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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))

Report for the Third Quarter ended 30 September 2017

The Board of Directors (the "Board") of the Bank is pleased to announce the unaudited results of the Bank and its subsidiaries (the "Group") for the third quarter ended 30 September 2017. This announcement is made by the Bank pursuant to Part XIVA of the *Securities and Futures Ordinance* (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

I. BASIC INFORMATION

1.1 Corporate information

A Share

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

H Share

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

Domestic Preference Share

First Tranche

Stock name	中行優1
Stock code	360002

Second Tranche

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

Offshore Preference Share

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

Secretary to the Board of Directors

and Company Secretary

Contact address	GENG Wei (耿偉) No. 1 Fuxingmen Nei Dajie, Beijing, China, 100818
Telephone	(86) 10-6659 2638
Facsimile	(86) 10-6659 4568
E-mail	ir@bankofchina.com

1.2 Key financial data and performance indicators

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

Unit: RMB million (unless otherwise stated)

Items		As at 30 September 2017	As at 31 December 2016	Change (%)
Total assets		19,422,438	18,148,889	7.02
Capital and reserves attributable to equity holders of the Bank		1,481,233	1,411,682	4.93
Net assets per share (RMB)		4.69	4.46	5.30
Items	Three-month period ended 30 September 2017	Change (%)	Nine-month period ended 30 September 2017	Change (%)
Operating income	115,764	7.53	364,132	-1.66
Profit for the period	44,586	0.76	155,135	2.36
Profit attributable to equity holders of the Bank	41,816	0.10	145,506	7.93
Basic earnings per share (RMB)*	0.12	0.02	0.47	8.33
Diluted earnings per share (RMB)*	0.12	0.02	0.47	8.33
Return on average equity (%)*	10.62	Down by 0.84 percentage point	13.68	Up by 0.02 percentage point
Net cash inflow from operating activities	N/A	N/A	378,661	N/A
Net cash inflow from operating activities per share (RMB)	N/A	N/A	1.29	N/A

* The annualised preference shares dividends declared in the current reporting period has been considered impact of in the calculation of the above data and/or indicators.

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

There are no differences in the Group’s operating results for the nine-month period ended 30 September 2017 and 2016 or the total equity as at 30 September 2017 and as at 31 December 2016 presented in the Group’s consolidated financial information prepared under IFRS and those prepared under CAS.

1.3 Number of ordinary shareholders and top ten ordinary shareholders

1.3.1 Number of ordinary shareholders as at 30 September 2017: 747,771 (including 552,006 A-Share Holders and 195,765 H-Share Holders)

1.3.2 Top ten ordinary shareholders as at 30 September 2017

Unit: share

No.	Name of ordinary shareholder	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	188,461,533,607	64.02%	–	None	State	A
2	HKSCC Nominees Limited	81,832,118,272	27.80%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	7,616,511,408	2.59%	–	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	574,006,732	0.19%	–	None	Foreign legal person	A
7	The Bank of Tokyo-Mitsubishi UFJ 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 50 ETF	167,229,500	0.06%	–	None	Other	A
10	Anbang Life Insurance Co., Ltd. — Conservative Investment Portfolio	149,835,883	0.05%	–	None	Other	A

Notes:

1. 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.
2. HKSCC Nominees Limited acted as the nominee for all the institutional and individual investors that maintain an account with it as at 30 September 2017. The aggregate number of the Bank's H Shares held by HKSCC Nominees Limited included the number of shares held by National Council for Social Security Fund.
3. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd.
4. 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.
5. Both Anbang Property & Casualty Insurance Co., Ltd. and Anbang Life Insurance Co., Ltd. are subsidiaries of Anbang Insurance Group Co., Ltd.
6. Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned ordinary shareholders.

1.4 Number of preference shareholders and top ten preference shareholders

1.4.1 Number of preference shareholders as at 30 September 2017: 48 (including 47 domestic preference shareholders and 1 offshore preference shareholder)

1.4.2 Top ten preference shareholders as at 30 September 2017

Unit: Share

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

Notes:

1. The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintain an account with Euroclear and Clearstream as at 30 September 2017, held 399,400,000 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.
2. Both Yunnan Branch of China National Tobacco Corporation and China Shuangwei Investment Co., Ltd. are wholly-owned subsidiaries of China National Tobacco Corporation. Zhong Wei Capital Holdings Co., Ltd. is a subsidiary of China Shuangwei Investment Co., Ltd.
3. Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned preference shareholders, and among the aforementioned preference shareholders and the Bank's top ten ordinary shareholders.

II. SUMMARY OF ANALYSIS ON OVERALL OPERATING ACTIVITIES

During the first three quarters of 2017, the Group achieved a profit for the period of RMB155.135 billion and a profit attributable to equity holders of the Bank of RMB145.506 billion, an increase of 2.36% and 7.93% respectively compared with the same period of 2016. Return on average total assets (ROA) was 1.10%, a decrease of 0.07 percentage point compared with the same period of 2016, and return on average equity (ROE) was 13.68%, an increase of 0.02 percentage point compared with the same period of 2016. The common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 11.15%, 12.02% and 13.87% respectively¹.

2.1 The principal components of the Group's consolidated income statement for the nine-month period ended 30 September 2017 were as follows:

1. The Group's net interest income amounted to RMB252.084 billion, representing an increase of RMB22.279 billion or 9.69% compared with the same period of 2016. The net interest margin was 1.85%, equal to the same period of 2016.
2. The Group's non-interest income amounted to RMB112.048 billion, representing a decrease of RMB28.426 billion or 20.24% compared with the same period of 2016. Non-interest income represented 30.77% of the total operating income, a decrease of 7.17 percentage points compared with the same period of 2016. Particularly, net fee and commission income amounted to RMB69.901 billion, an increase of RMB1.415 billion or 2.07% compared with the same period of 2016.
3. The Group's operating expenses amounted to RMB124.830 billion, an increase of RMB0.669 billion or 0.54% compared with the same period of 2016. The cost to income ratio (calculated under domestic regulations) was 26.80%, an increase of 0.31 percentage point compared with the same period of 2016.
4. The Group's impairment losses on assets amounted to RMB49.799 billion, a decrease of RMB14.167 billion or 22.15% compared with the same period of 2016. The Group reported non-performing loans totalling RMB152.746 billion, and the ratio of non-performing loans to total loans was 1.41%. The ratio of allowance for loan impairment losses to non-performing loans was 153.57%.

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

2.2 The principal components of the Group's financial position as at 30 September 2017 were as follows:

The Group's total assets amounted to RMB19,422.438 billion, an increase of RMB1,273.549 billion or 7.02% compared with prior year-end. Total liabilities amounted to RMB17,860.659 billion, an increase of RMB1,198.862 billion or 7.20% compared with the prior year-end.

1. The Group's due to customers amounted to RMB13,836.476 billion, an increase of RMB896.728 billion or 6.93% compared with the end of 2016. Particularly, domestic RMB-denominated deposits amounted to RMB10,226.949 billion, an increase of RMB645.354 billion or 6.74% from the prior year-end.
2. The Group's loans and advances to customers amounted to RMB10,808.135 billion, an increase of RMB834.773 billion or 8.37% compared with the prior year-end. Particularly, domestic RMB-denominated loans amounted to RMB8,114.708 billion, an increase of RMB633.875 billion or 8.47% compared with the prior year-end.
3. The Group's investments² amounted to RMB4,423.655 billion, an increase of RMB450.771 billion or 11.35% compared with the prior year-end. The RMB-denominated investments amounted to RMB3,446.210 billion, an increase of RMB445.275 billion or 14.84% from the end of 2016. Foreign currency-denominated investments amounted to USD147.274 billion, an increase of USD7.163 billion or 5.11% compared with the prior year-end.

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

III. SIGNIFICANT EVENTS

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

√ Applicable

☐ Not Applicable

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

Unit: RMB million, except percentages

Items	As at 30 September 2017	As at 31 December 2016	Change	Main reasons
Financial assets at fair value through profit or loss	163,891	124,090	32.07%	Due to increase in debt securities at fair value through profit or loss.
Assets held for sale	–	50,371	-100.00%	Due to disposal of subsidiary.
Due to customers — at fair value	467,608	350,311	33.48%	Due to increase of structured deposits.
Bonds issued	485,907	362,318	34.11%	Due to increase in the volume of bonds and commercial papers issued.
Liabilities classified as held for sale	–	42,488	-100.00%	Due to disposal of subsidiary.
Other comprehensive income	(23,416)	(3,854)	507.58%	Due to change of fair value of available for sale debt securities.

Unit: RMB million, except percentages

Items	Nine-month period ended 30 September 2017	Nine-month period ended 30 September 2016	Change	Main reasons
Net trading gains	1,992	7,456	-73.28%	Due to decrease in net gains from foreign exchange and foreign exchange products.
Net gains on financial investments	1,807	7,278	-75.17%	Due to decrease in net gains from the disposal of available for sale debt securities.
Other operating income	38,348	57,254	-33.02%	Due to gains from the disposal of subsidiary in 2016.
Profit for the period attributable to non-controlling interests	9,629	16,745	-42.50%	Due to gains from the disposal of subsidiary in 2016.

3.2 Development of significant events, related impact and resolution

☐ Applicable ☒ Not Applicable

3.3 Undertakings failed to be fulfilled during the reporting period

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

3.5 Implementation of cash dividend policy during the reporting period

☒ Applicable ☐ Not Applicable

The payments of dividends on Offshore Preference Shares on 23 October 2017 and Domestic Preference Shares (First Tranche) on 21 November 2017 respectively under the issuance terms have been considered and approved at the meeting of the Board of Directors of the Bank on 30 August 2017. The respective annual dividend rates in respect of the Offshore Preference Shares and the Domestic Preference Shares (First Tranche) are 6.75% (after tax) and 6.00% (before tax). The dividend distribution plan of Offshore Preference Shares has been accomplished.

IV. QUARTERLY REPORT

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

By Order of the Board
Bank of China Limited

GENG Wei

Secretary to the Board of Directors and Company Secretary

Beijing, PRC
30 October 2017

As at the date of this announcement, the directors of the Bank are: Chen Siqing, Ren Deqi, Gao Yingxin, Zhang Xiangdong, Li Jucai*, Xiao Lihong*, Wang Xiaoya*, Zhao Jie*, Nout Wellink#, Lu Zhengfei#, Leung Cheuk Yan#, Wang Changyun# and Angela Chao#.*

* *Non-executive Directors*

Independent Non-executive Directors

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

Consolidated Income Statement

	Unit: RMB million			
	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Interest income	160,480	139,498	461,114	423,763
Interest expense	(73,438)	(64,551)	(209,030)	(193,958)
Net interest income	87,042	74,947	252,084	229,805
Fee and commission income	24,024	23,069	78,372	75,188
Fee and commission expense	(3,310)	(2,410)	(8,471)	(6,702)
Net fee and commission income	20,714	20,659	69,901	68,486
Net trading gains	(2,885)	2,327	1,992	7,456
Net gains on financial investments	291	898	1,807	7,278
Other operating income	10,602	8,829	38,348	57,254
Operating income	115,764	107,660	364,132	370,279
Operating expenses	(43,167)	(40,589)	(124,830)	(124,161)
Impairment losses on assets	(22,839)	(14,020)	(49,799)	(63,966)
Operating profit	49,758	53,051	189,503	182,152
Share of results of associates and joint ventures	291	246	924	762
Profit before income tax	50,049	53,297	190,427	182,914
Income tax expense	(5,463)	(9,047)	(35,292)	(31,356)
Profit for the period	44,586	44,250	155,135	151,558
Attributable to:				
Equity holders of the Bank	41,816	41,776	145,506	134,813
Non-controlling interests	2,770	2,474	9,629	16,745
	44,586	44,250	155,135	151,558
Earnings per share (in RMB)				
—Basic	0.12	0.12	0.47	0.44
—Diluted	0.12	0.12	0.47	0.44

Consolidated Statement of Comprehensive Income

	Unit: RMB million			
	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Profit for the period	44,586	44,250	155,135	151,558
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
— Actuarial losses on defined benefit plans	(24)	(35)	(242)	(26)
— Other	—	—	3	9
Subtotal	(24)	(35)	(239)	(17)
Items that may be reclassified subsequently to profit or loss				
— Net fair value (losses)/gains on available for sale financial assets	(2,301)	3,860	(10,807)	967
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(10)	(1)	354	(135)
— Exchange differences from the translation of foreign operations	(5,476)	1,752	(11,963)	7,434
— Other	168	72	228	443
Subtotal	(7,619)	5,683	(22,188)	8,709
Other comprehensive income for the period, net of tax	(7,643)	5,648	(22,427)	8,692
Total comprehensive income for the period	36,943	49,898	132,708	160,250
Total comprehensive income attributable to:				
Equity holders of the Bank	35,428	46,533	125,944	141,211
Non-controlling interests	1,515	3,365	6,764	19,039
	36,943	49,898	132,708	160,250

Consolidated Statement of Financial Position

	Unit: RMB million	
	As at 30 September 2017 (unaudited)	As at 31 December 2016 (audited)
ASSETS		
Cash and due from banks and other financial institutions	631,408	659,982
Balances with central banks	2,274,289	2,271,640
Placements with and loans to banks and other financial institutions	622,848	594,048
Government certificates of indebtedness for bank notes issued	129,800	117,421
Precious metals	166,835	161,417
Financial assets at fair value through profit or loss	163,891	124,090
Derivative financial assets	91,755	130,549
Loans and advances to customers, net	10,573,570	9,735,646
Financial investments	4,259,764	3,848,794
— available for sale	1,759,595	1,609,830
— held to maturity	2,083,531	1,843,043
— loans and receivables	416,638	395,921
Investment in associates and joint ventures	16,137	14,059
Property and equipment	194,571	194,897
Investment properties	20,956	21,659
Deferred income tax assets	37,809	34,341
Assets held for sale	—	50,371
Other assets	238,805	189,975
Total assets	19,422,438	18,148,889

Consolidated Statement of Financial Position (continued)

Unit: RMB million

	As at 30 September 2017 (unaudited)	As at 31 December 2016 (audited)
LIABILITIES		
Due to banks and other financial institutions	1,525,892	1,420,527
Due to central banks	913,998	867,094
Bank notes in circulation	130,083	117,656
Placements from banks and other financial institutions	345,360	302,792
Derivative financial liabilities	102,339	107,109
Due to customers	13,836,476	12,939,748
— at amortised cost	13,368,868	12,589,437
— at fair value	467,608	350,311
Bonds issued	485,907	362,318
Other borrowings	24,872	27,152
Current tax liabilities	31,955	28,055
Retirement benefit obligations	3,335	3,439
Deferred income tax liabilities	4,658	4,501
Liabilities classified as held for sale	—	42,488
Other liabilities	455,784	438,918
Total liabilities	17,860,659	16,661,797
EQUITY		
Capital and reserves attributable to equity holders of the Bank		
Share capital	294,388	294,388
Other equity instruments	99,714	99,714
Capital reserve	141,802	141,972
Treasury shares	(49)	(53)
Other comprehensive income	(23,416)	(3,854)
Statutory reserves	125,971	125,714
General and regulatory reserves	194,321	193,462
Undistributed profits	648,502	560,339
	1,481,233	1,411,682
Non-controlling interests	80,546	75,410
Total equity	1,561,779	1,487,092
Total equity and liabilities	19,422,438	18,148,889

CHEN Siqing
Director

REN Deqi
Director

Consolidated Statement of Cash Flows

Unit: RMB million

For the nine-month period ended 30 September

	2017 (unaudited)	2016 (unaudited)
Cash flows from operating activities		
Profit before income tax	190,427	182,914
Adjustments:		
Impairment losses on assets	49,799	63,966
Depreciation of property and equipment	10,043	9,454
Amortisation of intangible assets and other assets	2,003	2,058
Net gains on disposal of property and equipment, intangible assets and other long-term assets	(322)	(393)
Net gains on disposal of investment in subsidiaries, associates and joint ventures	(3,832)	(29,278)
Share of results of associates and joint ventures	(924)	(762)
Interest income arising from financial investments	(93,389)	(82,851)
Dividends arising from investment securities	(906)	(624)
Net gains on financial investments	(1,807)	(7,278)
Interest expense arising from bonds issued	11,206	8,912
Accreted interest on impaired loans	(1,552)	(1,765)
Net changes in operating assets and liabilities:		
Net decrease/(increase) in balances with central banks	22,511	(204,130)
Net decrease/(increase) in due from, placements with and loans to banks and other financial institutions	2,326	(151,819)
Net (increase)/decrease in precious metals	(5,513)	7,510
Net increase in financial assets at fair value through profit or loss	(26,602)	(3,922)
Net increase in loans and advances to customers	(885,670)	(774,250)
Net decrease/(increase) in other assets	61,269	(85,455)
Net increase/(decrease) in due to banks and other financial institutions	105,365	(375,354)
Net increase in due to central banks	46,904	200,644
Net increase/(decrease) in placements from banks and other financial institutions	44,128	(76,711)
Net increase in due to customers	897,472	1,242,771
Net decrease in other borrowings	(2,280)	(2,665)
Net (decrease)/increase in other liabilities	(9,808)	70,499
Cash inflow/(outflow) from operating activities	410,848	(8,529)
Income tax paid	(32,187)	(44,155)
Net cash inflow/(outflow) from operating activities	378,661	(52,684)

Consolidated Statement of Cash Flows (continued)

Unit: RMB million

	For the nine-month period ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
Cash flows from investing activities		
Proceeds from disposal of property and equipment, intangible assets and other long-term assets	5,805	7,685
Proceeds from disposal of investment in subsidiaries, associates and joint ventures	3,761	25,816
Dividends received	1,186	691
Interest income received from financial investments	91,148	86,836
Proceeds from disposal/maturity of financial investments	1,595,724	1,550,896
Increase in investment in subsidiaries, associates and joint ventures	(2,048)	(2,701)
Purchase of property and equipment, intangible assets and other long-term assets	(20,891)	(12,422)
Purchase of financial investments	(2,058,925)	(1,821,726)
Net cash outflow from investing activities	(384,240)	(164,925)
Cash flows from financing activities		
Proceeds from issuance of bonds	402,887	109,209
Proceeds from non-controlling shareholders investment	2,193	7,728
Repayments of debts issued	(274,478)	(42,352)
Cash payments for interest on bonds issued	(12,911)	(9,902)
Dividend payments to equity holders of the Bank	(50,997)	(53,383)
Dividend payments to non-controlling shareholders	(2,458)	(2,350)
Other net cash flows from financing activities	4	(93)
Net cash inflow from financing activities	64,240	8,857
Effect of exchange rate changes on cash and cash equivalents	(17,977)	22,639
Net increase/(decrease) in cash and cash equivalents	40,684	(186,113)
Cash and cash equivalents at beginning of the period	1,019,247	1,052,078
Cash and cash equivalents at end of the period	<u>1,059,931</u>	<u>865,965</u>

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

I. Capital Adequacy Ratio

Unit: RMB million, except percentages

	As at 30 September 2017	As at 31 December 2016
Calculated in accordance with the <i>Capital Rules for Commercial Banks (Provisional)</i> ^{Note}		
Net common equity tier 1 capital	1,345,964	1,280,841
Net tier 1 capital	1,450,534	1,384,364
Net capital	1,674,724	1,609,537
Common equity tier 1 capital adequacy ratio	11.15%	11.37%
Tier 1 capital adequacy ratio	12.02%	12.28%
Capital adequacy ratio	<u>13.87%</u>	<u>14.28%</u>
Calculated in accordance with the <i>Regulation Governing Capital Adequacy of Commercial Banks</i>		
Core capital adequacy ratio	11.71%	11.77%
Capital adequacy ratio	<u>14.48%</u>	<u>14.67%</u>

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

II. Leverage Ratio

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

Unit: RMB million, except percentages

Items	As at 30 September 2017	As at 30 June 2017	As at 31 March 2017	As at 31 December 2016
Net tier 1 capital	1,450,534	1,415,758	1,416,373	1,384,364
Adjusted on- and off-balance sheet assets	<u>20,877,586</u>	<u>20,915,888</u>	<u>20,397,353</u>	<u>19,604,737</u>
Leverage ratio	<u>6.95%</u>	<u>6.77%</u>	<u>6.94%</u>	<u>7.06%</u>

III. Liquidity Coverage Ratio

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

Regulatory requirements of liquidity coverage ratio

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

The Group’s liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis⁽²⁾. In the third quarter of 2017, the Group measured 92-day LCR on this basis, with average ratio standing at 115.13%⁽³⁾, representing a decrease of 2.09 percentage points compared to the second quarter of 2017, which was primarily due to the increase of net cash outflows under the stress scenarios as a result of decreased cash inflows from fully performing exposures.

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

	2017			2016
	Quarter ended 30 September	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December
Average value of LCR	<u>115.13%</u>	<u>117.22%</u>	<u>119.54%</u>	<u>117.17%</u>

III. Liquidity Coverage Ratio (continued)

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

		Unit: RMB million, except percentages	
No.		Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		3,380,442
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	6,272,586	457,477
3	Stable deposits	3,290,285	159,247
4	Less stable deposits	2,982,301	298,230
5	Unsecured wholesale funding, of which:	7,966,649	3,192,945
6	Operational deposits (excluding those generated from correspondent banking activities)	4,153,453	1,027,840
7	Non-operational deposits (all counterparties)	3,770,628	2,122,537
8	Unsecured debt	42,568	42,568
9	Secured funding		3,944
10	Additional requirements, of which:	2,478,333	1,588,173
11	Outflows related to derivative exposures and other collateral requirements	1,514,936	1,514,936
12	Outflows related to loss of funding on debt products	5,096	5,096
13	Credit and liquidity facilities	958,301	68,141
14	Other contractual funding obligations	49,602	49,602
15	Other contingent funding obligations	2,896,831	49,455
16	Total cash outflows		5,341,596
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	148,992	132,669
18	Inflows from fully performing exposures	1,013,866	663,606
19	Other cash inflows	1,684,185	1,607,889
20	Total cash inflows	2,847,043	2,404,164
		Total adjusted value	
21	Total HQLA		3,380,442
22	Total net cash outflows		2,937,432
23	Liquidity coverage ratio (%)		115.13%

III. Liquidity Coverage Ratio (continued)

- (1) The LCR aims to ensure that commercial banks have sufficient HQLA that can be converted into cash to meet the liquidity requirements for at least thirty days under stress scenarios determined by the CBRC.
- (2) When calculating the consolidated LCR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of subsidiary consolidation in accordance with the requirements of the CBRC.
- (3) In the third quarter of 2017, the average values of LCR and individual line items are the simple arithmetic average of 92-day figures in the quarter. For quarters in 2016, the average values of LCR are the simple arithmetic average of 3-month-end values in the quarter.