



中國銀行
BANK OF CHINA

北京 2008 年奥运会银行合作伙伴
OFFICIAL BANKING PARTNER OF THE BEIJING 2008 OLYMPIC GAMES

2006 Interim Report

Stock Code: 601988

中国银行股份有限公司

BANK OF CHINA LIMITED

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Important Notes

Important Note

The Board of Directors of Bank of China Limited (the "Bank") and its directors, the Board of Supervisors and its supervisors, the senior management of the bank warrant that there are no fraudulent disclosures, misleading statements or material omissions in this report, and that they will be individually and jointly responsible for the truthfulness, accuracy and completeness of this report.

The Board meeting held on 29 August 2006 reviewed and adopted the text and summary of the 2006 Interim Report. 16 directors were required to attend the meeting, with 16 present at the meeting. 16 directors exercised the right of voting, and 5 supervisors of the Bank participated in the meeting without voting right.

The 2006 interim financial statements under PRC Accounting Standards and International Financial Reporting Standards have been reviewed by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company ("PWC") and PricewaterhouseCoopers according to the Chinese and international review standards respectively.

Board of Directors of Bank of China Limited

Chairman Xiao Gang, President Li Lihui, Vice President in charge of Accounting Function Zhou Zaiqun and General Manager in charge of the Accounting Department Liu Yanfen undertake that the financial statements in the interim report are true and complete.

Financial Highlights

This report is prepared in accordance with the PRC *Accounting Standards for Enterprises* and the *Accounting System for Financial Institutions*.

	At 30 June 2006	At 31 December 2005	At 31 December 2004	Increase/ decrease from 1 January 2006 to 30 June 2006(%)
Total assets	5,226,933	4,742,806	4,270,443	10.21
Incl.: loans, net	2,317,408	2,151,893	2,071,693	7.69
Total liabilities	4,840,480	4,480,186	4,037,705	8.04
Incl.: Customer deposits	4,053,024	3,703,777	3,342,477	9.43
Total equity attributable to shareholders of the Bank	357,641	233,842	205,351	52.94
Net assets per share (RMB)	1.41	1.12	1.10	25.89
Adjusted net assets per share (RMB) ¹	1.40	1.11	1.09	26.13

	Half year ended 30 June 2006	Half year ended 30 June 2005	Year ended 31 December 2005	Increase/ decrease from first half of 2005 to first half of 2006(%)
Operating profit	38,422	33,009	64,744	16.40
Gross profit	34,013	29,578	55,140	14.99
Net profit	19,024	16,434	27,492	15.76
Net profit after deducting Nonrecurring gains/losses	18,314	NA	NA	NA
Earnings per share (EPS) ² (fully diluted, RMB)	0.07	0.09	0.13	(22.22)
EPS ^{2, 3} (weighted average, RMB)	0.09	0.09	0.15	0.00%
Net cash flow from operating activities	(117,991)	21,615	13,883	(645.88%)

¹ The data are computed according to the *Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public (No.3) — Contents and Formats of Interim Report (Revision 2003)* (ZJGSZ [2003] No.25) promulgated by China Securities Regulatory Commission (CSRC).

² Return on net assets and EPS are calculated according to the *Compiling Rules on Information Disclosure by Companies Offering Securities to the Public (No.9) — Computation and Disclosure of Return on Net Assets and EPS* promulgated by CSRC.

³ Weighted average share capital and net asset are calculated with the number of days as the weight.

Financial Highlights

	At 30 June 2006(%)	At 31 December 2005(%)	At 31 December 2004(%)	Increase/ Decrease from 1 January 2006 to 30 June 2006 (%)
Return on total assets (annualized)	0.87	0.72	0.61	0.15
Return on share capital ⁴ (annualized, excluding minority interests)	12.87	12.52	10.23	0.35
Return on share capital (annualized, including minority interests)	13.34	13.16	10.92	0.18
Return on net assets ² (annualized, fully diluted)	10.64	11.76	10.19	(1.12)
Return on net assets ² (annualized, weighted average)	14.99	12.62	10.04	2.37
Credit cost (annualized)	0.44	0.50	1.06	(0.06)
Non-performing loan (NPL) ratio	4.19	4.62	5.12	(0.43)
Capital adequacy ratio	12.40	10.42	10.04	1.98
Provision coverage ratio	87.44	80.55	68.02	6.89
	Half year ended 30 June 2006(%)	Half year ended 30 June 2005(%)	Year ended 31 December 2005(%)	Increase/ Decrease from first half of 2005 to first half of 2006 (%)
Cost to income ratio	35.90	37.05	39.30	(1.15)
Proportion of non-interest income	15.67	14.15	13.46	1.52
Net interest margin	2.26	2.31	2.32	(0.05)

⁴ The data are calculated according to the *Guidelines on the Corporate Governance and Supervision of State-owned Commercial Banks* (YJF [2006] No.22).

Chairman's Statement

Building a Stronger Foundation for Growth

The year 2006 will stand out as an important chapter in the history of Bank of China Limited. We became the first Chinese bank to be listed in both international and domestic capital markets, which has laid a solid foundation for our vision of becoming a leading international bank. I am therefore delighted to present to our constituents in the community and the investing public the performance of the Bank in the first half of the year. For the six months ended 30 June 2006, we recorded an operating profit of RMB38,422 million and net profit of RMB19,024 million, representing a year on year increase of 16.40% and 15.76% respectively. Our annualized ROAA was 0.87% and annualized ROAE was 12.87%, an increase of 0.15% and 0.35% over the end of 2005.

The satisfactory performance is the result of the Bank's advance with time and reforms introduced over the last two years. We completed the financial restructuring in 2004, and the introduction of strategic investors in 2005. On 1 June and 5 July 2006, our shares were successfully listed on the Stock Exchange of Hong Kong and the Shanghai Stock Exchange respectively, thus making us the first Chinese bank to be listed in both international and domestic capital markets. We raised HK\$86 billion through issuing H Shares, a new world record in the amount of equity capital raised in an IPO by a financial institution and also the largest IPO in the world over the last six years. The issue of A Shares on the other hand raised RMB20 billion, making it the largest IPO ever in the A Share market to date. The listings have enhanced our influence in both the international and domestic markets, giving added splendor to our century-old brand.

The successful IPOs have brought our reform to a new starting point and also fueled it with new impetus. They have offered a historical opportunity for us to achieve sustainable growth and created a platform to take our businesses to new heights. The IPOs have strengthened the Bank's capital base, boosted the value of our brand name and market reputation, and will drive us to reform further and improve our corporate governance. Becoming a listed bank is set to bring profound changes to our corporate value, development strategy, organization structure, business process, staff quality and management practices. It will not only sustain but will also speed up our reforms. Our goal is to completely transform our operational system and substantively enhance our management capabilities.

However, we are also fully aware that along with the listings will come unprecedented challenges and tests. The Bank will be subject to both banking and securities regulatory requirements, stringent market discipline and demands to deliver higher returns. We are committed to abide strictly by all relevant laws and regulations, disclose truthful, accurate and complete information in a timely manner to assure transparency, and to nurture and strengthen our core competitiveness and create maximum value.

In the second half of 2006, we expect China to maintain a robust yet healthy economic growth. The effects of government macro-adjustment measures will become more apparent. The Bank will closely monitor the development of the macro-economic environment and take advantage of opportunities to achieve strong and steady growth while staying alert to the associated risks. We will continue to improve our corporate governance and adhere to the "client-oriented and market-driven" principle. Our focus is on enhancing profitability and sustainable growth so as to create maximum value for shareholders. By studying the setting

Chairman's Statement

up of strategic business units along the lines of corporate banking, personal banking and treasury business, we will try to strengthen the management of business lines so as to gradually establish a matrix management model commonly adopted by international financial institutions. We will also continue to implement the IT blueprint to achieve centralized processing operations and set up uniform data standards and operational procedures. The ultimate objective of these endeavors is to centralize transaction data processing and facilitate the sharing of management information, thereby building a solid platform for improving the Bank's overall competitiveness and profitability, and at the same time enhancing internal control. It is also our commitment to build a strong corporate culture with work ethics that encourages honesty and integrity, the drive for performance, a people oriented spirit, diligence and accountability and the pursuit of excellence. We will cultivate shared values and common behaviour among our employees so as to pool their wisdom and ability and provide the Bank with the lasting drive for a sustainable development.

To conclude, I wish to thank all our domestic and overseas customers, our shareholders, our peers and the public for your care and support in the past, and hope to have your continuous support in the years to come. I would also like to thank members of the Board of Directors, Board of Supervisors and Senior Management for your hard work and shrewd guidance. Last but not the least, my gratitude goes to our entire staff for its industry and dedication, unswerving as always.



Chairman
29 August 2006

President's Statement

In 2006, Bank of China Limited was successfully listed in both domestic and international capital markets, which demonstrated the wide market recognition of our century-old brand name. On behalf of the Management, I would like to thank investors and the different constituents in the community for your trust and support.

In the first half of 2006, both Chinese economy and the world economy registered rapid growth, which enabled us and our peers in the domestic as well as international markets to share the opportunity and achievements arising from a booming economy. Meanwhile, we have been vigilant to the challenges posed by volatility in both markets and the Government's macroeconomic adjustment measures in response to which we have taken further measures to improve our risk management to ensure a steady and sustainable growth.

Led by the Board of Directors, the Management diligently implemented the Bank's strategy, made good progress in diverse areas and achieved strong financial results. Under PRC GAAP, as at the end of June 2006, the Group's total assets stood at RMB5,226.933 billion, total liabilities was RMB4,840.48 billion, and owners' equity was RMB357.641 billion, representing an increase of 10.21%, 8.04% and 52.94% respectively from the end of last year. Profit before tax and net profit were RMB34.013 billion and RMB19.024 billion respectively, 14.99% and 15.76% higher than in the same period last year.

The surge in our profit during the period was mainly driven by increase of net interest income and non-interest income, and better control of credit cost and operating expenses.

Compared with the end of last year, our total customer deposits increased by 9.4% and total loans increased by 7.7%. Amount of investment securities rose 19.1% and net interest income grew by 12.0%.

The profit before tax of domestic operations climbed 10.5%, accounting for 63.1% of the Group's total profit before tax compared with 59.4% as at the end of 2005. Investment banking and insurance business reported a 145.7% surge in profit before tax and accounted for 6.6% of the Group's total profit against 3.2% in last year. Commercial banking, our core business, posted a 10.8% growth in profit before tax.

Non-interest income registered a 26.2% growth compared with the same period last year, with its contribution to the Group's operating profit rising from 14.2% to 15.7%. Net service fees and commissions rose 51.4%.

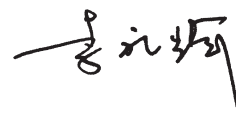
Our lending business grew steadily with total loans up 7.7% from the end of last year. Loans made by domestic operations increased 9.6%, and RMB loans grew 11.2%. Our risk management system functioned smoothly with continual improvement in credit asset quality. Ratio of special mention loan dropped from 12.7% to 10.9% and impaired loan ratio decreased from 4.9% at the end of last year to 4.4%. Coverage ratio increased from 80.6% to 87.4%.

The Group's operating profit grew faster than operating expenses. Our cost-to-income ratio was successfully lowered from 37.05% to 35.9%; effective tax rate also decreased from 36.7% to 36.3%.

The Management is fully aware that the listings have ushered in a new phase in the century old history of

President's Statement

the Bank. We will remain alert to challenges and operate prudently while actively developing our businesses. We will accelerate product innovation and improve service quality, with a view to enhancing our core competitiveness. Our risk management and internal control will continue to be enhanced so as to safeguard against cases and incidents of fraud. We will keep a watchful eye on effective cost control and will push forward with our organizational structure reforms, business processes integration and implementation of the IT Blueprint to achieve centralization and cost savings in our operation. Human resources reform will also remain our key focus. We are committed to building an effective incentive system and nurturing a corporate culture that encourages integrity, performance, responsibility, harmony and excellence. We believe that with these initiatives and by offering more training, we will be able to substantially improve the overall quality of our workforce.



President
29 August 2006

Management Discussion & Analysis

Economic, Financial and Regulatory Environment

In the first half of 2006, the global economy achieved robust growth. The International Monetary Fund raised its global GDP growth forecast to 4.9% for 2006, which will be the fourth consecutive year with growth rate over 4%. The Chinese economy continued to maintain its trend of steady expansion, with a year-on-year GDP growth of 10.9% to RMB9,143.3 billion in the first half of 2006. Commodity price remained stable. During the period, consumer price index rose by 1.3%, investments and exports grew especially strongly, while consumption steadily increased. Foreign trade climbed 23.4%, 0.2 percentage point higher than the growth rate a year earlier. Trade surplus reached USD61.4 billion. With strengthened macro-economic adjustment measures, the overheated factors in the economy have shown signs of cooling down. Total retail sales of consumer goods increased by 13.3%, or 12.4% in real terms, 0.4 percentage points higher than the growth a year earlier. The Chinese economy continued to register fast growth and low inflation.

In the first half of 2006, China's financial market advanced smoothly with financial credits and money supply increased and more financial innovations introduced. RMB interest rate and exchange rate remained stable. By the end of June, RMB had appreciated 0.94% against USD. The balance of all financial institutions' RMB and foreign currency loans had increased by 14.34% to RMB22.79 trillion, and the balance of deposits had surged by 17.19%.

2006 is the fifth year following China's entry to the WTO. With the country fully opening up its financial sector to the world by the end of the year, competition among domestic and foreign financial institutions has become increasingly fierce.

The China Banking Regulatory Commission (CBRC) promulgated a series of regulatory policies in the first half of 2006, covering such areas as the adoption of unified regulatory rating system for all commercial banks, promotion of corporate governance and innovations, approval for banks to offer overseas wealth management services to customers, strengthening regulation of foreign exchange risk management and guidance on loan issuance. These policies have significant bearing on the banking industry's profitability and business management.

The changing economic, financial and regulatory environment has imposed more stringent requirements on the operation and management of commercial banks.

Our Target This year, the Bank will firmly push forward all its reforms in greater depth. While seizing the opportunities arising from China's continuous economic growth, it will also vigilantly guard against potential risks for the financial sector caused by conflicts in the inner working of the economy. It will accelerate the development of its risk management and internal control system, consolidate management and business processes, speed up the implementation of its IT blueprint, and make efforts to improve management capabilities. It will expedite product and service innovation to enhance its core competitiveness. Our goal is to ensure the Bank develops in a comprehensive, coordinated and sustainable manner, thereby create greater value for shareholders, the Bank, our clients and employees.

Management Discussion & Analysis

Financial Statement Analysis

Overview

As of 30 June 2006, total assets of Bank of China Limited ("the Bank") and its subsidiaries ("the Group") reached RMB5,226.933 billion, an increase of RMB484.127 billion or 10.21% over 31 December 2005. Total liabilities stood at RMB4,840.48 billion, an increase of RMB360.294 billion or 8.04% over 31 December 2005. Owners' equity (excluding minority interests) totaled RMB357.641 billion, an increase of RMB123.799 billion or 52.94% over 31 December 2005.

The Group achieved a net profit of RMB19.024 billion in the first half of 2006, a year-on-year increase of RMB2.59 billion or 15.76%. The Group is in a good financial position.

Income Statement Analysis

Unit: RMB million			
Items	Half year ended 30 June 2006	Half year ended 30 June 2005	Year ended 31 December 2005
Net interest income	54,476	48,658	100,405
Non-interest income	10,126	8,021	15,623
Operating and administrative expenses	(23,193)	(21,000)	(45,604)
Business tax and surcharges	(2,987)	(2,670)	(5,680)
Operating profit	38,422	33,009	64,744
Non-operating income, net	467	1,145	1,381
Net profit before impairment losses	38,889	34,154	66,125
Less: impairment losses	(4,876)	(4,576)	(10,985)
Profit before tax	34,013	29,578	55,140
Less: income tax expense	(12,362)	(10,860)	(22,543)
Less: minority interests	(2,627)	(2,284)	(5,105)
Net profit	19,024	16,434	27,492

Return on Net Assets and EPS Calculated in accordance with the Compiling Rules on Information Disclosure by Companies Offering Securities to the Public (No.9) Promulgated by the China Securities Regulatory Commission (CSRC)

Unit: RMB million

Items	Profit in the report period	Return on net assets (%)		EPS (RMB)	
		Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main business	38,422	21.49	30.27	0.15	0.18
Operating profit	38,422	21.49	30.27	0.15	0.18
Net profit	19,024	10.64	14.99	0.07	0.09
Net profit after deducting non-recurring items	18,314	10.24	14.43	0.07	0.08

Reconciliation between PRC GAAP and IFRS Financial Information

Unit: RMB million

	Net Assets		Net Profit	
	At 30 June 2006	At 31 December 2005	Half year ended 30 June 2006	Half year ended 30 June 2005
PRC GAAP figures	357,641	233,842	19,024	16,434
Adjustments for accounting standard differences:				
-Reversal of revaluation surplus and corresponding depreciation	(7,794)	(7,999)	205	133
-Fair value measurement on investment properties	3,199	2,816	438	1,059
-Equity securities classified as available – for – sale financial assets at fair value	3,566	1,775	-	-
-Early retirement benefit obligation	(4,911)	(5,097)	186	(1,749)
-Cost method applied on precious metals	(757)	(637)	(120)	(83)
-Deferred tax impact	4,222	992	(97)	(97)
-Minority interests effect and others	581	727	(159)	(516)
Sub-total	(1,894)	(7,423)	453	(1,253)
IFRS figures	355,747	226,419	19,477	15,181

Please refer to Appendix II iv (Reconciliation between RPRC GAAP and IFRS financial information) for details.

Management Discussion & Analysis

Non-recurring Items

Unit: RMB million	
Items	Balance
Net gains on disposal of long-term equity investments	141
Non-operating income	1,111
Non-operating expense	(644)
Write-back of the impairments recognized in previous years	451
Income tax impact of Non-recurring items	(349)
Total	710

Operation of Major Subsidiary

Unit: RMB million		
	Half year ended 30 June 2006	Half year ended 30 June 2005
Name	BOC Hong Kong (Holdings) Limited	
Listing place and code	Hong Kong 2388	
Scope of business	BOC Hong Kong (Holdings) Limited is a holding company; its subsidiary Bank of China (Hong Kong) Limited (BOC Hong Kong) provides banking and relevant financial services in Hong Kong.	
Net profit (excluding majority interests)	45.70	39.93
Contribution of major subsidiary to the net profit of the Group during the period	24.02%	24.30%

Net Interest Income

In the first half of 2006, the Group achieved a net interest income of RMB54.476 billion, a year-on-year increase of RMB5.818 billion or 11.96%. The average balance⁵ and average interest rate⁶ of the Group's interest-earning assets and interest-bearing liabilities are shown in the table below:

Unit: RMB million

Items	Half year ended 30 June 2006				Half year ended 30 June 2005				Year ended 31 December 2005			
	Average balance		Interest income and expense	Average interest rate (%)	Average balance		Interest income and expense	Average interest rate (%)	Average balance		Interest income and expense	Average interest rate (%)
	Amount	Percentage (%)			Amount	Percentage (%)			Amount	Percentage (%)		
Interest earning assets												
Loans	2,291,998	48	60,360	5.27	2,196,061	52	51,971	4.73	2,192,058	51	109,711	5.00
Debt securities ⁷	1,837,222	38	30,652	3.34	1,383,481	33	19,908	2.88	1,475,673	34	44,938	3.05
Due from and placements with banks and other financial institutions, and due from central banks	694,824	14	8,765	2.52	639,077	15	5,587	1.75	655,359	15	12,696	1.94
Sub-total	4,824,044	100	99,777	4.14	4,218,619	100	77,466	3.67	4,323,090	100	167,345	3.87
Interest bearing liabilities												
Deposits from customers*	4,001,322	89	38,887	1.94	3,471,702	88	23,815	1.37	3,560,014	88	55,914	1.57
Due to and placements from banks and other financial institutions, and due to central banks	371,143	8	4,122	2.22	336,394	9	2,827	1.68	355,856	9	6,512	1.83
Special purpose borrowings and bonds issued	112,108	3	2,292	4.09	113,672	3	2,166	3.81	115,843	3	4,514	3.90
Sub-total	4,484,573	100	45,301	2.02	3,921,768	100	28,808	1.47	4,031,713	100	66,940	1.66
Net interest income			54,476				48,658				100,405	
Net interest spread ⁸ (%)				2.12				2.20				2.21
Net interest margin ⁹ (%)				2.26				2.31				2.32

* Include the balance of certificates of deposits issued.

⁵ Average balances of interest-earning assets and interest-bearing liabilities are daily average balances derived from the Group's management accounts.

⁶ The average interest rate is annualized rate and calculated by dividing interest income/expense by average balance. Average interest rates in the first half of 2006 and the first half of 2005 are converted into annualized rates.

⁷ Includes trading and other debt securities at fair value through profit or loss and debt securities investment.

⁸ Net interest spread=Average yield of interest-earning assets - Average cost of interest-bearing liabilities

⁹ Net interest margin=Net interest income/Average balance of interest-earning assets

Management Discussion & Analysis

The following table illustrates changes in the Group's net interest income arising from changes of volume and interest rate factors¹⁰. Variances caused by changes in both volume and rate are attributed to interest rate factor.

Unit: RMB million

	Half year ended 30 June, 2006 vs Half year ended 30 June 2005		
	Volume	Interest rate	Total
Interest income			
Loans	2,269	6,120	8,389
Debt securities	6,534	4,210	10,744
Due from and placements with banks and other financial institutions, and due from central banks	488	2,690	3,178
Sub-total	9,291	13,020	22,311
Interest expense			
Deposits from customers	(3,628)	(11,444)	(15,072)
Due to and placements from banks and other financial institutions, and due to central banks	(292)	(1,003)	(1,295)
Special purpose borrowings and bonds issued	30	(156)	(126)
Sub-total	(3,890)	(12,603)	(16,493)
Net interest income	5,401	417	5,818

Interest income

The Group's interest income was RMB99.777 billion in the first half of 2006, a year-on-year increase of RMB22.311 billion or 28.80%. The growth is attributed to the size expansion as well as the increase of average interest rate of interest-earning assets. The average balance of interest-earning assets increased by 14.35% from RMB4,218.619 billion as at 30 June 2005 to RMB4,824.044 billion as at 30 June 2006. The average interest rate of interest-earning assets climbed by 47 basis points from 3.67% in the first half of 2005 to 4.14% in the first half of 2006.

Loans

The Group achieved a loan interest income of RMB60.36 billion in the first half of 2006, a year-on-year increase of RMB8.389 billion or 16.14%. The growth is mainly due to a 54 basis points increase in the average yield of loans from 4.73% in the first half of 2005 to 5.27% in the first half of 2006, and the increase in the average balance of loans from RMB2,196.061 billion to RMB2,291.998 billion in the first half of 2006. The Group strictly controlled the loan quality, and achieved a steady growth of loans to customers. The growth of the average yield of loans is mainly due to the following factors: (1) continuous pickup of foreign currency loan interest rates; (2) upward adjustment of the benchmark interest rate of RMB loans by People's Bank of China; and (3) continuous improvement in the Bank's loan quality. Influenced by the low interest rate in RMB money

¹⁰. Volume variance is calculated based on movements in average balances of interest-earning assets and interest-bearing liabilities in the report period; and interest rate variance is calculated based on changes in average interest rates on interest-earning assets and interest-bearing liabilities in the report period.

market, the discount yield was under pressure, thus partly offset the rapid growth of interest income.

Debt Securities

In the first half of 2006, the Group achieved an interest income of RMB30.652 billion from debt securities, a year-on-year increase of RMB10.744 billion or 53.97%. The main reason is that the average balance of debt securities soared by 32.80% from RMB1,383.481 billion in the first half of 2005 to RMB1,837.222 billion in the first half of 2006, and the average yield of securities increased by 46 basis points from 2.88% in the first half of 2005 to 3.34% in the first half of 2006. The increase in average balance is primarily due to the following factors: (1) with continuous increase in deposits from customers, the Group invested the funds not used as loans in securities which have higher yield than due from and placements with banks and other financial institutions and due from central banks; and (2) the Group continued to optimize the asset portfolio by reducing the proportion of relatively lower yield due from and placements with banks and other financial institutions. Increase in average yield was attributable to the increased yield of foreign currency securities, which offset the impacts of lower interest rate in the domestic RMB money market.

Due from and Placements with Banks and Other Financial Institutions and Due from Central Banks

The Group achieved an interest income of RMB8.765 billion from due from and placements with banks and other financial institutions and due from central banks in the first half of 2006, a year-on-year increase of RMB3.178 billion or 56.88%. The increase is mainly due to: (1) 77 basis points increase in the average yield from 1.75% in the first half of 2005 to 2.52% in the first half of 2006 driven by the continuous increase of the average yield of foreign currency assets, and (2) the 8.72% increase in average balance from RMB639.077 billion in the first half of 2005 to RMB694.824 billion in the first half of 2006 which was attributable to the growth of deposit reserves placed with central banks as a result of increasing customer deposits, though partly offset by the reduction of low yield due from and placements with banks and other financial institutions.

Interest Expense

In the first half of 2006, the Group's interest expense was RMB45.301 billion, a year-on-year increase of RMB16.493 billion or 57.25%. The growth is attributable to the size expansion as well as the increase of the average cost of interest-bearing liabilities. The average balance of interest-bearing liabilities increased by 14.35% from RMB3,921.768 billion in the first half of 2005 to RMB4,484.573 billion in the first half of 2006, and the average cost of interest-bearing liabilities rose by 55 basis points from 1.47% in the first half of 2005 to 2.02% in the same period of 2006.

Deposits from Customers

In the first half of 2006, the interest expense for deposits from customers was RMB38.887 billion, a year-on-year increase of RMB15.072 billion or 63.29%. The increase in interest expense is mainly attributable to a 57 basis points increase in the interest rate from 1.37% in the first half of 2005 to 1.94% in the same period of 2006, and an RMB529.62 billion or 15.26% increase in the average balance of deposits from customers from RMB3,471.702 billion in the first half of 2005 to RMB4,001.322 billion in the same period of 2006. The growth of interest rate of deposits from customers is principally due to: (1) significant increase in the interest rate of low balance foreign currency deposits; and (2) continuous growth of the overseas market interest rate. The growth of the average balance of deposits from customers is largely due to the rapid growth of the RMB business with the rapid development of the Chinese economy, which offset the decline of domestic foreign currency deposits caused by the expectation of RMB appreciation.

Due to and Placements from Banks and Other Financial Institutions and Due to Central Banks

In the first half of 2006, the Group's interest expense for due to and placements from banks and other financial

Management Discussion & Analysis

institutions and due to central banks was RMB4.122 billion, a year-on-year increase of RMB1.295 billion or 45.81%. The growth is primarily attributable to a 54 basis points rise in the cost of foreign currency funds from 1.68% in the first half of 2005 to 2.22% in the same period of 2006. Although the average balance increased by 10.33% from RMB336.394 billion in the first half of 2005 to RMB371.143 billion in the same period of 2006, the proportion of due to and placements from banks and other financial institutions in the interest-bearing liabilities declined from 9% in the first half of 2005 to 8% in the same period of 2006.

Special Purpose Borrowings and Bonds Issued

In the first half of 2006, the Group's interest expense for the special purpose borrowings and bonds issued was RMB2.292 billion, a year-on-year increase of RMB126 million or 5.82%. The increase is primarily attributable to the growth of fund cost, with the interest rate rising by 28 basis points from 3.81% in the first half of 2005 to 4.09% in the same period of 2006.

Net Interest Margin and Net Interest Spread

In the first half of 2006, the Group's net interest spread declined by 8 basis points to 2.12%. Due to increase in interest rate, contribution from cost free funds increased by 3 basis points; and net interest margin decreased by 5 basis points to 2.26%. The decrease in interest margin is mainly attributable to: (1) the proportion of debt securities to interest-earning assets increased by 5 percentage points, yet the increase of yield was offset by the low interest rate in RMB money market; (2) due to rapid increase in interest-earning assets and the Bank's prudence in balancing risk and return, the proportion of loans in the interest-earning assets declined and more funds were invested in the debt market; and (3) the cost of foreign fund increased.

In the first half of 2006, based on the market forecast and development needs of assets and liabilities business, the Group intensified its efforts to absorb RMB deposits, and optimized asset and liability structure. The robust growth in various business lines mitigated the negative impact of the decrease in interest spread. The net interest income increased by 11.96% from RMB48.658 billion in the first half of 2005 to RMB54.476 billion in the same period of 2006.

Non-interest Income

In the first half of 2006, the Group achieved a net non-interest income of RMB10.126 billion, a year-on-year increase of RMB2.105 billion or 26.24%.

Unit: RMB million

	Half year ended 30 June 2006	Half year ended 30 June 2005	Year ended 31 December 2005
Net fee and commission income	6,841	4,518	9,247
Net trading income	(193)	2,993	4,482
Investment gains/(losses)	1,681	149	(248)
Other operating income, net	1,797	361	2,142
Total	10,126	8,021	15,623

Net Fee and Commission Income

Unit: RMB million

	Half year ended 30 June 2006	Half year ended 30 June 2005	Year ended 31 December 2005
Settlement and clearing fees	1,794	1,287	2,941
Agency commissions	2,201	1,235	2,735
Credit commitment fees and commissions	1,438	1,308	2,693
Bank card fees	1,365	1,049	2,340
Custodian and other fiduciary service fees	248	235	483
Others	1,120	801	1,506
Fee and commission income	8,166	5,915	12,698
Fee and commission expense	(1,325)	(1,397)	(3,451)
Net fee and commission income	6,841	4,518	9,247

In the first half of 2006, the Group achieved a net fee and commission income of RMB6.841 billion, a year-on-year increase of RMB2.323 billion or 51.42%. The increase was mainly attributed to the Group's intensified efforts to drive the growth in fee-based businesses. As a result, significant increase was recorded in agency commissions, settlement and clearing fees, and bank card fees.

Agency commission of the Group reached RMB2.201 billion, a year-on-year increase of RMB966 million or 78.22%. The growth is mainly attributable to increased sales of products and services such as treasury bonds, investment funds and insurance.

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Settlement and clearing fees of the Group stood at RMB1.794 billion, a year-on-year increase of RMB507 million or 39.39%. The growth is primarily attributable to the rapid growth of businesses such as factoring and L/C settlement and personal electronic remittance.

Bank card fees of the Group reached RMB1.365 billion, a year-on-year increase of RMB316 million or 30.12%. The growth is mainly attributable to the intensified efforts of the Group on promoting bank cards business in line with market changes and customer demand, which led to continuous increase in new card issuance, transaction volume and frequency of ATM transactions.

Net Trading Income

Unit: RMB million

	Half year ended 30 June 2006	Half year ended 30 June 2005	Year ended 31 December 2005
Net gains from foreign exchange and foreign exchange products	1,302	3,322	2,518
Net gains from interest rate products	(1,495)	(329)	1,964
Total	(193)	2,993	4,482

The Group suffered a net trading loss of RMB193 million in the first half of 2006, a year-on-year decline of RMB3.186 billion or 106.45%.

In the first half of 2006, the domestic operations' spread income from foreign exchange dealings was RMB2.728 billion, a year-on-year increase of RMB804 million or 41.79%. The increase is mainly attributable to the change in foreign exchange rate and moderate liberalization of personal limits that spurred the growth of personal foreign exchange transactions. During the same period, due to interest rate volatility, the Group suffered a loss from interest rate instruments of RMB1.495 billion, a year-on-year decrease of RMB1.166 billion or 354.41%.

Starting from 21 July 2005, the People's Bank of China adopted a managed floating exchange rate regime. As a result of RMB appreciation, the Group suffered a net loss of RMB3.5 billion on foreign currency exposure under the restricted foreign exchange capital account in the first half of 2006. At the same time, the foreign exchange option contract entered between the Group and Central SAFE Investments Limited gave rise to an evaluation gain of RMB300 million. Should the above factors be excluded, the Bank's net trading income has increased by RMB14 million year-on-year.

Investment Income

Unit: RMB million

	Half year ended 30 June 2006	Half year ended 30 June 2005	Year ended 31 December 2005
Gains from equity investment	1,587	125	678
Incl.: Net gains from investment in associates	339	48	166
Net gains from other equity investments	1,248	77	512
(Losses)/gains from debt investment	94	24	(926)
Total	1,681	149	(248)

In the first half of 2006, the Group's investment income rocketed by RMB1.532 billion or 1028.19% to RMB1.681 billion. The increase is mainly attributable to: (1) the Group acquired an additional 5% stake in September 2005 in Huaneng International Power Development Corporation and thus held 20% stake in total, investment income from which was accounted for based on equity method and recognized in net gains from investment in associates; (2) the Group sold shares of BOC Group Life Assurance Limited to BOC Hong Kong (Holdings) Limited; and (3) the investment income of BOC International increased.

Other Operating Income, Net

Unit: RMB million			
	Half year ended 30 June 2006	Half year ended 30 June 2005	Year ended 31 December 2005
Other operating revenues	5,366	2,767	6,617
Insurance premium	4,286	2,624	5,237
Others	1,080	143	1,380
Other operating expense	(3,569)	(2,406)	(4,475)
Insurance claims expense	(3,423)	(2,168)	(3,861)
Others	(146)	(238)	(614)
Total	1,797	361	2,142

In the first half of 2006, the Group's net income from other operations grew by RMB1.436 billion or 397.78% to RMB1.797 billion, which was largely due to the continuous increase in the income from the Group's insurance business and subsidiaries' other operating activities.

Operating and Administrative Expense

Unit: RMB million			
	Half year ended 30 June 2006	Half year ended 30 June 2005	Year ended 31 December 2005
Staff cost	13,278	11,654	23,979
General operating and administrative expense	7,174	6,208	15,742
Depreciation	2,741	3,138	5,883
Total	23,193	21,000	45,604

In the first half of 2006, the Group's operating and administrative expenses totaled RMB23.193 billion, a year-on-year increase of RMB2.193 billion or 10.44%. The increase is mainly attributable to the following factors: (1) the Group continued the staff compensation reform to enhance its competitiveness; (2) the Group implemented the Annuity Plan; (3) expenses for supporting the Group's business growth increased with the expansion of business and increasingly fierce market competition; and (4) depreciation expense continued to decline as a result of factors such as the sale and disposal of fixed assets in previous years.

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Impairment Losses

	Unit: RMB million		
	Half year ended 30 June 2006	Half year ended 30 June 2005	Year ended 31 December 2005
Provision for loan losses	5,062	4,718	10,888
(Write-back of)/Provision for impairment of foreclosed assets	(131)	96	133
(Write-back of)/Provision for impairment of other receivables	(55)	206	498
Write-back of impairment of fixed assets and others	—	(444)	(534)
Total	4,876	4,576	10,985

In the first half of 2006, the Group's asset impairment losses increased by RMB300 million or 6.56%.

Provision for Interest Receivable and Other Bad Debt Receivables

As provided in the *Accounting System for Financial Institutions* issued by the Ministry of Finance, financial institutions should analyze the recoverability of receivables (including fund placement and premium receivable, but not including interest receivable), forecast bad debt losses, and make provision for bad debt losses that are estimated to occur. When loan interest receivable or corresponding loan principal is overdue for more than 90 days, the interest receivable should be transferred off balance sheet, and the interest income and interest receivable that have been recognized should be reversed. The age of interest receivable is within 90 days.

In the report period, the Group's bad debt provision was detailed as follows:

	Unit: RMB million		
	At 30 June 2006	At 31 December 2005	Increase
Other receivables	17,538	14,275	3,263
Balance of bad debt provision	3,874	3,878	(4)

Income Tax Analysis

In the first half of 2006, the Group's income tax expense was RMB12.362 billion, a year-on-year increase of RMB1.502 billion or 13.83%. The Group's effective tax rate was 36.34%, a year-on-year decrease of 0.38 percentage points.

Balance Sheet Analysis

Unit: RMB million

	At 30 June 2006	At 31 December 2005	At 31 December 2004
Debt securities ¹¹	1,988,271	1,669,591	1,309,479
Due from banks, placements with banks and other financial institutions, and due from central banks	640,765	661,478	631,727
Net loans	2,317,408	2,151,893	2,071,693
Fixed assets and construction in progress	75,148	76,320	79,302
Total assets	5,226,933	4,742,806	4,270,443
Due to banks, placements from banks and other financial institutions, and due to central banks	388,844	375,288	318,443
Deposits from customers	4,053,024	3,703,777	3,342,477
Special purpose borrowings and bonds issued	109,799	112,343	95,802
Total liabilities	4,840,480	4,480,186	4,037,705
Minority interests	28,812	28,778	27,387
Total equity	357,641	233,842	205,351
Total equity and liabilities	5,226,933	4,742,806	4,270,443

Debt Securities

Unit: RMB million

	At 30 June 2006	At 31 December 2005	At 31 December 2004
Trading and other bonds at fair value through profit or loss	110,602	107,271	91,012
Debt securities available-for-sale	919,175	593,010	346,532
Debt securities held-to-maturity, net	569,126	607,459	457,994
Debt securities classified as loans and receivables, net	389,368	361,851	413,941
Total	1,988,271	1,669,591	1,309,479

¹¹ Including securities available-for-sale, securities held-to-maturity, loans and receivables, trading and other debt securities at fair value through profit or loss.

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As of 30 June 2006, security assets of the Group reached RMB1,988.271 billion, an increase of RMB318.68 billion or 19.09% over 31 December 2005. The increase was mainly attributed to the growth of RMB326.165 billion in debt securities available-for-sale.

Loans

As of 30 June, 2006, the Group had a total loan portfolio of RMB2,405.536 billion, an increase of RMB170.49 billion or 7.6% over the previous year-end. Loans by domestic operations were RMB1,972.631 billion, an increase of RMB172.708 billion or 9.6% over the previous year-end. Loans by domestic operations of Eastern Region grew at the highest rate, with an RMB93.81 billion or 13.1% increase over the previous year-end.

Loan Portfolio Concentrations by Geographic Region

Loan Portfolio Concentration of the Group by Region

Unit: RMB million

	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Domestic operations	1,972,631	82.00	1,799,923	80.53	1,734,302	80.80
Overseas operations	432,905	18.00	435,123	19.47	412,160	19.20
Total	2,405,536	100.00	2,235,046	100.00	2,146,462	100.00

Domestic Loans by Geographic Region

Unit: RMB million

Domestic	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Northern Region	353,477	17.92	322,451	17.91	313,843	18.10
Northeastern Region	135,087	6.85	131,430	7.30	128,374	7.40
Eastern Region	813,572	41.24	719,759	39.99	679,773	39.20
Central & Southern Region	470,372	23.85	444,869	24.72	433,860	25.02
Western Region	200,123	10.14	181,414	10.08	178,452	10.28
Total	1,972,631	100.00	1,799,923	100.00	1,734,302	100.00

Note: Northern Region includes Beijing Municipality, Tianjin Municipality, Hebei Province, Shanxi Province, Inner Mongolia Autonomous Region, and the Head Office of BOC;

Northeastern Region includes Heilongjiang Province, Jilin Province, and Liaoning Province;

Eastern Region includes Shanghai Municipality, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, and Shandong Province;

Central & Southern Region includes Henan Province, Hubei Province, Hunan Province, Guangdong Province, Shenzhen City, Guangxi Autonomous Region, and Hainan Province;

Western Region includes Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Ningxia Autonomous Region, Qinghai Province, Tibet Autonomous Region, and Xinjiang Uighur Autonomous Region.

Industry Concentration of the Group's Loans

As of 30 June, 2006, the outstanding balance of the Group's corporate loans was RMB1,864.081 billion, an increase of RMB 152.038 billion or 8.9% from the beginning of the year. These loans were mainly concentrated in the sectors of manufacturing, commerce and services, accounting for 31.75% and 17.35% of total corporate loans respectively. Industry concentration of corporate loans by domestic operations was consistent with the overall characteristics of the Group.

Industry Concentration of Corporate Loans by the Group

Unit: RMB million

	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	591,909	31.75	531,191	31.03	523,506	31.70
Commerce and services	323,348	17.35	301,863	17.63	348,432	21.10
Real estate	201,585	10.82	190,297	11.11	187,110	11.40
Energy, mining and agriculture	252,415	13.54	230,854	13.48	203,544	12.30
Transportation	200,503	10.76	193,428	11.30	184,449	11.10
Public utilities	104,827	5.62	91,924	5.37	87,731	5.30
Construction	38,304	2.05	36,050	2.11	36,059	2.20
Financial services	112,153	6.02	96,245	5.62	46,518	2.80
Others	39,037	2.09	40,191	2.35	35,072	2.10
Total	1,864,081	100.00	1,712,043	100.00	1,652,421	100.00

Industry Concentration of Corporate Loans by Domestic Operations

Unit: RMB million

	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	543,831	34.68	490,898	34.57	497,317	36.10
Commerce and services	276,491	17.64	255,460	17.99	284,772	20.60
Real estate	104,121	6.64	96,390	6.79	100,932	7.30
Energy, mining and agriculture	233,357	14.88	210,281	14.81	186,942	13.50
Transportation	173,417	11.06	165,396	11.65	157,762	11.40
Public utilities	104,827	6.69	91,924	6.47	87,731	6.30
Construction	32,940	2.10	30,089	2.12	27,938	2.00
Financial services	96,440	6.15	77,237	5.44	32,079	2.30
Others	2,512	0.16	2,290	0.16	7,484	0.50
Total	1,567,936	100.00	1,419,965	100.00	1,382,957	100.00

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Loans of the Group by Customer

As of 30 June 2006, the outstanding balance of the Group's corporate loans was RMB1,864.081 billion, an increase of RMB152.038 billion or 8.9% from the prior year-end, accounting for 77.5% of the total. The outstanding balance of personal loans was RMB541,455 million, an increase of RMB18.452 billion or 3.5% from the prior year-end, accounting for 22.5% of the total. The balance of domestic corporation loans increased by RMB147.971 billion or 10.4% compared with the previous year-end, and the balance of personal loans increased by 6.5% or RMB 24.737 billion.

Loans of the Group by Customer

Unit: RMB million

	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,864,081	77.49	1,712,043	76.60	1,652,421	76.98
Trade bills	269,713	11.21	225,026	10.07	177,738	8.28
Personal loans	541,455	22.51	523,003	23.40	494,041	23.02
Total	2,405,536	100.00	2,235,046	100.00	2,146,462	100.00

Loans of Domestic Operations by Customer

Unit: RMB million

	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,567,936	79.48	1,419,965	78.89	1,382,957	79.74
Trade bills	240,826	12.21	195,311	10.85	148,832	8.58
Personal loans	404,695	20.52	379,958	21.11	351,345	20.26
Total	1,972,631	100.00	1,799,923	100.00	1,734,302	100.00

Personal Loans of Domestic Operations by Product

	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Mortgage	308,387	76.20	286,829	75.49	240,640	68.49
Credit cards	2,212	0.55	1,929	0.51	1,441	0.41
Others*	94,096	23.25	91,200	24.00	109,264	31.10
Total	404,695	100.00	379,958	100.00	351,345	100.00

* Others mainly include auto loans, personal investment loans and personal education loans.

Loans of the Group by Currency

As of 30 June 2006, the outstanding balance of the Group's loans in RMB was RMB1,643.896 billion, an increase of RMB166.037 billion or 11.2% from the beginning of the year. It accounted for 68.3% of the total.

Loans of the Group by Currencies

Unit: RMB million

	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
RMB	1,643,896	68.34	1,477,859	66.12	1,378,760	64.23
Foreign currencies	761,640	31.66	757,187	33.88	767,702	35.77
Total	2,405,536	100.00	2,235,046	100.00	2,146,462	100.00

Loans of Domestic Operations by Currency

Unit: RMB million

	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
RMB	1,641,482	83.21	1,475,821	82.00	1,378,343	79.50
Foreign currencies	331,149	16.79	324,102	18.00	355,959	20.50
Total	1,972,631	100.00	1,799,923	100.00	1,734,302	100.00

Loans of the Group by Types of Security

As of 30 June, 2006, a large proportion of the Group's loans were secured, accounting for 45.85% of the total. Unsecured loans accounted for 24.1%.

Loans of the Group by Types of Security

Unit: RMB million

Types of security	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured	578,987	24.08	475,764	21.29	447,800	20.86
Guaranteed	723,502	30.07	684,824	30.64	650,905	30.32
Collateralized and other secured	1,103,047	45.85	1,074,458	48.07	1,047,757	48.82
Total	2,405,536	100.00	2,235,046	100.00	2,146,462	100.00

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Quality of the Group's Loans

As of 30 June 2006, the Group's total impaired loans were RMB105.944 billion, a decrease of RMB3.367 billion over the previous year-end; and the impaired loan ratio was 4.4%, a decrease of 0.49 percentage point. The impaired loans of domestic operations were RMB99.543 billion, a decrease of RMB2.597 billion over the previous year-end; and the impaired loan ratio was 5.05%, a decrease of 0.62 percentage point. The impaired loans of overseas operations were RMB6.401 billion, a decrease of RMB770 million over the previous year-end; and the impaired loan ratio was 1.48%, a decrease of 0.17 percentage point.

Impaired Loan Portfolio Concentrations of the Group by Region

Unit: RMB million

	At 30 June 2006			At 31 December 2005			At 31 December 2004		
	Balance	Proportion (%)	Impaired loan ratio (%)	Balance	Proportion (%)	Impaired loan ratio (%)	Balance	Proportion (%)	Impaired loan ratio (%)
Domestic operations	99,543	93.96	5.05	102,140	93.44	5.67	104,327	88.3	6.02
Overseas operations	6,401	6.04	1.48	7,171	6.56	1.65	13,830	11.7	3.36
Total	105,944	100.00	4.40	109,311	100.00	4.89	118,157	100.00	5.50

Notes: 1. If objective impairment evidence shows that the future cash flow of loans will decrease and the amount can be estimated, then the Bank identifies the loan as impaired loan and recognizes the losses as well.

2. Impaired loan ratio is calculated by the balance of impairment loans divided by the balance of total loans.

Impaired Loan Portfolio Concentrations of Domestic Operations by Region

Unit: RMB million

	At 30 June 2006			At 31 December 2005			At 31 December 2004		
	Balance	Proportion (%)	Impaired loan ratio (%)	Balance	Proportion (%)	Impaired loan ratio (%)	Balance	Proportion (%)	Impaired loan ratio (%)
Northern Region	18,457	18.54	5.22	17,699	17.30	5.50	22,600	21.70	7.20
Northeastern Region	11,968	12.03	8.84	12,363	12.10	9.40	13,170	12.60	10.26
Eastern Region	25,962	26.08	3.19	27,811	27.20	3.90	28,595	27.40	4.21
Central Southern Region	30,071	30.21	6.39	30,611	30.00	6.90	26,611	25.50	6.13
Western Region	13,085	13.14	6.54	13,656	13.40	7.50	13,351	12.80	7.48
Total	99,543	100.00	5.05	102,140	100.00	5.70	104,327	100.00	6.02

Industry Concentration of Impaired Corporate Loans by Domestic Operations

Unit: RMB million

	At 30 June 2006			At 31 December 2005			At 31 December 2004		
	Balance	Proportion (%)	Impaired loan ratio (%)	Balance	Proportion (%)	Impaired loan ratio	Balance	Proportion (%)	Impaired loan ratio (%)
Manufacturing	34,856	38.86	6.41	32,969	35.58	6.76	32,218	33.37	6.48
Commerce and services	23,162	25.83	8.38	25,443	27.46	9.96	26,344	27.29	9.25
Real estate	11,596	12.93	11.14	12,763	13.77	13.24	13,453	13.93	13.33
Energy, mining and agriculture	6,624	7.39	2.84	6,665	7.19	3.17	6,588	6.82	3.52
Transportation	7,176	8.00	4.14	7,759	8.37	4.69	9,729	10.08	6.17
Public utilities	4,312	4.81	4.11	4,627	4.99	5.03	5,564	5.76	6.34
Construction	1,717	1.91	5.21	2,226	2.40	7.40	2,569	2.66	9.20
Financial services	235	0.26	0.24	215	0.24	0.28	72	0.08	0.22
Others	6	0.01	0.26	0	0.00	0.00	6	0.01	0.08
Total	89,684	100.00	5.72	92,667	100.00	6.54	96,543	100.00	6.98

Impaired Loans of the Group by Customer

Unit: RMB million

	At 30 June 2006			At 31 December 2005				At 31 December 2004	
	Balance	Proportion (%)	Impaired loan ratio (%)	Balance	Balance	Proportion (%)	Impaired loan ratio	Balance (%)	Balance (%)
Corporate loans	95,120	89.78	5.10	98,669	90.26	5.76	108,005	91.41	6.54
Personal loans	10,824	10.22	2.00	10,642	9.74	2.03	10,152	8.59	2.05
Total	105,944	100.00	4.40	109,311	100.00	4.89	118,157	100.00	5.50

Impaired Loans of Domestic Operations by Customer

	At 30 June 2006			At 31 December 2005			At 31 December 2004		
	Balance	Proportion (%)	Impaired loan ratio (%)	Balance	Proportion (%)	Impaired loan ratio (%)	Balance	Proportion (%)	Impaired loan ratio (%)
Corporate loans	89,684	90.10	5.72	92,667	90.73	6.53	96,543	92.55	6.99
Personal loans	9,859	9.90	2.44	9,473	9.27	2.49	7,784	7.45	2.22
Total	99,543	100.00	5.05	102,140	100.00	5.67	104,327	100.00	6.02

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Impaired Personal Loans of Domestic Operations by Product

Unit: RMB million

	At 30 June 2006			At 31 December 2005			At 31 December 2004		
	Balance	Proportion (%)	Impaired loan ratio (%)	Balance	Proportion (%)	Impaired loan ratio (%)	Balance	Proportion (%)	Impaired loan ratio (%)
Mortgage	3,930	39.87	1.27	3,837	40.50	1.34	3,608	46.35	1.50
Credit cards	267	2.71	12.08	228	2.41	11.82	218	2.80	15.13
Others	5,662	57.42	6.02	5,408	57.09	5.93	3,958	50.85	3.62
Total	9,859	100.00	2.44	9,473	100.00	2.49	7,784	100.00	2.22

Five-category Classification of Loans

As of 30 June 2006, the Group's non-performing loans (NPLs) were RMB100.788 billion in accordance with regulatory classification standards, a decrease of RMB2.438 billion over the previous year-end; NPL ratio was 4.19%, a decrease of 0.43 percentage point. NPLs of domestic operations were RMB96.519 billion, a decrease of RMB1.69 billion over the previous year-end; NPL ratio was 4.89%, a decrease of 0.57 percentage point. Loans of the Group classified as special mention stood at RMB261.788 billion, a decrease of RMB22.260 billion over the previous year-end, accounting for 10.88% of total loans, a decrease of 1.83 percentage points.

Asset Quality of the Group

Unit: RMB million

	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Pass	2,042,960	84.93	1,847,772	82.67	1,611,936	75.10
Special mention	261,788	10.88	284,048	12.71	424,606	19.78
Substandard	42,082	1.75	45,573	2.04	61,289	2.86
Doubtful	43,479	1.81	44,550	1.99	32,931	1.53
Loss	15,227	0.63	13,103	0.59	15,700	0.73
Total	2,405,536	100.00	2,235,046	100.00	2,146,462	100.00
Total NPLs	100,788	4.19	103,226	4.62	109,920	5.12

Asset Quality of Domestic Operations

Unit: RMB million

	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Pass	1,625,776	82.42	1,430,210	79.46	1,227,414	70.77
Special mention	250,336	12.69	271,504	15.08	408,571	23.56
Substandard	40,917	2.07	44,056	2.45	57,656	3.32
Doubtful	41,760	2.12	42,852	2.38	29,787	1.72
Loss	13,842	0.70	11,301	0.63	10,874	0.63
Total	1,972,631	100.00	1,799,923	100.00	1,734,302	100.00
Total NPLs	96,519	4.89	98,209	5.46	98,317	5.67

Deposits from Customers

Unit: RMB million

	At 30 June 2006	At 31 December 2005	At 31 December 2004
Short-term ¹² corporate deposits	1,467,863	1,323,444	1,150,115
Short-term savings deposits	2,044,461	1,911,921	1,756,312
long-term ¹³ corporate deposits	32,157	26,317	32,743
long-term savings deposits	339,763	313,703	296,246
Securities and margin deposits	168,780	128,392	107,061
Total	4,053,024	3,703,777	3,342,477

As of 30 June 2006, total deposits of the Group reached RMB4,053.024 billion, an increase of RMB349.247 billion or 9.43% over the previous year-end. Of the total amount, corporate and personal deposits increased by RMB150.259 billion and RMB158.6 billion respectively.

¹². Include demand deposits and time deposits less than (including) one year.

¹³. Refer to long-term deposits beyond a year.

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Deposits from Customers by Currency

As of 30 June 2006, the balance of the Group's RMB deposits increased by RMB344.697 billion or 13.6% from the beginning of the year to RMB2,876.575 billion. The balance of RMB deposits accounted for 71% of total deposits.

Unit: RMB million

	At 30 June 2006		At 31 December 2005		At 31 December 2004	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
RMB	2,876,575	70.97	2,531,878	68.36	2,093,272	62.63
Foreign currencies	1,176,449	29.03	1,171,899	31.64	1,249,205	37.37
Total	4,053,024	100.00	3,703,777	100.00	3,342,477	100.00

Equity

Unit: RMB million

	At 30 June 2006	At 31 December 2005	At 31 December 2004
Minority interests	28,812	28,778	27,387
Equity	357,641	233,842	205,351
Total equity	386,453	262,620	232,738

In the first half of 2006, the Bank issued, at a premium, ordinary shares to the National Council for Social Security Fund, and then issued, at a premium, overseas listed shares (H Shares) to overseas investors and ordinary shares (A Shares) to domestic investors. For details, please refer to Appendix: Note III, 17(1) of the Accountants' Report.

Changes in Shareholder's Equity within the Report Period

Unit: RMB million

	Share capital	Capital reserve	Statutory reserve	General and regulatory reserves	Undistributed profit	Reserve for fair value changes of available-for-sale securities	Currency translation differences	Total
Balance at 1 January 2006	209,427	3,978	5,987	5,109	12,585	(1,380)	(1,864)	233,842
Net profit for the period	-	-	-	-	19,024	-	-	19,024
Issue of ordinary shares	44,412	72,567	-	-	-	-	-	116,979
Appropriation to statutory reserves	-	-	2,108	-	(2,108)	-	-	-
Appropriation to general and regulatory reserves	-	-	-	4,291	(4,291)	-	-	-
Net change in fair value of available-for-sale securities	-	-	-	-	-	(10,574)	-	(10,574)
Dividends	-	-	-	-	(1,375)	-	-	(1,375)
Currency translation differences	-	-	-	-	-	-	(255)	(255)
Others	-	-	-	(2)	2	-	-	-
Balance at 30 June, 2006	253,839	76,545	8,095	9,398	23,837	(11,954)	(2,119)	357,641

Balance of Major Off-balance Sheet Items

The balances of major off-balance sheet items of the Group at the end of the reporting period are as follows:

Unit: RMB million

	At 30 June 2006	At 31 December 2005
Acceptance	230,434	195,234
Letter of guarantee issued	255,779	212,987
Letter of credit issued	115,686	101,195
Irrevocable credit commitment and others	422,297	386,346
Total	1,024,196	895,762

Management Discussion & Analysis

Supplementary Financial Information as of the End of the Last Three Report Periods

Major regulatory indicators	Regulatory Criteria	At 30 June 2006	At 31 December 2005	At 31 December 2004
Capital adequacy ratio (%)	≥8	12.4	10.4	10.0
Core capital adequacy ratio (%)	≥4	10.6	8.1	8.5
Liquidity ratio (%)	RMB ≥25	32.0	48.9	35.3
	Foreign currencies ≥25	45.8	87.4	78.6
Loan-deposit ratio (%)	RMB ≤75	57.2	51.7	59.6
	Foreign currencies ≤85	64.7	70.4	67.9
NPL ratio (%)	-	4.2	4.6	5.1
Provision coverage (%)	≥60	87.4	80.6	68.0
Proportion of single largest customer loans (%)	≤10	3.9	4.7	3.4
Proportion of loans to top 10 customers (%)	≤50	19.3	25.6	25.4

The above regulatory indicators are calculated in accordance with relevant provisions of CBRC, and the financial information is prepared in accordance with the *Accounting Standards for Business Enterprises* and the *Accounting System for Financial Enterprises*. The liquidity ratio is calculated in accordance with relevant provisions of CBRC in 2006.

Capital Adequacy Ratio

The Bank calculates and discloses the capital adequacy ratio in line with the *Management Measures on Capital Adequacy Ratio of Commercial Banks* (CBRC Decree [2004] No.2) promulgated by CBRC on 23 February 2004. In 2005, the Group calculated market risk capital in line with the provisions of the *Circular of the General Office of China Banking Regulatory Commission on Issuing Market Risk Capital Calculation Sheet and Explanation for Commercial Banks* (YJF [2004] No.374) promulgated by the CBRC. As of 30 June 2006, the Group's capital adequacy ratio increased by 1.98 percentage points to 12.40%, while core capital adequacy ratio increased by 2.55 percentage points to 10.63%.

The Group's net capital amounted to RMB452.027 billion as of 30 June 2006, an increase of RMB125.79 billion. The net core capital grew by RMB134.728 billion to RMB387.698 billion, and risk-weighted assets (excluding market risk) increased by RMB370.47 billion to RMB3,163.659 billion. The market risk capital requirement of the Group was RMB38.549 billion, and the balance of corresponding risk-weighted assets was RMB481.868 billion.

Unit: RMB million			
Items	At 30 June 2006	At 31 December 2005	Change/ratio
Net core capital (a)	387,698	252,970	134,728
Net capital (b)	452,027	326,237	125,790
Risk-weighted assets (c)	3,163,659	2,793,189	370,470
Market risk capital (d)	38,549	27,025	11,524
Core capital adequacy ratio (%) $[e=a/(c+d*12.5)]$	10.63	8.08	2.55
Capital adequacy ratio (%) $[f=b/(c+d*12.5)]$	12.40	10.42	1.98

Segment Reporting

Reporting by Region

At 30 June 2006

Unit: RMB million

	Mainland	Hong Kong & Macau	Other overseas regions	Eliminations	Group
Net interest income	45,078	8,549	845	4	54,476
Non-interest income	4,371	6,189	152	(586)	10,126
Operating and administrative expenses	(18,920)	(3,618)	(687)	32	(23,193)
Operating profit	27,584	11,091	297	(550)	38,422
(Charge)/write-back for impairment losses	(5,932)	935	121	-	(4,876)
Gross profit	21,824	12,284	455	(550)	34,013
Income tax	(10,751)	(1,672)	(142)	203	(12,362)
Profit attributable to the minority	(4)	(2,623)	-	-	(2,627)
Net profit	11,069	7,989	313	(347)	19,024
Segment assets	4,268,205	993,715	199,169	(234,156)	5,226,933
Segment liabilities	(3,917,105)	(897,042)	(191,882)	165,549	(4,840,480)

At 30 June 2005

Unit: RMB million

	Mainland	Hong Kong & Macau	Other overseas regions	Eliminations	Group
Net interest income	40,434	7,380	844	-	48,658
Non-interest income	4,860	2,712	449	-	8,021
Operating and administrative expenses	(17,046)	(3,358)	(596)	-	(21,000)
Operating profit	25,612	6,710	687	-	33,009
(Charge)/write-back for impairment losses	(6,591)	1,805	210	-	(4,576)
Gross profit	19,744	8,882	952	-	29,578
Income tax	(9,472)	(1,228)	(160)	-	(10,860)
Profit attributable to the minority	9	(2,293)	-	-	(2,284)
Net profit	10,281	5,361	792	-	16,434
Segment assets	3,803,989	966,225	186,982	(214,390)	4,742,806
Segment liabilities	(3,584,086)	(871,046)	(178,853)	153,799	(4,480,186)

During the first half of 2006, the Chinese Mainland remained to be the primary business region of the Group and the important sources of income and net profit as well, accounting for 78% of total assets and 57% of total profit of the Group. Hong Kong and Macau were also key business regions, accounting for 18% of total assets and 41% of total profit of the Group.

Management Discussion & Analysis

Reporting by Business Line

At 30 June 2006

Unit: RMB million

	Corporate banking	Personal banking	Treasury services	Investment banking	Insurance business	Others	Eliminations	Total
Net interest income	26,602	16,881	11,376	19	250	(656)	4	54,476
Non-interest income	5,029	4,147	(1,471)	1,324	198	1,536	(637)	10,126
Operating and administrative expenses	(8,588)	(11,677)	(2,876)	(224)	(103)	(406)	681	(23,193)
Operating profit	21,565	8,892	6,006	1,117	342	452	48	38,422
(Charge)/write-back for impairment losses	(4,202)	(720)	1	(5)	6	44	-	(4,876)
Gross profit	17,419	8,299	6,052	1,110	388	1,295	(550)	34,013
Segment assets	1,813,042	637,280	2,692,140	18,079	17,153	84,279	(35,040)	5,226,933
Capital expenditure	416	782	31	6	2	953	-	2,190

At 30 June 2005

Unit: RMB million

	Corporate banking	Personal banking	Treasury services	Investment banking	Insurance business	Others	Eliminations	Total
Net interest income	25,744	16,021	7,056	63	183	(409)	-	48,658
Non-interest income	4,135	2,558	746	335	46	243	(42)	8,021
Operating and administrative expenses	(7,876)	(10,148)	(2,680)	(195)	(88)	(301)	288	(21,000)
Operating profit	20,548	7,995	4,362	201	140	(483)	246	33,009
(Charge)/ write-back for impairment losses	(5,471)	819	19	1	(2)	58	-	(4,576)
Gross profit	15,184	9,029	4,452	203	134	576	-	29,578
Segment assets	1,658,718	603,891	2,399,377	15,159	12,398	77,644	(24,381)	4,742,806
Capital expenditure	342	665	32	4	25	698	-	1,766

With effect from 1 January 2006, the internal funding transfer pricing mechanism of the Bank was revised. The new pricing mechanism is based on the market deposit and lending rates, adjusted for pre-determined margins with reference to the different products and respective maturities. Previously, blended mid prices between the Bank's average cost of funding and average yield on interest bearing assets were adopted, without taking into consideration the variety of products and respective maturities. The reason for the change is primarily to better reflect the performance of the individual segments as part of the Bank's efforts to enhance its assets and liabilities management capability. The above segment information at 30 June 2005 is based on the new transfer pricing mechanism.

Business Review

Commercial Banking

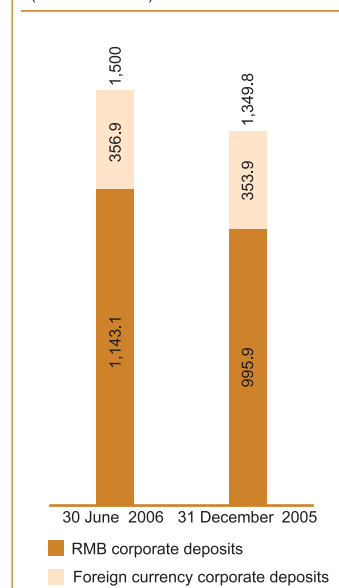
The Bank operates three principal lines of business - commercial banking, investment banking and insurance. With a global presence in 27 countries and regions, we maintain correspondent relationships with over 1,400 foreign banks which collectively have 46,900 branches worldwide. Leveraging our global network, quality services, and operational strengths, we enjoy a distinctive competitive advantage in the domestic banking market.

Corporate banking

Corporate banking refers to a variety of financial products, credit facilities and financial solutions that we provide to our customers, including deposit-taking, lending, trade finance, settlement, clearing and custody.

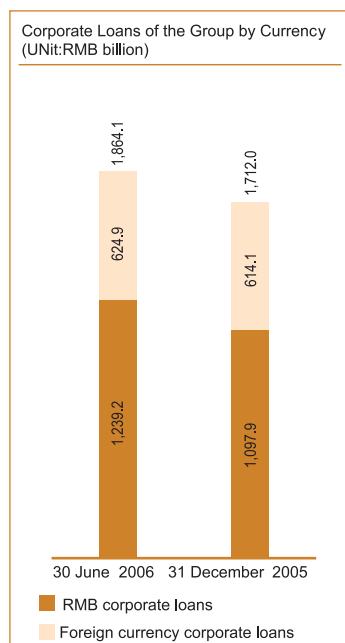
Corporate deposits and loans The Bank continued to strengthen marketing efforts to promote corporate deposits. RMB corporate deposits maintained its sustainable and rapid growth momentum which has persisted over the years. As at the end of June 2006, the balance of domestic RMB corporate deposits was RMB 1,142.1 billion, an increase of RMB146.7 billion or 14.7% from the prior year-end with a market share of 8.2% among all financial institutions¹⁴. The Bank actively expanded the key customer segment and applied differentiation policies in business management and service delivery, leveraged concerted marketing strengths between the Head Office and Branches in marketing for key projects and speeded up the development of quality asset business. As at the end of June 2006, the outstanding balance of domestic RMB corporate loans stood at RMB1,236.7 billion, an increase of RMB140.9 billion or 12.8% from the prior year-end, representing a market share of 6.7% among all financial institutions. While maintaining the stable growth of RMB corporate deposits, the Bank also strengthened its efforts in promoting foreign currency corporate deposits in a bid to sustain its leading position in the market. As at the end of June 2006, the balance of domestic foreign currency corporate deposits was USD17.67 billion, an increase of USD1.29 billion from the prior year-end, with a market share among all financial institutions of 21.1%. Fully leveraging its strength in foreign exchange business, the Bank actively conducted product innovation and seized opportunities to develop its trade finance business, which promoted the growth in foreign currency corporate deposits. By the end of the report period, the outstanding balance of domestic foreign currency corporate loans was USD41.44

Corporate Deposits of the Group by Currency
(Unit: RMB billion)



¹⁴. All financial institutions include: People's Bank of China, policy banks, state-owned commercial banks, other commercial banks, urban commercial banks, rural commercial banks, urban credit cooperatives, rural cooperative banks, rural credit cooperatives, financial companies, trust and investment corporations, leasing companies, and savings and remittance bureaus.

Management Discussion & Analysis



billion, an increase of USD1.28 billion, and the market share among all financial institutions was 33.5%. The balance of foreign currency corporate deposits of overseas operations was USD27 billion, and outstanding balance of foreign currency corporate loans was USD37.04 billion.

In the first half of 2006, the Bank devoted great efforts to expand its high-quality customers segment, and forged ahead with reforming the corporate business operation and management model. It continued to strengthen joint marketing between the Head Office and branches on key projects or to key customers, expanded quality asset business, and enhanced cooperation between product departments to expand cross selling. It also reinforced collaboration between domestic operations and Bank of China (Hong Kong) Limited ("BOC Hong Kong"), BOC International Holdings ("BOCI"), Bank of China Group Investment Limited ("BOCGI"), Bank of China Group Insurance Company Limited ("BOCG" Insurance) and other overseas operations to promote the overall competitiveness of its corporate banking. By launching initiatives such as pilot projects targeting small enterprises and strengthening product innovation, the Bank seeks to ensure sustainable and healthy development of its corporate business.

Institutional banking Institutional banking business of the Bank refers to various asset, liability and fee-based services the Bank is engaged in by leveraging on its own resources, with a view to serving various financial institutions and generating comprehensive benefits. Institutional deposits grew rapidly in May-June 2006 as influenced by the stock market. At the end of June 2006, the balance of RMB deposits from financial institutions for domestic operations was RMB172.33 billion, an increase of RMB18.27 billion from the prior year-end. The balance of current and time foreign currency deposits from financial institutions for domestic operations was USD9.87 billion, a decrease of USD180 million.

Since 1987, the Bank has sequentially designated its New York, Tokyo and Frankfurt branches as the major clearing channels for US dollar, yen and euro respectively. Over years' efforts, the Bank has set up a comprehensive overseas clearing system which covers different currencies and regions and provides domestic and overseas customers with efficient and convenient clearing services.

Custody and fund distribution The Bank serves as custodian for a diverse range of closed-end funds, open-end funds, brokerage wealth management programs, Social Security Fund, insurance companies, QFII, annuity funds, trust companies, asset securitization capitals and emerging products such as industry funds and QDII etc. The funds we distribute as agent cover all types of open-end funds such as equity, balanced and bond funds, brokerage wealth management program, and investment-linked insurance products.

In the first half of 2006, the environment of custody and fund distribution business improved generally. Facing an active stock market, investors have quickened the pace of investment and more innovations have been introduced. The fund distribution and custody business thus maintained generally healthy and fast development. As at the end of June 2006, total assets in the Bank's custody, leading the market, reached nearly RMB210 billion, an increase of 20% over the year beginning. Total volume of the Bank's fund distributions exceeded

RMB28 billion, a year-on-year increase of 50%.

In the first half of 2006, the Bank achieved new breakthroughs in custody business for QFII funds, insurance funds, corporate annuity and local social insurance fund, making it the largest Chinese QFII custodian bank.

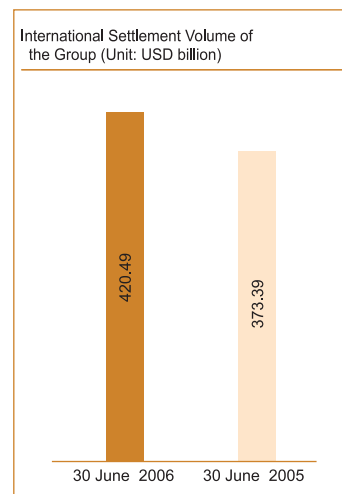
International settlement and trade finance The Bank's international settlement and trade finance services include issuance of import letters of credit, collection and presentation of document under export letter of credit, import bill advance, export bill purchase, forfeiting, confirmation of letters of credit, letter of guarantee and factoring. In addition to traditional international settlement and trade finance services, the Bank also exclusively provides such services as processing trade account services, tax payment guarantee, etc, meeting customers' different settlement and financing needs.

During the first half of 2006, the Group's total volume of international settlements reached USD420.49 billion, an increase of 12.6% year-on-year. Of the total amount, USD269.9 billion was carried out by the domestic operations, a year-on-year increase of 10.7%, and USD150.5 billion was carried out by overseas operations, a year-on-year increase of 16.2%. Due to the steady growth of domestic economy, the volume of domestic trade finance surged sharply, with factoring business climbing 223%. The growth of international trade finance slowed down due to the pickup of interest rate in the international market. In the first half of 2006, the Group undertook total volume of international trade finance of USD29.17 billion, a year-on-year increase of 13.3%. Of the total amount, USD13.14 billion was undertaken by domestic operations, and USD19.91 billion was by overseas operations. The volume of letters of guarantee denominated in foreign currencies issued by domestic operations was USD4.77 billion, a year-on-year increase of 83.5%; and those denominated in RMB was 37.3 billion, a year-on-year increase of 109.5%. The volume of international factoring transactions undertaken by domestic operations was USD2.58 billion, representing an increase of 27.4% over the same period last year; and the volume of domestic factoring transactions was RMB12.76 billion, reflecting a year-on-year increase of 192.3%.

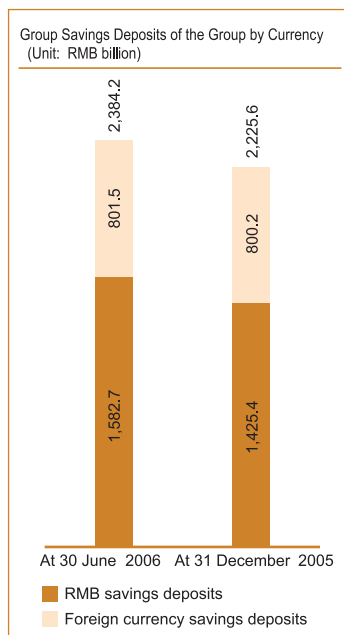
The Bank strengthened innovation and improved portfolioed application of trade finance and fee-based products in the first half of 2006. A series of competitive products were launched, including "Export Quan Yi Da, Import Hui Li Da, Import Bao Fu Da, and E-customs Declaration". The Bank also developed such new products and services as forfeiting under export credit insurance. These product innovations highlighted the Bank's distinctive advantages in its products and services of international settlement and trade finance, and have helped to consolidate its leadership in this area.

Personal Banking

Personal banking refers to the financial services provided by the Bank to residents or households, including deposit-taking, lending, wealth management and bank card services.



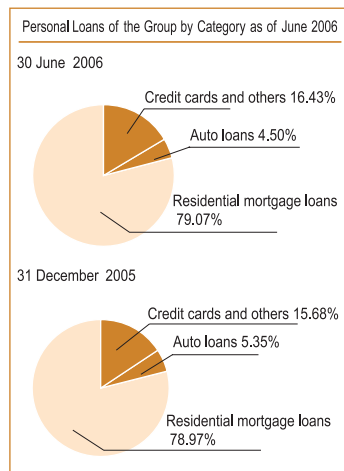
Management Discussion & Analysis



Savings deposits As at the end of June 2006, the balance of domestic RMB savings deposits was RMB1,573.8 billion, an increase of RMB157.44 billion over the prior year-end, representing a market share of 10.2%, an increase of 0.1 percentage point. The balance of domestic foreign currency savings deposits totaled USD31.69 billion, a decrease of USD820 million from the prior year-end, representing a market share of 49.8%. Savings deposits at overseas operations amounted to USD69.68 billion (including RMB8.97 billion of savings deposits), an increase of USD1.91 billion. The decrease of foreign currency savings deposits was mainly attributable to the reform of the RMB exchange rate regime, which buoyed the market's expectation of further RMB appreciation and weakened residents' willingness to hold such deposits.

Personal Loans At the end of June 2006, the outstanding balance of domestic personal loans was RMB404.7 billion, an increase of RMB24.7 billion from the prior year-end. Of the total personal loans, the balance of residential mortgage loans was RMB308.4 billion, an increase of RMB21.6 billion. The balance of overseas personal loans was USD17.1 billion, a decrease of USD620 million from the prior year-end.

In the first half of 2006, the Bank strengthened marketing efforts of personal residential mortgage loans through its direct-sale model under a unified brand, i.e. "Ideal Home", and launched two competitive new products, namely "Yi Ju Bao" first-hand residential mortgage loans and "An Ju Bao" second-hand residential mortgage loans. It also promoted strategic cooperation with leading real estate developers in China. As at end of June 2006, the Bank has a network of over 7,000 domestic outlets offering consumer loans through direct-sale model, accounting for more than 60% of all its outlets in the country.



Note: (1) Others include personal investment loans and personal loans to finance education.

Wealth Management In the first half of 2006, the Bank launched "BOC Global Wealth Management Service" in the wealth management centers of domestic operations. Over 250 wealth management centers are capable of offering services of unified standard to the Bank's VIP customers. The Bank also launched a series of foreign exchange wealth management products which are linked to the performance of exchange rate, oil and gold, and RMB structured wealth management products which are linked to the performance of exchange rate and gold. A BOC Wealth Management advisory team was established comprising over 20 experts from the Global Markets Department and Personal Banking Department of the Head Office, BOC Hong Kong, BOCI and BOCI China, to promote the "BOC Wealth Management" brand among customers. The Bank has also built a stronger wealth management team with over 2,300 wealth management managers at various domestic branches, of whom nearly 900 are Certified Financial Planners.

Bank Cards

The Bank provides customers with such bank card services as single and dual-currency debit cards, quasi-credit cards, credit cards and foreign currency card settlement services.

In the first half of 2006, the Bank steadily pushed forward the establishment of the credit card business unit in cooperation with The Royal Bank of Scotland Group PLC (RBS Group). It also strengthened the operation and risk management of bank card business, actively promoted per card transaction volume and usage frequency and steadily increased bank card business income. The Bank's domestic operations realized total bank card fees of RMB960 million, a year-on-year increase of 51.4%.

As at the end of June 2006, the bank's domestic operations issued a total of 94.6 million Great Wall RMB Debit Cards, 7.03 million BOC Great Wall Credit Cards, and 1.09 million BOC Credit Cards, an increase of 15.2%, 12.5% and 561% respectively over the same period of last year. The volume of foreign currency card settlements was RMB10,482 million, a year-on-year increase of 16.6%. Transaction volume of Great Wall RMB cards reached RMB65.1 billion, an increase of 47.7%.

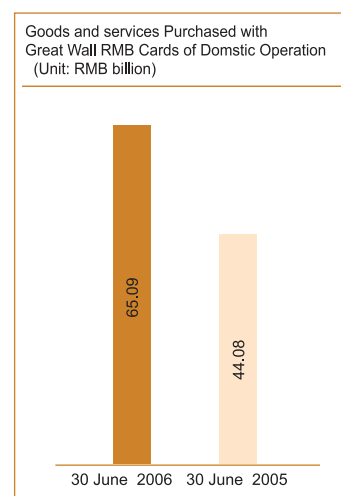
In the first half of 2006, the Bank continued to enhance bank card product innovation, and launched a variety of bank cards, including BOC City Card (a standard RMB credit card featured by installment), BOC Jiuguang JCB Co-Branded Credit Card, BOC Beida Credit Card, and BOC Golden Eagle Co-Branded Card. It also jointly launched the Great Wall Jiashi Fund Co-Branded Card, Great Wall Zhongsheng Co-Branded Card and some other cards with a number of large enterprises and public institutions. These products were well accepted by the market.

Treasury Business

The Bank is engaged in treasury business including investments and transactions on its own account, and meanwhile provides treasury products and services for corporate and personal customers. It takes a leading position among domestic commercial banks in foreign exchange treasury services.

The Bank's investment covers fields such as foreign currency bonds, money market, derivatives and asset management; its trading business includes foreign exchange transactions, foreign exchange swaps, foreign exchange settlement and sale, foreign exchange options, foreign currency bonds and derivatives, RMB bonds and precious metals. The Bank has a league of experienced traders and risk managers supporting its treasury business, ensuring that it earns profit with risks controlled within acceptable level.

The development and quotation of new products is one of the Bank's major competitive edges. In recent years, the People's Bank of China has launched a number of new initiatives, including the market maker system, tier-1 foreign exchange trader, OTC, forward, spot, interest rate swap, and inter-bank RMB foreign exchange swap. These initiatives have seen pace of marketization of RMB exchange rate regime quickened notably. Subsequently, the People's Bank of China, CBRC and the State Administration of Foreign Exchange jointly promulgated the *Interim Administrative Measures for Commercial Banks to*



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Provide Overseas Financial Management Services, and the Bank became one of the first banks approved to offer in overseas Wealth management services and obtained the biggest quota. Leveraging on its treasury business, the Bank gradually promoted the innovation of treasury products and attracted high-end customers by developing and offering customized products and services. In the first half of 2006, the Bank made great efforts to exploit treasury products and services in the face of fierce market competition. Apart from RMB interest rate swap and long-term forward exchange settlement and sales services, it also launched RMB structured wealth management products, including "Game" retail wealth management products, and "Olympics" wealth management series products. To meet the wealth management needs of corporate customers, the Bank also launched such products as "Four-Season Forward" and "Credit Garden". Its Huijubao personal foreign exchange wealth management series products have been named for the second consecutive year as "Best Wealth Management Brand in China" by a domestic professional financial and economic website www.hexun.com.

Gold bullion trading is one of the major treasury businesses of the Bank. As at 30 June, 2006, the Bank held a 37% market share and ranked first on Shanghai Gold Exchange, the sole gold exchange in China.

Operations of BOC Hong Kong

Bank of China (Hong Kong) Limited ("BOC Hong Kong") is a subsidiary in Hong Kong with 65.87% stake held by the Bank. BOC Hong Kong is one of the major commercial banks and also one of the three note-issuing banks in Hong Kong. As at the end of June 2006, it had 302 branches, of which 287 operate in Hong Kong, 14 in Mainland and 1 overseas, and 454 ATMs. BOC Hong Kong provides retail customers and corporate customers with a full range of financial products and services through its wide service network. In the first half of 2006, BOC Hong Kong acquired 51% stake in BOC Group Life Assurance Limited, thus further expanded its service scope and income sources. In the first half of 2006, BOC Hong Kong realized net profit of RMB4.57 billion equivalent (excluding minority interests), a year-on-year increase of 14.5%.

During the period, braced by the strong external economies and robust Chinese economy, the Hong Kong economy continued to register rapid growth. More employment opportunities were created, citizens' income was increased, and investment market became more active. The favorable economic environment has seen BOC Hong Kong's profit increased steadily with net interest margin expanded and non-interest income grew markedly compared with the same period of last year. Its investment agency business achieved remarkable results, and cost-income ratio remained at a low level in the market.

BOC Hong Kong improved the structure of its deposit-taking business while maintaining its edges. As at the end of June 2006, the balance of deposits from customers amounted to HKD650.99 billion, an increase of 1.9% over the end of last year. Rise in interest rate, among other factors, suppressed demand

for housing mortgage loans and market competition intensified, which led to a slight decrease of 0.2% in BOC Hong Kong's loan balance. In face of the adverse environment, BOC Hong Kong devoted great efforts to optimize credit portfolio and improve process management, and achieved a steady growth of loans to small and medium enterprises. It also held the lead in the syndicated loan market, ranking second in the Hong Kong and Macau syndicated loan market and third in the Hong Kong and China syndicated loan market.

In the first half of 2006, BOC Hong Kong continued to lead in Hong Kong's personal RMB business market, achieving good performance in all fields. RMB deposits rose slightly by 0.1%; its RMB credit card business takes a dominant market share, with total business volume rising 60.3%. As at the end of June, BOC Hong Kong had a total of 236 ATMs which offer RMB cash withdrawal services. In March 2006, BOC Hong Kong formally launched RMB clearing system, providing a superior clearing platform and a strong foundation for the further development of RMB business in Hong Kong. The launch of RMB-denominated personal checking services has offered customers a new consumption option with more flexibility and convenience. Leveraging the synergy with the parent bank, BOC Hong Kong remains driven in developing high-quality products and services with the aim of generating sustainable superior return on capital and maximum value for shareholders.

Investment Banking

BOC International Holdings Limited ("BOCI") is a wholly owned subsidiary registered in Hong Kong, and has 30 affiliates and subsidiaries around the world. It is a full-service investment bank with a full-fledged investment banking team and an independent international placement network.

In the first half of 2006, BOCI realized total profit of RMB1.11 billion, an increase of 446% year-on-year. During the period, it participated in six IPO projects in the capacity of exclusive/joint lead underwriter, and held a 28.5% share of the stock underwriting market in Hong Kong in terms of funds raised. It topped the list of IPO underwriters in terms of total funds raised and number of IPO projects. BOCI provides a wide range of asset management services through BOCI Prudential Asset Management Ltd ("BOCI Prudential"). At the end of June 2006, total assets under management by BOCI Prudential reached HKD26.85 billion, an increase of HKD1.5 billion or 5.9% from the prior year-end. With respect to Mandatory Provident Fund business in Hong Kong, BOCI Prudential has a registered MPF membership of 0.46 million, and total assets under management exceeded HKD14 billion, accounting for approximately 8% of the market.

BOC International (China) Limited ("BOCI China"), incorporated in March 2002, was the first Sino-foreign joint venture securities company with comprehensive A-share brokerage license. As at 30 June 2006, BOCI China ranked first among all Chinese securities companies in terms of total underwriting amounts. It also participated in underwriting the 15th issue of financial bonds of China Development Bank, and ranked first among all the underwriters in terms of the

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underwriting amount. In the same period, it claimed second place among Chinese securities companies in terms of volume of bond delivery.

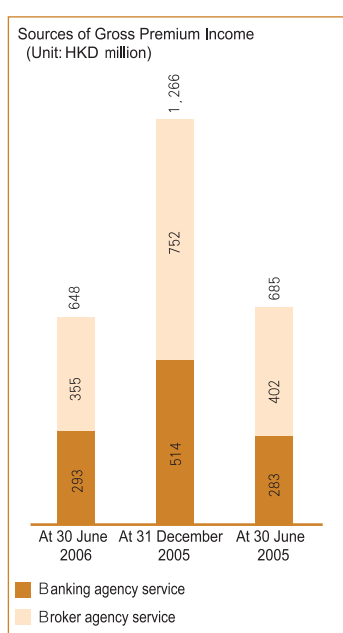
Insurance Business

The Bank offers insurance services including life insurance and non-life insurance. Non-life insurance business is wholly owned and operated by the Bank, and life insurance business is owned and operated jointly with the Bank's subsidiary BOC Hong Kong.

Bank of China Group Insurance Company, Ltd ("BOCG Insurance") and BOC Group Life Assurance Company, Ltd. ("BOCG Life") are responsible for the operation of the Group's insurance business.

In the first half of 2006, the insurance business of the Group achieved gross premium income of HKD648 million, translating into RMB388 million in total profit, up 189% year-on-year. Main resources of insurance businesses include banking agency business and broker agency business.

In 2006, BOCG Insurance penetrated into more specialized liability insurance market, including directors liability insurance and professional liability insurance. At the same time, following the "User-Pay" principle advocated by the government in the medical system reforms, the Bank launched a series of tailored medical insurance programs. To expand overseas business, BOCG Insurance acquired a 32% stake in Luen Fung Hang Insurance Co., Ltd in the first half of 2006 in a move to penetrate into the life insurance market of Macau. In order to further consolidate the interaction of commercial banking, investment banking and insurance business, BOCG Insurance disposed of 51% of its equity interests in BOCG Life to BOC Hong Kong (holding) Limited, thus opened a new chapter for the development of life insurance business of BOCG Life.



Information Technology

The Bank realizes that IT construction is crucial to its future development. In the first half of 2006, the Bank continued to direct IT efforts with supporting business development and ensuring secure operation as priority. Progress was achieved for significant IT projects including construction of the management information system, new online banking platform, and centralized international settlement and trade finance system. Meanwhile, the infrastructure construction of a new information center and a disaster recovery center has been initiated. The Bank is also systematically implementing the IT Blueprint; fundamental tasks including system training, gap analysis and stress testing have been launched. Effective implementation of IT Blueprint is critical to the Bank's reform, development and innovation. It will help the Bank realize centralized processing of operational information of its branches to intensify internal control, risk prevention and timely supervision by the internal audit, and formulate a customer-centered management model based on business lines, thereby creating a powerful IT platform for sharpening the Bank's competitive edge.

Risk Management

Risk management is an important part of the Bank's management framework, which is the precondition to its robust, sustainable and healthy development. In the first half of this year, the Bank further enhanced its risk management capability, improved credit asset structure and quality to pursue sustainable and healthy development of its credit business.

The risk management framework of the Bank comprises the Board of Directors and the Risk Policy Committee under the Board, the Internal Control Committee, the Anti-Money Laundering Committee, the Asset-Liability Management Committee and Assets Disposal Committee under the Management, the Risk Management Department, the Credit Administration Department, the Asset & Liability Management Department and Legal and Compliance Department.

The Bank uses vertical management model to manage the risks of domestic and overseas branches, and adopts window management model for business departments. It also monitors and controls the risk management of subsidiaries through participation in their respective Board of Directors or Risk Committee.

Credit Risk

Credit risk is the risk that a customer or counterparty may be unable or unwilling to meet a debt obligation to the Bank when required. The Bank's credit risks are mainly from loans, trade finance and treasury business.

The Bank' credit risk management process can be divided into three major stages: 1) credit origination and assessment; 2) credit review and approval; and 3) loan granting and post-lending management.

Corporate Loans For corporate credit facilities, we continue to adopt the "three-in-one" credit decision-making mechanism. The three components of this mechanism are an independent due diligence investigation, an independent risk review, a strict approval process by authorized approvers and follow-up evaluation.

In the first half of 2006, the Bank continued its reform efforts in establishing centralized credit review and approval mechanism, which is being implemented step by step. It adjusted the credit approval authority limits and authority management model for overseas operations, and enhanced the risk control over the total credit exposures to customers. To promote the sustainable and healthy development of credit business to small enterprises, the Bank further clarified customer entry thresholds and launched pilot branches.

The Bank adopts a two-dimensional rating system that relates the customers' credit rating logically with the classification of credit asset. The results of customer credit rating are important basis for credit authority management, customer entry and exit management, credit approval, credit pricing, and classification of credit assets. The Bank plans to start the testing and subsequent adoption of the probability-of-default-based customer credit rating model in the second half year. As at 30 June 2006, the balance of domestic loans to A-rating customers accounted for 43.7% of the total, an increase of 1.8% over the end of last year.

During the first half of 2006, the Bank established customer risk evaluation standards for large-amount credits, and formulated corresponding management measures to improve the management of credit risks of the Bank. According to China's macro-adjustment policies and the development of the real estate market, the Bank strengthened risk supervision over industrial risk and management of credits to the sector, and achieved steady improvement in the quality of real estate loans.

Five-tier loan classification approach, which was introduced in 1999, is an important part of the Bank's ongoing credit monitoring. In the first half year, the Bank continued to manage the special mention loans by subdividing them into high, medium and low risks categories. The classification results have become more objective, and the balance and proportion of such loans kept decreasing.

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Personal Loans In the first half of 2006, the Bank completed the centralization of approval authority for personal loans to tier-1 branches other than personal pledged loans and education loans. Meanwhile, it strengthened risk supervision of personal loans, including overall monitoring by regions and products, and key monitoring and risk reporting of high-risk real estate projects, distributors and customers.

The Bank reclaims on the debtors of non-performing loans mainly by means of negotiation, legal proceedings, debt restructuring and write-off. The foreclosed assets will be disposed of in an open and transparent manner, generally through auction, invitation for bid and submission of tenders and negotiated transfer.

Market risk

Market risk is the risk of loss to the Bank's on-balance-sheet and off-balance-sheet operations that may result from changes in interest rates, exchange rates, stock prices and commodity prices. Market risk exists in both trading and non-trading business. The Bank manages market risk by setting up risk limits, which are determined by reference to different risk factors, such as interest rates, exchange rates, commodity and stock prices, etc. A variety of risk measurement techniques, such as sensitivity limits, were used in formulation of specific management measures.

VAR (Value at risk) is a kind of statistic methodology which is applied in evaluating the potential losses of risk positions caused by fluctuation of interest rates, exchange rates, commodity and stock prices at designated confidence level during a specific period. The table below shows the result of VAR analysis for the foreign currency trading portfolios of the Bank's domestic business (excluding relatively large-amount investment accounts or bank accounts of the Bank) as of 30 June 2006.

Unit: USD million								
	As of 30 June 2006				As of 31 December 2005			
	Period-end	Average	High	Low	Period-end	Average	High	Low
Interest rate risk	4.88	8.10	16.25	0.82	4.77	3.27	11.94	0.20
Exchange rate risk	2.64	3.67	14.12	0.78	0.39	2.70	18.69	0.34
Volatility risk	0.19	0.68	4.63	0.16	0.36	0.80	2.54	0.04
Total market risk	5.84	8.10	19.15	1.84	15.6	5.10	18.86	0.69

Interest Rate Risk Management Interest rate risk is the risk of loss to interest income or the value of assets due to the volatility of interest rates. We manage the interest rate risk of the banking book primarily through gap analysis, and use the gap analysis data to perform stress-testing, on the basis of which we adjust the re-pricing period structure of our assets and liability. Meanwhile, we closely follow the trend of local and foreign currency interest rates, and adjust the interest rates of local and foreign currency deposits and loans in a timely manner to manage interest rate risk.

In respect of treasury products, the Bank adopts such indicators as VAR, duration and Price Value of a Basis Point (PVBP) to measure interest rate risk, and utilizes stress-testing and scenario analysis to monitor risks. The Bank has also set up a series of risk limits, which are closely monitored and managed. The Bank has established a globalized treasury product internal control platform with an advanced market risk management infrastructure to effectively monitor the market risk of treasury products offered by its main branches.

Exchange Rate Risk Management The Bank's management of exchange rate risks covers trading accounts and non-

trading accounts. Non-trading exchange rate risk mainly arises from the currency mismatches in assets and liabilities, foreign exchange capital, investments in overseas subsidiaries, and foreign currency profit or loss. The Bank seeks to reduce the exchange rate risk arising from currency mismatches in assets and liabilities by matching the sources and use of our funds on a currency-by-currency basis. In addition, we also manage and control exchange risk through settlement or hedging transactions.

However, the Group's ability to manage its foreign currency positions in relation to the RMB is limited as RMB is not a freely convertible currency. According to the current applicable foreign currency policies of the PRC government, the conversion of foreign currency is subject to application and approval by the relevant PRC government authorities. The Bank has taken following measures to reduce its foreign exchange exposure:

In 2005, the Bank entered into a foreign currency option agreement with Central SAFE Investments Limited having a notional amount of USD18 billion to economically hedge a portion of its net on-balance sheet foreign currency position.

During the six month period ended 30 June 2006, the Bank executed certain foreign exchange transactions to reduce its net foreign currency position by USD3.3 billion.

Subsequent to the balance sheet date in August 2006, the Bank further effected certain foreign exchange transactions, further reducing its net foreign currency position by USD14.2 billion.

The risk of trading accounts mainly comes from the foreign exchange transactions the Bank is engaged in. The Bank took a variety of measures according to its risk tolerance and operating capability to effectively reduce the possible losses caused by uncertain market factors, including total exposure control, structural management, quota management, and valuation techniques.

Liquidity Risk

Liquidity risk refers to the risk of funding availability at an appropriate cost when required to meet.

The objective of the Bank's liquidity management is to ensure that the Bank have adequate liquidity at all times to satisfy payment of deposits and other debts due and the development of asset-based business and is able to raise enough funds at reasonable prices within a certain period in the case of business opportunities or emergencies.

The Bank's liquidity risk is managed on a consolidated basis at the Head Office. Liquidity management policy and measures are applied across the Bank from top to down. Liquidity management mainly includes two scenarios, namely normal business environment and emergent or extreme conditions. Under normal environment, the Bank regularly updates internal liquidity management guidelines and liquidity ratios, proactively manage its cash positions and inter-branch fund transfers, and establishes liquidity portfolio and financing guidelines, with the view to ensuring the normal operation of the Bank's asset and liability business and to adjusting the liquidity of the Bank to a proper level. In addition, the Bank also monitors warning indicators, set up emergency programs and conduct financing capability testing to discover and prevent risk in a timely manner.

In the first half of 2006, the Group's asset and liability business registered healthy and steady development and liquidity was managed effectively. As at 30 June 2006, all indicators relating the Bank's liquidity status have met the regulatory requirements as table below:

Management Discussion & Analysis

30 June 2006	RMB (%)	Foreign Currencies (%)
Liquidity ratio	32.03	45.88
Loan-deposit ratio of domestic operations	56.47	71.95
Excess reserve ratio*	2.58	17.07

* Deposit reserve refers to the deposits with the Central Bank for the purpose of ensuring the withdrawal of deposits and fund clearing by customers, and deposit reserve ratio is the proportion of deposit reserve required by the Central Bank in total balance of deposits.

Deposit reserve and deposit reserve ratio are composed of two parts. The deposit reserve ratio stipulated by the Central Bank is called statutory deposit reserve ratio, which stands at 7.5% at present, i.e. commercial banks must deposit 7.5% of deposits received with the Central Bank; the corresponding deposits is called statutory deposit reserve. The reserve beyond statutory deposit reserve is called excess reserve, and the proportion of excess reserve in total deposits is the excess reserve ratio.

The above liquidity ratio is calculated in accordance with the relevant provisions of the People's Bank of China and CBRC, and the financial data are based on the Accounting Standard for Business Enterprises and Accounting System for Financial Institutions.

Internal Control and Operational Risk

Internal Control The Bank is committed to continuously improve its internal control system by establishing three defense lines composed of function management, compliance control and internal audit. By clarifying the responsibilities of all business units, the Bank seeks to ensure effective risk prevention and optimum resource allocation from the management framework perspective.

The principal objective of developing internal control function is to establish a compliance culture and construct a comprehensive, dynamic, proactive and verifiable internal control environment, which is based on a sound internal control infrastructure and rules and regulations, supported by advanced information technology, guided by an effective incentive and accountability system, provides checks and balance, and emphasizes refined process control.

As required by the *Guidelines on Internal Control of Commercial Banks* promulgated by the People's Bank of China, the Bank continuously reinforced internal control measures and improved internal control mechanism and environment in different business and management lines, including corporate banking, treasury services, personal banking business, e-banking, bank card, and human resources. Meanwhile, it also established monitoring system to conduct key monitoring and periodic reporting of such indicators as rotation, function in an acting capacity, and business errors.

Operational risk Operational risk refers to the risk of losses caused by substandard or problematic internal procedures, human or system errors or external events. In the first half of 2006, the Bank cooperated with RBS in respect of the operational risk management framework. The two parties carried out a preliminary study of operational risk management framework based on the Bank's conditions. Work processes were developed covering operational risk and control review, key risk indicators, reporting of significant events, etc. Pilot project relating operational risk and control assessment and key risk indicators was also activated.

Internal Audit

In order to fully leverage the function of internal audit in our corporate governance structure, in the first half of 2006, the Bank appointed an independent external consulting agency to conduct an overall evaluation of its internal controls by referring to international internal audit industry best practices. Based on the evaluation results and regulatory requirements, the Bank started improving the organizational structure of internal audits, management techniques, reporting lines and practical standards, and devoted great efforts to build a new vertical, independent and

effective internal audit system steered by the Board of Directors and the Audit Committee. In the mean time, the Bank continuously improved the depth of its audits, focused on improvement in high-risk and weak areas and significantly enhanced the effectiveness of internal controls. Under the internal audit plan which mainly comprises regular audits while supplemented by special audits and individual case investigations, all levels of internal audit departments, at home and abroad, had deepened the audits while giving consideration to coverage. In the first half of 2006, the Bank conducted regular internal audits on 6 overseas institutions, 9 tier-1 branches, 115 tier-2 branches, 689 urban sub-branches and 957 county-level sub-branches, and meanwhile completed 1,172 special internal audits (including 850 economic responsibility audits), and 31 case investigations.

Capital Management

The objective of the Bank's capital management is to effectively plan various types of capital to ensure that its capital is in line with the requirements of external regulations, credit rating, risk compensation and shareholder's return. It also endeavors to optimize financial ratios, improve the equity value and maximize shareholder's value on a risk-controlled basis by making full use of capital instruments and management measures. During the report period, the Bank's capital level is in line with all statutory requirements.

Outlook

In the second half of the year, we expect the Chinese economy will maintain its rapid growth momentum, thus providing a favorable macro environment for the operation of the Bank. Presented with new circumstances and new missions, the Bank will further study its strategy and strive to maintain stable and rapid growth for its various businesses, so as to ensure that the targets set at the beginning of the year can be fulfilled. In addition, the Bank will also continue its reforms, bearing in mind the requirements of the capital market. With respect to business development, the Bank will focus on developing its intermediary business, speed up development of its personal banking business, and further optimize its business structure and income mix. The Bank will also steadily develop its asset business with quality customers, maintain an appropriate pace of business development, proactively manage its liabilities, lower fund costs and improve service quality. In terms of risk management, the Bank will strengthen comprehensive risk management, refine its internal control systems, and establish three lines of defense comprising function management, compliance control and internal audit. The Bank also plans to take its organizational reforms and process integration to further depth, and also accelerate the implementation of the IT Blueprint. The reforms in HR management will continue, and more efforts will be devoted to improving management capability and staff quality.

Corporate Information

Registered Name in Chinese	中国银行股份有限公司 (中国银行)
Registered Name in English	Bank of China Limited (Bank of China)
Legal Representative	XIAO Gang
Secretary to the Board	YEUNG Jason Chi Wai
Qualified Accountant	LEUNG Kim Lan Francis
Authorized Representatives	LI Lihui YEUNG Jason Chi Wai
Compliance Advisers	Goldman Sachs (Asia) L.L.C. UBS AG acting through its business group UBS Investment Bank
Contact Address	No.1 Fuxingmen Nei Da Jie, Beijing, PRC China
Contact Telephone	8610-66596688
Fax	8610-66016871
E-mail	bocir@bank-of-china.com
Registered Office	No.1 Fuxingmen Nei Da Jie, Beijing, PRC China
Office Address	No.1 Fuxingmen Nei Da Jie, Beijing, PRC China
Post Code	100818
Place of Business in Hong Kong	8th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong
Credit Ratings (Long Term)	Standard & Poor's BBB+ Moody's Investors Service A2 Fitch Ratings A- Rating and Investment Information, Inc. A- Dagong Global Credit Rating Co., Ltd. AAA
Website	http://www.boc.cn
Selected newspapers for disclosure	China Securities, Shanghai Securities, Securities Times, China Daily
Hong Kong newspapers	South China Morning Post and Hong Kong Economic Journal
Places Where the Interim Report Can be Obtained	Major business locations
Website Designated by the China Securities Regulatory Commission to Publish the Interim Report	http://www.sse.com.cn
Website Designated by the Stock Exchange of Hong Kong Limited to Publish the Interim Report	http://www.hkex.com.hk
Index Constituent	
The Bank is a constituent of the following indices:	
MSCI China Index Series	
Shanghai Stock Exchange Index Series	
FTSE/Xinhua China 25 Index	
FTSE/Xinhua Hong Kong Index	
Hang Seng China Enterprises Index (H-Share Index) (Effective from 11 September 2006)	
Stock Codes	
H shares	
The Stock Exchange of Hong Kong Limited	3988
Reuters	3988.HK
Bloomberg	3988 HK

A shares

The Shanghai Stock Exchange	601988
Reuters	601988.SS
Bloomberg	601988 CH

Share Registrar

H shares	Computershare Hong Kong Investor Services Limited Hopewell Centre, 46th Floor, 183 Queen's Road East, Wan Chai, Hong Kong
A shares	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui East Road, Pudong District, Shanghai

Other relevant information

Date of first registration	31 October 1983
Modified registration date	26 August 2004
Authority of first registration	State Administration of Industry and Commerce of PRC
Corporate business license serial number	1000001000134
Financial license institution serial number	B10311000H0001
Tax registration certificate number	JGSXZ 110102100001342 DSJZ 110102100001342000
Appointed domestic auditor	PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company
Address of appointed auditor	11 Floor, PWC Center, No.202 Hubin Road, Shanghai
Post Code	200021
Appointed international auditor	PricewaterhouseCoopers Hong Kong
Address of appointed auditor	22/F, Prince's Building Center, Hong Kong

Business scope RMB deposit-taking; disbursement of short, medium and long-term loans, settlement; discount of bills; issuance of financial bonds; issuance and redemption as an agency, and underwriting of government bonds; trading of government bonds; inter-bank lending; provision of letter of credit and guarantee services; collection and payment and insurance agency services; safe box services; foreign exchange deposits, loans and remittance; foreign currency exchange; international settlement; inter-bank foreign exchange lending; acceptance and discount of foreign exchange bills; foreign exchange loans, guarantee, settlement and sales; issuance and agency of foreign currency marketable securities other than stock for its own accounts or for customers' accounts; proprietary foreign exchange trading; foreign exchange trading for customers; issuance of foreign exchange credit cards and foreign credit card issuance and payment as an agency; credit standing investigation, consultation and witness; organizing of or participation in syndicated loans; trading of international precious metal; all banking services engaged by overseas operations as approved by local laws; issuance of local currencies through branches in Hong Kong and Macau according to local laws and decrees or acting as an agency; other services as approved by CBRC and other regulatory authorities.

This Report is prepared in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Directors, Supervisors, Senior Management and Staff

Director, Supervisors and Senior Management

Honorary Directors(1)

Name	Position
CHEN Muhua	Honorary Chairperson
CHUANG Shih Ping	Honorary Vice Chairman

Board of Directors

Name	Position
XIAO Gang	Chairman
LI Lihui	Vice Chairman and President
ZHANG Jinghua	Non-Executive Director
YU Erniu	Non-Executive Director
ZHU Yan	Non-Executive Director
ZHANG Xinze	Non-Executive Director
HONG Zhihua	Non-Executive Director
HUANG Haibo	Non-Executive Director
Sir Frederick Anderson GOODWIN	Non-Executive Director
SEAH Lim Huat Peter	Non-Executive Director
HUA Qingshan	Executive Director; Vice President
LI Zaohang	Executive Director; Vice President
Anthony Francis NEOH	Independent Non-Executive Director
William Peter COOKE	Independent Non-Executive Director
Patrick de SAINT-AIGNAN	Independent Non-Executive Director
Alberto TOGNI	Independent Non-Executive Director

Notes: (1) Under PRC law, the honorary directors are not members of the Board of Directors and do not have any power or right to vote on any matters considered by our Board under our Articles of Association.

Board of Supervisors

Name	Position	Name	Position
LIU Ziqiang	Chairman of Board of Supervisors	LI Chunyu	Employee Supervisor
WANG Xueqiang	Supervisor	LIU Dun	Employee Supervisor
LIU Wanming	Supervisor		

Senior Management

Name	Position	Name	Position
LI Lihui	President	ZHU Min	Assistant President
HUA Qingshan	Executive Director; Vice President	ZHU Xinqiang	Assistant President
LI Zaohang	Executive Director; Vice President	WANG Yongli	Assistant President
ZHOU Zaiqun	Vice President	Lonnie DOUNN*	Chief Credit Officer
ZHANG Yanling	Vice President	YEUNG Jason Chi Wai	Secretary to the Board of Directors
ZHANG Lin	Secretary of the Party Discipline Committee		

(*tendered his resignation in April 2006, effective in September 2006.)

Human Resources and Management

Number of Institutions and Employees As of the end of June 2006, the Bank had 11,543 domestic and overseas branches and subsidiaries, a reduction of 103 from the beginning of the year. Domestic branches and subsidiaries numbered 10,907, a reduction of 111 from the beginning of the year, and overseas branches and subsidiaries numbered 635, an increase of eight from the beginning of the year.

As of the end of June 2006, the Bank had 197,636 regular employees, a decrease of 11,629 from the beginning of the year. Employees of domestic operations numbered 179,453, a decrease of 11,375; and employees of overseas operations totaled 18,183, a decrease of 254 from the beginning of the year. Besides, the Bank had 28,769 dispatched staff in its domestic operations.

Management of Human Resources In the first half of 2006, the Bank continued to reform its human resources management system. Intensified efforts were made to adjust and staff the Management team of its branches, subsidiaries and departments of the Head Office. The Bank launched leadership development model, and consolidated the supporting resources. Through in-depth position appointment reform, the Bank gradually formed a merit-based recruitment system through fair competition. It also controlled the headcount, and optimized staff structure constantly. Leveraging diverse channels, including campus recruitment and social recruitment, it filled up post vacancy to satisfy the needs of business development and management. It also improved an all-round remuneration system, guided domestic branches to design remuneration reform plans and calculate remuneration level, promoted the implementation of remuneration reform, started the establishment of the corporate annuity system, and preliminarily set up a long-term and standardized supplementary retirement insurance mechanism. It also enhanced performance management, set the performance indicators for branches by virtue of balanced score card, reinforced process management, and guided each branch to implement the scientific approach to development.

Training and Development of Human Resources The Bank devoted great efforts to the training of management personnel at high and middle ranks. It developed senior leadership course in cooperation with Peking University and Business School of Harvard University, and sent senior executives to participate in a senior management course provided by RBS.

Directors, Supervisors, Senior Management and Staff

To support and boost business development, training was also provided to professionals in the fields of wealth management planning, financial service marketing, operational risk, trading and settlement, etc. The Bank also strengthened training for frontline and new employees. In the first half, the Bank launched 2,441 off-job training courses each over two days, training 95,577 persons.

Process Integration and Organizational Restructuring The Bank continued to promote the business process integration and organizational restructuring. It conducted an overall investigation on the organizational framework, business process and operational mechanism of RBS, in an effort to explore and study the direction of its own organizational framework reform in line with its own conditions. By studying the setting up of strategic business units along the lines of corporate banking, personal banking and treasury business and adjusting the functions of the branch outlets, the Bank will try to strengthen the management of business lines so as to gradually establish a matrix management model commonly adopted by international financial institutions. As of the end of June 2006, organizational resources of the Bank continued to be allocated in favour of key regions to optimize the geographical layout. The Bank newly established 25 institutions/outlets, upgraded 216 institutions, and closed 192 small institutions/outlets of poor development potential.

Corporate Culture The Bank intends to build a strong corporate culture with work ethics that encourages honesty and integrity, the drive for performance, a people oriented spirit, diligence and accountability and the pursuit of excellence so as to achieve a seamless integration of its corporate culture with the operation and management of the Bank. By leveraging on the corporate culture guidance, appropriate incentives and constraints, we aim to align the strategic development goal of the Bank with the career aspirations of our employees.

Corporate Governance

Corporate Governance

During the report period, the Bank has been in strict compliance with the *Company Law* and *the Law for Commercial Banks* as well as other applicable laws of China. We continued to improve the organizational framework and management processes in order to enhance corporate governance and optimized the functions and responsibilities among the Board of Directors, Board of Supervisors and Senior Management, all in accordance with the rules and regulations enacted by the regulatory authorities but taking into account our current conditions. All parties under our corporate governance operated independently according to the law and performed their respective rights and obligations in accordance with their responsibilities set forth in the Articles of Association.

General Meeting of Shareholders

The Bank convened and held the general meeting of shareholders according to the related laws and regulations and the Articles of Association of the Bank to ensure that all the shareholders have an equal right to know, participate and vote. During the first half of 2006, the Bank held the Annual General Meeting of Shareholders and four interim meetings and reviewed work reports of the Board of Directors and Board of Supervisors, proposal on business plan and financial budget, and profit distribution plan etc. The Shareholders' General Meeting has played a crucial role in promoting the development of the Bank and protecting the interest of the investors and other stakeholders.

Directors and the Board of Directors

In the first half of 2006, one Independent Non-Executive Director and one Non-Executive Director were appointed to the Board of the Bank. As of June 30, 2006, the Board consisted of 16 members, including the Chairman, four Independent Non-Executive Directors, eight Non-Executive Directors and three Executive Directors. Within the report period, the Bank held five board meetings, adopted resolution through voting by correspondence, and reviewed its development strategies, business plans, profit distribution plans, the Board's self-evaluation plans, 2005 Annual Report, objectives of performance management and bonus distribution plan for senior management, IPO plan, the amendment of Articles of Association and other proposals. All directors diligently performed their responsibilities to ensure the practicability of the Board's decisions, and protected the interests of the Bank and all its shareholders.

The Board of Directors has set up five special committees, namely Strategic Development Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transaction Control Committee. The five committees directly report to the Board. The work performance of each committee in the first half of 2006 is as follows:

Corporate Governance

Committees	Work Performance
Strategic Development Committee	The committee held four meetings and mainly reviewed proposals such as the development strategies, business development plan for 2006-2008, and business plan and financial budget for 2006 of the Bank.
Audit Committee	The committee held four meetings and mainly reviewed proposals such as the financial management measures of Bank of China Limited, improvement of internal control, business plan and expense budget for 2006, the appointment, audit plan and audit fees of external auditors, profit forecast for 2006, financial report for year 2005 prepared in accordance with PRC GAAP and IFRS, and relevant auditors' report.
Risk Policy Committee	The committee held two meetings and mainly reviewed proposals such as key risk management work and plan for 2006, report on the key risk management indicators, and progress in market risk management.
Personnel and Remuneration Committee	The committee held two meetings and mainly reviewed proposals such as the evaluation guideline and self-evaluation plan of the Board of Directors, membership changes to special committees under the Board of Directors, and the measures on performance management of Senior Management of the Bank.
Connected Transaction Control Committee	The committee held two meetings and mainly reviewed such proposals as the management measures on connected transactions of the Bank, and plan on division of responsibilities for connected transaction control, and the rules of procedures of the Connected Transaction Control Committee.

Supervisors and the Board of Supervisors

The Board of Supervisors of the Bank is composed of five members, including the Chairman of Board of Supervisors, two full-time supervisors and two employee supervisors. The size and the composition of the Board of Supervisors comply with the supervisory requirements and the Articles of Association. The Board of Supervisors examines and supervises the operation and the financial activities of the Bank by holding meetings regularly, reading and checking various documents, debriefing the work report and reports on certain issues from the management.

Senior Management

The Senior Management is the executive body of the Bank. Headed by the President, the Senior Management comprises the Vice Presidents and Assistant Presidents, who assist the President in managing the Bank's business activities. The Senior Management of the Bank is assessed and supervised by the Board of Directors. In the first half of 2006, the Objectives for Performance Management and Scheme for Bonus Allocation of the Senior Management was deliberated and approved by the Board of Directors of the Bank. In order to incentivize and motivate the Senior Management, the Bank set up scientific assessment and evaluation standards, and established an assessment mechanism in which the compensation is linked to performance, responsibilities and risks, adhering to the principle of balancing incentives and constraints.

Investor Relations and Information Disclosure

The Bank strictly complies with relevant requirements, and discloses all material information promptly, accurately, faithfully and completely to ensure all shareholders are treated equally.

Significant Events

The Bank is committed to promoting investor relations in the capital markets, and places investor relations management as top priority. During the report period, the Bank faithfully, accurately, promptly and sufficiently fulfilled its responsibilities of information disclosure and promoted the interests of its investors through meetings with institutional investors, press and analysts, and by adopting multiple communication channels such as launching an IR page on its website, arranging one-on-one meetings and various communication tools such as mail, phone and fax.

I Profit Distribution during the Report Period

Profit Distribution in 2005 The 2005 profit distribution plan of the Bank was adopted at the 2005 annual general meeting of shareholders, i.e., to distribute a profit of RMB 1.375 billion to the registered shareholders of the Bank as of 31 December 2005. The plan has been implemented.

According to the resolutions of the board meeting held on 29 August 2006, the Bank transferred 10% of the net profit from January to June 2006 to the statutory surplus reserve, set aside RMB4, 291 million as general reserve fund. The Bank does not declare any dividend for the first half of 2006.

II Listing of H-Share and A-Share

The H-Share of the Bank was listed on The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange) on 1 June 2006. 25,568,590,000 H-Shares were issued on the initial public offering. Following the exercise of the over-allotment option on 9 June 2006, a further of 3,835,288,000 H-Shares were issued. The issuance of H-Share accounted for 11.9% of the total enlarged share capital at an issue price of HK\$2.95 per share. With the issuance of the shares, US\$11.2 billion was raised. The H-Share IPO was the fourth largest IPO around the world to date, the largest for the financial sector, the largest in Asia excluding Japan, and the largest global offering by a Chinese company.

The Bank issued its A-Share in the domestic market from 19 to 23 June 2006. These shares were issued at an issue price of RMB3.08 per share and commenced trading on the Shanghai Stock Exchange on 5 July 2006. As the largest domestic listing of A-Share on the domestic market so far, 6,493,506,000 A-Share were offered, representing 2.56% of the fully diluted share capital. A total of RMB19,999,998,480 was raised, and our IPO was the largest A share offering to date.

The IPOs of H-Share and A-Share account for 14.14% of the total enlarged share capital of the Bank. After the IPOs, the share capital of the Bank increased to RMB253,839,162,009 or 253,839,162,009 shares. The two IPOs and successful listing marked a milestone in the stock reform of the Bank. Since 19 July 2006, the Bank (A share code: 601988) has been included in SSE 180 index and SSE 50 index.

Significant Events

III Changes in Share Capital and Shareholdings of Major Shareholders

1. Changes in Share Capital

	1 Jan 2006							30 June 2006
	Number of shares	Allotment of shares	Bonus Shares	Shares transferred from the surplus reserve	Increase of share capital	Others	Subtotal	Number of shares
I. Unlisted shares								
i. Shares held by the state(promoter's shares)	174,128,718,217					-2,803,313,477	-2,803,313,477	171,325,404,740
ii. Shares held by the state					8,514,415,652	-8,514,415,652	-8,514,415,652	
iii. Shares held by domestic legal person								
iv. Shares held by foreign legal person	35,298,644,140					-35,298,644,140	-35,298,644,140	
v. Shares of legal person promoters								
vi. Shares held by staff								
vii. Preferred shares or other shares					6,493,506,000		6,493,506,000	6,493,506,000
Subtotal	209,427,362,357							177,818,910,740
II. Listed shares								
i. RMB-denominated ordinary shares								
ii. Domestically listed foreign shares								
iii. Overseas listed foreign shares					29,403,878,000	46,616,373,269	76,020,251,269	76,020,251,269
iv. Others								
Subtotal	0							76,020,251,269
III. Total	209,427,362,357							253,839,162,009

- (i) The number of shares in the column of "Preferred Shares or Other Shares" is number of A Shares offered by the Bank to the public from 12 to 29 June 2006, which were registered with the Shanghai Branch of China Securities Depository and Clearing Corporation on 29 June 2006, and commenced trading on the Shanghai Stock Exchange on 5 July 2006.
- (ii) The Bank invited the National Council for Social Security Fund (SSF) as a strategic investor on 13 March 2006, to which 8,514,415,652 ordinary shares were offered. 25,568,590,000 IPO H-shares were issued in May 2006. 35,298,644,140 non-listed foreign funded shares previously held by the Bank's foreign strategic investors, 8,514,415,652 ordinary shares by the SSF, and 2,803,313,477 ordinary shares transferred by Central SAFE Investments Limited, promoter of the Bank, to SSF as required by the State, were converted to H Shares, and listed at the Hong Kong Stock Exchange on 1 June along with the H shares already offered to the public. The H Share over allotment option was exercised in full, involving 3,835,288,000 H shares on 9 June 2006. In June 2006 6,493,506,000 A shares were offered to the public. On 29 June 2006, the A shares offered to the public by the Bank and 171,325,404,740 ordinary shares held by Central SAFE Investments Limited, promoter of the Bank, were registered as A-shares. The A-Shares of the Bank were listed on the Shanghai Stock Exchange on 5 July 2006. As of 5 July 2006, the Bank has issued 177,818,910,740 A shares and 76,020,251,269 H shares, representing 253,839,162,009 ordinary shares in aggregate.

2. Number of shareholders and shareholdings

Total number of shareholders As of the end of the report period, the Bank's shareholders (A-Share+ H-Share) numbered 1,060,828, including 457,146 holders of H-Share and 603,682 holders of A-Share.

Top Ten Shareholders (The number of shares held by H share shareholders are those recorded in the Register of Members as kept by the H Share Registrar of the Bank)

No.	Name of Shareholder	Type of Shareholder	Type of Share	Shareholding at the End of Report Period (As of 30 June 2006)	Proportion in Total Share Capital (%)	Shares Pledged or Frozen Shares
1	Central SAFE Investments Limited	State owned	A Share	171,325,404,740	67.49	
2	HKSCC Nominees Limited	Foreign	H Share	30,341,965,800	11.95	
3	RBS China Investments S.à.r.l.	Foreign	H Share	20,942,736,236	8.25	
4	Asia Financial Holdings Pte Ltd	Foreign	H Share	10,471,368,118	4.13	
5	National Council for Social Security Fund, PRC	State owned	H Share	8,377,341,329	3.30	
6	UBS AG	Foreign	H Share	3,377,860,684	1.33	
7	Asian Development Bank	Foreign	H Share	506,679,102	0.20	
8	The Bank of Tokyo-Mitsubishi UFJ Ltd	Foreign	H Share	473,052,000	0.19	
9	Wingreat International Limited	Foreign	H Share	420,490,000	0.17	
10	Best Sense Investments Limited	Foreign	H Share	236,526,000	0.09	
10	Turbo Top Limited	Foreign	H Share	236,526,000	0.09	

The Bank is not aware whether the shares of the above shareholders have been pledged or frozen, or the connected relationships among the above shareholders.

Significant Events

Top ten Shareholders of Listed Shares that are not subject to Selling Restrictions (as at 5 July 2006, being the date of listing of A-Share, the shares held by HKSCC Nominees Limited is as at 30 June, 2006)

No.	Name of Shareholder	Listed Trading Shares	Type of Share
1	HKSCC Nominees Limited	30,341,965,800	H Share
2	ICBC-GF Strategic Selection Balanced Securities Investment Fund	70,669,000	A Share
3	Shanghai Huiyin Investment Limited Corporation	70,000,000	A Share
4	ICBC- E Fund Value Selection Stock Securities Investment Fund	50,397,000	A Share
5	China Life Insurance (Group) Company-Traditional-General Insurance	38,765,000	A Share
6	China Life Insurance Company Limited- Dividend-Personal Dividend-005L-FH002 SH	29,076,000	A Share
7	China Life Insurance Company Limited- Dividend-Group Dividend-005L-FH001 SH	23,982,000	A Share
8	China Pacific Life Insurance Co., Ltd-Dividend-Personal Dividend	23,357,300	A Share
9	China Life Insurance Company Limited-Traditional-General Insurance-005L-CT001 SH	23,260,000	A Share
10	Bank of Communications- Hua An Innovation	23,101,000	A Share
Explanation of the connected relations and the concerted action among the above shareholders		Except that some of the above shareholders may be under the management of the same corporation, the Bank is not aware of the connected relations and the concerted action among the above shareholders.	

Substantial Interests in Share Capital

The register maintained by the Bank pursuant to section 336 of the Securities and Futures Ordinance (the "SFO") of the laws of Hong Kong recorded that, as at 30 June 2006, the following corporations had the following interests (as defined in the SFO) in the Bank set opposite their respective names:

Name of Shareholders	Number of shares held	Type of shares	Percentage of total issued A shares (%)	Percentage of total issued H shares (%)	Percentage of total issued share capital (%)	Capacity
Central SAFE Investments Limited	171,325,404,740	A	96.35	-	67.49	Beneficial owner
The Royal Bank of Scotland Group PLC ^{Note 1}	20,944,789,236	H	-	27.55	8.25	Attributable interests & beneficial owner
RBS CI Limited ^{Note 1}	20,942,736,236	H	-	27.54	8.25	Attributable interests & beneficial owner
RBS China Investments S.à.r.l.	20,942,736,236	H	-	27.54	8.25	Beneficial owner
Temasek Holdings (Private) Limited ^{Note 2}	11,792,559,118	H	-	15.51	4.65	Attributable interests
National Council for Social Security Fund of the PRC	11,317,729,129	H	-	14.89	4.46	Beneficial owner
UBS AG	3,892,847,114 132,154,877 (S)*	H	-	5.12 0.17	1.53 0.05	Attributable interests, beneficial owner & person having a security interest in shares

* "S" denotes short positions

Notes: 1. The Royal Bank of Scotland Group PLC ("RBS Group") holds the entire issued share capital of RBS CI Limited, which in turn holds 51.61% of RBS China Investments S.à.r.l. ("RBS China"). Accordingly, RBS Group and RBS CI Limited are deemed to have the same interests in the Bank as RBS China for the purpose of the SFO.

2. Temasek Holdings (Private) Limited ("Temasek") holds the entire issued share capital of Fullerton Management Pte Ltd, which in turn holds the entire issued share capital of Asia Financial Holdings Pte Ltd. Accordingly, for the purpose of the SFO, Temasek and Fullerton Management Pte Ltd are deemed to have the same interests in the Bank as Asia Financial Holdings Pte Ltd, which has an interest in 11,785,825,118 shares of the Bank.

All the interests stated above represented long positions except stated otherwise. Save as disclosed above, as at 30 June 2006, no other interests or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Significant Events

IV Significant Related Party Transactions (Under Chinese Laws and Regulations)

(please refer to Article 5 of the Condensed Consolidated Financial Statement under Related Party Transaction)

V Material Merger and Acquisition, Sales or Restructuring of Assets

Except as stated below, the Bank did not have material merger and acquisition, sales or restructuring of assets during the report period.

The following are highlights of the current report period in purchases & sales of assets and mergers:

On 1 June 2006, BOCG Insurance, a wholly-owned subsidiary of the Group, sold a 51% stake of BOCG Life to BOC Hong Kong (Holdings) Limited in which the Bank holds a stake of 65.87%, at the purchase price of HKD900 million by reference to the valuation of BOCG Life as of 31 December 2005. The Group effectively sold a 17.4% stake of BOCG Life to minority shareholders of BOC Hong Kong (Holdings) Limited, and achieved a gain of RMB 138 million.

Bank of China Group Investment Limited, a Hong Kong subsidiary of the Group, sold loans at a book value of RMB63 million to an independent third party in May 2006, giving rise to an income of RMB723 million, with net income at RMB 660 million.

VI Major Contracts and Performance

During the report period and except as disclosed, the Bank does not have material assets business with other companies to custody, contract or lease their assets, or entrust other companies to custody, contract or lease the Bank's material assets.

The guarantee business is one of our off-balance items in the ordinary course of our business. We carry out guarantee business in a prudent manner, and manage risk according to the five-category classification of loans to ensure the asset quality of our guarantee business.

During the report period and except as disclosed, no material cash assets of the Bank were entrusted to others for management.

VII Undertakings

During the report period, the Bank or shareholders holding shares of more than 5% (including 5%) in the Bank have not made undertakings that might have significant adverse impact on the operational results and financial position of the Bank.

VIII Material Litigation and Arbitration

During the report period and except as disclosed herein, there was no material litigation and arbitration that might have significant adverse impact on the operation of the Bank.

As of 30 June 2006, the Bank has involved in certain litigation and arbitration cases in regular businesses. Consulting professional legal firms, the Management holds that these litigation and arbitration cases will not have significant adverse impacts on the operation of the Bank.

IX Appointment and Dismissal of Auditors

The Bank has appointed PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers Hong Kong LLC as its domestic and international statutory external auditors respectively.

X Punishment and Remedial Actions Required by the Bank, Board of Directors and Directors

During the report period, none of the Bank, the Board of Directors or any Director was subject to any investigation and administrative punishment from the CSRC, or was the subject of a public reprimand from any stock exchange.

XI Explanation on the Alteration of Business Plan

During the report period and except as publicly disclosed, there has been no material amendment to the Bank's business plan.

XII Warnings and Reasons for Predicted Loss or Significant Changes in Net Accumulated Profit from the Beginning of the Year to the End of Next Report Period

The Bank does not believe that the net accumulated profit earned from the beginning of the year to the end of the next report period would result in a loss, nor would there be significant changes compared with the same period of last year.

XIII Use of IPO Proceeds

Fund raising in the current report period is as follow:

Pursuant to the Response of CBRC on BOC's Absorption of Investment and Shareholding by SSF (YJF [2006] No. 49), the Bank issued to SSF 8,514,415,652 ordinary shares on 13 March 2006, par value RMB1 for each share at a premium. SSF contributed RMB 10 billion in cash, with the capital contribution including an equity premium of RMB1, 481 million.

Pursuant to the Response of CBRC on BOC's Transformation to Overseas Offering and Listing of Shares (YJF [2006] No. 53) and the Response on Approving BOC's Issuance of Foreign Capital Stock Listed Abroad (ZJGHZ [2006] No.8), the Bank issued at a premium to foreign investors 29,403,878,000 foreign capital stocks listed abroad (H Share) on 1 June 2006 and 9 June 2006, par value of RMB1 for each share, which were publicly listed on the Hong Kong Stock Exchange at an issue price of HK\$2.95 per share.

Pursuant to the Response of CBRC on BOC Issuing Stocks and Going Public (YJF [2006] No. 135) and the Circular on Approval of BOC Initial Public Offering (ZJFXZ [2006] No.20), the Bank issued at a premium to domestic investors 6,493,506,000 ordinary shares (A Share) on 29 June 2006, par value of RMB1 for each share, which were publicly listed on the Shanghai Stock Exchange at an issue price of RMB3.08 per share.

Funds raised within the report period are mainly used to strengthen the Bank's capital base.

XIV The Audit Committee

The Audit Committee of the Bank is composed of non-executive directors, including two non-executive directors and three independent non-executive directors. Independent non-executive director Patrick de Saint-Aignan is the Chairman; and Zhu Yan, Huang Haibo, Anthony Francis Neoh and Peter Cooke are members of the Committee.

In line with the principle of independence, the Committee assisted the Board of Directors in supervising the

Significant Events

Group's financial reporting, internal control, internal audit and external audit etc.

The Audit Committee has reviewed the interim results of the Bank. The Bank's external auditors have carried out a review of the interim financial statements in accordance with the Independent Auditing Practice Pronouncement No.10 - Engagements to Review Financial Statement but not audited in accordance with Chinese Independent Auditing Standards. The Audit Committee has discussed matters such as the accounting standards and the auditing practice, internal control and financial statements adopted in the interim report.

XV Directors' and Supervisors' Rights to Acquire Shares

On 5 July 2002, the following Directors were granted options by BOC Hong Kong (BVI) Limited ("BOC (BVI)"), the immediate holding company of BOC Hong Kong (Holdings) Limited, pursuant to a Pre-Listing Share Option Scheme to purchase from BOC (BVI) existing issued shares of BOC Hong Kong (Holdings) Limited at a price of HK\$8.50 per share. BOC Hong Kong (Holdings) Limited is a subsidiary of the Bank which is also listed on the Hong Kong Stock Exchange. These options have a vesting period of four years from 25 July 2002 with a valid exercise period of ten years. Twenty-five percent of the shares subject to such options will vest at the end of each year.

Particulars of the outstanding options granted to the Directors under the Pre-Listing Share Option Scheme as at 30 June 2006 are set out below:

	Date of grant	Exercise price (HK\$)	Exercisable Period	Number of share options					
				Granted on 5 July 2002	Balances as at 1 January 2006	Exercised during the period	Surrendered during the period	Lapsed during the period	Balances as at 30 June 2006
HUA Qingshan	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,446,000	–	–	–	1,446,000
LI Zaohang	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,446,000	–	–	–	1,446,000

Save as disclosed above, at no time during the period under review was the Bank, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and Supervisors of the Bank and their respective spouses or children below the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

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

Save as disclosed in Part XV above, as of 30 June 2006, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any associated corporation (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 as set out in Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange.

XVII Purchase, Sale or Redemption of the Bank's Shares

The Bank issued to SSF 8,514,415,652 ordinary shares on 13 March 2006 at a premium.

The Bank issued 25,568,590,000 IPO H shares in the Hong Kong Stock Exchange on 1 June 2006, with the over-

allotment option exercised on 9 June 3,835,288,000 H-Shares were issued.

The Bank issued 6,493,506,000 new A shares on 29 June 2006, and the Bank's A shares were listed and commenced trading on the Shanghai Stock Exchange on 5 July 2006.

Save for the above, neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any of the Bank's shares.

XVIII Compliance with the Code on Corporate Governance Practices of the Listing Rules

The Bank endeavored to establish good corporate governance principles and practices and believed that upholding international standards of corporate governance is crucial to safeguarding the interests of shareholders. The Board of Directors and Board of Supervisors have been organized in line with relevant laws and regulations. The Board of Directors is accountable to the general meeting of shareholders and responsible for, among other things, approving the Bank 's business strategy and operating plans, appointing senior management and establishing organization structure. With the Board of Directors at the core, the Bank has set up a number of Board committees, namely Strategic Development Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transaction Control Committee to perform functions designated by the Board of Directors. The Board of Supervisors is accountable to the general meeting of shareholders and has the responsibility and power to, among other things, supervise the Board of Directors and senior management, inspect the Bank 's financial activities and examine decisions made.

The Bank has conducted a gap analysis between the requirements of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange on the one hand and the Group's internal requirements and practices on the other hand. the Bank has been in full compliance with the code provisions and has substantially complied with the recommended best practices set out in the CG Code.

XIX Compliance with the Model Code for Securities Transactions by Directors

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange to govern securities transactions by Directors and Supervisors. The Bank has made specific enquiry of all Directors and Supervisors of the Bank, and the Directors and Supervisors have confirmed that they have complied with the required standards set out in the said Model Code throughout the period under review.

XX Compliance with PRC Accounting Standards for Business Enterprises and Accounting System for Financial Institutions

The Interim report as at the end of the first half of 2006 is in compliance with the requirements of Interim Report, PRC Accounting Standards for Business Enterprises and Accounting System for Financial Institutions.

XXI Interim Report

This Interim Report is available in both English and Chinese. The Chinese and English versions of this Interim Report is available by writing to the Bank 's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Hopewell Centre, 46th Floor, 183 Queen's Road East, Wan Chai, Hong Kong. The Chinese and English versions of this Interim Report are available at major business locations of the Bank. This Interim Report is also available (in both English and Chinese) on the Bank 's website at www.boc.cn, www.sse.com.cn, and www.hkex.com.hk.

If you have any queries about how to obtain copies of this Interim Report or how to access those documents on the Bank 's website, please call the Bank 's hotline at (852) 2862 8633 or 8610 66596688.

Significant Events

Validation Opinion of the Board of Directors and the Senior Management of BOC on the 2006 Interim Report

In accordance with relevant provisions in the *Securities Law of People's Republic China* and the *Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public (No.3) — Contents and Formats of Interim Report (Revision 2003)*, we, as directors and senior managers of BOC, issued the following opinions on the basis of full understanding and review of the 2006 Interim Report and its summary.

I. The Bank regulates its operation in accordance with the Accounting Standards for Business Enterprises, the Accounting Systems for Enterprises and the Accounting System for Financial Institutions. The 2006 Interim Report fairly presents the financial position and operating results of the Bank as at June 30 2006.

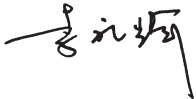
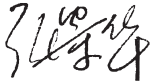
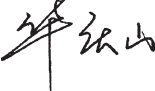
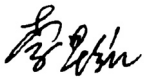
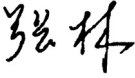
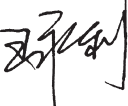
II. The 2006 Interim Report of the Bank has been reviewed by the accounting firms of PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers in accordance with PRC GAAP and International Financial Reporting Standards respectively. The firms will issue standard and unqualified opinion review reports after the Interim Report be approved by the Audit committee of the Board and the Board of Directors.

We are of the view that the information in this report and its summary contains no false records, misleading statements or major omissions. We assume individual and joint and several responsibilities for the truthfulness, accuracy and completeness of the contents of the report.

Board of Directors of Bank of China Limited

August 29, 2006

Signatures of directors and senior managers

Name	Position	Signature	Name	Position	Signature
XIAO Gang	Chairman		LI Lihui	President	
ZHANG Jinghua	Non-Executive Director		YU Erniu	Non-Executive Director	
ZHU Yan	Non-Executive Director		ZHANG Xinze	Non-Executive Director	
HONG Zhihua	Non-Executive Director		HUANG Haibo	Non-Executive Director	
Frederick Anderson Goodwin	Non-Executive Director		SEAH Lim Huat Peter	Non-Executive Director	
HUA Qingshan	Executive Director; Vice President		LI Zaohang	Executive Director; Vice President	
Anthony Francis NEOH	Independent Non-Executive Director		William Peter COOKE	Independent Non-Executive Director	
Patrick de SAINT-AIGNAN	Independent Non-Executive Director		Alberto TOGNI	Independent Non-Executive Director	
ZHOU Zaiqun	Vice President		ZHANG Yanling	Vice President	
ZHANG Lin	Secretary of Party Discipline Committee		ZHU Min	Assistant President	
WANG Yongli	Assistant President		YEUNG Jason Chi Wai	Secretary to the Board of Directors	

Condensed Financial Statements and Independent Review Report(Unaudited)

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REVIEW REPORT

PwC ZT SZ (2006) No. 302

TO THE SHAREHOLDERS OF BANK OF CHINA LIMITED:

We have reviewed the accompanying balance sheet of Bank of China Limited (the "Bank") as of 30 June, 2006, and its profit and loss account and cash flow statement for the period then ended, and the consolidated balance sheet of Bank of China Group (the "Group" comprising the Bank and its subsidiaries) as at 30 June 2006 and its consolidated profit and loss account and cash flow statement for the period then ended. The Bank's management is responsible for preparing these condensed financial statements. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Independent Auditing Practice Pronouncement No.10 - Engagements to Review Financial Statements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not prepared, in all material respects in accordance with the Accounting Standards for Business Enterprises, the Accounting System for Financial Institutions and other relevant accounting regulations.

PricewaterhouseCoopers Zhong Tian
Certified Public Accountants Limited Company

Shanghai, China
29 August 2006

Balance Sheets

As at 30 JUNE 2006

(Amount in millions of Renminbi, unless otherwise stated)

Assets	Note	Bank of China Group		Bank of China Limited	
		30 June 2006 Unaudited	31 December 2005 Audited	30 June 2006 Unaudited	31 December 2005 Audited
Cash		29,811	28,644	26,684	25,144
Precious metals		40,649	30,314	39,003	28,577
Due from central banks	III.1	340,651	316,941	314,986	284,373
Government certificates of indebtedness for bank		36,094	35,586	1,650	1,641
Trading and other debt securities at fair value through profit or loss	III.2	110,602	107,271	81,224	82,082
Derivative financial instruments	III.3	21,540	16,808	15,136	11,329
Due from and placements with banks and other	III.4	300,114	344,537	223,651	256,786
Debt securities	III.5; IV.1	1,877,669	1,562,320	1,570,481	1,297,990
Loans and advances to customers	III.6; IV.2	2,405,536	2,235,046	2,042,201	1,868,105
Less: Provision for loan losses		(88,128)	(83,153)	(84,753)	(79,581)
Interest receivable		23,187	20,408	18,726	16,107
Equity investments	III.7; IV.3	14,775	15,393	69,439	66,951
Fixed assets		71,208	72,978	52,169	53,392
Construction in progress		3,940	3,342	3,933	3,331
Deferred tax assets	III.13	17,410	17,561	17,298	17,428
Other assets		21,875	18,810	11,076	10,384
Total assets		5,226,933	4,742,806	4,402,904	3,944,039

Liabilities	Note	Bank of China Group		Bank of China Limited	
		30 June 2006 Unaudited	31 December 2005 Audited	30 June 2006 Unaudited	31 December 2005 Audited
Due to central banks	III.8	30,495	30,055	30,470	30,030
Bank notes in circulation		36,151	35,731	1,708	1,786
Derivative financial instruments and liabilities at fair value through profit or loss	III.9	101,172	91,174	80,777	76,323
Due to and placements from banks and other financial institutions		358,349	345,233	350,337	343,574
Deposits from customers	III.10; IV.4	4,053,024	3,703,777	3,356,973	3,009,187
Interest payable		31,485	27,024	29,559	25,291
Special purpose borrowings	III.11	49,622	52,164	49,622	52,164
Bonds issued	III.12	60,177	60,179	60,177	60,179
Deferred tax liabilities	III.13	254	184	22	22
Other liabilities	III.14	119,751	134,665	85,618	111,641
Total liabilities		4,840,480	4,480,186	4,045,263	3,710,197
Minority interests	III.16	28,812	28,778	-	-
Shareholder's equity					
Share capital	III.17	253,839	209,427	253,839	209,427
Capital reserve	III.18	76,545	3,978	75,888	3,978
Surplus reserve	III.19	8,095	5,987	8,095	5,987
General reserve and statutory reserve of subsidiary	III.19	9,398	5,109	9,398	5,109
Undistributed profits	III.19	23,837	12,585	24,494	12,585
Reserve for fair value changes of available-for-sale securities	III.19	(11,954)	(1,380)	(11,954)	(1,380)
Currency translation differences		(2,119)	(1,864)	(2,119)	(1,864)
Total shareholder's equity		357,641	233,842	357,641	233,842
Total liabilities and shareholder's equity		5,226,933	4,742,806	4,402,904	3,944,039

The accompanying notes form an integral part of these financial statements.

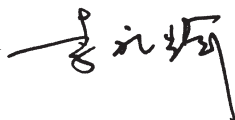
Legal Representative
and Chairman:



Vice President in charge
of accounting function:



Deputy Chairman
and President:



General Manager in charge of
the Accounting Department:



Income Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June		For the six month period ended 30 June	
		Bank of China Group		Bank of China Limited	
		2006 Unaudited	2005 Unaudited	2006 Unaudited	2005 Unaudited
Interest income	III.20; IV.5	99,777	77,466	79,525	66,038
Interest expense	III.20; IV.5	(45,301)	(28,808)	(33,197)	(24,401)
Net interest income		54,476	48,658	46,328	41,637
Net fee and commission income	III.21; IV.6	6,841	4,518	4,762	3,029
Net trading (expense)/income	III.22; IV.7	(193)	2,993	(282)	2,250
Investment income	III.23; IV.8	1,681	149	7,652	4,840
Other operating income, net	III.24	1,797	361	245	12
		64,602	56,679	58,705	51,768
Operating and administrative expenses	III.25; IV.9	(23,193)	(21,000)	(19,715)	(17,744)
Business tax and surcharges	III.26	(2,987)	(2,670)	(2,952)	(2,650)
Operating profit		38,422	33,009	36,038	31,374
Non-operating income, net		467	1,145	222	777
Profit before impairment losses		38,889	34,154	36,260	32,151
Impairment losses	III.27; IV.10	(4,876)	(4,576)	(5,680)	(6,116)
Profit before tax		34,013	29,578	30,580	26,035
Income tax	III.28	(12,362)	(10,860)	(10,937)	(9,601)
Profit after tax		21,651	18,718	19,643	16,434
Minority interests		(2,627)	(2,284)	-	-
Net profit		19,024	16,434	19,643	16,434
Earnings per share for profit attributable to the equity holders of the Bank during the period(expressed in Renminbi per ordinary share)	III.29				
- Basic		0.09	0.09		
- Diluted		0.09	0.09		

The accompanying notes form an integral part of these financial statements.

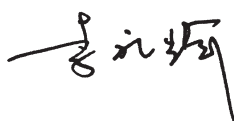
Legal Representative
and Chairman:



Vice President in charge
of accounting function:



Deputy Chairman
and President:



General Manager in charge of
the Accounting Department:



Statements of Changes in Shareholders' Equity

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

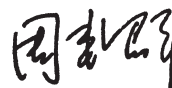
Note	Unaudited							
	Bank of China Group							
	Share capital	Capital reserve	Statutory Reserves	General and regulatory reserves	Undistributed profits	Reserve for fair value changes of available-for-sale securities	Currency translation differences	Total
At 1 January 2006	209,427	3,978	5,987	5,109	12,585	(1,380)	(1,864)	233,842
Net profit for the period	–	–	–	–	19,024	–	–	19,024
Issue of ordinary shares III.17;III.18	44,412	72,567	–	–	–	–	–	116,979
Appropriation to statutory reserve III.19	–	–	2,108	–	(2,108)	–	–	–
Appropriation to general and regulatory reserves III.19	–	–	–	4,291	(4,291)	–	–	–
Net fair value changes of available-for-sale securities III.19	–	–	–	–	–	(10,574)	–	(10,574)
Dividend III.19	–	–	–	–	(1,375)	–	–	(1,375)
Currency translation differences	–	–	–	–	–	–	(255)	(255)
Others	–	–	–	(2)	2	–	–	–
At 30 June 2006	253,839	76,545	8,095	9,398	23,837	(11,954)	(2,119)	357,641

The accompanying notes form an integral part of these financial statements.

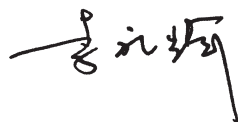
Legal Representative and Chairman:



Vice President in charge of accounting function:



Deputy Chairman and President:



General Manager in charge of the Accounting Department:



Statements of Changes in Shareholders' Equity

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

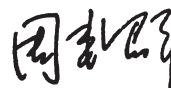
Note	Unaudited							
	Bank of China Limited							
	Share capital	Capital reserve	Statutory Reserves	General and regulatory reserves	Undistributed profits	Reserve for fair value changes of available-for-sale securities	Currency translation differences	Total
At 1 January 2006	209,427	3,978	5,987	5,109	12,585	(1,380)	(1,864)	233,842
Net profit for the period	–	–	–	–	19,643	–	–	19,643
Issue of ordinary shares III.17;III.18	44,412	72,219	–	–	–	–	–	116,631
Appropriation to statutory reserve III.19	–	–	2,108	–	(2,108)	–	–	–
Appropriation to general and regulatory reserves III.19	–	–	–	4,291	(4,291)	–	–	–
Net fair value changes of available-for-sale securities III.19	–	–	–	–	–	(10,574)	–	(10,574)
Dividend III.19	–	–	–	–	(1,375)	–	–	(1,375)
Currency translation differences	–	–	–	–	–	–	(255)	(255)
Others III.18	–	(309)	–	(2)	40	–	–	(271)
At 30 June 2006	253,839	75,888	8,095	9,398	24,494	(11,954)	(2,119)	357,641

The accompanying notes form an integral part of these financial statements.

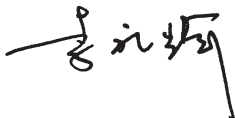
Legal Representative and Chairman:



Vice President in charge of accounting function:



Deputy Chairman and President:



General Manager in charge of the Accounting Department:



For the six month period ended 30 June 2005

(Amount in millions of Renminbi, unless otherwise stated)

Note	Unaudited						
	Bank of China Group and Bank of China Limited						
	Share capital	Capital reserves	General reserve and statutory reserve	Undistributed profits	Reserve for fair value changes of available-for-sale securities	Currency translation differences	Total
At 1 January 2005	186,390	3,140	419	17,373	(2,315)	344	205,351
Net profit for the period	–	–	–	16,434	–	–	16,434
Additions	–	75	2,480	(2,555)	–	–	–
Net changes in fair value of available-for-sale securities reserve	–	–	–	–	3,349	–	3,349
Currency translation differences	–	–	–	–	–	(354)	(354)
At 30 June 2005	186,390	3,215	2,899	31,252	1,034	(10)	224,780

Note	Unaudited							
	Bank of China Group and Bank of China Limited							
	Share capital	Capital reserve	Statutory reserves	General reserve and statutory reserve	Undistributed profits	Reserve for fair value changes of available-for-sale securities	Currency translation differences	Total
At 30 June 2005	186,390	–	3,215	2,899	31,252	1,034	(10)	224,780
Net profit for the period	–	–	–	–	11,058	–	–	11,058
Issue of ordinary shares III.17	23,037	3,964	–	–	–	–	–	27,001
Appropriation III.19	–	–	2,772	2,210	(4,982)	–	–	–
Net fair value changes of available-for-sale securities III.19	–	–	–	–	–	(2,414)	–	(2,414)
Dividend III.19	–	–	–	–	(26,937)	–	–	(26,937)
Adoption of equity accounting for investment in an associate	–	–	–	–	2,194	–	–	2,194
Currency translation differences	–	–	–	–	–	–	(1,854)	(1,854)
Others	–	14	–	–	–	–	–	14
At 31 December 2005	209,427	3,978	5,987	5,109	12,585	(1,380)	(1,864)	233,842

The accompanying notes form an integral part of these financial statements.

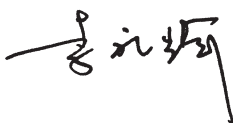
Legal Representative and Chairman:



Vice President in charge of accounting function:



Deputy Chairman and President:



General Manager in charge of the Accounting Department:



Cash Flow Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June			
		Bank of China Group		Bank of China Limited	
		2006 Unaudited	2005 Unaudited	2006 Unaudited	2005 Unaudited
Cash flows from operating activities					
Interest received		96,998	75,995	76,906	64,952
Commission received		7,505	5,919	5,218	3,701
Cash received from bad debts written-off previously		986	1,823	250	607
Net increase in customer deposits (including structured deposits)		349,247	246,881	347,786	248,163
Net decrease/(increase) in due from and placements with banks and other financial institutions		15,392	58,072	39,448	17,039
Net increase in due to and placements from banks and other financial institutions		13,116	45,141	6,763	20,378
Net change in other operating items		(2,811)	392	(18,114)	(10,686)
Cash inflows from operating activities		480,433	434,223	458,257	344,154
Cash paid for interest on customer deposits and inter-bank balances		(39,461)	(24,782)	(27,550)	(20,572)
Commission paid		(1,325)	(1,397)	(460)	(673)
Cash paid to and on behalf of the employees		(13,670)	(11,289)	(11,139)	(9,290)
Cash paid for operating expenses and others		(7,322)	(6,450)	(6,399)	(5,397)
Income tax paid		(15,279)	(13,331)	(14,681)	(12,859)
Business and other taxes paid		(3,421)	(2,763)	(3,387)	(2,738)
Net increase in loans		(171,476)	(140,154)	(175,023)	(111,643)
Net increase in debt securities		(315,213)	(174,485)	(269,766)	(148,567)
Net increase in statutory deposit reserve with central banks		(18,820)	(24,116)	(24,531)	(24,119)
Net increase in precious metals		(10,335)	4,832	(10,426)	4,816
Net decrease in due to central banks		440	(9,777)	440	(9,776)
Net decrease in special purpose borrowings		(2,542)	(8,896)	(2,542)	(8,896)
Cash outflows from operating activities		(598,424)	(412,608)	(545,464)	(349,714)
Net cash inflows/(outflows) from operating activities	III.30; IV.11	(117,991)	21,615	(87,207)	(5,560)

Note	For the six month period ended 30 June		For the six month period ended 30 June	
	Bank of China Group		Bank of China Limited	
	2006 Unaudited	2005 Unaudited	2006 Unaudited	2005 Unaudited
Cash flows from investing activities				
Cash received from disposal of fixed assets and other assets	625	1,651	73	690
Cash received from disposal of equity investments	609	660	69	267
Dividends received	20	36	3,894	3,340
Cash inflows from investing activities	1,254	2,347	4,036	4,297
Cash paid for purchase of fixed assets and other assets	(2,190)	(1,766)	(1,730)	(1,556)
Cash paid for increase of equity investments	(270)	(1,506)	(447)	(49)
Cash outflows from investing activities	(2,460)	(3,272)	(2,177)	(1,605)
Net cash (outflows)/inflows from investing activities	(1,206)	(925)	1,859	2,692
Cash flows from financing activities				
Cash received from issuance of ordinary shares	117,423	–	116,766	–
Cash received from issuance of subordinated bonds	–	33,930	–	33,930
Cash received from minority shareholders as additional capital injection to subsidiaries	86	5	–	–
Cash inflows from financing activities	117,509	33,935	116,766	33,930
Cash payments for interest on bonds issued	(1,379)	(15)	(1,379)	(15)
Dividend payments	(3,266)	(1,637)	(1,375)	–
Others	(238)	–	(238)	–
Cash outflows from financing activities	(4,883)	(1,652)	(2,992)	(15)
Net cash inflows from financing activities	112,626	32,283	113,774	33,915
Effect of foreign exchange rate changes	(1,068)	(4,159)	1	(4,032)
Increase in cash and cash equivalents	(7,639)	48,814	28,427	27,015
Cash and cash equivalents at 1 January	397,112	366,142	275,623	274,215
Cash and cash equivalents at 30 June III.30;VI.11	389,473	414,956	304,050	301,230

The accompanying notes form an integral part of these financial statements.

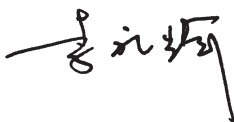
Legal Representative
and Chairman:



Vice President in charge
of accounting function:



Deputy Chairman
and President:



General Manager in charge of
the Accounting Department:



Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

I. BASIS OF PREPARATION AND CONSOLIDATION

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, the Accounting System for Financial Institutions and other relevant accounting regulations applicable to the Group. The interim financial statements, and should be read in conjunction with the 2005 annual financial statements.

The unaudited condensed consolidated financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises - Interim Reporting issued by MOF and in accordance with Disclosure -No.3 contents and reporting formats for listed companies (2003 revised) issued by China Securities Regulatory Commission.

The principal accounting policies adopted in the preparation of the unaudited condensed consolidated financial statement are consistent with those used in the Group's accounts for the year ended 31 December 2005.

In February 2006, the MOF issued 39 new and revised Accounting Standards for Enterprises as part of the PRC government's initiative to converge the PRC GAAP with International Financial Reporting Standards. These new standards, which are mandatory for all listed companies and optional for others, are effective for accounting periods commencing on or after 1 January 2007. The Group plans to implement these standards, effective 1 January 2007 and has commenced an assessment of their effect on the Group's existing accounting policies. While management's assessment of the new standards is not yet completed, principal differences with the Group's existing accounting policies include the following:

- (1) Except for the equity investments held for trading in overseas operations, the Group currently accounts for equity investments at cost less impairment. Under the new Standards, equity investments other than investments in subsidiaries, associates and investments held for trading will be classified as available-for-sale securities. Management plans to classify and account for other equity investments as available-for-sale according to the new Standards and those investments with active market quotation will be recorded at fair value with gains or losses reported in shareholders' equity.
- (2) The Group currently accounts for investment properties at amortised cost less impairment. Under the new Standards, these assets can either be measured at fair value or at amortised cost less impairment. The method can not be changed once it is selected by management. Management plans to account for investment properties using fair value.
- (3) The Group currently accounts for the early retirement benefits on a cash basis when paid. Under the new Standards, a liability is required to be recorded at actuarially determined value of future early retirement benefits payable to employees who have commenced early retirement, with changes in the value of this liability reported in the income statement.
- (4) The Bank currently accounts for its investment in subsidiaries using equity accounting method in the Bank's financial statements. Under the new Standards, these investments are stated at cost in the Bank's financial statements.

2. Basis of consolidation

The consolidated financial statements include the accounts of the Bank and its subsidiaries. The significant subsidiaries of the Bank are presented in Section II, "Subsidiaries".

The Bank fully consolidates its subsidiaries from the date on which the Bank obtains actual control of the subsidiaries and the Bank de-consolidates them from the date that control ceases to exist. All significant intercompany balances, intercompany transactions and intercompany unrealised profits or losses are eliminated on consolidation. Minority interests represent the interests of minority shareholders in the operating results and net assets of the Bank's subsidiaries.

Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

3. Segment Reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

II. SUBSIDIARIES

As at 30 June 2006, the principal subsidiaries set out below are consolidated. All holdings are in the ordinary share capital of the undertaking concerned.

Name	Place of incorporation / establishment	Equity held (%)	Registered capital/ Paid-in capital (in millions)	Principal business
Directly controlled				
BOC Hong Kong (Group) Limited	Hong Kong	100.00	HKD34,806	Holding company
BOC International Holdings Limited	Hong Kong	100.00	HKD3,539	Investment banking
Bank of China Group Insurance Company Limited	Hong Kong	100.00	HKD1,269	Insurance services
Bank of China Group Investment Limited	Hong Kong	100.00	HKD200	Holding of industrial and other investments
Tai Fung Bank Limited	Macau	50.31	MOP1,000	Commercial banking
Indirectly controlled				
BOC Hong Kong (Holdings) Limited(1)	Hong Kong	65.87	HKD52,864	Holding company
Bank of China (Hong Kong) Limited	Hong Kong	65.87	HKD43,043	Commercial banking
Nanyang Commercial Bank Limited	Hong Kong	65.87	HKD600	Commercial banking
Chiyu Banking Corporation Limited(2)	Hong Kong	46.43	HKD300	Commercial banking
BOC Credit Card (International) Limited	Hong Kong	65.87	HKD480	Credit card services
BOC Group Trustee Company Limited (3)	Hong Kong	76.31	HKD200	Provision of trustee services

(1) Listed on the Stock Exchange of Hong Kong.

(2) Bank of China (Hong Kong) Limited holds 70.49% share of this company.

(3) Bank of China (Hong Kong) Limited, Nanyang Commercial Bank Limited, Chiyu Banking Corporation Limited and BOC International Holdings Limited hold 54%, 6%, 6% and 34% shares of this company respectively.

III. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Due from central banks

	30 June 2006	31 December 2005
Settlement account balances with the PBOC	88,305	89,124
Due from overseas central banks	25,763	25,787
Subtotal	114,068	114,911
RMB statutory deposit reserve with the PBOC	203,119	182,825
Foreign currency statutory deposit reserve with the PBOC	13,549	13,595
Fiscal deposits with the PBOC	7,876	3,355
Statutory deposit reserve with overseas central banks	2,039	2,255
Subtotal	226,583	202,030
Total	340,651	316,941

Domestic Operations are required to place an RMB statutory deposit reserve, a foreign currency statutory deposit reserve and a fiscal deposit with the PBOC. At 30 June 2006, the required reserve ratio for customer deposits denominated in RMB was 7.5% (2005: 7.5%); the required reserve ratio for customer deposits denominated in foreign currencies is 3% (2005: 3%). The fiscal deposit of Domestic Operations is comprised of funds from government agencies, and proceeds of bonds issued on behalf of the MOF. The foreign currency deposit reserve and fiscal deposits placed with the PBOC are non-interest bearing.

2. Trading and other debt securities at fair value through profit or loss

	30 June 2006	31 December 2005
Trading		
Government bonds	27,761	19,116
Public sector and quasi government bonds	3,088	2,095
Financial institution bonds	23,600	30,599
Corporate bonds	3,794	4,179
Sub-total	58,243	55,989
Other debt securities at fair value through profit or loss (designated at initial recognition)		
Government bonds	9,267	10,704
Public sector and quasi government bonds	11,218	12,974
Financial institution bonds	26,667	19,979
Corporate bonds	5,207	7,625
Sub-total	52,359	51,282
Total	110,602	107,271

Included in other debt securities at fair value through profit or loss are debt securities with respect to which the Group has established economic hedges using derivative instruments. Gains and losses arising on the derivatives are intended to substantially offset the gains and losses arising on these securities, which might have otherwise been classified as "available-for-sale" or "held-to-maturity" securities.

3. Derivative financial instruments

The Group enters into the following foreign exchange rate or interest rate related derivative financial instruments for trading and risk management purposes:

The contractual/notional amount and fair values of derivative instruments held by the Group are set out in the following table. The contractual/notional amounts of certain types of financial instruments provide a basis for comparison with fair value instruments recognised on the balance sheet 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 exchange rate, interest rates 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.

The fair values of derivatives that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include discounted cash flows analysis and models. To the extent practical, models use only observable data, such as interest rate and foreign exchange rates, however areas such as credit risk (both own and counterparty's), volatilities and correlations require management to make estimates. Changes in such observable data and assumptions about these factors could affect reported fair value of financial instruments.

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For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

3. Derivative financial instruments (Continued)

At 30 June 2006	Contractual / notional amount	Fair values	
		Assets	Liabilities
Foreign exchange derivatives			
Currency forwards (1)	800,207	8,412	(5,040)
OTC currency options (2)	268,738	4,348	(708)
Sub-total		12,760	(5,748)
Interest rate derivatives			
Interest rate swaps	402,830	6,194	(7,333)
Cross-currency interest rate swaps	38,209	1,943	(3,980)
OTC interest rate options	149,528	146	(1,058)
Interest rate futures	17,552	21	(3)
Sub-total		8,304	(12,374)
Equity derivatives	11,223	166	(227)
Precious metals derivatives	10,686	310	(412)
Total derivative financial instruments assets/(liabilities) (Note III.9)		21,540	(18,761)

At 31 December 2005	Contractual / notional amount	Fair values	
		Assets	Liabilities
Foreign exchange derivatives			
Currency forwards (1)	563,397	6,991	(4,813)
OTC currency options (2)	196,012	3,781	(374)
Sub-total		10,772	(5,187)
Interest rate derivatives			
Interest rate swaps	361,332	3,132	(5,246)
Cross-currency interest rate swaps	39,427	1,735	(4,131)
OTC interest rate options	110,578	148	(215)
Interest rate futures	14,939	28	(34)
Sub-total		5,043	(9,626)
Equity derivatives	15,442	14	(7)
Precious metals derivatives	21,008	979	(932)
Total derivative financial instruments assets/(liabilities) (Note III.9)		16,808	(15,752)

- (1) Since 2005, the PBOC selected certain domestic banks, including the Bank, to conduct Foreign Exchange Swap transactions. Under these agreements, the PBOC sold USD to the Bank in spot transactions for RMB and agreed to buy back the USD after one year at agreed exchange rates, which reflect the interest rate differentials between USD and RMB at the respective inception date of the transactions.
- (2) On 5 January 2005, the Bank entered into a Foreign Currency Option Agreement with Central SAFE Investment Limited ("Huijin") whereby the Bank acquired options to sell Huijin USD, totaling USD 18 billion, of no more than USD 1,500 million at the beginning of each calendar month during the year ending 31 December 2007 at a fixed exchange rate of USD 1 to RMB 8.2769. The related option premium amounted to RMB 4,469 million, is payable by the Bank to Huijin in 12 equal monthly installments at the beginning of each calendar month during the year ending 31 December 2007.

4. Due from and placements with banks and other financial institutions

	30 June 2006	31 December 2005
Due from banks		
Due from domestic banks	2,860	4,305
Due from overseas banks	4,114	8,133
Sub-total	6,974	12,438
Placements with banks and other financial institutions		
Placements with domestic banks	53,862	52,439
Placements with other domestic financial institutions	50,605	26,302
Placements with overseas banks	189,217	253,904
Sub-total	293,684	332,645
Provision for impairment	(544)	(546)
Sub-total	293,140	332,099
Total	300,114	344,537

As at 30 June 2006, placements with banks and other financial institutions reported on non-accrual basis were RMB 544 million (2005: RMB 546 million).

Placements with banks and other financial institutions include balances arising from reverse repo agreements as follows:

	30 June 2006	31 December 2005
Bills discounted under reverse repos	14,007	7,592
Bonds under reverse repos		
Government bonds	47,109	41,857
Financial institution bonds	26,476	20,191
Total	87,592	69,640

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For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

5. Debt securities

	30 June 2006	31 December 2005
Debt securities available-for-sale (at fair value):		
Government bonds	309,350	229,064
Public sector and quasi government bonds	247,158	106,840
Financial institution bonds	228,024	170,038
Corporate bonds	134,643	87,068
Sub-total	919,175	593,010
Debt securities held-to-maturity (at amortised cost):		
Government bonds	224,065	231,156
Public sector and quasi government bonds	119,604	135,002
Financial institution bonds	192,294	203,724
Corporate bonds	33,163	37,577
Sub-total	569,126	607,459
Debt securities classified as loans and receivables (at amortised cost):		
China Orient Bond	160,000	160,000
PBOC Special Bills (1)	91,612	91,530
Special Purpose Treasury Bond	42,500	42,500
Short term bills and notes		
– Public sector and quasi government bonds	15,260	6,096
– Financial institution bonds	67,676	49,993
– Corporate bonds	1,825	-
Bearer Treasury Bonds and others	10,647	11,888
	389,520	362,007
Provision for impairment	(152)	(156)
Sub-total	389,368	361,851
Total (2)	1,877,669	1,562,320

- (1) On 22 June 2006, the PBOC issued special PBOC Bills amounting to RMB 82 million in exchange for certain debt for equity swap loans, as previously approved by the State Council. The tenor of the bill is 5 years, with an interest rate of 1.89% per annum. The bills cannot be circulated, transferred or pledged as collateral, unless otherwise approved by PBOC.
- (2) As at 30 June 2006, debt securities of RMB 76,822 million (2005: RMB 49,658 million) were pledged as collateral to third parties under agreement to repurchase. Refer to Note IX.2.

6. Loans and advances to customers

(1) Analysed by security type

Loans and advances to customers are analysed by the form of security as follows:

	30 June 2006	31 December 2005
Unsecured loans	578,987	475,764
Guaranteed loans	723,502	684,824
Collateralised and other secured loans	1,103,047	1,074,458
Total	2,405,536	2,235,046

(2) Analysed by industry sector

	30 June 2006	31 December 2005
Corporate Loans		
Manufacturing	591,908	531,191
Commercial and servicing	323,348	301,863
Real estate	201,585	190,297
Energy, mining and agriculture	252,416	230,854
Transportation and logistics	200,503	193,428
Public services	104,827	91,924
Financial services	112,153	96,245
Construction	38,304	36,050
Others	39,037	40,191
Sub-total	1,864,081	1,712,043
Consumer loans		
Residential mortgages	428,119	413,007
Vehicle loans	24,391	28,005
Credit card and others	88,945	81,991
Sub-total	541,455	523,003
Total	2,405,536	2,235,046

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

6. Loans and advances to customers (Continued)

(3) Accrual and non-accrual loans

	30 June 2006	31 December 2005
Accrual loans	2,322,496	2,158,232
Non-accrual loans	83,040	76,814
Total	2,405,536	2,235,046

(4) As at 30 June 2006, loans and advances to customers include bills pledged as collateral under reverse repurchase agreements amounting to RMB 5,569 million (2005: RMB 11,968 million). Refer to Note IX.2.

7. Equity investments

	30 June 2006	31 December 2005
Investment in associates (1)	5,673	5,100
Other equity investments (2)	6,675	7,043
	12,348	12,143
Less: Impairment provision	(1,138)	(1,243)
	11,210	10,900
Equity investments held for trading (at fair value) (3)	3,565	4,493
Total	14,775	15,393

(1) As at 30 June 2006, the principal associates of the Group are as follows:

	Place of incorporation/ establishment	Equity held (%)	Paid-in capital (in millions)	Principal business
Huaneng International Power Development Corporation	PRC	20	USD450	Construct and operate electricity factory and related projects
BOC International (China) Limited	PRC	49	RMB1,500	Securities underwriting, investment advisory, and brokerage services
CJM Insurance Brokers Limited	Hong Kong	33	HKD6	Insurance broker
Joint Electronic Teller Services Limited	Hong Kong	19.96	HKD10	Private inter-bank message switching network and ATM services
Dongfeng Peugeot Citroen Auto Finance Company Ltd	PRC	50	RMB500	Car loan and financing services

(2) Other equity investments mainly include: (i) Equity investments held for investment purpose by the Bank's subsidiaries in Hong Kong; and (ii) Certain historical non-banking equity investments held by domestic operations. In December 2005, the Bank entered into a contract with China Orient and transferred out most of its historical non-banking equity investments.

(3) Equity investments held for trading principally comprise listed shares held by the Bank's subsidiaries in Hong Kong.

8. Due to central banks

	30 June 2006	31 December 2005
Special foreign exchange deposits of government agencies	30,080	28,873
Borrowings from central banks	33	520
Others	382	662
Total	30,495	30,055

9. Derivative financial instruments and liabilities at fair value through profit or loss

	30 June 2006	31 December 2005
Derivative financial instruments liabilities (Note III. 3)	18,761	15,752
Liabilities at fair value through profit or loss		
Structured deposits	75,092	70,069
Short position in foreign currency debt securities	4,057	3,740
Short position in exchange fund bills	3,262	1,613
Sub-total	82,411	75,422
Total	101,172	91,174

10. Deposits from customers

	30 June 2006	31 December 2005
Short-term corporate deposits		
Corporate demand deposits	940,638	836,763
Corporate time deposits less than one year	527,225	486,681
Sub-total	1,467,863	1,323,444
Short-term saving deposits		
Demand deposits	734,894	667,957
Time deposits less than one year	1,309,567	1,243,964
Sub-total	2,044,461	1,911,921
Long-term corporate deposits	32,157	26,317
Long-term saving deposits	339,763	313,703
Securities and margin deposits	168,780	128,392
Total	4,053,024	3,703,777
The securities and margin deposits are analysed as follows:		
Security deposits for bank acceptance	92,106	63,556
Security deposits for letters of credit and letters of guarantee issued	29,206	26,785
Margin deposits for foreign exchange transactions	10,524	8,638
Others	36,944	29,413
Total	168,780	128,392

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For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

11. Special purpose borrowings

	30 June 2006	31 December 2005
Export credit loans	15,826	17,147
Foreign government loans	18,076	18,414
Other subsidised loans	15,720	16,603
Total	49,622	52,164

Special purpose borrowings are long-term borrowings from foreign governments and/or banks in the form of export credit loans, foreign government loans and other subsidised loans. These special purpose loans are normally used to finance projects with special commercial purposes in PRC and the Bank is obliged to repay these loans when they fall due.

As at 30 June 2006, the maturity of special purpose borrowings ranges from within 1 month to 37 years, with floating & fixed interest rates range from 0.2% to 9.2%, which are consistent with those related to similar development loans from these entities.

12. Bonds issued

	Issue date	Maturity date	Interest rate(%)	30 June 2006	31 December 2005
Bonds issued (1)					
1994 BOC US Dollar Debt Securities	10 March 1994	15 March 2014	8.25	177	179
Subordinated bonds issued (2)					
2004 BOC RMB Debt Securities					
– First Tranche	7 July 2004	20 July 2014	4.87	14,070	14,070
– Second Tranche	22 October 2004	16 November 2014	4.94	12,000	12,000
2005 BOC RMB Debt Securities					
– First Tranche	18 February 2005	4 March 2015	4.83	15,930	15,930
– Second Tranche (fixed rate)	18 February 2005	4 March 2020	5.18	9,000	9,000
– Second Tranche (floating rate)	18 February 2005	4 March 2015	floating rate	9,000	9,000
Sub-total				60,000	60,000
Total				60,177	60,179

- (1) The Bank and the bond holders are prohibited from redeeming or requesting an early redemption of these bonds before the maturity dates.
- (2) These RMB subordinated bonds are subordinated to all other claims on the assets of the Bank, except for those of the shareholders. In the calculation of the Group's capital adequacy ratio, these bonds qualify for inclusion as supplementary capital.

13. Deferred income taxes assets/liabilities

Deferred income taxes are calculated on the timing differences under the liability method using the relevant local tax rates applicable to the Group's operation. The movement on the deferred income tax account is as follows:

	2006	2005
At 1 January	17,377	18,647
Charge in the income statement (Note III.28)	(226)	(1,252)
Exchange differences	5	(18)
At 30 June /31December	17,156	17,377

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 relate to the same fiscal authority. The table below includes the Group's deferred income tax assets and liabilities after offsetting qualifying amounts:

	30 June 2006	31 December 2005
Deferred income tax assets	17,410	17,561
Deferred income tax liabilities	(254)	(184)
Total	17,156	17,377

Deferred income tax assets and liabilities are attributable to the following items:

	30 June 2006	31 December 2005
Deferred income tax assets		
Asset impairment provision	18,012	17,744
Fair value changes of trading and other fair value through profit or loss securities and derivative financial instruments	3,902	3,046
Other timing differences	602	696
Sub-total	22,516	21,486
Deferred income tax liabilities		
Fair value changes of trading and other fair value through profit or loss securities and derivative financial instruments	(4,319)	(3,643)
Depreciation of fixed assets	(445)	(424)
Other timing differences(1)	(596)	(42)
Sub-total	(5,360)	(4,109)
Total	17,156	17,377

- (1) Mainly includes the deferred tax liabilities of RMB 545 million in relation to the supplementary tax on overseas income generated from the profit of certain overseas subsidiaries owned by the Group for the six month period ended 30 June 2006.

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

13. Deferred income taxes assets/liabilities (Continued)

The deferred tax charge in the profit and loss account comprises the following timing differences:

	30 June 2006	31 December 2005
Asset impairment provision	265	1,467
Fair value change of debt securities and derivative financial instruments	190	(2,338)
Other timing differences	(681)	(381)
Total (Note III.28)	(226)	(1,252)

14. Other liabilities

Subsidiaries of the Bank undertake insurance business. Included in other liabilities are insurance liabilities as of 30 June 2006 and 31 December 2005 arising from insurance contracts analysed as follows:

	As at 30 June 2006	As at 31 December 2005
Long term insurance contracts	11,093	8,383
General insurance contracts	2,111	2,079
Total insurance liabilities, net	13,204	10,462

15. Share appreciation rights plan and share option schemes

(1) Share Appreciation Rights Plan

On 22 November 2005, the Bank's Board of Directors and shareholders approved and adopted a Share Appreciation Rights Plan under which eligible participants including directors, supervisors, management and other personnel designated by the Board, will be granted share appreciation rights, up to 25% of which will be exercisable each year beginning on the third anniversary date from the date of the grant. The share appreciation rights will be valid for seven years from the date of grant. Eligible participants will be entitled to receive an amount equal to the difference, if any, between the average closing market price of the Bank's H shares in the ten days prior to the date of grant and the average closing market price of the Bank's H shares in the 12 months prior to the date of exercise as adjusted for any change in the Bank's equity. The plan provides cash-settled share-based payment only and accordingly, no share will be issued under the share appreciation rights plan.

No share appreciation rights were granted during the six month period ended 30 June 2006 and no rights were outstanding with respect to the Share Appreciation Rights Plan as of 30 June 2006 and 31 December 2005.

(2) Share Option Scheme and Sharesave Plan

On 10 July 2002, the shareholders of BOCHK Holdings, approved and adopted two share option schemes, namely, the Share Option Scheme and the Sharesave Plan.

No options were granted during the six month period ended 30 June 2006 and no options were outstanding with respect to the Share Option Scheme or the Sharesave Plan as of 30 June 2006 and 31 December 2005.

(3) BOCHK Holdings Pre-listing Share Option Scheme

On 5 July 2002, certain of the Bank's directors, senior management personnel and employees of the Group were granted options by BOC Hong Kong (BVI) Limited ("BOCHK (BVI)"), the immediate holding company of BOCHK Holdings, pursuant to a Pre-listing Share Option Scheme to purchase from BOCHK (BVI) an aggregate of 31,132,600 previously issued and outstanding shares of BOCHK Holdings for HKD8.50 per share. These options, with a ten-year term, vest ratably over four years from 25 July 2002. No further offers to grant any options under the Pre-listing Share Option Scheme will be made.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Details of the movement of share options outstanding are as follows:

Shares	Directors and key management	Other employees	Others (1)	Total number of shares
At 1 January 2006	6,142,500	10,619,250	1,446,000	18,207,750
Transfer	239,000	(239,000)	–	–
Less: Share options exercised during the period	–	(1,994,050)	–	(1,994,050)
At 30 June 2006	6,381,500	8,386,200	1,446,000	16,213,700
At 1 January 2005	6,142,500	12,849,300	1,446,000	20,437,800
Less: Share options exercised during the year	–	(2,121,550)	–	(2,121,550)
Less: Share options lapsed during the year	–	(108,500)	–	(108,500)
At 31 December 2005	6,142,500	10,619,250	1,446,000	18,207,750

(1) These represent share options held by former directors or former employees of the BOCHK Holdings.

Regarding the share options exercised during the six month period ended 30 June 2006 and year ended 31 December 2005, the weighted average share price of BOCHK Holdings' shares at the time of exercise was HKD 15.88 (equivalent to RMB 16.42) and HKD 15.01 (equivalent to RMB 15.61).

16. Minority interests

	2006	2005
At 1 January	28,778	27,387
Share of current period/year profit	2,627	5,105
Increase of shares in a subsidiary	(52)	17
Dividends paid to minority shareholders	(1,891)	(2,954)
Net change in fair value of available-for-sales investments	(342)	(110)
Currency translation difference	(308)	(667)
At 30 June / 31 December	28,812	28,778

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17. Share capital

Ordinary shares	2006	2005
As at 1 January	209,427	186,390
Issue of ordinary shares(1)	44,412	23,037
As at 30 June /31 December	253,839	209,427
Number of Shares	2006	2005
As at 1 January	209,427,362,357	186,390,352,497
Issue of ordinary shares(1)	44,411,799,652	23,037,009,860
As at 30 June/31 December	253,839,162,009	209,427,362,357

As at 30 June 2006, the Bank's share capital is as follows:

	30 June 2006
Domestic listed A shares(2)	177,818,910,740
Overseas listed H shares(2)	76,020,251,269
Total	253,839,162,009

- (1) In accordance with to Yinjianhui[2006] No.49 "Approval on the Introduction of Strategic Investor - National Council for Social Security Fund ("SSF") into Bank of China Limited ", on 13 March 2006, the Bank issued 8,514,415,652 domestic state-owned shares of a par value of Rmb1.00 each to SSF at a premium. SSF paid Rmb10 billion in cash including share premium of Rmb1.48 billion for 8,514,415,652 domestic state-owned shares issued by the Bank. The payment from SSF was verified by PricewaterhouseCoopers Zhong Tian CPAs Limited Company in its "Verification Report on the Capital Contributions to Bank of China Limited" (PwC ZT YZ [2006] No. 14) issued on 13 March 2006.

In accordance with to Yinjianhui [2006] No. 53" Approval on the Bank of China Limited converted into a limited company to issue shares and listed overseas", and to Zhengjianhui[2006]No. 8 "Approval on the Bank of China Limited to issue Overseas Listed Foreign Shares", on 1 June 2006 and 9 June 2006,the Bank issued 29,403,878,000 H shares at a price of HK\$ 2.95 per share through a global offering to Hong Kong and overseas investors ("Global Offering").The payment from foreign investors was verified by PricewaterhouseCoopers Zhong Tian CPAs Limited Company in its "Verification Report on Initial Public Offering of Overseas Listed Foreign Shares (H share) to Bank of China Limited"(PwC ZT YZ [2006] NO. 82) issued on 29 June 2006.

In accordance with to Yinjianhui[2006] No. 135 "Approval on the Bank of China Limited to issue shares and be listed domestically", and to Zhengjianhui[2006] No. 20 "Approval on the IPO Bank of China Limited", on 29 June 2006, the Bank issued 6,493,506,000 A shares with at a price of RMB3.08 per share, with share premium totaling RMB12.96 billion(net of share issuance costs of RMB549 million), through the A share initial public offering to the domestic investors. The payment from domestic investors was verified by PricewaterhouseCoopers Zhong Tian CPAs Limited Company in its "Verification Report on Initial Public Offering of A Share to Bank of China Limited" (PwC ZT YZ [2006] No. 83) issued on 29 June 2006.

- (2) All A shares and H shares rank pari passu with the same rights and benefits.

18. Capital reserve

During the month period ended 30 June 2006, the Bank issued ordinary shares at share premium(refer to Note III 17 (1)), as follows:

	As at 30 June 2006	
	Group	Bank
As at 1 January 2006	3,978	3,978
Premium (1)	72,567	72,219
Others (2)	–	(309)
As at 30 June 2006	76,545	75,888

(1)

	As at 30 June 2006				
	Group				Bank
	Issued share with NSSF	Issued H share	Issued A share	Total	
Total amount of issue ordinary shares	10,000	89,967	20,000	119,967	119,967
Less: issue of ordinary shares	(8,514)	(29,404)	(6,494)	(44,412)	(44,412)
Share premium before issuance costs	1,486	60,563	13,506	75,555	75,555
Less: issuance costs (i)	(5)	(2,435)	(548)	(2,988)	(3,336)
Net share premium	1,481	58,128	12,958	72,567	72,219

	2005
	Group & Bank
Total amount of issue ordinary shares	27,057
Less: issue of ordinary shares	(23,037)
Share premium before issuance costs	4,020
Less: issuance costs	(56)
Net share premium	3,964

(i) The issuance costs mainly include underwriting fees and services fees paid to professional advisors and financial institutions. BOCI Asia Limited, the subsidiary of the Group was appointed as one of the underwriters in the Bank's global offerings and was paid underwriting commission at a rate which was consistent with that of third parties. This underwriting commission was eliminated on consolidation.

- (2) Bank of China Group Insurance Company Limited, a wholly owned subsidiary of the Group disposed of 51% of its equity interest in BOC Group Life Assurance Company Limited to BOCHK (Holding) Limited, a 65.87% owned listed subsidiary of the Group for a consideration of HK\$900 million in cash. BOC HK (Holding) Limited had adopted merger accounting for this acquisition in its consolidated financial statements and had therefore accounted for the amount paid in excess over the carrying amount of the net assets acquired in the capital reserve. Such premium was eliminated on consolidation.

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19. Surplus reserves, General reserve and regulatory reserve, Undistributed profits and Reserve for fair value changes of available-for-sale securities

(1) Surplus reserves

Under relevant PRC Laws, the Bank is required to transfer 10% of its net profit, as determined under PRC GAAP, to a non-distributable Statutory surplus reserve. Appropriation to the Statutory surplus reserve may be ceased when the balance of such reserves has reached 50% of the share capital. Subject to the approval of the shareholders, Statutory surplus reserve can be used for replenishing the accumulated loss or increasing the Bank's share capital. The Statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

In addition, some overseas branches and subsidiaries are required to transfer certain percentage of its net profit to the statutory surplus reserve as stipulated by local banking authorities.

The Board of Director on 29 August 2006 approved the Bank to appropriate RMB 1,964 million, or 10% of its net profit of the six month period ended 30 June 2006.

(2) General reserve and regulatory reserve

Pursuant to Cai Jin [2005] No. 49 "Measures on General Provision for Bad and Doubtful Debts for Financial Institutions" issued by MOF on 17 May 2005, banks and certain other financial institutions in the PRC, including the Bank, are required to maintain an adequate allowance for impairment losses against their risk assets as defined. In addition to the specific allowance for impairment losses, financial institutions are required to establish and maintain a general reserve within Shareholders' equity, through the appropriation of income to address unidentified potential impairment losses. According to Cai Jin [2005] No.49, the general reserve should not be less than 1% of the aggregate amount of risk assets as defined by this policy. The Bank intends to achieve the required reserve level within 3 years. The Regulatory reserve mainly refers to the reserve amount set aside by Bank of China (Hong Kong) Limited, subsidiary of the Group, for general banking risks, including future losses or other unforeseeable risks.

The Board of Director on 29 August 2006 approved the Bank to appropriate RMB 4,291 million to the general reserve. As at 30 June 2006, the amount set aside in the general reserve accounted for 0.25% of the Bank's risk assets.

(3) Undistributed profits

Pursuant to the 2005 profit distribution plan approved by the shareholder at a post-adjourment session of the Annual General Meeting of the Year 2006, the Bank distributed a cash dividend of RMB1,375 million to its shareholders.

The Board of Directors does not propose to declare any dividend for the first half of 2006.

(4) Reserve for fair value changes of available-for-sale securities

Pursuant to Caikuaihan [2004] No. 61 "Response to Issues Concerning Accounting Treatment of Debt Securities" issued by the MOF, available-for-sale securities are re-measured at fair value at the balance sheet date. Unrealised gains and losses arising from changes in the fair value of available-for-sale securities are recognised in equity. When available-for-sale securities are disposed of or impaired, the related accumulated fair value adjustments are transferred to the income statement.

As at 30 June 2006, the unrealised losses on available-for-sale securities fair value changes are arising from the increase in interest rates of RMB and USD. Management has assessed the unrealized losses position of these securities and is of the view that the unrealised losses were caused by the increase in interest rates and were not due to deterioration of credit rating of the issuers.

20. Net interest income

	For the six month period ended	
	30 June 2006	30 June 2005
Interest income		
Loans and advances to customers	60,360	51,971
Debt securities	30,652	19,908
Due from and placements with banks and other financial institutions	6,315	3,518
Due from central banks	2,450	2,069
Sub-total	99,777	77,466
Interest expense		
Deposits from customers	(38,887)	(23,815)
Due to and placements from banks and other financial institutions, and due to central banks	(4,122)	(2,827)
Special purpose borrowings and bonds issued	(2,292)	(2,166)
Sub-total	(45,301)	(28,808)
Net interest income	54,476	48,658

21. Net fee and commission income

	For the six month period ended	
	30 June 2006	30 June 2005
Settlement and clearing fees	1,794	1,287
Agency commissions	2,201	1,235
Credit commitment fees and commissions	1,438	1,308
Bank card fees	1,365	1,049
Custodian and other fiduciary service fees	248	235
Others	1,120	801
Fee and commission income	8,166	5,915
Fee and commission expense	(1,325)	(1,397)
Net fee and commission income	6,841	4,518

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

22. Net trading (expense)/income

	For the six month period ended	
	30 June 2006	30 June 2005
Net gains from foreign exchange and foreign exchange products (1)	1,302	3,322
Net losses from interest rate and other instruments(2)	(1,495)	(329)
Total	(193)	2,993

(1) Refer to Note VII Assets and liabilities by currency.

(2) This included unrealised loss relating to the Group's trading debt securities of RMB 1.755 billion.

23. Investment income

	For the six month period ended	
	30 June 2006	30 June 2005
Equity investment		
Net gains from investment in associates	339	48
Others (1)	1,248	77
Sub-total	1,587	125
Debt investment	94	24
Total	1,681	149

(1) Other equity investment income included gains on disposal of trading portfolio equity investments held by subsidiaries of the Group in Hong Kong.

24. Other operating income, net

	For the six month period ended	
	30 June 2006	30 June 2005
Other operating income		
Insurance premium	4,286	2,624
Others(1)	1,080	143
Sub-total	5,366	2,767
Other operating expense		
Insurance claim expense	(3,423)	(2,168)
Others	(146)	(238)
Sub-total	(3,569)	(2,406)
Other operating income, net	1,797	361

(1) Other operating income included gains on disposal of loans to third party held by subsidiaries of the Group in Hong Kong amounting to RMB 660 million in March 2006.

25. Operating and administrative expenses

	For the six month period ended	
	30 June 2006	30 June 2005
Staff costs	13,278	11,654
General operating and administrative expenses	7,174	6,208
Depreciation	2,741	3,138
Total	23,193	21,000

Staff costs are analysed as follows:

	For the six month period ended	
	30 June 2006	30 June 2005
Salaries and welfare expenses	10,141	9,345
Defined contribution plans	1,495	659
Housing fund contributions	626	427
Other social insurance costs	415	362
Defined benefit plans	139	238
Others	462	623
Total	13,278	11,654

In the second half of 2005, the Group set up a defined contribution plan ("Annuity Plan"). Included in the defined contribution plans is RMB 478 million contributed by the Bank to the Annuity Plan during the six month period ended 30 June 2006.

Contributions to defined contribution plans for the period ended 30 June 2006 include the effect of deductions of forfeited contributions of approximately RMB 12 million (2005: RMB 14 million). The amounts of unutilized forfeited contributions available for further deduction are not material as at 30 June 2006 and 30 June 2005 respectively.

26. Business tax and surcharges

	For the six month period ended	
	30 June 2006	30 June 2005
Business tax	2,687	2,406
City maintenance and construction tax	176	158
Education surcharges	96	83
Others	28	23
Total	2,987	2,670

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

27. Impairment losses

	For the six month period ended	
	30 June 2006	30 June 2005
Provision for loan losses	5,062	4,718
(Write-back of)/Provision for impairment of foreclosed assets	(131)	96
(Write-back of)/Provision for impairment of other receivables	(55)	206
Write-back of impairment of fixed assets and others	—	(444)
Total	4,876	4,576

28. Income tax

	For the six month period ended	
	30 June 2006	30 June 2005
Current tax	12,136	10,998
Deferred tax (Note III.13)	226	(138)
Total	12,362	10,860

The income tax expense on the Group's profit before tax differs from the amount that would arise using the basic tax rate of the Group, detailed as follows:

	For the six month period ended	
	30 June 2006	30 June 2005
Profit before tax	34,013	29,578
Tax calculated at a tax rate of 33%	11,224	9,761
Effect of different tax rates in overseas operations	(1,927)	(1,479)
Supplementary tax on overseas income paid in the PRC	1,688	865
Prior years tax expenses adjustment (1)	(350)	(2)
Income not subject to tax	(1,223)	(614)
Expenses not deductible for tax purposes (2)	2,921	2,452
Others	29	(123)
Total	12,362	10,860

- (1) Prior years tax expenses adjustment included the related tax impact of RMB 284 million in relation to the deductible transfer loss of BOC with the amount of RMB 860 million approved by MOF and SAT in the first half of Year 2006. The loss arose from the disposal of certain equity investments in prior years.
- (2) Non-deductible expenses primarily include staff salary costs in excess of those permitted to be deducted under the relevant PRC tax regulations. The Group is currently in the process of applying for a revision to the statutory salary deductible threshold for its domestic employees from the PRC State Administration of Taxation ("SAT"). In accordance with Guoshuihan[2006] No. 484, "Response Letter on the Bank of China Limited salary deduction matter" issued by SAT on 19 May 2006, it was agreed in principle that, after the overseas listing of the Bank, the salary costs that are

deductible for income tax purposes will be based on the performance of the Bank. The details related to the implementation of such deductibility threshold have however not yet been determined and are subject to further approval of relevant PRC government authorities and as a result, the effect of this has not been reflected in tax expense. The Group will continue to follow up with the relevant PRC government authorities regarding the detailed implementation plans of this approval in accordance with the relevant regulations and guidance.

29. Earnings per share (Basic & Diluted)

Basic and diluted earnings per share have been computed by dividing the profit for the period by the weighted average number of ordinary shares issued.

The Bank has no dilutive potential ordinary shares.

	For the six month period ended	
	30 June 2006	30 June 2005
Profit attributable to equity holders of the Bank	19,024	16,434
Weighted average number of ordinary shares in issue (millions)	218,002	186,390
Basic and diluted earnings per share (Renminbi per share)	0.09	0.09

30. Notes to the cash flow statement

Cash and cash equivalents comprise the following balances, the original maturities of which are less than three months:

	As at 30 June 2006	As at 30 June 2005
Cash	29,811	29,486
Balances with central banks	113,039	130,427
Due from and placement with banks and other financial institutions	215,713	230,894
Short term bills and notes	30,910	24,149
Total	389,473	414,956

(1) Reconciliation of net profit to cash flows from operating activities

	For the six month period ended	
	30 June 2006	30 June 2005
Net profit	19,204	16,434
Plus/(minus):		
Minority interest	2,627	2,284
Asset impairment losses	4,876	4,576
Depreciation of fixed assets	2,741	3,138
Amortisation of intangible assets and long-term deferred expenses	341	222
Net gain on disposal of fixed assets and other assets	(168)	(671)
Equity investments income	(1,587)	(125)
Interest expenses arising from bonds issued	1,384	1,178
Increase in operating receivables	(495,834)	(288,793)
Increase in operating payables	348,605	283,372
Net cash (outflows)/inflows from operating activities	(117,991)	21,615

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

IV. NOTES TO THE BANK'S FINANCIAL STATEMENTS

1. Debt securities

	As at 30 June 2006	As at 31 December 2005
Debt Securities available-for-sale (at fair value)		
Government bonds	296,280	219,566
Public sector and quasi government bonds	242,068	102,200
Financial institution bonds	193,816	146,373
Corporate bonds	86,487	70,798
Sub-total	818,651	538,937
Debt Securities available-for-sale (at fair value)		
Government bonds	221,541	227,718
Public sector and quasi government bonds	91,308	103,074
Financial institution bonds	72,118	74,791
Corporate bonds	8,101	9,560
Sub-total	393,068	415,143
Debt securities classified as loans and receivables (at amortised cost)		
China Orient Bond	160,000	160,000
PBOC Special Bills	91,612	91,530
Special Purpose Treasury Bond	42,500	42,500
Short term bills and notes		
- Public sector and quasi government bonds	15,260	5,992
- Financial institution bonds	37,070	32,156
- Corporate bonds	1,825	–
Certificate Treasury Bonds and others	10,647	11,888
	358,914	344,066
Provision for impairment	(152)	(156)
Sub-total	358,762	343,910
Total	1,570,481	1,297,990

2. Loans and advances to customers

	As at 30 June 2006	As at 31 December 2005
Unsecured loans	511,086	401,756
Guaranteed loans	647,205	617,332
Collateralised and other secured loans	883,910	849,017
Total	2,042,201	1,868,105

3. Equity investments

	As at 30 June 2006	As at 31 December 2005
Investment in subsidiaries	68,732	66,294
Investment in associates	33	63
Others	847	796
	69,612	67,153
Less: Impairment provision	(173)	(202)
	69,439	66,951

4. Deposits from customers

	As at 30 June 2006	As at 31 December 2005
Short-term corporate deposits		
Corporate demand deposits	848,940	747,059
Corporate time deposits less than one year	429,253	380,105
Sub-total	1,278,193	1,127,164
Short-term saving deposits		
Demand deposits	539,321	492,876
Time deposits less than one year	1,013,449	937,430
Sub-total	1,552,770	1,430,306
Long-term corporate deposits	31,095	24,395
Long-term saving deposits	332,287	305,239
Securities and margin deposits	162,628	122,083
Total	3,356,973	3,009,187
The securities and margin deposits are analysed as follows:		
Security deposits for bank acceptance	92,068	63,522
Security deposits for letters of credit and letters of guarantee issued	28,988	26,469
Margin deposits for foreign exchange transactions	5,767	3,718
Others	35,805	28,374
Total	162,628	122,083

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

5. Net interest income

	For the six month period ended	
	30 June 2006	30 June 2005
Interest income		
Loans and advances to customers	50,141	45,875
Debt securities	23,738	15,804
Due from and placements with banks and other financial institutions	3,457	2,327
Due from central banks	2,189	2,032
Sub-total	79,525	66,038
Interest expense		
Deposits from customers	(26,815)	(19,427)
Due to and placements from banks and other financial institutions, due to central banks	(4,090)	(2,811)
Special purpose borrowings and bonds issued	(2,292)	(2,163)
Sub-total	(33,197)	(24,401)
Net interest income	46,328	41,637

6. Net fee and commission income

	For the six month period ended	
	30 June 2006	30 June 2005
Settlement and clearing fees	1,374	964
Agency commissions	877	385
Credit commitment fees and commissions	1,148	996
Bank card fees	962	636
Custodian and other fiduciary service fees	113	110
Others	748	611
Fee and commission income	5,222	3,702
Fee and commission expenses	(460)	(673)
Net fee and commission income	4,762	3,029

7. Net trading (expense)/income

	For the six month period ended	
	30 June 2006	30 June 2005
Net gains from foreign exchange and foreign exchange products	343	2,655
Net losses from interest rate instruments	(625)	(405)
Total	(282)	2,250

8. Investment income

	For the six month period ended	
	30 June 2006	30 June 2005
Equity investment		
Share of result of subsidiaries	7,521	4,747
Net gains from investments in associates	5	3
Others	21	85
Sub-total	7,547	4,835
Debt investment	105	5
Total	7,652	4,840

9. Operating and administrative expenses

	For the six month period ended	
	30 June 2006	30 June 2005
Staff costs	11,087	9,602
General operating and administrative expenses	6,308	5,394
Depreciation	2,320	2,748
Total	19,715	17,744

Staff costs are analysed as follows:

	For the six month period ended	
	30 June 2006	30 June 2005
Salaries and welfare expenses	8,159	7,546
Defined contribution plans	1,334	638
Housing fund contributions	611	427
Other Social insurance costs	411	339
Defined benefit plans	139	238
Others	433	414
Total	11,087	9,602

10. Impairment losses

	For the six month period ended	
	30 June 2006	30 June 2005
Provision for loan losses	5,849	6,092
(Write-back of)/Provision for impairment of foreclosed assets	(129)	96
(Write-back of)/Provision for impairment of other receivables	(32)	211
Write-back of impairment of fixed assets and others	(8)	(283)
Total	5,680	6,116

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

11 Notes to the cash flow statement

Cash and cash equivalents comprises the following balances, the original maturities of which are less than three months:

	As at 30 June 2006	As at 30 June 2005
Cash	26,684	26,242
Balances with central banks	89,018	103,122
Due from and placement with banks and other financial institutions	160,662	150,374
Short term bills and notes	27,686	21,492
Total	304,050	301,230

(1) Reconciliation of net profit to cash flows from operating activities

	For the six month period ended	
	30 June 2006	30 June 2005
Net profit	19,643	16,434
Plus/(minus):		
Asset impairment losses	5,680	6,116
Depreciation of fixed assets	2,320	2,748
Amortisation of intangible assets and long term deferred expenses	340	221
Net loss/(gain) on disposal of fixed assets and other assets	115	(146)
Equity investments income	(7,547)	(4,835)
Interest expenses arising from bonds issued	1,384	1,178
Increase in operating receivables	(433,206)	(277,343)
Increase in operating payables	324,064	250,067
Net cash outflows from operating activities	(87,207)	(5,560)

V RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is controlled by the State Council of the People's Republic of China ("PRC") through Huijin.

(1) Transactions with Huijin

(i) Foreign Currency Option Agreement

On 5 January 2005, the Bank entered into a Foreign Currency Option Agreement with Huijin whereby the Bank has acquired the option to sell to Huijin USD 18 billion, of no more than USD1,500 million at the beginning of each calendar month during the year ending 31 December 2007 at the exchange rate of USD1 to RMB 8.2769. The related option premium amounted to RMB 4,469 million, which is payable by the Bank to Huijin in 12 equal monthly instalments at the beginning of each calendar month during the year ending 31 December 2007.

(ii) Deposit

	2006	2005
At 1 January	38,869	-
Deposits received during the period/year	156,679	42,972
Deposits repaid and other changes during the period/year	(173,709)	(4,103)
At 30 June / 31 December	21,839	38,869

The Deposits from Huijin are under commercial terms and at market rates.

(2) Transactions with other companies controlled by Huijin

Huijin also has controlling equity interests in certain other financial institutions in the PRC. The Group enters into banking transactions with these entities in the normal course of its business under commercial terms and at market rates. These include trading assets, investment securities and money market transactions. The Bank has no material balance with these entities as of 30 June, 2006.

(3) Transactions with shareholders holding 5% or more ordinary shares

As at 30 June 2006, in addition to Huijin, the shareholder holding 5% or more ordinary shares of the Bank is RBS China Investments S.à.r.l. The Bank had no significant transactions with this shareholder between 1 January 2006 and 30 June 2006 and had no material balances with this shareholder as of 30 June 2006.

(4) Transactions with associates

In the ordinary course of business, the Group enters into business transactions with its associates (Note III.7), including lending, deposit taking, debt securities purchasing and other normal banking businesses. The transactions with these associates are conducted on the same pricing principles as for the transactions with any independent third party. The loans and deposits balances with associates and outstanding debt securities issued by associates at the period end are stated below. The related interest income and expense are not considered significant.

(i) Loans

	2006	2005
At 1 January	7,240	1,246
Loans granted during the period/year	18	8,128
Loan repayments during the period/year	(6,095)	(989)
Loans written off and other changes during the period/year	–	(1,145)
At 30 June/31 December	1,163	7,240
Provisions for loan losses	(190)	(119)

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

(4) Transactions with associates(continued)

(ii) Deposits

	2006	2005
At 1 January	856	1,227
Deposits received during the period/year	3,250	3,879
Deposits repaid and other changes during the period/year	(1,959)	(4,250)
At 30 June/31 December	2,147	856

(iii) Debt securities issued by associates

	2006	2005
At 1 January	188	—
Purchases during the period/year	—	1,307
Redemption sales during the period/year	(188)	(1,123)
Fair value changes and others	—	4
At 30 June/31 December	—	188

VI. SEGMENT REPORTING

The Group's businesses operate in three principal geographical areas: the Chinese Mainland, Hong Kong and Macau, and other overseas locations. Significant other overseas locations include New York, London, Singapore and Tokyo.

The geographical analysis of revenues, segment results, segment assets, segment liabilities and capital expenditure reflects the process through which the Group's operating activities are managed. In accordance with the Group's organisational structure and its internal financial reporting process, the Group has determined that geographical segments should be presented as its primary segment.

Profit and loss accounts, assets and liabilities, capital expenditure, depreciation and amortization and credit commitments have generally been based on the country in which the branch or subsidiary is located.

For the six month period ended 30 June 2006

	Hong Kong & Macau						Total
	Chinese Mainland	BOC Hong Kong Group	Others	Sub-total	Other overseas operations	Elimination	
Interest income	76,446	19,997	2,276	22,273	3,426	(2,368)	99,777
Interest expense	(31,368)	(12,235)	(1,489)	(13,724)	(2,581)	2,372	(45,301)
Net interest income	45,078	7,762	787	8,549	845	4	54,476
Net fee and commission income	4,225	1,724	989	2,713	388	(485)	6,841
Net trading (expense)/income	(107)	677	(536)	141	(227)	–	(193)
Investment gains/(losses)	124	7	1,634	1,641	(6)	(78)	1,681
Other operating income, net	129	423	1,271	1,694	(3)	(23)	1,797
	49,449	10,593	4,145	14,738	997	(582)	64,602
Operating and administrative expenses	(18,920)	(2,973)	(645)	(3,618)	(687)	32	(23,193)
Business tax and surcharges	(2,945)	(19)	(10)	(29)	(13)	–	(2,987)
Operating profit	27,584	7,601	3,490	11,091	297	(550)	38,422
Non-operating income, net	172	201	57	258	37	–	467
Profit before impairment losses	27,756	7,802	3,547	11,349	334	(550)	38,889
Impairment (losses)/ write-back	(5,932)	717	218	935	121	–	(4,876)
Profit before tax	21,824	8,519	3,765	12,284	455	(550)	34,013
Income tax	(10,751)	(1,430)	(242)	(1,672)	(142)	203	(12,362)
Profit after tax	11,073	7,089	3,523	10,612	313	(347)	21,651
Minority interest	(4)	(2,519)	(104)	(2,623)	–	–	(2,627)
Net profit	11,069	4,570	3,419	7,989	313	(347)	19,024

	Hong Kong & Macau						Total
	Chinese Mainland	BOC Hong Kong Group	Others	Sub-total	Other overseas operations	Elimination	
As at 30 June 2006							
Segment assets	4,268,205	875,352	118,363	993,715	199,169	(234,156)	5,226,933
Segment liabilities	(3,917,105)	(797,504)	(99,538)	(897,042)	(191,882)	165,549	(4,840,480)
Credit commitments	827,712	173,457	18,334	191,791	57,397	(52,704)	1,024,196

For the six month period ended 30 June 2006

Other segment items:							
Capital expenditure	1,800	296	15	311	79	–	2,190
Depreciation and amortisation	2,618	317	92	409	55	–	3,082

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

VI. SEGMENT REPORTING(continued)

For the six month period ended 30 June 2005

	Chinese Mainland	Hong Kong & Macau			Other overseas operations	Elimination	Total
		BOC Hong Kong Group	Others	Sub-total			
Interest income	63,883	10,976	1,431	12,407	2,429	(1,253)	77,466
Interest expense	(23,449)	(4,477)	(550)	(5,027)	(1,585)	1,253	(28,808)
Net interest income	40,434	6,499	881	7,380	844	–	48,658
Net fee and commission income	2,529	1,497	99	1,596	393	–	4,518
Net trading income/(expense)	2,241	520	247	767	(15)	–	2,993
Investment (losses)/ gains	20	33	27	60	69	–	149
Other operating income, net	70	–	289	289	2	–	361
	45,294	8,549	1,543	10,092	1,293	–	56,679
Operating and administrative expenses	(17,046)	(2,778)	(580)	(3,358)	(596)	–	(21,000)
Business tax and surcharges	(2,636)	(15)	(9)	(24)	(10)	–	(2,670)
Operating profit	25,612	5,756	954	6,710	687	–	33,009
Non-operating income, net	723	251	116	367	55	–	1,145
Profit before impairment losses	26,335	6,007	1,070	7,077	742	–	34,154
Impairment (losses)/ write-back	(6,591)	1,383	422	1,805	210	–	(4,576)
Profit before tax	19,744	7,390	1,492	8,882	952	–	29,578
Income tax	(9,472)	(1,223)	(5)	(1,228)	(160)	–	(10,860)
Profit after tax	10,272	6,167	1,487	7,654	792	–	18,718
Minority interest	9	(2,174)	(119)	(2,293)	–	–	(2,284)
Net profit	10,281	3,993	1,368	5,361	792	–	16,434

	Chinese Mainland	Hong Kong & Macau			Other overseas operations	Elimination	Total
		BOC Hong Kong Group	Others	Sub-total			
As at 31 December 2005							
Segment assets	3,803,989	845,959	120,266	966,225	186,982	(214,390)	4,742,806
Segment liabilities	(3,584,086)	(768,215)	(102,831)	(871,046)	(178,853)	153,799	(4,480,186)
Credit commitments	699,066	168,203	14,131	182,334	52,434	(38,072)	895,762

For the six month period ended 30 June 2005

Other segment items:

Capital expenditure	1,485	176	34	210	71	–	1,766
Depreciation and amortisation	2,947	305	53	358	55	–	3,360

Business segments are presented as the Group's secondary segment. The Group provides services through four main business segments: commercial banking, investment banking, insurance and other operations. Segment revenue, results, assets, liabilities and capital expenditure presented in business segments include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Corporate banking - providing services to corporate customers including current accounts, deposits, overdrafts, lending, trade related products and other credit facilities, foreign currency and derivative products.

Personal banking - providing services to retail customers including current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

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

Investment banking - consisting of debt and equity underwriting, asset management services, brokerage services and loan syndications.

Insurance-underwriting of general and life insurance business and insurance agency services.

Other operations of the Group comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment or can be allocated on a reasonable basis.

For the six month period ended 30 June 2006 and as at 30 June 2006

	Corporate banking	Personal banking	Treasury Operations	Investment banking	Insurance	Others	Elimination	Total
Interest income	45,329	42,491	38,551	289	269	191	(27,343)	99,777
Interest expense	(18,727)	(25,610)	(27,175)	(270)	(19)	(847)	27,347	(45,301)
Net interest income	26,602	16,881	11,376	19	250	(656)	4	54,476
Net fee and commission income	3,141	3,165	357	938	(277)	9	(492)	6,841
Net trading income/(expense)	1,814	977	(1,910)	(640)	(428)	(7)	1	(193)
Investment (losses)/income	–	–	85	1,026	217	431	(78)	1,681
Other operating income, net	74	5	(3)	–	686	1,103	(68)	1,797
	31,631	21,028	9,905	1,343	448	880	(633)	64,602
Operating and administrative expenses	(8,588)	(11,677)	(2,876)	(224)	(103)	(406)	681	(23,193)
Business tax and surcharges	(1,478)	(459)	(1,023)	(2)	(3)	(22)	–	(2,987)
Operating profit	21,565	8,892	6,006	1,117	342	452	48	38,422
Non-operating income, net	56	127	45	(2)	40	799	(598)	467
Profit before impairment losses	21,621	9,019	6,051	1,115	382	1,251	(550)	38,889
Impairment(losses)/ write-back	(4,202)	(720)	1	(5)	6	44	–	(4,876)
Profit before tax	17,419	8,299	6,052	1,110	388	1,295	(550)	34,013
Income tax								(12,362)
Profit after tax								21,651
Minority interests								(2,627)
Net profit								19,024
Segment assets	1,813,042	637,280	2,692,140	18,079	17,153	84,279	(35,040)	5,226,933
Capital expenditure	416	782	31	6	2	953	–	2,190

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

VI. SEGMENT REPORTING(continued)

For the six month period ended 30 June 2005 and as at 31 December 2005

	Corporate banking	Personal banking	Treasury Operations	Investment banking	Insurance	Others	Elimination	Total
Interest income	39,592	31,510	24,679	243	183	128	(18,869)	77,466
Interest expense	(13,848)	(15,489)	(17,623)	(180)	–	(537)	18,869	(28,808)
Net interest income	25,744	16,021	7,056	63	183	(409)	–	48,658
Net fee and commission income	2,522	1,802	215	171	(254)	62	–	4,518
Net trading income/(expense)	1,584	755	507	203	(48)	(8)	–	2,993
Investment (losses)/income	–	1	24	(39)	17	146	–	149
Other operating income, net	29	–	–	–	331	43	(42)	361
	29,879	18,579	7,802	398	229	(166)	(42)	56,679
Operating and administrative expenses	(7,876)	(10,148)	(2,680)	(195)	(88)	(301)	288	(21,000)
Business tax and surcharges	(1,455)	(436)	(760)	(2)	(1)	(16)	–	(2,670)
Operating profit	20,548	7,995	4,362	201	140	(483)	246	33,009
Non-operating income, net	107	215	71	1	(4)	1,001	(246)	1,145
Profit before impairment losses	20,655	8,210	4,433	202	136	518	–	34,154
Impairment (losses)/ write-back	(5,471)	819	19	1	(2)	58	–	(4,576)
Profit before tax	15,184	9,029	4,452	203	134	576	–	29,578
Income tax								(10,860)
Profit after tax								18,718
Minority interests								(2,284)
Net profit								16,434
Segment assets	1,658,718	603,891	2,399,377	15,159	12,398	77,644	(24,381)	4,742,806
Capital expenditure	342	665	32	4	25	698	–	1,766

With effect from 1 January 2006, the internal funding transfer pricing mechanism of the Bank was revised. The new pricing mechanism is based on the external market deposit and lending rates, adjusted for pre-determined margins with reference to the different products and respective maturities. Previously, blended mid prices between the Bank's average cost of funding and average yield on interest bearing assets were adopted, without taking into consideration the variety of products and respective maturities. The reason for the change is primarily to better reflect the performance of the individual segments as part of the Bank's efforts to enhance its assets and liabilities management capability.

The effect of the change in basis of pricing between business segments for the period ended 30 June 2005 is summarized below:

For the six month period ended 30 June 2005

	Corporate banking	Personal banking	Treasury Operations	Investment banking	Insurance	Others	Elimination	Total
Net Interest expense as reported previously	25,253	17,818	5,750	63	183	(409)	–	48,658
Effect of change-increase/ (decrease)	491	(1,797)	1,306	–	–	–	–	–
Net Interest expense as revised	25,744	16,021	7,056	63	183	(409)	–	48,658
Operating profits as reported previously	20,057	9,792	3,056	201	140	(483)	246	33,009
Effect of change-increase/ (decrease)	491	(1,797)	1,306	–	–	–	–	–
Operating profits as revised	20,548	7,995	4,362	201	140	(483)	246	33,009
Porfit before impairment losses as reported previously	20,164	10,007	3,127	202	136	518	–	34,154
Effect of change-increase/ (decrease)	491	(1,797)	1,306	–	–	–	–	–
Porfit before impairment losses as revised	20,655	8,210	4,433	202	136	518	–	34,154
Profit before income tax as reported previously	14,693	10,826	3,146	203	134	576	–	29,578
Effect of change-increase/ (decrease)	491	(1,797)	1,306	–	–	–	–	–
Profit before income tax as revised	15,184	9,029	4,452	203	134	576	–	29,578

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

VII. ASSETS AND LIABILITIES BY CURRENCY

The Group's net foreign currency positions as at 30 June 2006 and 31 December 2005 are analysed below:

	Foreign Currency Position			
	As at 30 June 2006		As at 31 December 2005	
	In RMB billion equivalent	In USD billion equivalent	In RMB billion equivalent	In USD billion equivalent
Net on-balance sheet foreign currency position of the Group	601	75	485	60
Less:				
Net off-balance sheet foreign currency position of the Group	(232)	(29)	(171)	(21)
Net foreign currency position of the Group	369	46	314	39
Less:				
Foreign currency denominated net investments in foreign operations*	(103)	(13)	(105)	(13)
Net position	266	33	209	26

*The foreign currency denominated net investments in foreign operations represent the net assets/liabilities of overseas subsidiaries, branches or associated undertakings, the functional currencies of which are currencies other than RMB. The results and financial position of these operations are translated into RMB, for reporting purposes with all exchange differences arising from the translation recognised under the "Currency Translation Difference" as a separate component of equity. These exchange differences therefore do not impact the consolidated results of the Group.

The Group manages its sources and uses of foreign currencies to minimize potential currency mismatches. However, the Group's ability to manage its foreign currency positions in relation to the RMB is limited as RMB is not a freely convertible currency. According to the current applicable foreign currency policies of the PRC government, the conversion of foreign currency is subject to application and approval by the relevant PRC government authorities. The Bank has significant foreign currency positions, largely as a result of the foreign currency capital contributions from certain equity holders, the foreign currency surplus arising from the Bank's foreign currency operations and related accumulated profits and losses.

In 2005, the Bank entered into a foreign currency option agreement with Huijin having a notional amount of USD18 billion to economically hedge a portion of its net on-balance sheet foreign currency position.

During the six month period ended 30 June 2006, the Bank executed certain foreign exchange transactions to reduce its net foreign currency position by USD3.3 billion.

Subsequent to the balance sheet date in August 2006, the Bank further effected certain foreign exchange transactions, further reducing its net foreign currency position by USD14.2 billion.

The following table illustrates the potential impact to the income statement for a 1 per cent fluctuation in the foreign currency exchange rate against RMB based on the net exposure of the Group excluding the net structural position in foreign operations as set forth above:

	30 June 2006	31 December 2005
	Profit / (loss)	Profit / (loss)
	Rmb million	Rmb million
1% appreciation/depreciation in foreign currency exchange rates against RMB	+/- 2,660	+/- 2,090

The above sensitivity analysis in response to potential movements in the foreign currency exchange rates against RMB is for illustrative purposes and only represents simple scenarios applied to the Bank's net outstanding foreign currency exposure as at the respective date. Such analysis does not taken into account any further actions that could be taken by management after the balance sheet date, subject to the approval by the PRC government, to mitigate the effect of exchange differences, nor for any consequential changes in the foreign currency exposures.

Set forth below are assets, liabilities and off-balance sheet items by currency. Short-term financial assets include cash, precious metals, due from central banks and government certificates of indebtedness for bank notes issued. Debt securities also include trading and other debt securities at fair value through profit or loss. Other assets primarily include interest receivable, fixed assets and deferred tax assets. Short-term financial liabilities include due to central banks and bank notes in circulation. Other liabilities primarily include interest payable. Option products are included in net off-balance sheet position using notional amounts, including the Foreign Currency Option Agreement with Huijin whereby the Bank has acquired the option to sell to Huijin USD 18 billion. The intent of the transaction was to create an effective economic hedge against a portion of the USD position arising from the USD capital contribution made by Huijin.

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

VII. ASSETS AND LIABILITIES BY CURRENCY(continued)

As at 30 June 2006	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Short-term financial assets	315,390	17,258	43,422	1,943	25,201	445	43,546	447,205
Derivative financial instruments assets	–	14,656	5,632	443	318	233	258	21,540
Due from and placements with banks and other financial institutions	102,399	76,394	75,885	15,983	3,291	5,310	20,852	300,114
Debt securities	914,491	767,457	177,587	51,526	20,552	6,649	50,009	1,988,271
Loans and advances to customers	1,643,896	362,362	315,887	38,557	25,062	4,419	15,353	2,405,536
Less: Provision for loan losses	(72,036)	(11,457)	(3,456)	(531)	(367)	(40)	(241)	(88,128)
Other assets	89,134	20,056	33,558	1,377	1,829	722	5,719	152,395
Total assets	2,993,274	1,246,726	648,515	109,298	75,886	17,738	135,496	5,226,933
Liabilities								
Short-term financial liabilities	7	25,367	39,182	–	–	–	2,090	66,646
Derivative financial instruments and liabilities at fair value through profit or loss	–	77,290	22,176	1,031	143	263	269	101,172
Due to and placements from banks and other financial institutions	177,634	120,657	8,354	5,346	9,708	546	36,104	358,349
Deposits from customers	2,876,575	444,430	529,336	41,220	40,386	25,453	95,624	4,053,024
Special purpose borrowings and bonds issued	60,000	26,378	–	16,045	4,440	940	1,996	109,799
Other liabilities	93,410	21,889	31,429	1,462	1,082	729	1,489	151,490
Total liabilities	3,207,626	716,011	630,477	65,104	55,759	27,931	137,572	4,840,480
Net on-balance sheet position	(214,352)	530,715	18,038	44,194	20,127	(10,193)	(2,076)	386,453
Net off-balance sheet position	235,530	(264,170)	80,413	(49,256)	(31,475)	17,014	15,520	3,576
Credit commitments	478,011	325,303	141,771	46,965	19,286	4,101	8,759	1,024,196

As at 31 December 2005	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Short-term financial assets	290,571	17,463	50,536	2,244	17,105	421	33,145	411,485
Derivative financial instruments assets	–	11,493	4,552	149	548	57	9	16,808
Due from and placements with banks and other financial institutions	72,731	133,179	96,420	13,322	616	5,691	22,578	344,537
Debt securities	834,407	562,128	147,966	50,044	23,072	7,048	44,926	1,669,591
Loans and advances to customers	1,477,859	358,289	319,212	34,942	25,418	4,228	15,098	2,235,046
Less: Provision for loan losses	(66,477)	(11,779)	(3,485)	(510)	(552)	(36)	(314)	(83,153)
Other assets	90,733	15,988	34,632	1,172	1,755	727	3,485	148,492
Total assets	2,699,824	1,086,761	649,833	101,363	67,962	18,136	118,927	4,742,806
Liabilities								
Short-term financial liabilities	1,084	24,162	38,595	29	–	32	1,884	65,786
Derivative financial instruments and liabilities at fair value through profit or loss	–	70,625	19,551	418	384	117	79	91,174
Due to and placements from banks and other financial institutions	209,624	76,205	13,707	4,400	11,538	514	29,245	345,233
Deposits from customers	2,531,878	440,252	529,827	46,854	37,565	26,634	90,767	3,703,777
Special purpose borrowings and bonds issued	60,000	28,549	–	16,251	4,665	1,092	1,786	112,343
Other liabilities	119,401	17,220	20,679	1,525	1,138	527	1,383	161,873
Total liabilities	2,921,987	657,013	622,359	69,477	55,290	28,916	125,144	4,480,186
Net on-balance sheet position	(222,163)	429,748	27,474	31,886	12,672	(10,780)	(6,217)	262,620
Net off-balance sheet position	173,666	(229,776)	73,943	(29,586)	(16,344)	15,331	15,197	2,431
Credit commitments	394,938	295,280	137,425	30,874	21,185	2,049	14,011	895,762

Notes to the Condensed Financial Statements

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

VIII. ASSETS AND LIABILITIES BY MATURITY

Maturity grouping analysis of assets and liabilities items is as follows. Short-term financial assets include cash, precious metals, due from central banks and government certificates of indebtedness for bank notes issued. Debt securities also include trading and other debt securities at fair value through profit or loss. Other assets primarily include interest receivable, fixed assets and deferred tax assets. Short-term financial liabilities include due to central banks and bank notes in circulation. Other liabilities primarily include interest payable.

As at 30 June 2006	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1- 5years	Over 5 years	Total
Assets								
Short-term financial assets	–	219,593	226,583	1,029	–	–	–	447,205
Derivative financial instruments assets	–	5,635	1,761	736	3,420	5,830	4,158	21,540
Due from and placements with banks and other financial institutions	–	7,014	201,710	65,568	25,668	154	–	300,114
Debt securities	–	–	60,840	172,718	364,243	826,955	563,515	1,988,271
Loans and advances to customers	82,183	31,539	126,619	275,430	836,140	557,221	496,404	2,405,536
Less: Provision for loan losses	(42,189)	(143)	(3,565)	(5,508)	(15,214)	(13,191)	(8,318)	(88,128)
Other assets	306	8,485	12,282	5,635	16,665	25,223	83,799	152,395
Total assets	40,300	272,123	626,230	515,608	1,230,922	1,402,192	1,139,558	5,226,933
Liabilities								
Short-term financial liabilities	–	44,056	6	5,036	17,548	–	–	66,646
Derivative financial instruments and liabilities at fair value through profit or loss	–	2,015	11,363	11,439	38,180	25,798	12,377	101,172
Due to and placements from banks and other financial institutions	–	172,365	97,796	36,213	32,679	19,296	–	358,349
Deposits from customers	–	1,722,814	595,693	396,276	1,020,310	316,578	1,353	4,053,024
Special purpose borrowings and bonds issued	–	–	874	736	5,368	20,088	82,733	109,799
Other liabilities	438	52,312	27,872	4,254	51,209	13,740	1,665	151,490
Total liabilities	438	1,993,562	733,604	453,954	1,165,294	395,500	98,128	4,840,480
Net liquidity gap	39,862	(1,721,439)	(107,374)	61,654	65,628	1,006,692	1,041,430	386,453

As at 31 December 2005	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets								
Short-term financial assets	–	208,416	202,030	1,018	21	–	–	411,485
Derivative financial instruments assets	–	3,890	2,042	754	1,583	5,347	3,192	16,808
Due from and placements with banks and other financial institutions	–	12,438	220,629	92,649	18,707	114	–	344,537
Debt securities	–	–	69,577	107,968	315,812	813,060	363,174	1,669,591
Loans and advances to customers	77,846	28,662	109,430	224,756	814,571	518,316	461,465	2,235,046
Less: Provision for loan losses	(37,696)	(299)	(1,881)	(4,326)	(19,121)	(12,058)	(7,772)	(83,153)
Other assets	303	4,622	12,727	6,936	10,367	27,240	86,297	148,492
Total assets	40,453	257,729	614,554	429,755	1,141,940	1,352,019	906,356	4,742,806
Liabilities								
Short-term financial liabilities	–	65,237	529	20	–	–	–	65,786
Derivative financial instruments and liabilities at fair value through profit or loss	–	1,805	9,124	9,300	22,995	38,091	9,859	91,174
Due to and placements from banks and other financial institutions	–	137,560	79,351	47,365	48,126	32,831	–	345,233
Deposits from customers	–	1,615,637	521,517	441,467	843,029	279,819	2,308	3,703,777
Special purpose borrowings and bonds issued	–	–	1,046	816	5,361	20,840	84,280	112,343
Other liabilities	–	74,437	14,974	5,610	51,950	12,849	2,053	161,873
Total liabilities	–	1,894,676	626,541	504,578	971,461	384,430	98,500	4,480,186
Net liquidity gap	40,453	(1,636,947)	(11,987)	(74,823)	170,479	967,589	807,856	262,620

Notes to the Condensed Financial Statements

IX. CONTINGENT LIABILITIES, COMMITMENTS AND OTHER OFF-BALANCE SHEET ITEMS

1. Legal proceedings

As at 30 June 2006, the Group was the defendant in certain lawsuits arising from its normal business operations. Management of the Group believes that the outcome of these lawsuits will not have a material impact on the financial position of the Group after consulting legal counsel.

2. Assets pledged

Assets pledged as collateral for repurchase, short positions and precious metals swaps agreements with other banks and financial institutions are set forth in the tables below. As at 30 June 2006, the Group had repurchase agreements, short positions and precious metals swaps amounting to RMB 78,597 million (2005: RMB 62,108 million). All such agreements mature within twelve months from inception.

	30 June 2006	31 December 2005
Precious metals	52	2,617
Bills (Note III. 6)	5,569	11,968
Debt securities (Note III. 5)	76,822	49,658
Total	82,443	64,243

3. Capital commitments

The Group has the following outstanding capital commitments not provided for in the accounts:

	30 June 2006	31 December 2005
Authorised and contracted for but not recorded	2,152	1,893
Authorised but not contracted for	2,257	2,687
Total	4,409	4,580

The above capital commitments are related to commitments to purchase building and equipment. The Group's management is confident that future revenues and funding available will be sufficient to meet these capital commitments. However the Group's management has no obligation to incur the costs in respect of the balance of the authorised but not contracted for amounts.

4. Operating leases

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

	30 June 2006	31 December 2005
Within one year	1,401	1,371
One to two years	1,159	1,085
Two to three years	851	807
Above three years	2,566	2,546
Total	5,977	5,809

5. Certificate treasury bonds redemption commitments

The Bank is entrusted by the MOF to issue certain Certificate Treasury Bonds. The investors of Certificate Treasury Bonds have a right to redeem the bonds at par any time prior to maturity and the Bank is committed to redeem those bonds. The redemption price is the principal value of the Certificate Treasury Bonds plus unpaid interest. As at 30 June 2006, the Bank's redemption commitments, representing the principal value of the bonds underwritten and sold by the Bank, amounted to RMB 84,056 million (2005: RMB 80,965 million). The original maturities of these bonds vary from 1 to 5 years. As the deposits base rate established by the PBOC is currently lower than the yields on all issues of Certificate Treasury Bonds, management expects the amount of redemption before the maturity dates of those bonds through the Bank will not be material.

6. Major off-balance sheet exposures

	30 June 2006	31 December 2005
Acceptances	230,434	195,234
Letters of guarantee issued	255,779	212,987
Letters of credit issued	115,686	101,195
Irrevocable credit commitments and others	422,297	386,346
Total	1,024,196	895,762

X. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date in August 2006, the Bank entered into certain foreign currency transactions to reduce its net foreign currency position by USD14.2 billion (Note VII).

APPENDIX I: NET PROFIT AFTER DEDUCTING NON-ROUTINE ITEMS

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

In accordance with the requirements "Question & Answer No.1 Concerning disclosure convention for companies offering shares to the public-Non-routine profit/loss(revised 2004)", the Group's net profit before and after deducting the non-routine items is analysed as follows:

	For the six month period ended 30 June 2006 unaudited
Net profit	19,024
Add (Less): non-routine items	
– Net Gain on disposal of long-term equity investments	(141)
– Non-operating income (1)	(1,111)
– Non-operating expense (2)	644
– Write-back of the impairments recognised in previous years (3)	(451)
Income tax impact of non-routine items	349
Net profit after deducting the non-routine items	18,314

- (1) Non-operating income refers to income which are not directly attributable to business operating activities, including net gains from disposal of fixed assets, gains from fixed assets stocktake, penalty charge income, gains from closing of dormant accounts and etc.
- (2) Non-operating expense refers to expenses which are not directly attributable to business operating activities, including net losses on disposal of fixed assets, penalty charge expenses, donation, non-routine losses and etc.
- (3) Write-back of prior year provision for asset impairment mainly consists of write-back of provision for other receivables and advances.

APPENDIX II: RECONCILIATION BETWEEN PRC GAAP AND IFRS FINANCIAL INFORMATION

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

The Consolidated Balance Sheet and Consolidated Income Statement prepared under the International Financial Reporting Standards("IFRS") of the Group and Reconciliation between PRC GAAP and IFRS financial information are stated below:

1. Consolidated Income Statements

	For the six months period ended 30 June	
	2006 unaudited	2005 unaudited
Interest income	100,124	77,616
Interest expense	(45,301)	(28,808)
Net interest income	54,823	48,808
Fee and commission income	8,166	5,915
Fee and commission expense	(1,325)	(1,397)
Net fee and commission income	6,841	4,518
Net trading income	557	2,795
Net gains on investment securities	64	20
Other operating income	7,218	5,229
Impairment losses on loans and advances	(5,479)	(4,966)
Other operating expenses	(29,686)	(27,721)
Operating profit	34,338	28,683
Share of results of associates	371	48
Profit before income tax	34,709	28,731
Income tax expense	(12,458)	(10,957)
Profit for the period	22,251	17,774
Attributable to:		
Equity holders of the Bank	19,477	15,181
Minority interest	2,774	2,593
	22,251	17,774
Earnings per share for profit attributable to the equity holders of the Bank during the period (Renminbi per ordinary share) -Basic and diluted	0.09	0.08

APPENDIX II: RECONCILIATION BETWEEN PRC GAAP And IFRS FINANCIAL INFORMATION

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

2. Consolidated Balance Sheet

	30 June 2006 unaudited	31 December 2005 audited
ASSETS		
Cash and due from banks	36,785	41,082
Balances with central banks	340,651	316,941
Placements with banks and other financial institutions	293,140	332,099
Government certificates of indebtedness for bank notes issued	36,094	35,586
Precious metals	39,259	26,974
Trading assets and other financial instruments at fair value through profit or loss	114,167	111,782
Derivative financial instruments	21,540	16,808
Loans and advances to customers, net	2,317,625	2,152,112
Investment securities		
– available - for - sale	929,894	602,221
– held - to - maturity	569,126	607,459
– loans and receivables	389,368	361,851
Investment in associates	5,675	5,061
Property and equipment	62,238	62,417
Investment property	8,612	8,511
Deferred income tax assets	23,431	20,504
Other assets	44,030	38,640
Total assets	5,231,635	4,740,048

2. Consolidated Balance Sheet(continued)

	30 June 2006 unaudited	31 December 2005 audited
LIABILITIES		
Due to banks	171,422	134,217
Due to central banks	30,495	30,055
Bank notes in circulation	36,151	35,731
Certificates of deposits and placements from banks and other financial institutions	190,880	212,626
Derivative financial instruments and liabilities at fair value through profit or loss	101,172	91,174
Due to customers	4,048,438	3,699,464
Bonds issued	60,177	60,179
Special purpose borrowings	49,622	52,164
Current tax liabilities	20,637	23,459
Retirement benefit obligations	6,933	7,052
Deferred income tax liabilities	2,053	2,136
Other liabilities	128,573	136,272
Total liabilities	4,846,553	4,484,529
EQUITY		
Capital and reserves attributable to equity holders of the Bank		
Share capital	253,839	209,427
Capital reserve	66,613	(5,954)
Statutory reserves	8,095	5,987
General and regulatory reserves	9,398	5,109
Undistributed profits	21,893	10,188
Reserve for fair value changes of available-for-sale securities	(3,603)	1,899
Currency translation differences	(488)	(237)
	355,747	226,419
Minority interest	29,335	29,100
Total equity	385,082	255,519
Total equity and liabilities	5,231,635	4,740,048

APPENDIX II: RECONCILIATION BETWEEN PRC GAAP And IFRS FINANCIAL INFORMATION

For the six month period ended 30 June 2006

(Amount in millions of Renminbi, unless otherwise stated)

3. Reconciliation between PRC GAAP and IFRS financial information

	Net Assets		Net Profit	
	30 June 2006	31 December 2005	For the six month period ended 30 June 2006	For the six month period ended 30 June 2005
PRC GAAP figures	357,641	233,842	19,024	16,434
Adjustments for accounting standard differences:				
– Reversal of revaluation surplus and corresponding depreciation (1)	(7,794)	(7,999)	205	133
– Fair value measurement on investment properties (2)	3,199	2,816	438	1,059
– Equity securities classified as available-for-sale financial assets and stated at fair value(3)	3,566	1,775	–	–
– Early retirement benefit obligation (4)	(4,911)	(5,097)	186	(1,749)
– Cost method applied on precious metals (5)	(757)	(637)	(120)	(83)
– Deferred tax impact (6)	4,222	992	(97)	(97)
– Minority interests effect and others	581	727	(159)	(516)
Sub-total	(1,894)	(7,423)	453	(1,253)
IFRS figures	355,747	226,419	19,477	15,181

(1) Reversal of revaluation surplus and corresponding depreciation

Under PRC GAAP, the Bank recorded an asset revaluation adjustment of RMB 10,432 million as of 31 December 2003, related principally to property and equipment, in connection with the Joint Stock Reform Plan. The revalued property and equipment will be amortized over their remaining useful lives. According to IAS 16 *Property, Plant and Equipment*, once an entity has chosen the cost model as its accounting policy, it shall apply the policy to an entire class of property, and shall not be permitted to measure these fixed assets at fair value. Hence, the asset revaluation surplus and corresponding depreciation recognized under PRC GAAP, should be reversed under IFRS.

(2) Fair value measurement on investment properties

Under PRC GAAP, investment properties as fixed assets are measured at cost after deducting accumulated depreciation and impairment losses. According to IAS 40 *Investment Property*, investment properties are measured at fair value at the balance sheet date by the Group.

(3) Equity securities classified as available-for-sale financial assets

Under PRC GAAP, equity securities are accounted for at cost after deducting impairment losses. According to IAS 39 *Financial Instruments: Recognition and Measurement*, these securities have been classified as available-for-sale and are stated at fair value.

(4) Early retirement benefit obligation

According to MOF requirement , the early retirement benefit expenditures during the early retirement period(from early retirement date to legal retirement date) to those employees who accepted an early retirement arrangement is recognized on a cash basis by the Group . According to IAS 19 *Employee Benefits*, the early retirement benefit at the balance sheet date should be recorded based on the present value of future payment obligation after adjusting actuarial gain or loss and the past servicing cost.

(5) Cost method applied on precious metals

According to accounting practice of PRC banking industry, all precious metals are initially recognised at cost and subsequently re-measured at fair value at the balance sheet date by the Bank. According to IAS 2 *Inventories*, precious metals that are not related to the Group's precious metals trading activities are carried at cost.

(6) Deferred tax impact

Under IFRS, deferred income tax is provided using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Under PRC GAAP, deferred income tax is provided using the liability method, on timing differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

The difference between PRC GAAP and IFRS in 2006 mainly represents the deferred income tax credited or charged directly to equity under IFRS relating to the fair value re-measurement of available-for-sale investments charged or credited directly to equity.

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Branches, Sub-branches and Subsidiaries Authorised to Handle International Business

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INNER MONGOLIA*

INNER MONGOLIA BRANCH

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SWIFT: BKCH CN BJ 89D
TLX: 854025 BOCHALS CN
TEL: (86) 0470-8291691
FAX: (86) 0470-8291688
POST CODE: 021008

MANZHOULI BRANCH

28 ERDAO JIE, MANZHOULI,
INNER MONGOLIA*, CHINA
SWIFT: BKCH CN BJ 89K
TLX: 854060 ZHMHZ CN
TEL: (86) 0470-6237306
FAX: (86) 0470-6237306
POST CODE: 021400

JIANGSU PROVINCE

JIANGSU BRANCH

148 ZHONG SHAN NAN LU,
NANJING 210005,
JIANGSU PROV., CHINA
SWIFT: BKCH CN BJ 940
TLX: 34116 BOCJS CN
TEL: (86) 025-84207888-30726
FAX: (86) 025-84208843
POST CODE: 210005

CHANGZHOU BRANCH

150 HEPING SOUTH ROAD,
CHANGZHOU, 213003,
JIANGSU PROV., CHINA
SWIFT: BKCH CN BJ 95E
TLX: 361008 BOCCZ CN
TEL: (86) 0519-8122988
FAX: (86) 0519-8101493
0519-8119666
POST CODE: 213003

LIANYUNGANG BRANCH

1 MIDDLE HAILIAN ROAD,
XIN PU DISTRICT,
LIANYUNGANG 222002,
JIANGSU PROV., CHINA
SWIFT: BKCH CN BJ 95A
TLX: 36903 BOCY CN
TEL: (86) 0518-5319920
0518-5319921
FAX: (86) 0518-5319869
0518-5411983
POST CODE: 222002

NANTONG BRANCH

19 QING NIAN XI ROAD,
NANTONG 226006,
JIANGSU PROV., CHINA
SWIFT: BKCH CN BJ 95G
TLX: 365003 BOCNT CN
TEL: (86) 0513-83516888
FAX: (86) 0513-83518921
POST CODE: 226006

SUZHOU BRANCH

188 GANJIANG XI ROAD,
SUZHOU 215002,
JIANGSU PROV., CHINA
SWIFT: BKCH CN BJ 95B
TLX: 363010 BOCSU CN
TEL: (86) 0512-65112719
FAX: (86) 0512-65114906
POST CODE: 215002

WUXI BRANCH

258 ZHONG SHAN ROAD,
WUXI 214002,
JIANGSU PROV., CHINA
SWIFT: BKCH CN BJ 95C
TLX: 362021 WXBOC CN
TEL: (86) 0510-82705888
FAX: (86) 0510-82705888-1000
0510-82751687
POST CODE: 214002

YANGZHOU BRANCH

541 WEN CHANG MIDDLE ROAD,
YANGZHOU 225002,
JIANGSU PROV., CHINA
SWIFT: BKCH CN BJ 95H
TLX: 364034 YZBOC CN
TEL: (86) 0514-7361060
FAX: (86) 0514-7361057
POST CODE: 225002

ZHENJIANG BRANCH

235 EAST ZHONGSHAN
ROAD, ZHENJIANG 212001,
JIANGSU PROV., CHINA
SWIFT: BKCH CN BJ 95D
TLX: 360029 BOCZJ CN
TEL: (86) 0511-5027934
FAX: (86) 0511-5034395
POST CODE: 212001

ZHANGJIAGANG SUB-BRANCH

111 REN MIN ROAD(M),
YANG SHE TOWN,
ZHANGJIAGANG 215600,
JIANGSU PROV., CHINA
SWIFT: BKCH CN BJ 95L
TEL: (86) 0512-58685888
FAX: (86) 0512-58684349
POST CODE: 215600

JIANGXI PROVINCE

JIANGXI BRANCH

1 ZHANQIAN WEST ROAD,
NANCHANG 330002,
JIANGXI PROV., CHINA
SWIFT: BKCH CN BJ 550
TLX: 95013 BOCNC CN
TEL: (86) 0791-6471503
FAX: (86) 0791-6471505
POST CODE: 330002

JINGDEZHEN BRANCH

1053 CI DU AVENUE,
JINGDEZHEN 333000,
JIANGXI PROV., CHINA
SWIFT: BKCH CN BJ 56A
TEL: (86) 0798-8570628
TEL: (86) 0798-8570625
POST CODE: 333000

JILIN PROVINCE

JILIN BRANCH

699 XI AN DA LU, CHANG CHUN
130061, JILIN PROV., CHINA
SWIFT: BKCH CN BJ 840
TLX: 83006 CCB OC CN
TEL: (86) 0431-8409055
FAX: (86) 0431-8409054
POST CODE: 130061

CHANGCHUN XI AN DA LU

SUB-BRANCH
91 TONGZHI STREET,
CHANGCHUN 130061,
JILIN PROV., CHINA
SWIFT: BKCH CN BJ 85A
TLX: 83124 JCBOC CN
TEL: (86) 0431-8948671
FAX: (86) 0431-8948667
POST CODE: 130061

JILIN CITY BRANCH

1 SHENZHEN AVENUE, JILIN 132011,
JILIN PROV., CHINA
SWIFT: BKCH CN BJ 85B
TEL: (86) 0432-4670216
FAX: (86) 0432-4670299
POST CODE: 132011

YANBIAN BRANCH

107 RENMIN LU, YANBIAN 133000,
JILIN PROV., CHINA
SWIFT: BKCH CN BJ 85C
TLX: 842109 YJBOC CN
TEL: (86) 0433-2536454
FAX: (86) 0433-2516877
POST CODE: 133000

LIAONING PROVINCE

LIAONING BRANCH

9 ZHONG SHAN DISTRICT,
DALIAN 116001,
LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 810
TLX: 86163 CDB CN
TEL: (86) 0411-82586666
FAX: (86) 0411-82637098
POST CODE: 116001

DALIAN ZHONGSHAN SQUARE

SUB-BRANCH
5 JIEFANG STREET,
ZHONG SHAN DISTRICT,
DALIAN 116001,
LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 82N
TEL: (86) 0411-82519999
FAX: (86) 0411-82519539
POST CODE: 116001

SHENYANG BRANCH

253 SHIFU ROAD, SHENHE DISTRICT,
SHENYANG 110013,
LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 82A
TLX: 80058 BCSB CN
TEL: (86) 024-22810556
FAX: (86) 024-22810536
POST CODE: 110013

ANSHAN BRANCH

298 ROAD, NANZHONGHUA TIEDONG,
ANSHAN, LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 82D
TLX: 810044 BOCAS CN
TEL: (86) 0412-5933011
FAX: (86) 0412-5933013
POST CODE: 114001

DALIAN DEVELOPMENT ZONE BRANCH

BANK OF CHINA TOWER, 158 JIN
MA LU, DALIAN ECONOMIC AND
TECHNICAL DEVELOPMENT ZONE,
DALIAN 116600,
LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 82H
TLX: 86060 BOC DK CN
TEL: (86) 0411-87619999
FAX: (86) 0411-87648411
POST CODE: 116600

JINZHOU BRANCH

25 SECTIONS, 5 JIEFANG ROAD,
LINGHE DISTRICT, JINZHOU
121000, LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 82F
TLX: 813039 JZZGH CN
TEL: (86) 0416-3185869
FAX: (86) 0416-3185869
POST CODE: 121000

YINGKOU BRANCH

8 WEST, BOHAI DAJIE, ZHANQIAN DISTRICT,
YINGKOU 115000,
LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 82C
TLX: 814010 BOCYK CN
TEL: (86) 0417-2802724
FAX: (86) 0417-2833680
POST CODE: 115000

NINGXIA HUI*

NINGXIA BRANCH

170 JIEFANG XI STREET,
YINCHUAN 750001,
NINGXIA HUI*, CHINA
SWIFT: BKCH CN BJ 260
TLX: 750003 BOCYK CN
TEL: (86) 0951-5044671
FAX: (86) 0951-5044671
POST CODE: 750001

QINGHAI PROVINCE

QINGHAI BRANCH

218 DONGGUAN STREET,
XINING 810000,
QINGHAI PROV., CHINA
SWIFT: BKCH CN BJ 280
TEL: (86) 0971-8180186
FAX: (86) 0971-8180192
POST CODE: 810000

SHAANXI PROVINCE

SHAANXI BRANCH

38 JUHUA YUAN DONGDA STREET,
XI' AN 710001, SHANXI PROV.,
CHINA
SWIFT: BKCH CN BJ 620
TLX: 70128 BOCXA CN
TEL: (86) 029-87261726
FAX: (86) 029-87261933
POST CODE: 710001

SHANDONG PROVINCE

SHANDONG BRANCH

59 XIANGGANG ZHONG LU,
QINGDAO 266071, SHANDONG PROV.,
CHINA
SWIFT: BKCH CN BJ 500
TLX: 32235 BOCQD CN
TEL: (86) 0532-81858201
FAX: (86) 0532-81858185
POST CODE: 266071

JINAN BRANCH

22 LUO YUAN DAJIE, JINAN 250063,
SHANDONG PROV., CHINA
SWIFT: BKCH CN BJ 51B
TEL: (86) 0531-86995076
0531-86995004
FAX: (86) 0531-86995223
POST CODE: 250063

RIZHAO BRANCH

18 HUANGHAI 1 LU, RIZHAO 276826,
SHANDONG PROV., CHINA
SWIFT: BKCH CN BJ 51E
TLX: 320020 BOCRZ CN
TEL: (86) 0633-8329526
FAX: (86) 0633-8331264
POST CODE: 276826

WEIHAI BRANCH

9 NORTH QINGDAO ROAD,
WEIHAI 264200, SHANDONG PROV.,
CHINA
SWIFT: BKCH CN BJ 51D
TLX: 327222 BOCWH CN
TEL: (86) 0631-5326988
FAX: (86) 0631-5317207
POST CODE: 264200

YANTAI BRANCH

166 JIE FANG ROAD,
YANTAI 264001,
SHANDONG PROV., CHINA
SWIFT: BKCH CN BJ 51A
TLX: 32513 BOCYT CN
TEL: (86) 0535-6238888
FAX: (86) 0535-6238888-6738
POST CODE: 264001

SHANGHAI CITY

SHANGHAI BRANCH

200 MID. YINCHENG RD.,
PUDONG NEW DISTRICT,
SHANGHAI 200121, CHINA
SWIFT: BKCH CN BJ 300
TLX: 33062 BOC SH CN
TEL: (86) 021-38824588
FAX: (86) 021-64729384
POST CODE: 200121

BOC INTERNATIONAL (CHINA) LIMITED

39 县 0/F., BANK OF CHINA TOWER,
200 YINCHENG ZHONG LU,
PUDONG, SHANGHAI 200121, CHINA
TEL: (86) 021-68604866
FAX: (86) 021-58883554
POST CODE: 200121
Website: www.bocichina.com
Email: China@bocigroup.com

BOC INTERNATIONAL INVEST- MENT MANAGERS

45/F., BANK OF CHINA TOWER,
PUDONG, SHANGHAI 200121,
CHINA
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FAX: (86) 021-68872488
POST CODE: 200121
Website: www.bociim.com

SHANXI PROVINCE

SHANXI BRANCH

288 YINGZE DAJIE, TAIYUAN 030001,
SHANXI PROV., CHINA
SWIFT: BKCH CN BJ 680
TLX: 28004 BOCTB CN
TEL: (86) 0351-8266282
FAX: (86) 0351-4040364
POST CODE: 030001

SHUOZHOU BRANCH

19 KAIFA NAN LU,
SHUOZHOU 036000,
SHANXI PROV., CHINA
SWIFT: BKCH CN BJ 69A
TEL: (86) 0349-2022180
FAX: (86) 0349-2020861
POST CODE: 036000

SICHUAN PROVINCE

SICHUAN BRANCH

35 MIDDLE RENMIN ROAD
(2 DUAN), CHENGDU 610015,
SICHUAN PROV., CHINA
SWIFT: BKCH CN BJ 570
TLX: 60306 BOCCD CN
TEL: (86) 028-86403267
028-86741950
FAX: (86) 028-86403346
POST CODE: 610015

CHENGDU SHUDUDADAO SUB- BRANCH

18 NORTH SHUMO 3 STREET,
CHENGDU 610016,
SICHUAN PROV., CHINA
SWIFT: BKCH CN BJ 58A
TEL: (86) 028-86679727
028-86662260
FAX: (86) 028-86676787
028-86720847
POST CODE: 610016

SHENZHEN CITY

SHENZHEN BRANCH

INTERNATIONAL FINANCE
BUILDING, 2022 JIANSHE ROAD,
LUOHU DISTRICT,
SHENZHEN 518001,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 45A
TLX: 420309 BOCSZ CN
420243 BOCSZ CN
TEL: (86) 0755-22338888
FAX: (86) 0755-82237843
0755-82239383
POST CODE: 518001

SHEKOU SUB-BRANCH

18 TAIZI ROAD, HAIJING PLAZA,
SHEKOU, SHENZHEN 518067,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 45B
TEL: (86) 0755-26811848
0755-26811851
FAX: (86) 0755-26811829
POST CODE: 518067

BANK OF CHINA INSURANCE CO., LTD.

14/F., BLOCK A&B, BOC BLDG.,
5015 CAITIAN ROAD,
SHENZHEN,
GUANGDONG PROV., CHINA
TEL: (86) 0755-83509233
FAX: (86) 0755-83509029
POST CODE: 518026
Website: www.boc-ins.com

TIANJIN CITY

TIANJIN BRANCH

80 JIEFANG NORTH ROAD,
HEPING DISTRICT,
TIANJIN 300040, CHINA
SWIFT: BKCH CN BJ 200
TLX: 23233 TJBOC CN
TEL: (86) 022-27102335
022-27102329
FAX: (86) 022-23312809
022-27102349
POST CODE: 300040

BINHAI BRANCH

ABC BUILD, 5 WEST AREA,
BINHAI FINANCIAL STREET,
51 THE 3rd STREET,
ECONOMIC AND
TECHNOLOGICAL
DEVELOPMENT AREA,
TIANJIN 300457, CHINA
SWIFT: BKCH CN BJ 21A
TEL: (86) 022-66283917
FAX: (86) 022-66283918
022-66283919
POST CODE: 300457

TIBET*

TIBET BRANCH

28 LINKUO XI LU,
LHASA CITY 850000,
TIBET*, CHINA
SWIFT: BKCH CN BJ 900
TLX: 68008 LSB0C CN
TEL: (86) 0891-6835078
FAX: (86) 0891-6835078
POST CODE: 850000

XINJIANG UYGUR*

XINJIANG BRANCH

BANK OF CHINA BUILDING,
2 DONGFENG ROAD,
URUMQI 830002,
XINJIANG UYGUR*, CHINA
SWIFT: BKCH CN BJ 760
TLX: 79170 BOCXJ CN
TEL: (86) 0991-2336007
FAX: (86) 0991-2828619
POST CODE: 830002

YUNNAN PROVINCE

YUNNAN BRANCH

515 BEIJING ROAD,
KUNMING 650051,
YUNNAN PROV., CHINA
SWIFT: BKCH CN BJ 640
TLX: 64034 KMBNK CN
TEL: (86) 0871-3175556
0871-3192910
FAX: (86) 0871-3188976
POST CODE: 650051

ZHEJIANG PROVINCE

ZHEJIANG BRANCH

321 FENG QI ROAD,
HANGZHOU 310003,
ZHEJIANG PROV., CHINA
SWIFT: BKCH CN BJ 910
TLX: 35019 BOCHZ CN
TEL: (86) 0571-85011888
FAX: (86) 0571-87074837
POST CODE: 310003

NINGBO BRANCH

139 YAOXING JIE,
NINGBO 315000,
ZHEJIANG PROV., CHINA
SWIFT: BKCH CN BJ 92A
TLX: 37039 NBB0C CN
TEL: (86) 0574-87196666
FAX: (86) 0574-87198889
POST CODE: 315000

SHAOXING BRANCH

201 MIDDLE RENMIN ROAD
SHAOXING 312000,
ZHEJIANG PROV., CHINA
SWIFT: BKCH CN BJ 92D
TLX: 37429 BOC SX CN
TEL: (86) 0575-5111333
FAX: (86) 0575-5134405
POST CODE: 312000

WENZHOU BRANCH

XIHU JINYUAN, RENMIN WEST
ROAD, WENZHOU 325000,
ZHEJIANG PROV., CHINA
SWIFT: BKCH CN BJ 92B
TLX: 37110 WZBOC CN
TEL: (86) 0577-88265566
FAX: (86) 0577-88267887
POST CODE: 325000

ZHOUSHAN BRANCH

33 JIEFANGDONGLU ROAD,
DINGHAI, ZHOUSHAN 316000,
ZHEJIANG PROV., CHINA
SWIFT: BKCH CN BJ 92E
TLX: 378031 BOCZS CN
TEL: (86) 0580-2068120
FAX: (86) 0580-2068008
POST CODE: 316000

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Major Hong Kong and Macau Network

BOC INTERNATIONAL HOLDINGS LIMITED

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18/F., LOW BLOCK,
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181 QUEEN'S ROAD CENTRAL,
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TEL: (852) 27189888
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FAX: (852) 21479513
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1 GARDEN ROAD, HONG KONG
TEL: (852) 22308888
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BOCI COMMODITIES & FUTURES LIMITED

SUITES 1601-7, 16/F., CITY PLAZA
1111 KING'S ROAD, HONG KONG
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FAX: (852) 21970290
Email: Futures@bocigroup.com

BOCI-PRUDENTIAL ASSET

MANAGEMENT LIMITED
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1 GARDEN ROAD, HONG KONG
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FAX: (852) 21510968
Website: www.boci-pru.com.hk
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BOCI-PRUDENTIAL

TRUSTEE LIMITED
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1 GARDEN ROAD, HONG KONG
TEL: (852) 22808000
FAX: (852) 25166757
Website: www.boci-pru.com.hk
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BANK OF CHINA GROUP INSURANCE COMPANY LIMITED

9/F., WING ON HOUSE,
71 DES VOEUX ROAD CENTRAL,
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FAX: (852) 25221705
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BOC GROUP LIFE ASSURANCE COMPANY LIMITED

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HONG KONG
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FAX: (852) 28660938
Website: www.bocgroup.com/bocg-life
Email: Boc_life@bocgroup.com

BANK OF CHINA GROUP INVESTMENT LIMITED

24/F., BANK OF CHINA TOWER,
1 GARDEN ROAD CENTRAL,
HONG KONG
TEL: (852) 22007500
FAX: (852) 28772629
Website: www.bocgi.com
Email: Bocginv_bgi@bocgroup.com

BANK OF CHINA MACAU BRANCH

BANK OF CHINA BUILDING,
AVENIDA DOUTOR MARIO SOARES,
MACAU
SWIFT: BKCH MO MX
TLX: 88231 BKCHI OM
TEL: (853) 781828
FAX: (853) 781833
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ASIA-PACIFIC AREA

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TLX: RS 23046 BKCHINA
TEL: (65) 65352411
FAX: (65) 65343401
Email: Bocsg@bank-of-china.com
Email: Service_SG@bank-of-china.com

SOUTH SUB-BRANCH

20 MAXWELL ROAD,
#01-01 MAXWELL HOUSE,
SINGAPORE 069113
TEL: (65) 62233466
FAX: (65) 62236601

NORTH SUB-BRANCH

133 MIDDLE ROAD, BOC PLAZA,
SINGAPORE 188974
TEL: (65) 68328108
FAX: (65) 63339281

KATONG SUB-BRANCH

188-192 EAST COAST ROAD,
SINGAPORE 428898
TEL: (65) 64402440
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CENTRAL SUB-BRANCH

60 CECIL STREET, KPB BUILDING,
SINGAPORE 049709
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FAX: (65) 62218820

CHINATOWN SUB-BRANCH

60 EU TONG SEN STREET #01-01,
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SINGAPORE 059804
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FAX: (65) 65345571

BOC INTERNATIONAL (SINGAPORE) PTE. LTD.

4 BATTERY ROAD #04-00,
BANK OF CHINA BUILDING,
SINGAPORE 049908
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Email: Singapore@bocigroup.com

BANK OF CHINA

(MALAYSIA) BERHAD

GROUND, MEZZANINE, & 1st FLOOR,
PLAZA OSK, 25 JALAN AMPANG,
50450 KUALA LUMPUR, MALAYSIA
SWIFT: BKCH MY KL
TLX: MA30733 BKCHMY
TEL: (603) 21626633
FAX: (603) 21615150
Email: Service_MY@bank-of-china.com

SYDNEY BRANCH

39-41 YORK STREET,
SYDNEY NSW 2000, AUSTRALIA
SWIFT: BKCH AU 2S
TEL: (612) 82355888
FAX: (612) 92621794
Email: Service_AU@bank-of-china.com

BANK OF CHINA

(AUSTRALIA) LIMITED

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AUSTRALIA
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TEL: (612) 82355888
FAX: (612) 92621794
Email: Service_AU@bank-of-china.com

HAYMARKET BRANCH

681 GEORGE STREET,
HAYMARKET NSW 2000, AUSTRALIA
TEL: (612) 92123877
FAX: (612) 92123962

MELBOURNE BRANCH

270 QUEEN STREET,
MELBOURNE VIC 3000, AUSTRALIA
TEL: (613) 96023655
FAX: (613) 96023383

PARRAMATTA OFFICE

SHOP 2104, LEVEL 2,
WESTFIELD SHOPPING TOWN,
PARRAMATTA NSW 2150, AUSTRALIA
TEL: (612) 98938833
FAX: (612) 96872919

TOKYO BRANCH

BOC BLDG., 3-4-1 AKASAKA, MINATO-KU,
TOKYO 107-0052, JAPAN
SWIFT: BKCH JP JT
TLX: 516002-BKCH UI
TEL: (813) 35058818
FAX: (813) 35058433
Email: Boctokyo@boctokyo.co.jp
Email: Service_JP@bank-of-china.com

OSAKA BRANCH

BOC BLDG., 1-1-35 KITAHORIE NISHI-KU,
OSAKA, 550-0014, JAPAN
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TEL: (816) 65393666
FAX: (816) 65381177

YOKOHAMA BRANCH

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NAKA-KU, YOKOHAMA 231-0023, JAPAN
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FAX: (8145) 6638688

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CHIYODA-KU 100-0004, JAPAN
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FAX: (813) 32770289

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SEOUL BRANCH

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