVOCI			(4,246)				
From: Financial investments — AFS			6,536				
Derivative financial assets	FVPL	94,912	–	–	–	94,912	FVPL
Other assets		680,660	–	14,035	(2,671)	692,024	
Include: Deferred income tax assets		46,487		13,901	(2,671)	57,717	
Total assets		19,467,424	–	(14,768)	10,079	19,462,735	

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (Continued)

1.1 IFRS 9 Financial Instruments (Continued)

1.1.2 The impact of transition from IAS 39 to IFRS 9 on impairment allowances is, as follows:

The following table reconciles the aggregate opening impairment allowances under IAS 39 at 31 December 2017 to the impairment allowances under IFRS 9 at 1 January 2018:

Measurement category	Impairment allowances under IAS 39/IAS 37 at 31 December 2017	Re-classification	Re-measurement	ECL under IFRS 9 at 1 January 2018
L&R investment securities per IAS 39/financial assets at AC under IFRS 9				
Due from banks and other financial institutions	–	–	272	272
Placements with and loans to banks and other financial institutions	174	–	96	270
Loans and advances to customers	252,254	–	28,309	280,563
Financial investments	5,383	(6)	(268)	5,109
HTM investment securities per IAS 39/financial assets at AC under IFRS 9				
Financial investments	39	1,017	394	1,450
L&R investment securities per IAS 39/financial assets at FVOCI under IFRS 9				
Loans and advances to customers	–	–	1,033	1,033
AFS investment securities per IAS 39/financial assets at FVOCI under IFRS 9				
Financial investments	5,492	(5,492)	906	906
AFS investment securities per IAS 39/financial assets at FVPL under IFRS 9				
Financial investments	1,176	(1,176)	–	–
Credit commitments (1)	1,946	–	29,236	31,182
Others	727	–	(134)	593
Total	267,191	(5,657)	59,844	321,378

(1) The Group presents the impairment allowance for credit commitments in "Other liabilities — provision". The cumulative effect of the re-measurement of impairment losses related to credit commitments is included in the undistributed profits at the beginning of the period.

(Amount in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2018

		Effective for annual periods beginning on or after
IAS 19 Amendments	*Employee Benefits*	1 January 2019
IAS 28 Amendments	*Long-term Interests in Associates and Joint Ventures*	1 January 2019
IFRS 16	*Leases*	1 January 2019
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*	1 January 2019
IFRS 17	*Insurance Contracts*	1 January 2021
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2015-2017 Cycle (issued in December 2017)		1 January 2019

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

II CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Except for the adoption of IFRS 9 where ECL models and assumptions have been applied (as referred in Note IV.1.1), 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 2017.

(Amount in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	For the six month period ended 30 June	
	2018	**2017**
Interest income		
Loans and advances to customers	224,925	200,494
Financial investments and financial assets at fair value through profit or loss [(1)]	73,645	62,391
Due from and placements with and loans to banks, other financial institutions and central banks	36,013	37,749
Subtotal	334,583	300,634
Interest expense		
Due to customers	(110,448)	(100,770)
Due to and placements from banks and other financial institutions	(37,522)	(27,170)
Bonds issued and other	(9,912)	(7,652)
Subtotal	(157,882)	(135,592)
Net interest income	176,701	165,042
Interest income accrued on impaired financial assets (included within interest income)	881	1,043

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

(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	
	2018	**2017**
Bank card fees	13,975	12,299
Agency commissions	12,129	12,149
Settlement and clearing fees	7,693	7,014
Credit commitment fees	7,327	8,662
Spread income from foreign exchange business	3,763	4,241
Consultancy and advisory fees	2,766	4,646
Custodian and other fiduciary service fees	1,900	1,818
Other	4,088	3,519
Fee and commission income	53,641	54,348
Fee and commission expense	(5,453)	(5,161)
Net fee and commission income	48,188	49,187

3 Net trading (losses)/gains

	For the six month period ended 30 June	
	2018	**2017**
Net (losses)/gains from foreign exchange and foreign exchange products	(2,658)	2,390
Net gains from interest rate products	1,366	1,506
Net gains from equity products	776	722
Net gains from commodity products	389	259
Total [(1)]	(127)	4,877

(1) Included in “Net trading (losses)/gains” above for the six month period ended 30 June 2018 are losses of RMB976 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (for the six month period ended 30 June 2017: losses of RMB185 million).

(Amount in millions of Renminbi, unless otherwise stated)

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

4 Net gains on financial investments

	For the six month period ended 30 June	
	2018	**2017**
Net gains on derecognition of financial assets at fair value through other comprehensive income	1,146	–
Net gains on derecognition of financial assets at amortised cost	14	–
Net gains from investment securities available for sale	–	730
Net gains from debt securities held to maturity	–	787
Other	–	(1)
Total	1,160	1,516

5 Other operating income

	For the six month period ended 30 June	
	2018	**2017**
Insurance premiums		
— Life insurance contracts	7,736	6,979
— Non-life insurance contracts	2,950	2,612
Aircraft leasing income	4,811	4,163
Revenue from sale of precious metal products	4,507	5,857
Dividend income	906	494
Changes in fair value of investment properties (Note III.20)	818	282
Gains on disposal of property and equipment, intangible assets and other assets	406	339
Gains on disposal of subsidiaries, associates and joint ventures	28	3,828
Other [(1)]	3,398	3,192
Total	25,560	27,746

(1) For the six month period ended 30 June 2018, the government subsidy income from operating activities, as part of other operating income, was RMB741 million (for the six month period ended 30 June 2017: RMB782 million).

(Amount in millions of Renminbi, unless otherwise stated)

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

6 Operating expenses

	For the six month period ended 30 June	
	2018	**2017**
Staff costs (Note III.7)	40,979	39,461
General operating and administrative expenses	17,309	17,105
Insurance benefits and claims		
— Life insurance contracts	6,313	8,362
— Non-life insurance contracts	1,651	1,613
Depreciation and amortisation	6,529	6,453
Cost of sales of precious metal products	4,294	5,304
Taxes and surcharges	2,424	2,456
Other	2,633	909
Total (1)	82,132	81,663

(1) Included in the "Operating expenses" are operating lease expenses of RMB3,726 million and premises and equipment related expenses (mainly comprised of property management and building maintenance expenses and taxes) of RMB4,842 million (for the six month period ended 30 June 2017: RMB3,630 million and RMB4,733 million, respectively).

7 Staff costs

	For the six month period ended 30 June	
	2018	**2017**
Salary, bonus and subsidy	29,006	27,896
Staff welfare	945	846
Retirement benefits	41	6
Social insurance		
— Medical	1,621	1,603
— Pension	3,377	3,263
— Annuity	1,021	1,025
— Unemployment	99	121
— Injury at work	46	44
— Maternity insurance	117	105
Housing funds	2,321	2,301
Labour union fee and staff education fee	1,012	978
Reimbursement for cancellation of labour contract	5	3
Other	1,368	1,270
Total	40,979	39,461

(Amount in millions of Renminbi, unless otherwise stated)

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

8 Impairment losses on assets

	For the six month period ended 30 June 2018
Loans and advances	
— Loans and advances at amortised cost	31,407
— Loans and advances at fair value through other comprehensive income	450
Subtotal	31,857
Financial investments	
— financial assets at amortised cost	774
— financial assets at fair value through other comprehensive income	74
Subtotal	848
Credit commitments	(4,803)
Other	368
Total	28,270

(Amount in millions of Renminbi, unless otherwise stated)

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

8 Impairment losses on assets (Continued)

	For the six month period ended 30 June 2017
Loans and advances	
— Individually assessed	20,692
— Collectively assessed	5,897
Subtotal	26,589
Financial investments	
— available for sale	(11)
— held to maturity	–
— loans and receivables	(13)
Subtotal	(24)
Other	395
Total	26,960

(Amount in millions of Renminbi, unless otherwise stated)

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

9 Income tax expense

	For the six month period ended 30 June	
	2018	**2017**
Current income tax		
— Chinese mainland income tax	6,685	18,351
— Hong Kong profits tax	2,589	2,687
— Macau, Taiwan and other countries and regions taxation	3,362	3,036
Adjustments in respect of current income tax of prior years	(390)	(30)
Subtotal	12,246	24,044
Deferred income tax (Note III.24.3)	14,140	5,785
Total	26,386	29,829

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

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

(Amount in millions of Renminbi, unless otherwise stated)

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

9 Income tax expense (Continued)

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

	For the six month period ended 30 June	
	2018	**2017**
Profit before income tax	141,961	140,378
Tax calculated at the applicable statutory tax rate	35,490	35,095
Effect of different tax rates on Hong Kong, Macau, Taiwan and other countries and regions	(2,670)	(2,047)
Supplementary PRC tax on overseas income	887	2,843
Income not subject to tax (1)	(11,949)	(9,474)
Items not deductible for tax purposes (2)	5,023	4,109
Other	(395)	(697)
Income tax expense	26,386	29,829

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

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

(Amount in millions of Renminbi, unless otherwise stated)

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

10 Earnings per share (basic and diluted)

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

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all potentially dilutive shares for the six month period by the adjusted weighted average number of ordinary shares in issue. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the six month period ended 30 June 2018 and 30 June 2017.

	For the six month period ended 30 June	
	2018	**2017**
Profit attributable to equity holders of the Bank	109,088	103,690
Less: dividends on preference shares declared	(1,540)	(1,540)
Profit attributable to ordinary shareholders of the Bank	107,548	102,150
Weighted average number of ordinary shares in issue (in million shares)	294,378	294,363
Basic and diluted earnings per share (RMB)	0.37	0.35

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

	For the six month period ended 30 June	
	2018	**2017**
Issued ordinary shares as at 1 January	294,388	294,388
Less: weighted average number of treasury shares	(10)	(25)
Weighted average number of ordinary shares in issue	294,378	294,363

(Amount in millions of Renminbi, unless otherwise stated)

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

11 Other comprehensive income

Accrual amount of other comprehensive income:

	For the six month period ended 30 June	
	2018	**2017**
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plans	(70)	(218)
Losses on investments in equity instruments designated at fair value through other comprehensive income	(28)	–
Less: related income tax impact	12	–
Other	(5)	3
Subtotal	(91)	(215)
Items that may be reclassified subsequently to profit or loss		
Gains on investments in debt instruments measured at fair value through other comprehensive income	10,115	–
Less: related income tax impact	(1,755)	–
Amount transferred to the income statement	(1,042)	–
Less: related income tax impact	250	–
	7,568	–
Fair value losses on available for sale financial assets	–	(10,639)
Less: related income tax impact	–	2,828
Amount transferred to the income statement	–	(841)
Less: related income tax impact	–	146
	–	(8,506)

(Amount in millions of Renminbi, unless otherwise stated)

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

11 Other comprehensive income (Continued)

Accrual amount of other comprehensive income (Continued):

	For the six month period ended 30 June	
	2018	**2017**
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(119)	363
Less: related income tax impact	12	1
	(107)	364
Exchange differences on translation of foreign operations	1,925	(6,264)
Less: net amount transferred to the income statement from other comprehensive income	481	(223)
	2,406	(6,487)
Other	251	60
Subtotal	10,118	(14,569)
Total	10,027	(14,784)

(Amount in millions of Renminbi, unless otherwise stated)

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

11 Other comprehensive income (Continued)

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

	Gains/(losses) on financial assets at fair value through other comprehensive income	Fair value gains/(losses) on available for sale financial assets	Exchange differences on translation of foreign operations	Other	Total
As at 1 January 2017	–	2,130	(8,223)	2,239	(3,854)
Changes in amount for the previous year	–	(20,941)	(11,461)	683	(31,719)
As at 31 December 2017	–	(18,811)	(19,684)	2,922	(35,573)
Impact of adopting IFRS 9	(11,692)	18,811	–	–	7,119
As at 1 January 2018	(11,692)	–	(19,684)	2,922	(28,454)
Changes in amount for the period	8,225	–	1,287	(23)	9,489
As at 30 June 2018	(3,467)	–	(18,397)	2,899	(18,965)

(Amount in millions of Renminbi, unless otherwise stated)

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

12 Cash and due from banks and other financial institutions

	As at 30 June 2018	As at 31 December 2017
Cash	69,120	75,406
Subtotal	69,120	75,406
Due from banks in Chinese mainland	268,475	423,479
Due from other financial institutions in Chinese mainland	10,082	6,738
Due from banks in Hong Kong, Macau, Taiwan and other countries and regions	68,075	54,757
Due from other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	257	83
Subtotal (1)	346,889	485,057
Allowance for impairment losses (1)	(400)	–
Subtotal	346,489	485,057
Total	415,609	560,463

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

(Amount in millions of Renminbi, unless otherwise stated)

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

13 Balances with central banks

	As at 30 June 2018	As at 31 December 2017
Mandatory reserves (1)	1,697,489	1,740,871
Surplus reserves (2)	120,993	124,331
Other (3)	323,233	362,412
Total	2,141,715	2,227,614

(1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong, Macau, Taiwan and other countries and regions where it has operations. As at 30 June 2018, mandatory reserve funds placed with the PBOC were calculated at 15.5% (31 December 2017: 16.5%) and 5.0% (31 December 2017: 5.0%) of qualified RMB deposits and foreign currency deposits from customers of branches in Chinese mainland of the Bank respectively. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group is determined by the PBOC. The amount of mandatory reserve funds placed with the central banks of other jurisdictions is determined by local regulations.

(2) This primarily represented the surplus reserve funds placed with the PBOC by branches in Chinese mainland and other funds.

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

(Amount in millions of Renminbi, unless otherwise stated)

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

14 Placements with and loans to banks and other financial institutions

	As at 30 June 2018	As at 31 December 2017
Placements with and loans to:		
Banks in Chinese mainland	283,884	133,136
Other financial institutions in Chinese mainland	477,097	355,290
Banks in Hong Kong, Macau, Taiwan and other countries and regions	80,023	74,065
Other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	13,669	13,082
Subtotal (1) (2)	854,673	575,573
Allowance for impairment losses (2)	(457)	(174)
Total	854,216	575,399

(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 2018	As at 31 December 2017
Debt securities		
— Governments	74,227	50,117
— Policy banks	159,243	9,229
— Financial institutions	30,201	23,242
— Corporate	4,400	6,252
Subtotal	268,071	88,840
Allowance for impairment losses	(2)	–
Total	268,069	88,840

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

(Amount in millions of Renminbi, unless otherwise stated)

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

15 Financial assets at fair value through profit or loss

	As at 30 June 2018	As at 31 December 2017
Trading financial assets and other financial assets at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	5,429	3,604
— Public sectors and quasi-governments	150	229
— Policy banks	15,773	12,124
— Financial institutions	94,794	48,503
— Corporate	41,116	39,649
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	17,065	22,214
— Public sectors and quasi-governments	585	946
— Financial institutions	12,761	3,336
— Corporate	4,335	3,504
	192,008	134,109
Equity securities	40,827	4,870
Fund investments and other	49,738	4,115
Subtotal	282,573	143,094

(Amount in millions of Renminbi, unless otherwise stated)

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

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

	As at 30 June 2018	As at 31 December 2017
Financial assets designated as at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	151	219
— Policy banks	146	824
— Financial institutions	335	2,314
— Corporate	883	6,385
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	2,760	2,311
— Public sectors and quasi-governments	1,417	–
— Financial institutions	6,272	16,463
— Corporate	2,110	5,774
	14,074	34,290
Loans (1)	6,261	5,493
Equity securities	–	3,159
Fund investments	–	7,575
Subtotal	20,335	50,517
Total	302,908	193,611
Analysed as follows:		
Listed in Hong Kong	29,425	27,306
Listed outside Hong Kong (2)	156,207	117,608
Unlisted	117,276	48,697
Total	302,908	193,611

(1) There was no significant change during the six month period ended 30 June 2018 and the year ended 31 December 2017, and cumulatively, in the fair value of the loans that was attributable to changes in the credit risk of the loans.

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

(Amount in millions of Renminbi, unless otherwise stated)

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

16 Derivative financial instruments

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

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

	As at 30 June 2018			As at 31 December 2017		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps [(1)]	6,993,553	91,748	(84,455)	6,671,858	76,007	(96,630)
Currency options	271,921	2,912	(1,728)	321,625	4,248	(1,773)
Currency futures	3,065	33	(32)	2,376	5	(22)
Subtotal	7,268,539	94,693	(86,215)	6,995,859	80,260	(98,425)
Interest rate derivatives						
Interest rate swaps	2,970,150	19,898	(15,806)	2,803,583	10,382	(8,302)
Interest rate options	14,000	22	(12)	11,309	12	(8)
Interest rate futures	12,737	1	(11)	15,239	9	(1)
Subtotal	2,996,887	19,921	(15,829)	2,830,131	10,403	(8,311)
Equity derivatives	15,783	496	(328)	19,302	398	(498)
Commodity derivatives and other	267,701	7,231	(4,559)	267,139	3,851	(3,861)
Total [(2)]	10,548,910	122,341	(106,931)	10,112,431	94,912	(111,095)

(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.

(Amount in millions of Renminbi, unless otherwise stated)

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

17 Loans and advances to customers

17.1 Analysis of loans and advances to customers by measurement category

	As at 30 June 2018	**As at 31 December 2017**
Measured at amortised cost		
— Corporate loans and advances	7,071,289	6,792,502
— Personal loans	4,159,814	3,923,857
— Discounted bills	1,472	180,199
Subtotal	11,232,575	10,896,558
Measured at fair value through other comprehensive income		
— Discounted bills	170,666	–
Total loans and advances	11,403,241	10,896,558
Less: allowance for loans at amortised cost	(267,636)	(252,254)
Loans and advances to customers, net	11,135,605	10,644,304
Allowance for loans at fair value through other comprehensive income	(1,475)	–

17.2 Analysis of loans and advances to customers by geographical area, industry, collateral type and analysis of overdue loans and advances to customers are presented in Note IV.1.2.

(Amount in millions of Renminbi, unless otherwise stated)

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

17 Loans and advances to customers (Continued)

17.3 Analysis of loans and advances to customers

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 30 June 2018				
Total loans and advances	10,758,057	481,867	163,317	11,403,241
Allowance for loans at amortised cost	(86,126)	(64,535)	(116,975)	(267,636)
Loans and advances to customers, net	10,671,931	417,332	46,342	11,135,605

	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances			Total
		for which allowance is collectively assessed	for which allowance is individually assessed	Subtotal	
As at 31 December 2017					
Total loans and advances	10,738,676	42,986	114,896	157,882	10,896,558
Allowance for impairment losses	(144,372)	(28,566)	(79,316)	(107,882)	(252,254)
Loans and advances to customers, net	10,594,304	14,420	35,580	50,000	10,644,304

(Amount in millions of Renminbi, unless otherwise stated)

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

17 Loans and advances to customers (Continued)

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

(1) Reconciliation of allowance for impairment losses measured at amortised cost:

	Six month period ended 30 June 2018			
	Stage 1 (12-month ECL)	**Stage 2 (Lifetime ECL)**	**Stage 3 (Lifetime ECL – impaired)**	**Total**
As at 1 January	87,094	76,050	117,419	280,563
Transfers to Stage 1	8,883	(8,346)	(537)	–
Transfers to Stage 2	(1,309)	1,816	(507)	–
Transfers to Stage 3	(93)	(15,159)	15,252	–
Impairment losses for the period	23,401	13,913	17,076	54,390
Reversal	(21,967)	(12,314)	(7,419)	(41,700)
Impact on period end ECL of exposures transferred between stages during the period	(7,864)	13,132	15,761	21,029
Changes to contractual cash flows due to modifications not resulting in derecognition	(236)	(420)	–	(656)
Model/risk parameters adjustment	(1,555)	(101)	–	(1,656)
Write-off and transfer out	(126)	(4,366)	(41,632)	(46,124)
Recovery of loans and advances written off	–	–	2,400	2,400
Unwinding of discount on allowance	–	–	(881)	(881)
Exchange differences and others	(102)	330	43	271
As at 30 June	86,126	64,535	116,975	267,636

(Amount in millions of Renminbi, unless otherwise stated)

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

17 Loans and advances to customers (Continued)

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

(2) Reconciliation of allowance for impairment losses measured at fair value through other comprehensive income:

	Six month period ended 30 June 2018			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January	829	204	–	1,033
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(20)	20	–	–
Transfers to Stage 3	–	–	–	–
Impairment losses for the period	1,084	108	–	1,192
Reversal	(691)	(84)	–	(775)
Impact on period end ECL of exposures transferred between stages during the period	–	33	–	33
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	–	–
Model/risk parameters adjustment	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
Exchange differences and others	(8)	–	–	(8)
As at 30 June	1,194	281	–	1,475

(Amount in millions of Renminbi, unless otherwise stated)

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

17 Loans and advances to customers (Continued)

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

	Year ended 31 December 2017
As at 1 January	237,716
Impairment losses for the year	126,683
Reversal	(42,658)
Write-off and transfer out	(70,344)
Transfer in	
— Recovery of loans and advances written off	3,546
— Unwinding of discount on allowance	(1,989)
— Exchange differences	(1,518)
Acquisition of subsidiaries	818
As at 31 December	252,254

(Amount in millions of Renminbi, unless otherwise stated)

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

18 Financial investments

	As at 30 June 2018	As at 31 December 2017
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	437,389	–
— Public sectors and quasi-governments	35,672	–
— Policy banks	233,815	–
— Financial institutions	287,290	–
— Corporate	125,837	–
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	367,566	–
— Public sectors and quasi-governments	32,695	–
— Financial institutions	129,079	–
— Corporate	77,558	–
	1,726,901	–
Equity securities	14,637	–
Other debt instruments	1,184	–
Total financial assets at fair value through other comprehensive income [(1)]	1,742,722	–

(Amount in millions of Renminbi, unless otherwise stated)

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

18 Financial investments (Continued)

	As at 30 June 2018	As at 31 December 2017
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government	2,051,790	–
— Public sectors and quasi-governments	41,678	–
— Policy banks	220,301	–
— Financial institutions	56,753	–
— Corporate	26,649	–
— China Orient Asset Management Corporation	154,821	–
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	66,289	–
— Public sectors and quasi-governments	64,748	–
— Financial institutions	33,439	–
— Corporate	37,994	–
	2,754,462	–
Investment trusts, asset management plans and other	14,852	–
Allowance for impairment losses	(7,389)	–
Total financial assets at amortised cost	2,761,925	–

(Amount in millions of Renminbi, unless otherwise stated)

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

18 Financial investments (Continued)

	As at 30 June 2018	As at 31 December 2017
Investment securities available for sale		
Debt securities		
Issuers in Chinese mainland		
— Government	–	590,988
— Public sectors and quasi-governments	–	27,457
— Policy banks	–	278,504
— Financial institutions	–	182,759
— Corporate	–	112,069
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	–	308,985
— Public sectors and quasi-governments	–	43,914
— Financial institutions	–	145,003
— Corporate	–	80,079
	–	1,769,758
Equity securities	–	38,694
Fund investments and other	–	48,770
Total investment securities available for sale [(1)]	–	1,857,222
Debt securities held to maturity		
Issuers in Chinese mainland		
— Government	–	1,609,204
— Public sectors and quasi-governments	–	36,330
— Policy banks	–	226,293
— Financial institutions	–	58,033
— Corporate	–	25,226
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	–	43,034
— Public sectors and quasi-governments	–	40,766
— Financial institutions	–	26,517
— Corporate	–	24,500
	–	2,089,903
Allowance for impairment losses	–	(39)
Total debt securities held to maturity	–	2,089,864

(Amount in millions of Renminbi, unless otherwise stated)

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

18 Financial investments (Continued)

	As at 30 June 2018	As at 31 December 2017
Financial investments classified as loans and receivables		
Debt securities		
Issuers in Chinese mainland		
— Government	–	199,521
— Policy banks	–	1,500
— Financial institutions	–	31,218
— Corporate	–	5,538
— China Orient Asset Management Corporation	–	158,806
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	–	652
— Public sectors and quasi-governments	–	6,624
— Financial institutions	–	2
— Corporate	–	1,313
	–	405,174
Investment trusts, asset management plans and other	–	14,234
Allowance for impairment losses	–	(5,383)
Total financial investments classified as loans and receivables	–	414,025
Total financial investments (2) (4)	4,504,647	4,361,111

(Amount in millions of Renminbi, unless otherwise stated)

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

18 Financial investments (Continued)

	As at 30 June 2018	As at 31 December 2017
Analysed as follows:		
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong	119,988	–
— Listed outside Hong Kong	1,196,416	–
— Unlisted	410,497	–
Equity securities and other		
— Listed in Hong Kong	4,954	–
— Listed outside Hong Kong	6,738	–
— Unlisted	4,129	–
Financial assets at amortised cost (3)		
— Listed in Hong Kong	36,530	–
— Listed outside Hong Kong	2,297,002	–
— Unlisted	428,393	–
Investment securities available for sale		
Debt securities		
— Listed in Hong Kong	–	119,454
— Listed outside Hong Kong	–	1,267,426
— Unlisted	–	382,878
Equity securities, fund investments and other		
— Listed in Hong Kong	–	6,912
— Listed outside Hong Kong	–	969
— Unlisted	–	79,583
Debt securities held to maturity (3)		
— Listed in Hong Kong	–	31,414
— Listed outside Hong Kong	–	1,963,925
— Unlisted	–	94,525

(Amount in millions of Renminbi, unless otherwise stated)

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

18 Financial investments (Continued)

	As at 30 June 2018	As at 31 December 2017
Financial investments classified as loans and receivables		
— Unlisted	–	414,025
Total	4,504,647	4,361,111
Listed in Hong Kong	161,472	157,780
Listed outside Hong Kong	3,500,156	3,232,320
Unlisted	843,019	971,011
Total	4,504,647	4,361,111

(1) The Group's accumulated impairment charge on the above debt securities at fair value through other comprehensive income as at 30 June 2018 amounted to RMB917 million. The Group will no longer accrue impairment losses for investments in equity instruments measured at fair value through other comprehensive income mentioned above under IFRS 9.

The Group's accumulated impairment charge on the above debt securities available for sale as at 31 December 2017 amounted to RMB1,029 million.

(2) During the six month period ended 30 June 2018, the Group didn't reclassify any debt securities.

In 2017, the Group reclassified certain debt securities with a total carrying value of RMB5,097 million from "Investment securities available for sale" to "Investment securities held to maturity". The Group had the intention and ability to hold these reclassified debt securities until maturity at the date of reclassification. In 2017, the Group reclassified certain debt securities with amortised cost of RMB364 million from "Investment securities held to maturity" to "Investment securities available for sale" due to management's change of investment intention.

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

	As at 30 June 2018		As at 31 December 2017	
	Carrying value	Market value	Carrying value	Market value
Debt securities at amortised cost				
— Listed in Hong Kong	36,530	36,476	–	–
— Listed outside Hong Kong	2,297,002	2,265,250	–	–
Debt securities held to maturity				
— Listed in Hong Kong	–	–	31,414	31,668
— Listed outside Hong Kong	–	–	1,963,925	1,914,595

(4) As at 30 June 2018, the Group's impaired debt securities with gross amount of RMB1,122 million were classified into Stage 3, with impairment provision fully made; and the remaining debt securities at fair value through other comprehensive income and debt securities at amortised cost were classified into Stage 1, with impairment provision measured based on 12-month expected credit losses.

(Amount in millions of Renminbi, unless otherwise stated)

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

19 Property and equipment

	Six month period ended 30 June 2018				
	Buildings	**Equipment and motor vehicles**	**Construction in progress**	**Aircraft**	**Total**
Cost					
As at 1 January	113,913	72,096	22,522	100,551	309,082
Additions	53	702	6,849	6,253	13,857
Transfer from/(to) investment properties (Note III.20)	400	–	(5)	–	395
Construction in progress transfer in/(out)	339	482	(5,108)	4,287	–
Deductions	(230)	(1,928)	(123)	(5,818)	(8,099)
Exchange differences	207	90	158	1,206	1,661
As at 30 June	114,682	71,442	24,293	106,479	316,896
Accumulated depreciation					
As at 1 January	(34,732)	(56,683)	–	(10,954)	(102,369)
Additions	(1,790)	(3,035)	–	(1,701)	(6,526)
Deductions	198	1,782	–	1,157	3,137
Transfer to investment properties (Note III.20)	25	–	–	–	25
Exchange differences	(86)	(59)	–	(193)	(338)
As at 30 June	(36,385)	(57,995)	–	(11,691)	(106,071)
Allowance for impairment losses					
As at 1 January	(789)	–	(217)	(93)	(1,099)
Additions	–	–	–	–	–
Deductions	6	–	–	54	60
Exchange differences	2	–	–	(2)	–
As at 30 June	(781)	–	(217)	(41)	(1,039)
Net book value					
As at 1 January	78,392	15,413	22,305	89,504	205,614
As at 30 June	77,516	13,447	24,076	94,747	209,786

(Amount in millions of Renminbi, unless otherwise stated)

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

19 Property and equipment (Continued)

	Year ended 31 December 2017				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	111,323	69,621	26,160	82,876	289,980
Additions	365	6,172	12,029	21,419	39,985
Transfer from investment properties (Note III.20)	177	–	–	–	177
Construction in progress transfer in/(out)	3,890	638	(14,412)	9,884	–
Deductions	(688)	(3,835)	(365)	(8,851)	(13,739)
Exchange differences	(1,154)	(500)	(890)	(4,777)	(7,321)
As at 31 December	113,913	72,096	22,522	100,551	309,082
Accumulated depreciation					
As at 1 January	(31,771)	(53,889)	–	(8,358)	(94,018)
Additions	(3,636)	(6,873)	–	(4,550)	(15,059)
Deductions	369	3,711	–	1,381	5,461
Transfer to investment properties (Note III.20)	45	–	–	–	45
Exchange differences	261	368	–	573	1,202
As at 31 December	(34,732)	(56,683)	–	(10,954)	(102,369)
Allowance for impairment losses					
As at 1 January	(768)	–	(221)	(76)	(1,065)
Additions	(31)	–	–	(130)	(161)
Deductions	9	–	4	109	122
Exchange differences	1	–	–	4	5
As at 31 December	(789)	–	(217)	(93)	(1,099)
Net book value					
As at 1 January	78,784	15,732	25,939	74,442	194,897
As at 31 December	78,392	15,413	22,305	89,504	205,614

(Amount in millions of Renminbi, unless otherwise stated)

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

20 Investment properties

	Six month period ended 30 June 2018	Year ended 31 December 2017
As at 1 January	21,026	21,659
Additions	849	1,051
Transfer to property and equipment, net (Note III.19)	(420)	(222)
Deductions	(59)	(970)
Fair value changes (Note III.5)	818	771
Exchange differences	400	(1,263)
As at 30 June/31 December	22,614	21,026

21 Other assets

	As at 30 June 2018	As at 31 December 2017
Accounts receivable and prepayments	90,865	86,243
Interest receivable (1)	97,410	96,919
Land use rights	7,210	7,230
Intangible assets	11,585	11,605
Long-term deferred expense	2,861	3,105
Repossessed assets (2)	2,507	2,675
Goodwill	2,518	2,481
Other	11,874	7,332
Total	226,830	217,590

(Amount in millions of Renminbi, unless otherwise stated)

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

21 Other assets (Continued)

(1) Interest receivable

	As at 30 June 2018	As at 31 December 2017
Financial investments and financial assets at fair value through profit or loss	56,478	57,509
Loans and advances to customers	32,973	29,035
Due from and placements with and loans to banks, other financial institutions and central banks	7,959	10,375
Total	97,410	96,919

The movements of interest receivable are analysed as follows:

	Six month period ended 30 June 2018	Year ended 31 December 2017
As at 1 January	96,919	79,836
Accrued during the period/year	331,252	615,966
Received during the period/year	(330,761)	(598,883)
As at 30 June/31 December	97,410	96,919

(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 2018	As at 31 December 2017
Commercial properties	2,337	2,123
Residential properties	606	643
Other	200	566
Subtotal	3,143	3,332
Allowance for impairment	(636)	(657)
Repossessed assets, net	2,507	2,675

The total book value of repossessed assets disposed of for the six month period ended 30 June 2018 amounted to RMB239 million (for the year ended 31 December 2017: RMB543 million). The Group plans to dispose of the repossessed assets held at 30 June 2018 by auction, bidding or transfer.

(Amount in millions of Renminbi, unless otherwise stated)

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

22 Due to customers

	As at 30 June 2018	As at 31 December 2017
Demand deposits		
— Corporate deposits	4,046,212	3,955,206
— Personal deposits	2,816,651	2,613,409
Subtotal	6,862,863	6,568,615
Time deposits		
— Corporate deposits	3,412,653	3,213,375
— Personal deposits	3,108,595	3,060,245
Subtotal	6,521,248	6,273,620
Structured deposits		
— Corporate deposits	251,280	215,193
— Personal deposits	311,639	157,574
Subtotal	562,919	372,767
Certificates of deposit	334,934	377,460
Other deposits	70,889	65,462
Total due to customers (1)	14,352,853	13,657,924

(1) Due to customers included margin deposits for securities received by the Group as at 30 June 2018 of RMB313,458 million (31 December 2017: RMB311,202 million).

(Amount in millions of Renminbi, unless otherwise stated)

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

23 Share appreciation rights plan

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

24 Deferred income taxes

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

	As at 30 June 2018		As at 31 December 2017	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets	157,512	42,021	179,004	46,487
Deferred income tax liabilities	(23,544)	(4,076)	(24,669)	(4,018)
Net	133,968	37,945	154,335	42,469

(Amount in millions of Renminbi, unless otherwise stated)

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

24 Deferred income taxes (Continued)

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

	As at 30 June 2018		As at 31 December 2017	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	171,328	42,624	155,379	38,707
Pension, retirement benefits and salary payables	14,988	3,741	18,716	4,673
Financial instruments at fair value through profit or loss and derivative financial instruments	99,268	24,817	104,486	26,090
Available for sale investment securities	–	–	30,551	7,464
Financial assets at fair value through other comprehensive income	8,518	1,826	–	–
Other temporary differences	36,481	8,483	16,932	3,351
Subtotal	330,583	81,491	326,064	80,285
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	(108,969)	(27,215)	(86,856)	(21,688)
Available for sale investment securities	–	–	(8,835)	(2,097)
Financial assets at fair value through other comprehensive income	(6,249)	(1,394)	–	–
Depreciation of property and equipment	(17,048)	(2,887)	(19,131)	(3,261)
Revaluation of property and investment properties	(7,948)	(1,588)	(6,968)	(1,335)
Other temporary differences	(56,401)	(10,462)	(49,939)	(9,435)
Subtotal	(196,615)	(43,546)	(171,729)	(37,816)
Net	133,968	37,945	154,335	42,469

As at 30 June 2018, deferred tax liabilities relating to temporary differences of RMB131,556 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2017: RMB111,841 million).

(Amount in millions of Renminbi, unless otherwise stated)

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

24 Deferred income taxes (Continued)

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

	Six month period ended 30 June 2018	Year ended 31 December 2017
As at 31 December of prior year	42,469	29,840
Impact of adopting IFRS 9	11,096	–
(Charged)/credited to the income statement (Note III.9)	(14,140)	6,943
(Charged)/credited to other comprehensive income	(1,481)	5,542
Other	1	144
As at 30 June/31 December	37,945	42,469

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

	For the six month period ended 30 June	
	2018	2017
Asset impairment allowances	(3,588)	(5,003)
Financial instruments at fair value through profit or loss and derivative financial instruments	(6,948)	2,181
Pension, retirement benefits and salary payables	(932)	(1,099)
Other temporary differences	(2,672)	(1,864)
Total	(14,140)	(5,785)

(Amount in millions of Renminbi, unless otherwise stated)

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

25 Other liabilities

	As at 30 June 2018	As at 31 December 2017
Interest payable	181,894	190,226
Insurance liabilities		
— Life insurance contracts	93,816	91,618
— Non-life insurance contracts	9,678	9,098
Dividend payable	54,123	–
Items in the process of clearance and settlement	51,255	41,621
Provision		
— Impairment allowance for credit commitments	26,570	1,946
— Allowance for litigation losses (Note III.27.1)	990	995
Salary and welfare payables	25,194	28,883
Bonds issued at fair value (1)	21,435	1,907
Short position in debt securities	14,551	17,219
Deferred income	10,047	8,680
Due to and placements from banks and other financial institutions at fair value (1)	1,189	1,246
Other	64,839	66,143
Total	555,581	459,582

(1) Certain financial liabilities related to due to and placements from banks and other financial institutions and bonds issued have been matched with derivatives as part of a documented risk management strategy to mitigate market risk. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the income statement. As at 30 June 2018, the fair value of the above-mentioned financial liabilities was approximately the same as the amount that the Group would be contractually required to pay to the holders. There were no significant changes in the Group's credit risk and therefore the amounts of changes in fair value of the above-mentioned due to and placements from banks and other financial institutions and bonds issued that were attributable to changes in credit risk were considered not significant during the six month period ended 30 June 2018 and the year ended 31 December 2017.

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

26 Dividends

Dividends for Ordinary Shares

A dividend of RMB0.176 per ordinary share in respect of the profit for the year ended 31 December 2017 amounting to RMB51,812 million was approved at the Annual General Meeting held on 28 June 2018. The undistributed portion of RMB51,812 million was recorded in other liabilities as at 30 June 2018. Such dividend was distributed on 13 July 2018 and 8 August 2018 after the appropriate withholding of individual and enterprise income taxes.

Dividends for Preference Shares

The dividend distribution of Domestic Preference Shares (Second Tranche) amounting to RMB1,540 million was approved by the Board of Directors of the Bank at the Board Meeting held on 19 January 2018 and the dividend was distributed on 13 March 2018.

27 Contingent liabilities and commitments

27.1 Legal proceedings and arbitrations

As at 30 June 2018, the Group was involved in certain litigation and arbitration cases in the regular course of its business. In addition, in terms of the range and scale of its international operations, the Group may face a variety of legal proceedings within different jurisdictions. As at 30 June 2018, provisions of RMB990 million (31 December 2017: RMB995 million) were made based on court judgements or the advice of counsel (Note III.25). After consulting legal professionals, the senior management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

(Amount in millions of Renminbi, unless otherwise stated)

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

27 Contingent liabilities and commitments (Continued)

27.2 Assets pledged

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

	As at 30 June 2018	As at 31 December 2017
Debt securities	837,480	1,119,921
Bills	331	751
Total	837,811	1,120,672

27.3 Collateral accepted

The Group accepts securities as collateral that are permitted to be sold or re-pledged in connection with reverse repurchase and derivative agreements with banks and other financial institutions. As at 30 June 2018, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB38,587 million (31 December 2017: RMB32,052 million). As at 30 June 2018, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB3,311 million (31 December 2017: RMB3,067 million). These transactions are conducted under standard terms in the normal course of business.

(Amount in millions of Renminbi, unless otherwise stated)

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

27 Contingent liabilities and commitments (Continued)

27.4 Capital commitments

	As at 30 June 2018	As at 31 December 2017
Property and equipment		
— Contracted but not provided for	52,206	52,839
— Authorised but not contracted for	2,031	1,804
Intangible assets		
— Contracted but not provided for	858	709
— Authorised but not contracted for	39	47
Investment properties		
— Contracted but not provided for	26	9
— Authorised but not contracted for	–	–
Total	55,160	55,408

27.5 Operating leases

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

	As at 30 June 2018	As at 31 December 2017
Within 1 year	6,542	6,570
Between 1 and 2 years	5,132	4,952
Between 2 and 3 years	3,779	3,597
Over 3 years	6,987	6,667
Total	22,440	21,786

(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 2018, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB50,256 million (31 December 2017: RMB49,855 million). The original maturity of these Treasury bonds vary from 3 to 5 years and management expects the amount of redemption before the maturity dates of these bonds through the Bank will not be material.

27.7 Credit commitments

	As at 30 June 2018	As at 31 December 2017
Loan commitments (1)		
— with an original maturity of less than 1 year	189,400	188,198
— with an original maturity of 1 year or over	1,157,822	1,147,484
Undrawn credit card limits	942,570	840,078
Letters of guarantee issued (2)	1,039,571	1,079,178
Bank bill acceptance	268,376	295,991
Letters of credit issued	141,768	139,298
Accepted bills of exchange under letters of credit	89,349	90,175
Other	161,774	90,230
Total (3)	3,990,630	3,870,632

(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 2018, the unconditionally revocable loan commitments of the Group amounted to RMB263,267 million (31 December 2017: RMB240,303 million).

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

(Amount in millions of Renminbi, unless otherwise stated)

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

27 Contingent liabilities and commitments (Continued)

27.7 Credit commitments (Continued)

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

The risk-weighted assets for credit risk of the Group were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations under the advanced capital measurement approaches. The amounts are determined based on the creditworthiness of the counterparties, the maturity characteristics of each type of contracts and other factors.

	As at 30 June 2018	As at 31 December 2017
Credit commitments	1,083,901	1,067,636

27.8 Underwriting obligations

As at 30 June 2018, the firm commitment in underwriting securities of the Group amounted to RMB1,020 million (31 December 2017: RMB570 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 2018	As at 30 June 2017
Cash and due from banks and other financial institutions	277,178	368,556
Balances with central banks	408,027	746,140
Placements with and loans to banks and other financial institutions	450,529	204,342
Financial investments	88,768	69,910
Total	1,224,502	1,388,948

(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 billion. CIC is a wholly State-owned company engaging in foreign currency investment management. The Group is subject to the control of the State Council of the PRC Government through CIC and its wholly owned subsidiary, Central Huijin Investment Ltd. ("Huijin").

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

29.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

Legal representative	DING Xuedong
Registered capital	RMB828,209 million
Location of registration	Beijing
Capital shares in the Bank	64.02%
Voting rights in the Bank	64.02%
Nature	Wholly State-owned company
Principal activities	Investment in major State-owned financial institutions on behalf of the State Council; other related businesses approved by the State Council.
Unified social credit code	911000007109329615

(Amount in millions of Renminbi, unless otherwise stated)

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

29 Related party transactions (Continued)

29.2 Transactions with Huijin and companies under Huijin (Continued)

(2) Transactions with Huijin

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

Due to Huijin

	Six month period ended 30 June 2018	Year ended 31 December 2017
As at 1 January	12,046	13,349
Received during the period/year	24,310	33,436
Repaid during the period/year	(33,798)	(34,739)
As at 30 June/31 December	2,558	12,046

Bonds issued by Huijin

As at 30 June 2018, the Bank held government backed bonds issued by Huijin with the carrying value of RMB14,303 million (31 December 2017: RMB8,560 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 Bank, complying with requirements of related regulations and corporate governance.

(Amount in millions of Renminbi, unless otherwise stated)

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

29 Related party transactions (Continued)

29.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin

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

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

	As at 30 June 2018	**As at 31 December 2017**
Due from banks and other financial institutions	25,788	31,663
Placements with and loans to banks and other financial institutions	97,333	76,983
Financial investments and financial assets at fair value through profit or loss	314,215	326,238
Derivative financial assets	7,299	4,795
Loans and advances to customers	23,656	10,825
Due to customers, banks and other financial institutions	(118,990)	(143,803)
Placements from banks and other financial institutions	(118,555)	(117,432)
Derivative financial liabilities	(6,607)	(8,620)
Credit commitments	11,575	8,683

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

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

29 Related party transactions (Continued)

29.4 Transactions with associates and joint ventures

The Group enters into banking transactions with associates and joint ventures in the normal course of business on 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 2018	**As at 31 December 2017**
Loans and advances to customers	834	2,823
Due to customers, banks and other financial institutions	(9,527)	(9,326)
Credit commitments	172	957

29.5 Transactions with the Annuity Plan

Apart from the obligations for defined contributions to the Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the six month period ended 30 June 2018 and the year ended 31 December 2017.

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 2018 and the year ended 31 December 2017, there were no material transactions and balances with key management personnel on an individual basis.

(Amount in millions of Renminbi, unless otherwise stated)

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

29 Related party transactions (Continued)

29.7 Transactions with Connected Natural Persons

As at 30 June 2018, the Bank's balance of loans to the connected natural persons as defined in the *Administration of Connected Transactions between Commercial Banks and Their Insiders and Shareholders* and the *Administrative Measures for the Disclosure of Information of Listed Companies* totalled RMB126 million (31 December 2017: RMB138 million) and RMB12 million (31 December 2017: RMB5 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 2018	**As at 31 December 2017**
Due from banks and other financial institutions	35,568	30,932
Placements with and loans to banks and other financial institutions	79,597	90,913
Due to banks and other financial institutions	(61,297)	(112,859)
Placements from banks and other financial institutions	(77,345)	(86,316)

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

Geographical segments

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

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

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

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 — 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)

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

	Chinese mainland	Hong Kong, Macau and Taiwan			Other countries and regions	Eliminations	Total
		BOCHK Group	Other	Subtotal			
Interest income	288,170	22,891	16,837	39,728	22,000	(15,315)	334,583
Interest expense	(138,034)	(7,788)	(13,776)	(21,564)	(13,599)	15,315	(157,882)
Net interest income	150,136	15,103	3,061	18,164	8,401	–	176,701
Fee and commission income	41,971	6,744	3,600	10,344	2,863	(1,537)	53,641
Fee and commission expense	(2,802)	(1,784)	(921)	(2,705)	(825)	879	(5,453)
Net fee and commission income	39,169	4,960	2,679	7,639	2,038	(658)	48,188
Net trading (losses)/gains	(3,442)	615	1,803	2,418	897	–	(127)
Net gains on financial investments	1,083	71	6	77	–	–	1,160
Other operating income (1)	10,502	7,601	8,485	16,086	88	(1,116)	25,560
Operating income	197,448	28,350	16,034	44,384	11,424	(1,774)	251,482
Operating expenses (1)	(61,990)	(10,498)	(7,556)	(18,054)	(2,974)	886	(82,132)
Impairment (losses)/reversal on assets	(29,137)	(279)	38	(241)	1,108	–	(28,270)
Operating profit	106,321	17,573	8,516	26,089	9,558	(888)	141,080
Share of results of associates and joint ventures	10	(4)	875	871	–	–	881
Profit before income tax	106,331	17,569	9,391	26,960	9,558	(888)	141,961
Income tax expense							(26,386)
Profit for the period							115,575
Segment assets	16,084,064	2,306,126	1,403,922	3,710,048	1,837,721	(1,355,349)	20,276,484
Investments in associates and joint ventures	169	163	18,102	18,265	–	–	18,434
Total assets	16,084,233	2,306,289	1,422,024	3,728,313	1,837,721	(1,355,349)	20,294,918
Include: non-current assets (2)	96,535	26,841	130,327	157,168	5,354	(161)	258,896
Segment liabilities	14,844,763	2,116,307	1,298,415	3,414,722	1,779,960	(1,355,188)	18,684,257
Other segment items:							
Intersegment net interest (expense)/income	(4,625)	1,246	5,762	7,008	(2,383)	–	–
Intersegment net fee and commission income/(expense)	143	15	758	773	(258)	(658)	–
Capital expenditure	1,591	536	13,595	14,131	50	–	15,772
Depreciation and amortisation	5,479	478	2,095	2,573	178	–	8,230
Credit commitments	3,509,738	284,551	128,017	412,568	459,020	(390,696)	3,990,630

(Amount in millions of Renminbi, unless otherwise stated)

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

30 Segment reporting (Continued)

As at 31 December 2017 and for the six month period ended 30 June 2017

		Hong Kong, Macau and Taiwan					
	Chinese mainland	BOCHK Group	Other	Subtotal	Other countries and regions	Eliminations	Total
Interest income	260,352	21,122	14,383	35,505	17,838	(13,061)	300,634
Interest expense	(122,006)	(5,838)	(10,551)	(16,389)	(10,258)	13,061	(135,592)
Net interest income	138,346	15,284	3,832	19,116	7,580	–	165,042
Fee and commission income	42,620	6,448	3,501	9,949	3,127	(1,348)	54,348
Fee and commission expense	(2,830)	(1,621)	(586)	(2,207)	(778)	654	(5,161)
Net fee and commission income	39,790	4,827	2,915	7,742	2,349	(694)	49,187
Net trading gains	1,470	1,176	714	1,890	1,517	–	4,877
Net gains on financial investments	926	371	212	583	7	–	1,516
Other operating income (1)	12,316	9,028	7,120	16,148	65	(783)	27,746
Operating income	192,848	30,686	14,793	45,479	11,518	(1,477)	248,368
Operating expenses (1)	(62,388)	(11,750)	(5,763)	(17,513)	(2,693)	931	(81,663)
Impairment losses on assets	(25,685)	(318)	(290)	(608)	(667)	–	(26,960)
Operating profit	104,775	18,618	8,740	27,358	8,158	(546)	139,745
Share of results of associates and joint ventures	–	4	629	633	–	–	633
Profit before income tax	104,775	18,622	9,369	27,991	8,158	(546)	140,378
Income tax expense							(29,829)
Profit for the period							110,549
Segment assets	15,503,377	2,181,757	1,335,266	3,517,023	1,911,087	(1,481,243)	19,450,244
Investments in associates and joint ventures	159	168	16,853	17,021	–	–	17,180
Total assets	15,503,536	2,181,925	1,352,119	3,534,044	1,911,087	(1,481,243)	19,467,424
Include: non-current assets (2)	100,449	25,340	121,829	147,169	5,590	(161)	253,047
Segment liabilities	14,285,717	2,001,454	1,234,264	3,235,718	1,850,392	(1,481,082)	17,890,745
Other segment items:							
Intersegment net interest (expense)/income	(3,886)	325	5,840	6,165	(2,279)	–	–
Intersegment net fee and commission income/(expense)	129	14	677	691	(126)	(694)	–
Capital expenditure	2,399	709	14,232	14,941	147	–	17,487
Depreciation and amortisation	5,478	496	1,850	2,346	121	–	7,945
Credit commitments	3,412,867	293,376	124,563	417,939	461,310	(421,484)	3,870,632

(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)

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

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Eliminations	Total
Interest income	166,644	104,832	100,915	848	1,580	1,547	(41,783)	334,583
Interest expense	(80,480)	(45,584)	(71,341)	(249)	(4)	(2,007)	41,783	(157,882)
Net interest income/(expense)	86,164	59,248	29,574	599	1,576	(460)	–	176,701
Fee and commission income	17,961	24,067	9,649	2,393	1	810	(1,240)	53,641
Fee and commission expense	(591)	(2,558)	(932)	(662)	(1,741)	(54)	1,085	(5,453)
Net fee and commission income/(expense)	17,370	21,509	8,717	1,731	(1,740)	756	(155)	48,188
Net trading gains/(losses)	1,345	502	(1,697)	190	(1,489)	992	30	(127)
Net gains on financial investments	3	–	1,116	–	41	–	–	1,160
Other operating income	1,362	5,189	177	133	11,571	8,361	(1,233)	25,560
Operating income	106,244	86,448	37,887	2,653	9,959	9,649	(1,358)	251,482
Operating expenses	(27,231)	(33,222)	(8,483)	(1,067)	(9,085)	(4,402)	1,358	(82,132)
Impairment losses on assets	(25,614)	(1,233)	(1,134)	–	(114)	(175)	–	(28,270)
Operating profit	53,399	51,993	28,270	1,586	760	5,072	–	141,080
Share of results of associates and joint ventures	–	–	–	224	(151)	851	(43)	881
Profit before income tax	53,399	51,993	28,270	1,810	609	5,923	(43)	141,961
Income tax expense								(26,386)
Profit for the period								115,575
Segment assets	7,231,511	4,161,977	8,380,926	71,287	146,585	391,005	(106,807)	20,276,484
Investments in associates and joint ventures	–	–	–	4,644	–	13,879	(89)	18,434
Total assets	7,231,511	4,161,977	8,380,926	75,931	146,585	404,884	(106,896)	20,294,918
Segment liabilities	9,184,311	6,042,334	3,133,068	56,833	132,654	241,704	(106,647)	18,684,257
Other segment items:								
Intersegment net interest income/(expense)	17,945	22,752	(40,353)	32	26	(402)	–	–
Intersegment net fee and commission income/(expense)	378	646	54	(122)	(924)	123	(155)	–
Capital expenditure	490	542	26	26	21	14,667	–	15,772
Depreciation and amortisation	2,332	2,921	767	55	45	2,110	–	8,230
Credit commitments	2,872,821	1,117,809	–	–	–	–	–	3,990,630

(Amount in millions of Renminbi, unless otherwise stated)

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

30 Segment reporting (Continued)

As at 31 December 2017 and for the six month period ended 30 June 2017

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Eliminations	Total
Interest income	147,040	99,435	93,192	575	1,551	359	(41,518)	300,634
Interest expense	(66,630)	(45,000)	(63,768)	(148)	(30)	(1,534)	41,518	(135,592)
Net interest income/(expense)	80,410	54,435	29,424	427	1,521	(1,175)	–	165,042
Fee and commission income	23,337	21,877	7,550	2,065	–	566	(1,047)	54,348
Fee and commission expense	(1,286)	(2,025)	(860)	(496)	(1,360)	(18)	884	(5,161)
Net fee and commission income/(expense)	22,051	19,852	6,690	1,569	(1,360)	548	(163)	49,187
Net trading gains	745	462	1,970	218	1,277	177	28	4,877
Net gains on financial investments	11	2	1,070	27	247	159	–	1,516
Other operating income	975	6,060	535	90	10,158	11,159	(1,231)	27,746
Operating income	104,192	80,811	39,689	2,331	11,843	10,868	(1,366)	248,368
Operating expenses	(25,687)	(34,028)	(8,039)	(1,035)	(11,004)	(3,236)	1,366	(81,663)
Impairment losses on assets	(25,456)	(1,174)	(30)	–	(52)	(248)	–	(26,960)
Operating profit	53,049	45,609	31,620	1,296	787	7,384	–	139,745
Share of results of associates and joint ventures	–	–	–	230	(8)	436	(25)	633
Profit before income tax	53,049	45,609	31,620	1,526	779	7,820	(25)	140,378
Income tax expense								(29,829)
Profit for the period								110,549
Segment assets	7,139,973	3,954,150	7,908,168	66,050	139,945	325,825	(83,867)	19,450,244
Investments in associates and joint ventures	–	–	–	4,449	–	12,799	(68)	17,180
Total assets	7,139,973	3,954,150	7,908,168	70,499	139,945	338,624	(83,935)	19,467,424
Segment liabilities	8,846,697	5,826,209	2,960,947	53,067	125,765	161,766	(83,706)	17,890,745
Other segment items:								
Intersegment net interest income/(expense)	12,050	28,917	(40,609)	15	27	(400)	–	–
Intersegment net fee and commission income/(expense)	50	808	34	(148)	(716)	135	(163)	–
Capital expenditure	744	822	39	39	73	15,770	–	17,487
Depreciation and amortisation	2,309	2,960	668	44	86	1,878	–	7,945
Credit commitments	2,869,323	1,001,309	–	–	–	–	–	3,870,632

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

31 Transfers of financial assets

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

Repurchase agreements

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

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

	As at 30 June 2018		As at 31 December 2017	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	35,944	35,771	59,494	58,333

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

31 Transfers of financial assets (Continued)

Credit assets transfers

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

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB1,479 million as at 30 June 2018 (31 December 2017: RMB1,717 million), which also approximates to the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. For the six month period ended 30 June 2018, the carrying amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB15,636 million (for the six month period ended 30 June 2017: RMB16,829 million) and the carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB7,036 million as at 30 June 2018 (31 December 2017: RMB5,768 million).

32 Interests in the structured entities

The Group is principally involved with structured entities through financial investments, asset management and credit assets transfers. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

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

32 Interests in the structured entities (Continued)

32.1 Interests in the unconsolidated structured entities

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

Structured entities sponsored by the Group

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

As at 30 June 2018, the balance of the above unconsolidated bank wealth management products sponsored by the Group amounted to RMB1,060,997 million (31 December 2017: RMB1,157,736 million). The balance of unconsolidated publicly offered funds and asset management plans sponsored by the Group amounted to RMB836,012 million (31 December 2017: RMB802,405 million).

For the six month period ended 30 June 2018, the above-mentioned management fee, commission and custodian fee amounted to RMB5,002 million (for the six month period ended 30 June 2017: RMB5,193 million).

As at 30 June 2018, the balance of interest and commission receivable held by the Group in above-mentioned structured entities are not material. For the purpose of asset-liability management, wealth management products may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into repurchase and placement transactions with these wealth management products in accordance with market principles. During the six month period ended 30 June 2018, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB75,260 million (for the six month period ended 30 June 2017: RMB8,000 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 30 June 2018, the balance of the above transactions was RMB75,260 million (31 December 2017: RMB31,049 million). The maximum exposure to loss of those placements approximated to their carrying amount.

(Amount in millions of Renminbi, unless otherwise stated)

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

32 Interests in the structured entities (Continued)

32.1 Interests in the unconsolidated structured entities (Continued)

Structured entities sponsored by the Group (Continued)

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB163 million during the six month period ended 30 June 2018 (for the six month period ended 30 June 2017: RMB15,874 million). For description of the portion of asset-backed securities issued by above structured entities and held by the Group, refer to Note III.31.

Structured entities sponsored by other financial institutions

The interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out as below:

Structured entity type	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Maximum exposure to loss
As at 30 June 2018					
Fund	32,875	–	–	32,875	32,875
Investment trusts and asset management plans	–	–	7,177	7,177	7,177
Asset-backed securitisations	–	35,440	48,795	84,235	84,235

Structured entity type	Financial assets at fair value through profit or loss	Investment securities available for sale	Debt securities held to maturity	Financial investments classified as loans and receivables	Total	Maximum exposure to loss
As at 31 December 2017						
Fund	8,408	26,439	–	–	34,847	34,847
Wealth management plans	–	15,000	–	–	15,000	15,000
Investment trusts and asset management plans	316	–	–	7,134	7,450	7,450
Asset-backed securitisations	2,014	35,525	33,469	1,307	72,315	72,315

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

32 Interests in the structured entities (Continued)

32.2 Consolidated structured entities

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

33 Events after the financial reporting date

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

The dividend distribution of Offshore Preference Shares and Domestic Preference Shares (First Tranche) was approved by the Board of Directors of the Bank at the Board Meeting held on 28 August 2018. The annual dividend rate is 6.75% (calculated on the basis of RMB and paid out in US Dollars per a fixed exchange rate) for the Offshore Preference Shares amounting to approximately USD439 million in total after tax and the dividend is to be paid on 23 October 2018. The annual dividend for the Domestic Preference Shares (First Tranche) amounting to RMB1,920 million before tax is set to be paid on 21 November 2018 at a dividend rate of 6.00%. The dividend payable is not reflected in liabilities of the financial statements.

IV FINANCIAL RISK MANAGEMENT

1 Credit risk

1.1 Credit risk measurement

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage 3: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the balance sheet date of the current period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the balance sheet date of the current period according to the ECL in the next 12 months.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Credit risk measurement (Continued)

Measurement of ECL (Continued)

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Credit risk measurement (Continued)

Criteria for judging significant increases in credit risk (Continued)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the increase in remaining lifetime probability of default is considered significant, comparing with the one at initial recognition

Qualitative criteria

- Significant adverse change in debtor's operation or financial status
- Be classified into Special Mention category within five-tier loan classification
- Be listed on the watch-list

Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Credit risk measurement (Continued)

Definition of credit-impaired financial asset (Continued)

- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies;

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Credit risk measurement (Continued)

Parameters of ECL measurement (Continued)

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applied experts' judgement in this process, according to the result of experts' judgement, the Group predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines statistical analysis with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage 1) or life time (Stage 2 and Stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit and loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 to Stage 1. As at 30 June 2018, the carrying amount of financial assets with such modified contractual cash flows was not significant.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 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 2018		As at 31 December 2017	
	Amount	**% of total**	**Amount**	**% of total**
Chinese mainland	8,948,888	78.47%	8,583,185	78.77%
Hong Kong, Macau and Taiwan	1,451,246	12.73%	1,339,149	12.29%
Other countries and regions	1,003,107	8.80%	974,224	8.94%
Total loans and advances to customers	11,403,241	100.00%	10,896,558	100.00%

Chinese mainland

	As at 30 June 2018		As at 31 December 2017	
	Amount	**% of total**	**Amount**	**% of total**
Northern China	1,432,546	16.01%	1,364,869	15.90%
Northeastern China	521,166	5.82%	517,581	6.03%
Eastern China	3,495,790	39.06%	3,362,753	39.18%
Central and Southern China	2,353,372	26.30%	2,242,985	26.13%
Western China	1,146,014	12.81%	1,094,997	12.76%
Total loans and advances to customers	8,948,888	100.00%	8,583,185	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Loans and advances (Continued)

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

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

	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	Total
As at 30 June 2018				
Corporate loans and advances				
— Trade bills	714,708	118,088	148,129	980,925
— Other	4,541,229	909,425	811,848	6,262,502
Personal loans	3,692,951	423,733	43,130	4,159,814
Total loans and advances to customers	8,948,888	1,451,246	1,003,107	11,403,241
As at 31 December 2017				
Corporate loans and advances				
— Trade bills	652,115	107,817	104,817	864,749
— Other	4,448,138	828,592	831,222	6,107,952
Personal loans	3,482,932	402,740	38,185	3,923,857
Total loans and advances to customers	8,583,185	1,339,149	974,224	10,896,558

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 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 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,686,145	14.78%	1,685,179	15.46%
Commerce and services	1,602,807	14.06%	1,557,095	14.29%
Transportation, storage and postal services	1,094,936	9.60%	1,056,755	9.70%
Real estate	862,948	7.57%	820,922	7.53%
Production and supply of electricity, heating, gas and water	625,063	5.48%	599,896	5.51%
Financial services	375,084	3.29%	285,598	2.62%
Mining	329,512	2.89%	338,316	3.10%
Construction	226,051	1.98%	207,201	1.90%
Water, environment and public utility management	177,548	1.56%	160,941	1.48%
Public utilities	114,473	1.00%	117,419	1.08%
Other	148,860	1.31%	143,379	1.32%
Subtotal	7,243,427	63.52%	6,972,701	63.99%
Personal loans				
Mortgages	3,278,853	28.75%	3,061,553	28.10%
Credit cards	388,311	3.41%	374,297	3.43%
Other	492,650	4.32%	488,007	4.48%
Subtotal	4,159,814	36.48%	3,923,857	36.01%
Total loans and advances to customers	11,403,241	100.00%	10,896,558	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 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 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,347,055	15.05%	1,371,246	15.98%
Commerce and services	1,173,813	13.12%	1,140,012	13.28%
Transportation, storage and postal services	946,211	10.57%	918,214	10.70%
Real estate	433,172	4.84%	402,693	4.69%
Production and supply of electricity, heating, gas and water	504,563	5.64%	487,941	5.68%
Financial services	188,715	2.11%	145,652	1.70%
Mining	175,738	1.96%	172,973	2.01%
Construction	190,415	2.13%	173,373	2.02%
Water, environment and public utility management	159,371	1.78%	149,964	1.75%
Public utilities	106,096	1.19%	105,675	1.23%
Other	30,788	0.34%	32,510	0.38%
Subtotal	5,255,937	58.73%	5,100,253	59.42%
Personal loans				
Mortgages	2,953,857	33.01%	2,750,946	32.05%
Credit cards	375,069	4.19%	360,699	4.20%
Other	364,025	4.07%	371,287	4.33%
Subtotal	3,692,951	41.27%	3,482,932	40.58%
Total loans and advances to customers	8,948,888	100.00%	8,583,185	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 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 2018		As at 31 December 2017	
	Amount	**% of total**	**Amount**	**% of total**
Unsecured loans	3,701,810	32.46%	3,447,319	31.64%
Guaranteed loans	1,835,426	16.10%	1,971,535	18.09%
Collateralised and other secured loans				
— Loans secured by property and other immovable assets	4,720,980	41.40%	4,410,349	40.47%
— Other pledged loans	1,145,025	10.04%	1,067,355	9.80%
Total loans and advances to customers	11,403,241	100.00%	10,896,558	100.00%

Chinese mainland

	As at 30 June 2018		As at 31 December 2017	
	Amount	**% of total**	**Amount**	**% of total**
Unsecured loans	2,517,241	28.13%	2,418,477	28.18%
Guaranteed loans	1,500,799	16.77%	1,619,202	18.86%
Collateralised and other secured loans				
— Loans secured by property and other immovable assets	4,076,546	45.55%	3,755,618	43.76%
— Other pledged loans	854,302	9.55%	789,888	9.20%
Total loans and advances to customers	8,948,888	100.00%	8,583,185	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 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 2018			As at 31 December 2017		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	158,106	96.81%	1.77%	154,208	97.67%	1.80%
Hong Kong, Macau and Taiwan	2,954	1.81%	0.20%	1,813	1.15%	0.14%
Other countries and regions	2,257	1.38%	0.23%	1,861	1.18%	0.19%
Total	163,317	100.00%	1.43%	157,882	100.00%	1.45%

Chinese mainland

	As at 30 June 2018			As at 31 December 2017		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	27,041	17.10%	1.89%	28,244	18.31%	2.07%
Northeastern China	36,843	23.30%	7.07%	32,565	21.12%	6.29%
Eastern China	54,693	34.60%	1.56%	55,365	35.90%	1.65%
Central and Southern China	23,198	14.67%	0.99%	24,948	16.18%	1.11%
Western China	16,331	10.33%	1.43%	13,086	8.49%	1.20%
Total	158,106	100.00%	1.77%	154,208	100.00%	1.80%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 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 2018			As at 31 December 2017		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	135,195	82.78%	1.87%	129,959	82.31%	1.86%
Personal loans	28,122	17.22%	0.68%	27,923	17.69%	0.71%
Total	163,317	100.00%	1.43%	157,882	100.00%	1.45%

Chinese mainland

	As at 30 June 2018			As at 31 December 2017		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	130,725	82.68%	2.49%	126,588	82.09%	2.48%
Personal loans	27,381	17.32%	0.74%	27,620	17.91%	0.79%
Total	158,106	100.00%	1.77%	154,208	100.00%	1.80%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 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 2018			As at 31 December 2017		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Manufacturing	73,838	45.22%	5.48%	66,281	41.98%	4.83%
Commerce and services	30,906	18.92%	2.63%	30,957	19.61%	2.72%
Transportation, storage and postal services	5,892	3.61%	0.62%	8,518	5.40%	0.93%
Real estate	7,686	4.71%	1.77%	5,624	3.56%	1.40%
Production and supply of electricity, heating, gas and water	1,784	1.09%	0.35%	1,833	1.16%	0.38%
Financial services	75	0.05%	0.04%	196	0.12%	0.13%
Mining	3,682	2.25%	2.10%	6,065	3.84%	3.51%
Construction	2,729	1.67%	1.43%	2,872	1.82%	1.66%
Water, environment and public utility management	325	0.20%	0.20%	329	0.21%	0.22%
Public utilities	158	0.10%	0.15%	242	0.15%	0.23%
Other	3,650	2.23%	11.86%	3,671	2.33%	11.29%
Subtotal	130,725	80.05%	2.49%	126,588	80.18%	2.48%
Personal loans						
Mortgages	9,708	5.94%	0.33%	9,700	6.14%	0.35%
Credit cards	9,110	5.58%	2.43%	9,154	5.80%	2.54%
Other	8,563	5.24%	2.35%	8,766	5.55%	2.36%
Subtotal	27,381	16.76%	0.74%	27,620	17.49%	0.79%
Total for Chinese mainland	158,106	96.81%	1.77%	154,208	97.67%	1.80%
Hong Kong, Macau, Taiwan and other countries and regions	5,211	3.19%	0.21%	3,674	2.33%	0.16%
Total	163,317	100.00%	1.43%	157,882	100.00%	1.45%

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Loans and advances (Continued)

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

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

	Impaired loans	Allowance for impairment losses	Net
As at 30 June 2018			
Chinese mainland	158,106	(113,918)	44,188
Hong Kong, Macau and Taiwan	2,954	(1,600)	1,354
Other countries and regions	2,257	(1,457)	800
Total	163,317	(116,975)	46,342
As at 31 December 2017			
Chinese mainland	154,208	(105,682)	48,526
Hong Kong, Macau and Taiwan	1,813	(991)	822
Other countries and regions	1,861	(1,209)	652
Total	157,882	(107,882)	50,000

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Loans and advances (Continued)

(3) Loans and advances rescheduled

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

Rescheduled loans are generally subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "special-mention" upon review if certain criteria are met. If the rescheduled loans fall overdue or if the borrower is unable to demonstrate its repayment ability, these loans will be reclassified to "doubtful" or below. All rescheduled loans within the surveillance period were determined to be impaired as at 30 June 2018 and 31 December 2017.

As at 30 June 2018 and 31 December 2017, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Loans and advances (Continued)

(4) Overdue loans and advances to customers

Analysis of overdue loans and advances by geographical area

	As at 30 June 2018	As at 31 December 2017
Chinese mainland	252,173	193,078
Hong Kong, Macau and Taiwan	16,595	5,773
Other countries and regions	6,149	3,991
Subtotal	274,917	202,842
Percentage	2.41%	1.86%
Less: total loans and advances to customers which have been overdue for less than 3 months	(143,195)	(71,356)
Total loans and advances to customers which have been overdue for more than 3 months	131,722	131,486

(5) Loans and advances three-staging exposure

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

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 30 June 2018				
Pass	10,758,057	147,957	9	10,906,023
Special-mention	–	333,910	4	333,914
Substandard	–	–	84,479	84,479
Doubtful	–	–	40,016	40,016
Loss	–	–	38,809	38,809
Total	10,758,057	481,867	163,317	11,403,241

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 Debt securities

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

	Unrated	A to AAA	Lower than A	Total
As at 30 June 2018				
Issuers in Chinese mainland				
— Government	–	2,494,584	–	2,494,584
— Public sectors and quasi-governments	77,499	–	–	77,499
— Policy banks	–	470,034	–	470,034
— Financial institutions	86,481	190,577	161,681	438,739
— Corporate	90,563	83,719	20,069	194,351
— China Orient Asset Management Corporation	154,821	–	–	154,821
Subtotal	409,364	3,238,914	181,750	3,830,028
Issuers in Hong Kong, Macau, Taiwan and other countries and regions				
— Governments	50	444,112	9,478	453,640
— Public sectors and quasi-governments	18,009	77,164	4,270	99,443
— Financial institutions	4,321	136,536	40,322	181,179
— Corporate	8,138	94,848	18,698	121,684
Subtotal	30,518	752,660	72,768	855,946
Total	439,882	3,991,574	254,518	4,685,974

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 Debt securities (Continued)

	Unrated	A to AAA	Lower than A	Total
As at 31 December 2017				
Issuers in Chinese mainland				
— Government	–	2,403,536	–	2,403,536
— Public sectors and quasi-governments	64,016	–	–	64,016
— Policy banks	–	519,245	–	519,245
— Financial institutions	86,721	142,150	93,956	322,827
— Corporate	62,149	106,092	20,570	188,811
— China Orient Asset Management Corporation	158,806	–	–	158,806
Subtotal	371,692	3,171,023	114,526	3,657,241
Issuers in Hong Kong, Macau, Taiwan and other countries and regions				
— Governments	–	370,423	6,773	377,196
— Public sectors and quasi-governments	39,951	52,064	196	92,211
— Financial institutions	3,910	147,742	39,669	191,321
— Corporate	10,661	84,541	19,962	115,164
Subtotal	54,522	654,770	66,600	775,892
Total	426,214	3,825,793	181,126	4,433,133

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.4 Derivatives

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

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

	As at 30 June 2018	As at 31 December 2017
Risk-weighted assets for default risk		
Currency derivatives	73,765	70,498
Interest rate derivatives	13,258	4,228
Equity derivatives	394	314
Commodity derivatives and other	3,604	3,343
	91,021	78,383
Risk-weighted assets for CVA	85,044	92,338
Risk-weighted assets for CCPs	2,442	1,573
Total	178,507	172,294

1.5 Repossessed assets

The Group obtained assets by taking possession of collateral held as security. Detailed information of such repossessed assets of the Group is disclosed in Note III.21.

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk

2.1 Market risk measurement techniques and limits

(1) Trading book

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

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

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

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

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

(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)

The table below shows the VaR of the trading book by type of risk for the six month periods ended 30 June 2018 and 2017:

Unit: USD million

	Six month period ended 30 June					
	2018			2017		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	18.06	23.85	12.24	14.68	17.58	11.60
Foreign exchange risk	7.61	10.64	4.99	9.14	12.18	6.12
Volatility risk	0.40	0.71	0.11	0.46	1.21	0.25
Commodity risk	0.95	3.68	0.13	1.26	1.58	1.01
Total of the Bank's trading VaR	19.72	23.17	14.82	16.51	20.91	12.43

The Bank's VaR for the six month periods ended 30 June 2018 and 2017 was calculated based on the Group's trading positions, excluding those of BOCHK (Holdings) and BOCI.

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

(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)

Unit: USD million

	Six month period ended 30 June					
	2018			2017		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	3.67	5.50	2.39	6.81	10.61	3.54
Foreign exchange risk	1.95	2.58	1.37	4.94	6.97	3.02
Equity risk	0.34	0.90	0.16	0.34	0.68	0.09
Commodity risk	0.21	0.44	0.11	0.20	0.26	0.15
Total BOCHK (Holdings)'s trading VaR	4.18	5.84	3.07	7.37	10.43	4.87
BOCI's trading VaR (i)						
Equity derivatives unit	0.91	2.03	0.54	1.06	1.48	0.71
Fixed income unit	1.48	1.86	0.98	0.94	1.47	0.63
Global commodity unit	0.33	0.52	0.21	0.29	0.45	0.08
Total BOCI's trading VaR	2.72	3.84	1.95	2.29	2.84	1.53

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

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

(2) Banking book

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

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IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis

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

	As at 30 June 2018						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	221,926	53,690	67,830	2,135	200	69,828	415,609
Balances with central banks	1,961,515	1,326	467	–	–	178,407	2,141,715
Placements with and loans to banks and other financial institutions	471,638	148,263	184,935	49,335	–	45	854,216
Financial assets at fair value through profit or loss	18,029	41,623	61,011	35,143	56,537	90,565	302,908
Derivative financial assets	–	–	–	–	–	122,341	122,341
Loans and advances to customers, net	2,472,705	2,185,149	5,957,817	97,256	44,706	377,972	11,135,605
Financial investments							
— financial assets at fair value through other comprehensive income	119,216	268,360	321,819	729,653	289,037	14,637	1,742,722
— financial assets at amortised cost	34,685	71,813	272,684	1,576,527	803,663	2,553	2,761,925
Other	6,336	116	–	–	2,500	808,925	817,877
Total assets	5,306,050	2,770,340	6,866,563	2,490,049	1,196,643	1,665,273	20,294,918
Liabilities							
Due to banks and other financial institutions	927,072	329,231	204,562	52,477	–	142,792	1,656,134
Due to central banks	354,664	87,284	479,056	7,955	–	6	928,965
Placements from banks and other financial institutions	241,419	73,374	48,148	1,746	–	–	364,687
Derivative financial liabilities	–	–	–	–	–	106,931	106,931
Due to customers	8,225,256	1,339,760	2,782,376	1,758,340	30,169	216,952	14,352,853
Bonds issued	79,612	100,804	38,808	269,722	33,943	–	522,889
Other	18,145	20,050	2,993	25,054	3,721	681,835	751,798
Total liabilities	9,846,168	1,950,503	3,555,943	2,115,294	67,833	1,148,516	18,684,257
Total interest repricing gap	(4,540,118)	819,837	3,310,620	374,755	1,128,810	516,757	1,610,661

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IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2017						
	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	259,468	74,565	147,376	1,880	–	77,174	560,463
Balances with central banks	2,047,762	457	1,586	–	–	177,809	2,227,614
Placements with and loans to banks and other financial institutions	196,566	95,641	207,146	76,046	–	–	575,399
Financial assets at fair value through profit or loss	19,498	44,177	57,501	19,681	33,035	19,719	193,611
Derivative financial assets	–	–	–	–	–	94,912	94,912
Loans and advances to customers, net	2,869,571	2,142,963	5,139,321	84,639	48,280	359,530	10,644,304
Financial investments							
— available for sale	111,201	174,862	306,200	774,190	418,807	71,962	1,857,222
— held to maturity	28,562	57,433	196,795	1,234,167	572,907	–	2,089,864
— loans and receivables	4,708	3,827	12,448	253,350	137,293	2,399	414,025
Other	4,108	1,444	123	–	1,145	803,190	810,010
Total assets	5,541,444	2,595,369	6,068,496	2,443,953	1,211,467	1,606,695	19,467,424
Liabilities							
Due to banks and other financial institutions	839,840	205,871	149,615	68,320	–	161,616	1,425,262
Due to central banks	385,348	131,064	510,280	9,087	–	18	1,035,797
Placements from banks and other financial institutions	375,004	74,776	49,871	441	–	–	500,092
Derivative financial liabilities	–	–	–	–	–	111,095	111,095
Due to customers	7,947,067	1,332,278	2,443,803	1,711,282	37,795	185,699	13,657,924
Bonds issued	67,225	72,688	40,302	284,818	34,095	–	499,128
Other	21,734	19,221	8,002	5,163	1,807	605,520	661,447
Total liabilities	9,636,218	1,835,898	3,201,873	2,079,111	73,697	1,063,948	17,890,745
Total interest repricing gap	(4,094,774)	759,471	2,866,623	364,842	1,137,770	542,747	1,576,679

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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 2018 and 31 December 2017. 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 2018							
	RMB	**USD**	**HKD**	**EURO**	**JPY**	**GBP**	**Other**	**Total**
Assets								
Cash and due from banks and other financial institutions	280,402	92,672	15,707	6,962	4,866	2,813	12,187	415,609
Balances with central banks	1,778,005	196,620	9,947	36,551	48,098	40,566	31,928	2,141,715
Placements with and loans to banks and other financial institutions	643,161	130,949	31,419	9,681	63	258	38,685	854,216
Financial assets at fair value through profit or loss	182,466	51,142	65,610	2,284	–	796	610	302,908
Derivative financial assets	56,165	24,850	31,226	1,134	207	4,828	3,931	122,341
Loans and advances to customers, net	8,480,623	1,156,946	881,503	193,460	9,817	53,558	359,698	11,135,605
Financial investments								
— financial assets at fair value through other comprehensive income	973,575	416,460	128,557	29,438	120,134	3,297	71,261	1,742,722
— financial assets at amortised cost	2,532,149	205,336	3,696	2,835	719	1,626	15,564	2,761,925
Other	295,362	147,135	179,807	1,756	1,750	2,902	189,165	817,877
Total assets	15,221,908	2,422,110	1,347,472	284,101	185,654	110,644	723,029	20,294,918
Liabilities								
Due to banks and other financial institutions	1,114,248	312,780	33,559	34,358	11,935	6,960	142,294	1,656,134
Due to central banks	646,990	245,888	29,611	4,427	–	563	1,486	928,965
Placements from banks and other financial institutions	145,514	160,991	4,129	14,117	25,044	7,941	6,951	364,687
Derivative financial liabilities	53,553	18,128	26,486	1,074	259	4,570	2,861	106,931
Due to customers	10,825,198	1,630,238	1,155,184	185,865	61,942	60,004	434,422	14,352,853
Bonds issued	228,280	224,930	658	42,750	–	12,988	13,283	522,889
Other	393,542	106,498	228,319	3,493	1,289	3,579	15,078	751,798
Total liabilities	13,407,325	2,699,453	1,477,946	286,084	100,469	96,605	616,375	18,684,257
Net on-balance sheet position	1,814,583	(277,343)	(130,474)	(1,983)	85,185	14,039	106,654	1,610,661
Net off-balance sheet position	(494,667)	305,008	348,066	15,603	(85,198)	(11,062)	(53,996)	23,754
Credit commitments	2,672,024	831,050	222,276	111,398	11,829	46,333	95,720	3,990,630

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2017							
	RMB	**USD**	**HKD**	**EURO**	**JPY**	**GBP**	**Other**	**Total**
Assets								
Cash and due from banks and other financial institutions	368,772	142,024	13,599	7,326	5,961	6,074	16,707	560,463
Balances with central banks	1,810,377	248,995	4,357	31,240	49,485	50,286	32,874	2,227,614
Placements with and loans to banks and other financial institutions	388,211	114,812	23,750	9,034	2,462	90	37,040	575,399
Financial assets at fair value through profit or loss	109,406	55,073	26,513	1,133	1,043	429	14	193,611
Derivative financial assets	44,950	8,065	31,285	749	40	4,895	4,928	94,912
Loans and advances to customers, net	8,101,830	1,157,714	794,625	217,660	7,962	50,856	313,657	10,644,304
Financial investments								
— available for sale	1,080,354	449,628	154,809	33,545	63,946	5,944	68,996	1,857,222
— held to maturity	1,935,833	138,678	3,627	1,693	696	1,196	8,141	2,089,864
— loans and receivables	405,080	1,960	419	–	–	–	6,566	414,025
Other	298,863	135,600	175,535	1,354	1,102	1,546	196,010	810,010
Total assets	14,543,676	2,452,549	1,228,519	303,734	132,697	121,316	684,933	19,467,424
Liabilities								
Due to banks and other financial institutions	855,661	329,466	30,276	35,616	12,779	7,301	154,163	1,425,262
Due to central banks	779,483	231,585	16,865	4,514	–	571	2,779	1,035,797
Placements from banks and other financial institutions	290,531	150,748	6,974	10,720	17,110	16,789	7,220	500,092
Derivative financial liabilities	70,458	1,690	30,131	800	35	4,932	3,049	111,095
Due to customers	10,236,329	1,614,422	1,079,702	192,313	64,989	55,956	414,213	13,657,924
Bonds issued	222,119	208,402	786	38,006	–	20,318	9,497	499,128
Other	347,577	82,908	213,516	1,497	445	1,261	14,243	661,447
Total liabilities	12,802,158	2,619,221	1,378,250	283,466	95,358	107,128	605,164	17,890,745
Net on-balance sheet position	1,741,518	(166,672)	(149,731)	20,268	37,339	14,188	79,769	1,576,679
Net off-balance sheet position	(420,313)	195,069	319,073	(11,672)	(36,371)	(12,165)	(40,135)	(6,514)
Credit commitments	2,556,398	811,938	245,575	107,154	10,050	44,472	95,045	3,870,632

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.4 Price risk

The Group is exposed to equity price risk on its FVOCI listed equity securities. As at 30 June 2018, a 5 percentage variance in listed equity prices would impact the fair value of FVOCI listed equity positions by RMB585 million. 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).

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IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk

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

	As at 30 June 2018							
	Overdue/ Undated	On Demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	21	172,190	119,543	53,690	67,830	2,135	200	415,609
Balances with central banks	1,711,049	401,765	18,280	7,769	2,852	–	–	2,141,715
Placements with and loans to banks and other financial institutions	45	–	463,838	142,485	190,514	57,334	–	854,216
Financial assets at fair value through profit or loss	89,370	–	15,255	39,709	49,224	31,893	77,457	302,908
Derivative financial assets	–	9,629	21,569	20,046	48,857	16,711	5,529	122,341
Loans and advances to customers, net	79,881	126,169	373,426	1,031,016	2,599,959	2,927,057	3,998,097	11,135,605
Financial investments								
— financial assets at fair value through other comprehensive income	14,800	–	85,601	213,782	323,995	802,743	301,801	1,742,722
— financial assets at amortised cost	2,553	–	31,646	55,219	269,664	1,591,879	810,964	2,761,925
Other	281,932	314,747	52,284	44,894	52,307	53,337	18,376	817,877
Total assets	2,179,651	1,024,500	1,181,442	1,608,610	3,605,202	5,483,089	5,212,424	20,294,918
Liabilities								
Due to banks and other financial institutions	–	959,325	103,837	327,290	207,480	58,202	–	1,656,134
Due to central banks	–	189,603	165,067	87,284	479,056	7,955	–	928,965
Placements from banks and other financial institutions	–	–	241,419	73,374	48,148	1,746	–	364,687
Derivative financial liabilities	–	5,562	23,386	20,777	38,844	14,643	3,719	106,931
Due to customers	–	7,175,458	1,262,791	1,251,547	2,851,281	1,781,450	30,326	14,352,853
Bonds issued	–	–	35,499	54,471	46,332	350,362	36,225	522,889
Other	–	249,034	117,103	85,514	130,815	112,237	57,095	751,798
Total liabilities	–	8,578,982	1,949,102	1,900,257	3,801,956	2,326,595	127,365	18,684,257
Net liquidity gap	2,179,651	(7,554,482)	(767,660)	(291,647)	(196,754)	3,156,494	5,085,059	1,610,661

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IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 2017							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	21	167,943	168,678	74,565	147,376	1,880	–	560,463
Balances with central banks	1,754,965	429,424	15,003	6,735	21,487	–	–	2,227,614
Placements with and loans to banks and other financial institutions	–	–	186,151	90,770	213,567	84,854	57	575,399
Financial assets at fair value through profit or loss	19,853	–	18,738	42,528	54,336	25,002	33,154	193,611
Derivative financial assets	–	8,791	16,222	19,854	36,575	10,449	3,021	94,912
Loans and advances to customers, net	75,194	109,153	356,974	1,042,606	2,569,551	2,797,082	3,693,744	10,644,304
Financial investments								
— available for sale	85,346	–	74,857	117,797	314,233	839,773	425,216	1,857,222
— held to maturity	–	–	26,361	43,894	189,622	1,242,694	587,293	2,089,864
— loans and receivables	2,399	–	4,659	2,981	10,749	252,602	140,635	414,025
Other	276,194	301,560	46,920	42,772	65,593	58,666	18,305	810,010
Total assets	2,213,972	1,016,871	914,563	1,484,502	3,623,089	5,313,002	4,901,425	19,467,424
Liabilities								
Due to banks and other financial institutions	–	804,976	188,365	204,621	156,040	71,260	–	1,425,262
Due to central banks	–	180,088	205,278	131,064	510,280	9,087	–	1,035,797
Placements from banks and other financial institutions	–	–	375,004	74,776	49,871	441	–	500,092
Derivative financial liabilities	–	5,574	19,442	25,130	49,274	9,323	2,352	111,095
Due to customers	–	6,664,703	1,413,948	1,287,316	2,493,635	1,758,935	39,387	13,657,924
Bonds issued	–	–	45,773	41,671	42,755	333,211	35,718	499,128
Other	–	241,472	95,985	32,134	157,326	79,793	54,737	661,447
Total liabilities	–	7,896,813	2,343,795	1,796,712	3,459,181	2,262,050	132,194	17,890,745
Net liquidity gap	2,213,972	(6,879,942)	(1,429,232)	(312,210)	163,908	3,050,952	4,769,231	1,576,679

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value

4.1 Financial instruments measured at fair value

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity securities listed on exchanges or debt instruments issued by certain governments and certain exchange-traded derivative contracts.

- Level 2: Valuation technique using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter ("OTC") derivative contracts, debt securities for which quotations are available from pricing services providers, loans and advances to customers measured at fair value through other comprehensive income and loans designated as at fair value through profit or loss, etc.

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

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

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

	As at 30 June 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
— Debt securities	3,311	198,458	4,313	206,082
— Loans	–	6,261	–	6,261
— Equity securities	9,007	5	31,815	40,827
— Fund investments and other	13,396	5,912	30,430	49,738
Derivative financial assets	10,898	111,442	1	122,341
Loans and advances to customers	–	170,666	–	170,666
Financial assets at fair value through other comprehensive income				
— Debt securities	219,174	1,506,268	1,459	1,726,901
— Equity securities and other	5,336	5,393	5,092	15,821

	As at 31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
— Debt securities	4,263	161,542	2,594	168,399
— Loans	–	5,493	–	5,493
— Equity securities	8,029	–	–	8,029
— Fund investments and other	9,203	2,058	429	11,690
Derivative financial assets	9,808	85,104	–	94,912
Investment securities available for sale				
— Debt securities	173,783	1,595,125	850	1,769,758
— Equity securities	7,202	3,592	27,900	38,694
— Fund investments and other	4,246	17,054	27,470	48,770

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

The financial liabilities presented at fair value on the statement of financial position mainly represent "Derivative financial liabilities", "Short position in debt securities", "Due to and placements from banks and other financial institutions at fair value", and "Bonds issued at fair value", etc.

The financial liabilities measured at fair value mainly have been classified by the Group as Level 2. As at 30 June 2018 and 31 December 2017, the difference between the fair value and the amount that would be contractually required to pay to the holders is immaterial.

Reconciliation of Level 3 Items

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Derivative financial assets
	Debt securities	Equity securities	Fund Investments and other	Debt securities	Equity securities and other	
As at 1 January 2018	3,032	23,205	27,899	1,399	4,695	–
Total gains and losses						
— profit/(loss)	(166)	303	743	–	–	1
— other comprehensive income	–	–	–	(39)	(520)	–
Sales	–	(120)	(858)	(1)	(3)	–
Purchases	1,447	8,427	2,646	100	921	–
Settlements	–	–	–	–	–	–
Transfers out of Level 3, net	–	–	–	–	–	–
Other changes	–	–	–	–	(1)	–
As at 30 June 2018	4,313	31,815	30,430	1,459	5,092	1
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 30 June 2018	(166)	303	741	–	–	1

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 Items (Continued)

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			Derivative financial assets
	Debt securities	Fund Investments and other	Debt securities	Equity securities	Fund investments and other	
As at 1 January 2017	2,709	–	1,656	23,362	19,153	–
Total gains and losses						
— profit/(loss)	196	36	14	(359)	194	–
— other comprehensive income	–	–	28	(951)	(2,037)	–
Sales	(307)	–	(357)	(439)	(3,395)	–
Purchases	–	393	–	5,535	13,555	–
Settlements	–	–	–	–	–	–
Transfers out of Level 3, net	(4)	–	(198)	–	–	–
Other changes	–	–	(293)	752	–	–
As at 31 December 2017	2,594	429	850	27,900	27,470	–
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2017	196	36	–	(371)	–	–

Total gains or losses for the six month period ended 30 June 2018 and for the year ended 31 December 2017 included in the income statement as well as total gains or losses included in the income statement relating to financial instruments held as at 30 June 2018 and 31 December 2017 are presented in "Net trading (losses)/gains", "Net gains on financial investments" or "Impairment losses on assets" depending on the nature or category of the related financial instruments.

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

	For the six month period ended 30 June					
	2018			2017		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the period	2	879	881	145	129	274

There were no significant transfers for the financial assets and liabilities measured at fair value between Level 1 and Level 2 during the six month period ended 30 June 2018.

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.2 Financial instruments not measured at fair value

Financial assets and liabilities not presented at fair value on the statement of financial position mainly represent “Balances with central banks”, “Due from banks and other financial institutions”, “Placements with and loans to banks and other financial institutions”, “Loans and advances to customers measured at amortised cost”, “Financial investments measured at amortised cost”, “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 at amortised cost, and “Bonds issued” not presented at fair value as at 30 June 2018, and the carrying amounts and fair values of debt securities held to maturity, debt securities classified as loans and receivables, and “Bonds issued” not presented at fair value as at 31 December 2017.

	As at 30 June 2018		As at 31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities at amortised cost (1)	2,752,991	2,712,931	–	–
Debt securities held to maturity	–	–	2,089,864	2,039,533
Debt securities classified as loans and receivables	–	–	405,112	397,269
Financial liabilities				
Bonds issued (2)	522,889	523,650	499,128	499,039

(1) Debt securities at amortised cost

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

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

(2) Bonds issued

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

(Amount in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.2 Financial instruments not measured at fair value (Continued)

The tables below summarise the fair values of three levels of debt securities at amortised cost (excluding the China Orient Asset Management Corporation Bond and Special Purpose Treasury Bond), and "Bonds issued" not presented at fair value as at 30 June 2018, and the fair values of three levels of "Debt securities" classified as held to maturity, loans and receivables (excluding the China Orient Asset Management Corporation Bond and Special Purpose Treasury Bond), and "Bonds issued" not presented at fair value as at 31 December 2017.

	As at 30 June 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Debt securities at amortised cost	60,427	2,453,205	1,978	2,515,610
Financial liabilities				
Bonds issued	–	523,650	–	523,650

	As at 31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Debt securities				
— held to maturity	38,194	2,001,046	293	2,039,533
— loans and receivables	–	193,250	2,713	195,963
Financial liabilities				
Bonds issued	–	499,039	–	499,039

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

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management

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

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

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

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

Capital adequacy and regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the China Banking and Insurance Regulatory Commission ("CBIRC"), for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis.

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

As a Systemically Important Bank, the Group's capital adequacy ratios are required to meet the lowest requirements of the CBIRC 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.

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

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

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

- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests;

- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss provisions and eligible portion of minority interests.

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

(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.

	As at 30 June 2018	As at 31 December 2017
Common equity tier 1 capital adequacy ratio	10.99%	11.15%
Tier 1 capital adequacy ratio	11.82%	12.02%
Capital adequacy ratio	13.78%	14.19%
Composition of the Group's capital base		
Common equity tier 1 capital	1,403,716	1,377,408
Common shares	294,388	294,388
Capital reserve	140,422	140,176
Surplus reserve	140,491	140,692
General reserve	208,195	207,693
Undistributed profits	613,718	606,765
Eligible portion of minority interests	25,622	26,280
Other [(2)]	(19,120)	(38,586)
Regulatory deductions	(21,251)	(21,320)
Goodwill	(138)	(138)
Other intangible assets (except land use rights)	(11,222)	(11,259)
Direct or indirect investments in own shares	(51)	(102)
Reserve relating to cash-flow hedge items not measured at fair value	1	4
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,841)	(9,825)
Net common equity tier 1 capital	1,382,465	1,356,088
Additional tier 1 capital	104,507	105,002
Preference shares and related premium	99,714	99,714
Eligible portion of minority interests	4,793	5,288
Net tier 1 capital	1,486,972	1,461,090
Tier 2 capital	247,796	264,652
Tier 2 capital instruments issued and related premium	175,479	191,596
Excess loan loss provisions	63,659	63,672
Eligible portion of minority interests	8,658	9,384
Regulatory deductions	(404)	(412)
Significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation	(404)	(412)
Net capital	1,734,364	1,725,330
Risk-weighted assets	12,584,207	12,157,771

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

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

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

SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

I DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL STATEMENTS

There are no differences in the Group's operating results for the six month periods ended 30 June 2018 and 2017 or total equity as at 30 June 2018 and as at 31 December 2017 presented in the Group's condensed consolidated financial statements prepared under IFRS and those prepared under CAS.

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION

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

	As at 30 June 2018	As at 31 December 2017
RMB current assets to RMB current liabilities	53.61%	47.09%
Foreign currency current assets to foreign currency current liabilities	60.79%	56.93%

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

Liquidity coverage ratio

According to the *Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks*, the Group disclosed the information of liquidity coverage ratio ("LCR") (1) as follows:

Regulatory requirements of liquidity coverage ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks* issued by CBIRC, the commercial banks' LCR should reach 100% by the end of 2018. During the transition period, the LCR should be no lower than 90%. During the transition period, eligible commercial banks are encouraged to fulfil the requirements in advance, and banks with LCR already reaching 100% are encouraged to continuously maintain it at 100% or above.

The Group's liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis (2). In the second quarter of 2018, the Group measured 91-day LCR on this basis, with average ratio standing at 126.55% (3), representing an increase of 8.74 percentage points over the previous quarter, which was primarily due to the increase in the high-quality liquid assets ("HQLA").

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

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

The Group's liquidity coverage ratio (Continued)

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 *Rules on Liquidity Risk Management of Commercial Banks* by the CBIRC.

	2018		2017	
	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December	Quarter ended 30 September
Average value of LCR	126.55%	117.81%	117.41%	115.13%

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

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

The Group's liquidity coverage ratio (Continued)

The Group's average values of LCR individual line items in the second quarter of 2018 are as follows:

No.		Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		3,581,696
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	6,417,697	471,575
3	Stable deposits	3,295,020	159,307
4	Less stable deposits	3,122,677	312,268
5	Unsecured wholesale funding, of which:	7,979,474	3,112,293
6	Operational deposits (excluding those generated from correspondent banking activities)	4,257,851	1,053,765
7	Non-operational deposits (all counterparties)	3,691,594	2,028,499
8	Unsecured debt	30,029	30,029
9	Secured funding		1,176
10	Additional requirements, of which:	2,765,779	1,700,711
11	Outflows related to derivative exposures and other collateral requirements	1,609,779	1,609,779
12	Outflows related to loss of funding on debt products	481	481
13	Credit and liquidity facilities	1,155,519	90,451
14	Other contractual funding obligations	37,057	37,057
15	Other contingent funding obligations	2,315,839	54,675
16	**Total cash outflows**		5,377,487
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	91,697	78,763
18	Inflows from fully performing exposures	1,151,503	731,234
19	Other cash inflows	1,820,075	1,734,877
20	**Total cash inflows**	3,063,275	2,544,874

		Total adjusted value
21	**Total HQLA**	3,581,696
22	**Total net cash outflows**	2,832,613
23	**Liquidity coverage ratio (%)**	126.55%

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

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

The Group's 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 CBIRC.

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

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

Net stable funding ratio

The net stable funding ratio ("NSFR") is introduced to ensure commercial banks have sufficient stable funding to meet the requirements of assets and off-balance sheet exposures. According to the *Rules on Liquidity Risk Management of Commercial Banks*, NSFR should be no less than 100% from 1 July 2018.

The formula for calculating the NSFR is:

Net stable funding ratio = available stable funding/required stable funding x 100%

Available stable funding refers to sum of products of carrying value of an institution's capital and liabilities with associated available stable funding factors. Required stable funding refers to sum of products of carrying value of an institution's assets and off-balance sheet exposures with associated required stable funding factors.

As at 30 June 2018, the Group's [1] NSFR was 128.06%, met the regulatory requirement.

Indicators	**Value**
Available and stable funds	13,258,544
Required stable funds	10,353,069
Net stable funding ratio	128.06%

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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

2 Currency concentrations

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

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
As at 30 June 2018				
Spot assets	3,171,169	1,423,879	1,536,606	6,131,654
Spot liabilities	(3,478,158)	(1,777,056)	(1,411,821)	(6,667,035)
Forward purchases	5,292,758	736,057	1,420,415	7,449,230
Forward sales	(4,918,538)	(420,233)	(1,552,289)	(6,891,060)
Net options position*	(13,875)	5,829	(4,095)	(12,141)
Net long/(short) position	53,356	(31,524)	(11,184)	10,648
Structural position	35,826	215,936	65,034	316,796
As at 31 December 2017				
Spot assets	1,158,457	20,384	450,791	1,629,632
Spot liabilities	(1,354,531)	(378,404)	(378,637)	(2,111,572)
Forward purchases	4,826,149	655,260	1,174,088	6,655,497
Forward sales	(4,524,308)	(338,715)	(1,250,349)	(6,113,372)
Net options position*	(52,215)	463	(12,922)	(64,674)
Net long/(short) position	53,552	(41,012)	(17,029)	(4,489)
Structural position	35,084	206,661	67,696	309,441

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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

3 International claims

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

3 International claims (Continued)

	Banks	Official sector	Non-bank private sector	Total
As at 30 June 2018				
Asia Pacific				
Chinese mainland	698,356	169,594	762,222	1,630,172
Hong Kong	16,902	260	444,933	462,095
Other Asia Pacific locations	84,241	142,835	368,858	595,934
Subtotal	799,499	312,689	1,576,013	2,688,201
North and South America	45,374	195,594	153,678	394,646
Other	76,817	60,331	205,270	342,418
Total	921,690	568,614	1,934,961	3,425,265
As at 31 December 2017				
Asia Pacific				
Chinese mainland	695,126	188,160	775,963	1,659,249
Hong Kong	14,442	–	461,546	475,988
Other Asia Pacific locations	80,331	84,812	307,773	472,916
Subtotal	789,899	272,972	1,545,282	2,608,153
North and South America	46,815	172,661	167,913	387,389
Other	70,518	51,318	183,639	305,475
Total	907,232	496,951	1,896,834	3,301,017

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY 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.

4.1 Total amount of overdue loans and advances to customers

	As at 30 June 2018	**As at 31 December 2017**
Total loans and advances to customers which have been overdue		
within 3 months	143,195	71,356
between 3 and 6 months	31,597	20,202
between 6 and 12 months	36,085	37,955
over 12 months	64,040	73,329
Total	274,917	202,842
Percentage		
within 3 months	1.25%	0.65%
between 3 and 6 months	0.28%	0.19%
between 6 and 12 months	0.32%	0.35%
over 12 months	0.56%	0.67%
Total	2.41%	1.86%

4.2 Total amount of overdue placements with and loans to banks and other financial institutions

The total amount of overdue "Placements with and loans to banks and other financial institutions" as at 30 June 2018 and 31 December 2017 is not considered material.

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information

5.1 Scope of consolidation

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

5.2 Capital adequacy ratio

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

	Group		Bank	
	As at 30 June 2018	**As at 31 December 2017**	**As at 30 June 2018**	**As at 31 December 2017**
Net common equity tier 1 capital	1,382,465	1,356,088	1,183,797	1,180,299
Net tier 1 capital	1,486,972	1,461,090	1,283,511	1,280,013
Net capital	1,734,364	1,725,330	1,518,868	1,526,537
Common equity tier 1 capital adequacy ratio	10.99%	11.15%	10.74%	10.85%
Tier 1 capital adequacy ratio	11.82%	12.02%	11.64%	11.77%
Capital adequacy ratio	13.78%	14.19%	13.78%	14.04%

5.3 Risk-weighted assets

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

	As at 30 June 2018	**As at 31 December 2017**
Credit risk-weighted assets	11,607,732	11,196,926
Market risk-weighted assets	153,289	137,659
Operational risk-weighted assets	823,186	823,186
Risk-weighted assets increment required to reach capital floor	–	–
Total risk-weighted assets	12,584,207	12,157,771

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

5.4 Credit risk exposures

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

	As at 30 June 2018			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by				
Internal Ratings-based Approach	9,118,748	1,211,216	26,274	10,356,238
Corporate exposures	5,675,530	991,445	26,274	6,693,249
Retail exposures	3,443,218	219,771	–	3,662,989
Exposures not covered by				
Internal Ratings-based Approach	10,739,262	514,615	310,138	11,564,015
Of which: Asset securitisation	23,720	–	–	23,720
Total	19,858,010	1,725,831	336,412	21,920,253

	As at 31 December 2017			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by				
Internal Ratings-based Approach	8,935,327	1,280,376	20,583	10,236,286
Corporate exposures	5,682,585	1,063,354	20,583	6,766,522
Retail exposures	3,252,742	217,022	–	3,469,764
Exposures not covered by				
Internal Ratings-based Approach	10,179,033	374,424	289,408	10,842,865
Of which: Asset securitisation	8,204	–	–	8,204
Total	19,114,360	1,654,800	309,991	21,079,151

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

5.5 Capital requirements on market risk

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

	Capital requirements	
	As at 30 June 2018	As at 31 December 2017
Covered by Internal Model Approach	6,814	7,149
Not covered by Internal Model Approach	5,449	3,864
Interest rate risk	4,782	3,200
Equity risk	497	521
Foreign exchange risk	–	–
Commodity risk	170	143
Total	12,263	11,013

5.6 VaR

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

	For the six month period ended 30 June 2018			
	Average	Maximum	Minimum	End
VaR	656	918	327	749
Stressed VaR	1,790	2,557	1,045	1,103

	For the year ended 31 December 2017			
	Average	Maximum	Minimum	End
VaR	443	657	244	462
Stressed VaR	1,619	2,055	1,297	1,999

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

5.7 Operational risk management

During the reporting period, the Group used the Standardised Approach to measure the consolidated operational risk capital requirement, which amounted to RMB65,855 million. Please refer to the section "Management Discussion and Analysis-Risk Management".

5.8 Interest rate risk in the banking book

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

Interest rate sensitivity analysis

	(Decrease)/increase in net interest income	
	As at 30 June 2018	As at 31 December 2017
Interest rate basis points move		
+25 basis points	(4,739)	(4,200)
-25 basis points	4,739	4,200

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital

		As at 30 June 2018	As at 31 December 2017	Code
Common equity tier 1 capital				
1	Paid-in capital	294,388	294,388	j
2	Retained earnings	962,404	955,150	
2a	Surplus reserve	140,491	140,692	q
2b	General reserve	208,195	207,693	r
2c	Undistributed profits	613,718	606,765	s
3	Accumulated other comprehensive income (and other reserves)	121,302	101,590	
3a	Capital reserve	140,422	140,176	l
3b	Currency translation differences	(18,997)	(18,974)	p
3c	Others	(123)	(19,612)	n-p
4	Amount attributable to common equity tier 1 capital in transitional period	–	–	
5	Eligible portion of minority interests	25,622	26,280	t
6	**Common equity tier 1 capital before regulatory adjustment**	1,403,716	1,377,408	
Common equity tier 1 capital: regulatory adjustment				
7	Prudential valuation adjustment	–	–	
8	Goodwill (net of deferred tax liabilities deduction)	(138)	(138)	-h
9	Other intangible assets (excluding land use rights) (net of deferred tax liabilities deduction)	(11,222)	(11,259)	g-f
10	Net deferred tax assets incurred due to operating losses, relying on the bank's future profitability to be realised	–	–	
11	Reserve relating to cash-flow hedge items not measured at fair value	1	4	-o
12	Shortfall of provisions to loan losses	–	–	
13	Gains on sale of securitisation	–	–	

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

		As at 30 June 2018	As at 31 December 2017	Code
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	(51)	(102)	m
17	Reciprocal cross holdings in common equity of banks or other financial institutions based on agreement	–	–	
18	Non-significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
19	Significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
20	Collateralised loan service rights	Not applicable	Not applicable	
21	Deductible amount of other net deferred tax assets relying on the bank's future profitability	–	–	
22	Deductible amount of non-deducted part of common equity tier 1 capital of significant minority investments in financial institutions that are outside the scope of regulatory consolidation and other net deferred tax assets relying on the bank's future profitability in excess of 15% of common equity tier 1 capital	–	–	
23	Of which: Amount deductible out of significant minority investments in financial institutions	–	–	
24	Of which: Amount deductible out of collateralised loan service rights	Not applicable	Not applicable	

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

		As at 30 June 2018	As at 31 December 2017	Code
25	Of which: Amount deductible out of other net deferred tax assets relying on the bank's future profitability	–	–	
26a	Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,841)	(9,825)	-e
26b	Gap of common equity tier 1 capital of controlled but unconsolidated financial institutions	–	–	
26c	Total of other items deductible out of common equity tier 1 capital	–	–	
27	Non-deducted gap deductible out of additional tier 1 capital and tier 2 capital	–	–	
28	**Total regulatory adjustment of common equity tier 1 capital**	(21,251)	(21,320)	
29	**Net common equity tier 1 capital**	1,382,465	1,356,088	
Additional tier 1 capital				
30	Additional tier 1 capital instruments and related premiums	99,714	99,714	
31	Of which: Equity part	99,714	99,714	k
32	Of which: Liability part	–	–	
33	Instruments non-attributable to additional tier 1 capital after transitional period	–	–	
34	Eligible portion of minority interests	4,793	5,288	u
35	Of which: Part of instruments non-attributable to additional tier 1 capital after transitional period	–	–	
36	**Additional tier 1 capital before regulatory adjustment**	104,507	105,022	

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2018	As at 31 December 2017	Code
Additional tier 1 capital: Regulatory adjustment			
37 Direct or indirect investments in additional tier 1 capital of own banks	–	–	
38 Additional tier 1 capital cross-held between banks or between the bank and other financial institutions based on agreement	–	–	
39 Non-significant minority investments in additional tier 1 capital of unconsolidated financial institutions (deductible part)	–	–	
40 Significant minority investments in additional tier 1 capital of financial institutions that are outside the scope of regulatory consolidation	–	–	
41a Investment in additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	
41b Gap of additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	
41c Other deductions from additional tier 1 capital	–	–	
42 Non-deducted gaps deductible from tier 2 capital	–	–	
43 **Total regulatory adjustment of additional tier 1 capital**	–	–	
44 **Net additional tier 1 capital**	104,507	105,002	
45 **Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)**	1,486,972	1,461,090	

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

		As at 30 June 2018	As at 31 December 2017	Code
Tier 2 capital				
46	Tier 2 capital instruments issued and related premiums	175,479	191,596	
47	Of which: Part of instruments non-attributable to tier 2 capital after transitional period	65,823	82,279	i
48	Eligible portion of minority interests	8,658	9,384	
49	Of which: Part of minority interests non-attributable to tier 2 capital after transitional period	–	–	
50	Excess provision included in tier 2 capital	63,659	63,672	-b-d
51	**Tier 2 capital before regulatory adjustment**	247,796	264,652	
Tier 2 capital: Regulatory adjustment				
52	Tier 2 capital of the bank held directly or indirectly	–	–	
53	Tier 2 capital cross-held between banks or between the bank and other financial institutions based on agreement	–	–	
54	Non-significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
55	Significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	(404)	(412)	
56a	Investment in tier 2 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

		As at 30 June 2018	As at 31 December 2017	Code
56b	Gap of tier 2 capital of controlled but unconsolidated financial institutions	–	–	
56c	Other deductions from tier 2 capital	–	–	
57	**Total regulatory adjustment of tier 2 capital**	(404)	(412)	
58	**Net tier 2 capital**	247,392	264,240	
59	**Total net capital (net tier 1 capital + net tier 2 capital)**	1,734,364	1,725,330	
60	**Total risk-weighted assets**	12,584,207	12,157,771	
	Capital adequacy ratio and reserve capital requirement			
61	Common equity tier 1 capital adequacy ratio	10.99%	11.15%	
62	Tier 1 capital adequacy ratio	11.82%	12.02%	
63	Capital adequacy ratio	13.78%	14.19%	
64	Institution-specific capital requirement	3.50%	3.50%	
65	Of which: Capital reserve requirement	2.50%	2.50%	
66	Of which: Countercyclical reserve requirement	–	–	
67	Of which: Additional capital requirement of G-SIBs	1.00%	1.00%	
68	Ratio of common equity tier 1 capital meeting buffer area to risk-weighted assets	5.99%	6.15%	
	Domestic minimum regulatory capital requirement			
69	Common equity tier 1 capital adequacy ratio	5.00%	5.00%	
70	Tier 1 capital adequacy ratio	6.00%	6.00%	
71	Capital adequacy ratio	8.00%	8.00%	

SUPPLEMENTARY INFORMATION
(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2018	As at 31 December 2017	Code
Non-deducted part of threshold deductibles			
72 Non-significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	76,901	77,949	
73 Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	5,300	4,878	
74 Collateralised loan service rights (net of deferred tax liabilities deduction)	Not applicable	Not applicable	
75 Other net deferred tax assets relying on the bank's future profitability (net of deferred tax liabilities deduction)	40,852	45,591	
Limit of excess loan loss reserve attributable to tier 2 capital			
76 Actual accrued loan loss reserve amount under the Regulatory Weighting Approach	41,464	30,690	-a
77 Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	26,551	17,395	-b
78 Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	37,108	61,039	-c
79 Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	37,108	46,277	-d

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2018	As at 31 December 2017	Code
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	65,823	82,279	i
85 Amount non-attributable to tier 2 capital of the current period derived from transitional period arrangement	33,107	16,651	

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 2: Financial and regulatory consolidated balance sheet

	As at 30 June 2018		As at 31 December 2017	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
ASSETS				
Cash and balances with central banks	2,210,835	2,210,834	2,303,020	2,303,018
Due from banks and other financial institutions	346,489	340,393	485,057	480,888
Precious metals	161,183	161,183	172,763	172,763
Placements with and loans to banks and other financial institutions	586,147	584,742	486,559	485,649
Financial assets at fair value through profit or loss	302,908	212,532	193,611	155,732
Derivative financial assets	122,341	122,136	94,912	94,734
Reverse repurchase transactions	268,069	268,024	88,840	87,990
Interest receivable	97,410	96,488	96,919	96,065
Loans and advances to customers	11,135,605	11,133,580	10,644,304	10,642,844
Financial investments	4,504,647	4,447,803	4,361,111	4,261,148
— financial assets at fair value through other comprehensive income	1,742,722	1,721,067	–	–
— financial assets at amortised cost	2,761,925	2,726,736	–	–
— available for sale	–	–	1,857,222	1,779,950
— held to maturity	–	–	2,089,864	2,072,491
— receivables	–	–	414,025	408,707
Long term equity investment	18,434	44,826	17,180	44,551
Investment properties	22,614	15,936	21,026	14,884
Property and equipment	209,786	93,061	205,614	96,663
Intangible assets	18,795	17,695	18,835	17,772
Goodwill	2,518	138	2,481	138
Deferred income tax assets	42,021	40,852	46,487	45,591
Other assets	245,116	198,456	228,705	185,041
Total assets	20,294,918	19,988,679	19,467,424	19,185,471

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

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

	As at 30 June 2018		As at 31 December 2017	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
LIABILITIES				
Due to central banks	928,965	928,965	1,035,797	1,035,797
Due to banks and other financial institutions	1,656,134	1,656,134	1,425,262	1,425,262
Placements from banks and other financial institutions	254,973	247,057	241,692	233,679
Financial liabilities at fair value through profit or loss	37,175	37,175	20,372	20,372
Derivative financial liabilities	106,931	105,882	111,095	110,273
Repurchase transactions	109,714	109,125	258,400	258,400
Due to customers	14,352,853	14,353,548	13,657,924	13,659,117
Employee benefits payable	28,125	26,963	31,910	31,280
Current tax liabilities	25,318	24,446	34,521	33,695
Interest payable	181,894	181,406	190,226	190,183
Contingent liabilities	27,560	27,560	2,941	2,941
Bonds issued	522,889	473,130	499,128	458,313
Deferred income tax liabilities	4,076	342	4,018	351
Other liabilities	447,650	264,057	377,459	202,490
Total liabilities	18,684,257	18,435,790	17,890,745	17,662,153
EQUITY				
Share capital	294,388	294,388	294,388	294,388
Other equity instruments	99,714	99,714	99,714	99,714
Of which: Preference shares	99,714	99,714	99,714	99,714
Capital reserve	142,126	140,422	141,880	140,176
Less: Treasury shares	(51)	(51)	(102)	(102)
Other comprehensive income	(18,965)	(19,120)	(35,573)	(38,586)
Surplus reserve	141,199	140,491	141,334	140,692
General reserve	208,319	208,195	207,817	207,693
Undistributed profits	660,248	613,718	646,558	606,765
Capital and reserves attributable to equity holders of the Bank	1,526,978	1,477,757	1,496,016	1,450,740
Non-controlling interests	83,683	75,132	80,663	72,578
Total equity	1,610,661	1,552,889	1,576,679	1,523,318
Total equity and liabilities	20,294,918	19,988,679	19,467,424	19,185,471

SUPPLEMENTARY INFORMATION
(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 3: Reconciliation and illustration of balance sheet items

	As at 30 June 2018	As at 31 December 2017	Code
ASSETS			
Cash and balances with central banks	2,210,834	2,303,018	
Due from banks and other financial institutions	340,393	480,888	
Precious metals	161,183	172,763	
Placements with and loans to banks and other financial institutions	584,742	485,649	
Financial assets at fair value through profit or loss	212,532	155,732	
Derivative financial assets	122,136	94,734	
Reverse repurchase transactions	268,024	87,990	
Interest receivable	96,488	96,065	
Loans and advances to customers	11,133,580	10,642,844	
Of which: Actual accrued loan loss reserve amount under the Regulatory Weighting Approach	(41,464)	(30,690)	a
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	(26,551)	(17,395)	b
Of which: Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	(37,108)	(61,039)	c
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	(37,108)	(46,277)	d
Financial investments	4,447,803	4,261,148	
— financial assets at fair value through other comprehensive income	1,721,067	–	
— financial assets at amortised cost	2,726,736	–	
— available for sale	–	1,779,950	
— held to maturity	–	2,072,491	
— receivables	–	408,707	
Long term equity investment	44,826	44,551	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,841	9,825	e
Investment properties	15,936	14,884	
Property and equipment	93,061	96,663	
Intangible assets	17,695	17,772	f
Of which: Land use rights	6,473	6,513	g
Goodwill	138	138	h
Deferred income tax assets	40,852	45,591	
Other assets	198,456	185,041	
Total assets	19,988,679	19,185,471	

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

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

	As at 30 June 2018	As at 31 December 2017	Code
LIABILITIES			
Due to central banks	928,965	1,035,797	
Due to banks and other financial institutions	1,656,134	1,425,262	
Placements from banks and other financial institutions	247,057	233,679	
Financial liabilities at fair value through profit or loss	37,175	20,372	
Derivative financial liabilities	105,882	110,273	
Repurchase transactions	109,125	258,400	
Due to customers	14,353,548	13,659,117	
Employee benefits payable	26,963	31,280	
Current tax liabilities	24,446	33,695	
Interest payable	181,406	190,183	
Contingent liabilities	27,560	2,941	
Bonds issued	473,130	458,313	
Of which: Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	65,823	82,279	i
Deferred income tax liabilities	342	351	
Other liabilities	264,057	202,490	
Total liabilities	18,435,790	17,662,153	

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

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

	As at 30 June 2018	As at 31 December 2017	Code
EQUITY			
Share capital	294,388	294,388	j
Other equity instruments	99,714	99,714	
Of which: Preference shares	99,714	99,714	k
Capital reserve	140,422	140,176	l
Less: Treasury shares	(51)	(102)	m
Other comprehensive income	(19,120)	(38,586)	n
Of which: Reserve relating to cash-flow hedge items not measured at fair value	(1)	(4)	o
Of which: Currency translation differences	(18,997)	(18,974)	p
Surplus reserve	140,491	140,692	q
General reserve	208,195	207,693	r
Undistributed profits	613,718	606,765	s
Capital and reserves attributable to equity holders of the Bank	1,477,757	1,450,740	
Non-controlling interests	75,132	72,578	
Of which: Amount attributable to common equity tier 1 capital	25,622	26,280	t
Of which: Amount attributable to additional tier 1 capital	4,793	5,288	u
Total equity	1,552,889	1,523,318	
Total equity and liabilities	19,988,679	19,185,471	

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments

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

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
Regulatory processing (Continued)						
16	Of which: Subsequent redemption date (if any)	Not applicable	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter
Dividend or interest payment						
17	Of which: Fixed or floating dividend or interest payment	Floating	Floating	Fixed	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	Not applicable	Not applicable	6.00% (dividend yield, before tax)	The dividend yield fixed at 6.75% (after tax) for the first five years, is reset based on the five-year U.S. treasury rate plus a fixed interest spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	5.50% (dividend yield, before tax)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
Dividend or interest payment (Continued)						
19	Of which: Existence of dividend brake mechanism	Not applicable	Not applicable	Yes	Yes	Yes
20	Of which: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	Not applicable	Not applicable	Yes	Yes	Yes

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
Dividend or interest payment (Continued)						
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Yes	Yes	Yes
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	A common share	H common share	A common share
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Bank of China Limited	Bank of China Limited	Bank of China Limited
30	Write-down feature	Not applicable	Not applicable	No	No	No
31	Of which: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
Dividend or interest payment (Continued)						
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No
37	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	1428010.IB	5828.HK	1728017.IB	1728020.IB
3	Applicable law	PRC law	English law (Provisions relating to subordination shall be governed by PRC law)	PRC law	PRC law
Regulatory processing					
4	Of which: Applicable to transitional period rules specified by *Capital Rules for Commercial Banks (Provisional)*	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by *Capital Rules for Commercial Banks (Provisional)*	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Of which: Applicable to bank/ group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	29,979	19,756	29,961	29,960
9	Par value of instrument	30,000	USD3.0 billion	30,000	30,000
10	Accounting treatment	Bonds Issued	Bonds Issued	Bonds Issued	Bonds Issued

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)					
11	Initial issuing date	2014/8/8	2014/11/13	2017/9/26	2017/10/31
12	Term (term or perpetual)	Term	Term	Term	Term
13	Of which: Original maturity date	2024/8/11	2024/11/13	2027/9/28	2027/11/2
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2019/8/11)	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/9/28)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/11/2)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)					
16	Of which: Subsequent redemption date (if any)	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment					
17	Of which: Fixed or floating dividend or interest payment	Fixed	Fixed	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	5.80%	5.00%	4.45%	4.45%
19	Of which: Existence of dividend brake mechanism	No	No	No	No
20	Of which: Discretion to cancel dividend or interest payment	Not applicable	Not applicable	Not applicable	Not applicable
21	Of which: Existence of redemption incentive mechanism	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	No	No	No	No
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Not applicable	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	Not applicable	Not applicable

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)					
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Yes	Yes	Yes	Yes
31	Of which: Please specify the trigger point of write-down, if allowed	"Non-Viability Event" means the occurrence of the earlier of either:(i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either:(i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either:(i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either:(i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

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

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

6 Leverage ratio

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

	2018		2017	
	As at 30 June	As at 31 March	As at 31 December	As at 30 September
Net tier 1 capital	1,486,972	1,470,837	1,461,090	1,450,534
Adjusted on- and off-balance sheet assets	21,764,394	21,671,433	20,927,313	20,877,586
Leverage ratio	6.83%	6.79%	6.98%	6.95%

No.	Items	As at 30 June 2018
1	Total consolidated assets	20,294,918
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(9,841)
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	117,272
5	Adjustments for securities financing transactions	77,835
6	Adjustments for off-balance sheet exposures	1,601,609
7	Other adjustments	(317,399)
8	Adjusted on- and off-balance sheet assets	21,764,394

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

6 Leverage ratio (Continued)

No.	Items	As at 30 June 2018
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	19,598,519
2	Less: Tier 1 capital deductions	(21,251)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	19,577,268
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	122,136
5	Add-on amounts for potential future exposure associated with all derivative transactions	117,477
6	Gross-up for derivative collateral provided where deducted from the balance sheet assets	–
7	Less: Deductions of receivable assets for cash variation margin provided in derivative transactions	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–
9	Adjusted effective notional amount of written credit derivatives	–
10	Less: Deductible amounts for written credit derivatives	–
11	**Total derivative exposures**	239,613
12	Accounting balance for securities financing transaction assets	268,024
13	Less: Deducted amounts for securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction assets	77,880
15	Agent transaction exposures	–
16	**Balance of assets in securities financing transactions**	345,904
17	Off-balance sheet items	4,359,830
18	Less: Adjustments for conversion to credit equivalent amounts	(2,758,221)
19	**Adjusted off-balance sheet exposures**	1,601,609
20	Net tier 1 capital	1,486,972
21	Adjusted on- and off-balance sheet exposures	21,764,394
22	**Leverage ratio**	6.83%

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

The Board of Directors of
Bank of China Limited

Beijing, PRC
28 August 2018

As at the date of this announcement, the directors of the Bank are: Chen Siqing, Zhang Qingsong, Zhao Jie, Li Jucai*, Xiao Lihong*, Wang Xiaoya*, Lu Zhengfei#, Leung Cheuk Yan#, Wang Changyun# and Angela Chao#.*

* *Non-executive Directors*
\# *Independent Non-executive Directors*