

Bank of China Limited

2006 Third Quarter Report

(Full Version, under IFRS)

2.1.2 Reconciliation between PRC GAAP and IFRS on net profit and shareholder's equity (excluding minority interests) for the period ended 30 September 2006.

Amount: in RMB millions

	Net profit	Shareholder's equity
	Nine month period ended 30 September 2006	As at 30 September 2006
PRC GAAP figures	31,541	378,349
Adjustments for accounting standard differences:		
1. Reversal of revaluation surplus and corresponding depreciation	245	(7,754)
2. Fair value measurement on investment properties	411	3,227
3. Equity securities classified as available-for-sale financial assets and stated at fair value	-	2,113
4. Early retirement benefit obligation	325	(4,772)
5. Cost method applied on non-trading precious metals	(108)	(745)
6. Deferred tax impact	211	2,006
7. Minority interests effect and others	(167)	560
Subtotal	917	(5,365)
IFRS figures	32,458	372,984

2.2 Income Statements prepared under IFRS (unaudited)

Amount: in RMB millions

Items	Three month period ended 30 September 2006	Nine month period ended 30 September 2006
Interest income	56,682	156,806
Interest expense	(24,228)	(69,529)
Net interest income	32,454	87,277
Fee and commission income	3,853	12,019
Fee and commission expense	(622)	(1,947)
Net fee and commission income	3,231	10,072
Net trading income	(1,129)	(572)
Net gains on investment securities	1,194	1,258
Other operating income	2,155	9,373
Impairment losses on loans and advances	(2,117)	(7,596)
Other operating expenses	(15,401)	(45,087)
Operating profit	20,387	54,725
Share of results of associates	39	410
Profit before tax	20,426	55,135
Income tax expense	(6,296)	(18,754)
Profit for the period	14,130	36,381
Profit attributable to		
-Equity holders of the Bank	12,981	32,458
-Minority interests	1,149	3,923

2.3 Number of shareholders and top ten shareholders

2.3.1 *Total number of shareholders: As at the end of the reporting period, the Bank's total shareholders were 846,456, including 426,386 holders of H-Share and 420,070 holders of A-Share.*

2.3.2 *Top Ten Shareholders of A Share that are not Subject to Selling Restrictions*

No.	Name of Shareholder	Number of Listed Trading Shares Held *	Type of Share
1	International Finance – Standard Chartered – CITIGROUP GLOBAL MARKETS LIMITED	73,451,475	A Share
2	Shanghai Huiyin Investment Limited Corporation	70,000,000	A Share
3	ICBC-GF Strategic Selection Balanced Securities Investment Fund	51,314,751	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	47,157,043	A Share
5	CNOOC Finance Corporation Ltd	47,157,043	A Share
7	CCB – BoCom Schroders Prudent Balanced Securities Investment Fund	39,611,957	A Share
8	China Pacific Life Insurance Co., Ltd – Dividend - Personal Dividend	38,064,093	A Share
9	China Pacific Life Insurance Co., Ltd – Traditional – General Insurance	35,179,154	A Share
10	China Marine Finance Co., Ltd	33,009,930	A Share

* 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.

2.3.3 Top Ten Shareholders of H Share

No.	Name of Shareholder	Number of Shares Held *	Type of Share
1	HKSCC Nominees Limited	30,247,998,800	H Share
2	RBS China Investments S.à.r.l.	20,942,736,236	H Share
3	Asia Financial Holdings Pte Ltd	10,471,368,118	H Share
4	National Council for Social Security Fund, PRC	8,377,341,329	H Share
5	UBS AG	3,377,860,684	H Share
6	Asian Development Bank	506,679,102	H Share
7	The Bank of Tokyo-Mitsubishi UFJ Ltd	473,052,000	H Share
8	Wingreat International Limited	420,490,000	H Share
9	Best Sense Investments Limited	236,526,000	H Share
10	Turbo Top Limited	236,526,000	H Share

* 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.

III. Management Discussion and Analysis

3.1 Brief analysis of overall operating activities in the reporting period

As of 30 September 2006, total assets of the Group reached RMB5,270.627 billion, an increase of RMB 530.579 billion or 11.19% over 31 December 2005. Total liabilities stood at RMB4,868.776 billion, an increase of RMB384.247 billion or 8.57% over 31 December 2005. The Group had a total net loan portfolio of RMB2,350.944 billion, an increase of RMB198.832 billion or 9.24% over 31 December 2005. The total deposits of the Group reached RMB4,046.717 billion, an increase of RMB347.253 billion or 9.39% over 31 December 2005. Owner's Equity totaled RMB372.984 billion, an increase of RMB146.565 billion or 64.73% over 31 December 2005. The Group's non-performing loans (NPLs) were RMB 98.599 billion in accordance with five tier classification standards, NPL ratio was 4.04%.

The Group achieved a net profit of RMB32.458 billion from January to September. In the third quarter, the Group's net foreign exchange exposure was further reduced and hence exchange rate risk being contained further.

3.1.1 Principal operations accounting for over 10% of income or profit from principal operations

Amount: in RMB millions

Business Segment	Income from principal operations (Nine month period ended 30 September 2006)	Cost from principal operations (Nine month period ended 30 September 2006)
Commercial banking	170,683	110,510
Investment banking	2,071	972
Insurance business	6,272	5,798
Other operations	1,328	287

Income from principal operations = interest income + fee and commission income + net trading income + net gains on investment securities + other operating income

Cost from principal operations = interest expense + fee and commission expense + other operating expenses

Income and cost from principal operations by geographical areas

Amount: in RMB millions

Geographical Area	Income from principal operations (Nine month period ended 30 September 2006)	Cost from principal operations (Nine month period ended 30 September 2006)
the Chinese mainland	128,441	82,373
Hong Kong, Macau and other overseas locations	54,701	37,982

3.1.2 Seasonal or periodic characteristics of the Bank's operation

☐Applicable ☒ Not Applicable

3.1.3 The composition of profit for the reporting period compared with that of the previous reporting period and the reasons therefor

In the current reporting period, there was no significant change in the profit composition compared with the previous reporting period.

Amount: in RMB millions

	Nine month period ended 30 September 2006		Six month period ended 30 June 2006	
	Amount	Percentage	Amount	Percentage
Profit from principal operations	54,725	99.26%	34,338	98.93%
Impairment losses on loans and advances	7,596	13.78%	5,479	15.79%
Other operating expenses	45,087	81.78%	29,686	85.53%
Profit before income tax	55,135	100.00%	34,709	100.00%

Profit from principal operations = income from principal operations - cost from principal operations - impairment losses on loans and advances

Profit before tax = profit from principal operations + share of results of associates

3.1.4 Significant changes in principal operations and its structure when compared with those of the previous reporting period and the reasons therefor

In the current reporting period, there was no significant change in principal operations and its structure in comparison with the previous reporting period. After taking into consideration the overall interest spread and investment opportunities between RMB and foreign currencies, the Group conducted foreign exchange derivative transactions. The costs arising therefrom were included in the Net trading income.

Amount: in RMB millions

	Nine month period ended 30 September 2006		Six month period ended 30 June 2006	
	Amount	Percentage	Amount	Percentage
Interest income	156,806	87.66%	100,124	86.22%
Fee and commission income	12,019	6.72%	8,166	7.03%
Net trading income	(572)	-0.32%	557	0.48%
Net gains on investment securities	1,258	0.70%	64	0.05%
Other operating income	9,373	5.24%	7,218	6.22%
Income from principal operations	178,884	100.00%	116,129	100.00%

3.1.5 Significant changes in profitability of principal operations when compared with that of the previous reporting period and the reasons therefor

In the current reporting period, there was no significant change in the profitability of principal operations in comparison with the previous reporting period.

Amount: in RMB millions

Profitability of main business	Nine month period ended 30 September 2006	Six month period ended 30 June 2006
Income from principal operations	178,884	116,129
Cost from principal operations	116,563	76,312

3.2 Explanations of significant event, its impact and solutions

☐ Applicable ☒ Not Applicable

3.3 Changes in accounting policy, accounting estimation, consolidation scope and the significant accounting errors and the reasons therefor

☐ Applicable ☒ Not Applicable

3.4 Explanation of the Board of Directors and the Board of Supervisors on the "non-standard opinion" of the report period by the auditors

☐ Applicable ☒ Not Applicable

3.5 Warnings and Explanations on loss forecast or significant changes in net accumulative profit from the beginning of the year to the end of next report period

☐ Applicable ☒ Not Applicable

3.6 Plans on alteration of disclosed business plan or budget

☐ Applicable ☒ Not Applicable

The Board of Directors
Bank of China Limited
30 October 2006

IV. Appendix

CONSOLIDATED INCOME STATEMENTS

(Amount in millions of Renminbi)

	Three month period ended 30 September 2006 (unaudited)	Nine month period ended 30 September 2006 (unaudited)
Interest income	56,682	156,806
Interest expense	(24,228)	(69,529)
Net interest income	32,454	87,277
Fee and commission income	3,853	12,019
Fee and commission expense	(622)	(1,947)
Net fee and commission income	3,231	10,072
Net trading income	(1,129)	(572)
Net gains on investment securities	1,194	1,258
Other operating income	2,155	9,373
Impairment losses on loans and advances	(2,117)	(7,596)
Other operating expenses	(15,401)	(45,087)
Operating profit	20,387	54,725
Share of results of associates	39	410
Profit before income tax	20,426	55,135
Income tax expense	(6,296)	(18,754)
Profit for the period	14,130	36,381
Attributable to:		
Equity holders of the Bank	12,981	32,458
Minority interest	1,149	3,923
	14,130	36,381

Xiao Gang
Director

Li Lihui
Director

CONSOLIDATED BALANCE SHEETS

(Amount in millions of Renminbi)

	As at 30 September 2006 (unaudited)	As at 31 December 2005 (audited)
ASSETS		
Cash and due from banks	41,511	41,082
Balances with central banks	345,826	316,941
Placements with banks and other financial institutions	319,734	332,099
Government certificates of indebtedness for bank notes issued	37,318	35,586
Precious metals	41,464	26,974
Trading assets and other financial instruments at fair value through profit or loss	106,028	111,782
Derivative financial instruments	21,695	16,808
Loans and advances to customers, net	2,350,944	2,152,112
Investment securities		
- available-for-sale	917,930	602,221
- held-to-maturity	511,290	607,459
- loans and receivables	428,120	361,851
Investment in associates	5,528	5,061
Property and equipment	61,456	62,417
Investment property	8,394	8,511
Deferred income tax assets	21,828	20,504
Other assets	51,561	38,640
Total assets	5,270,627	4,740,048

CONSOLIDATED BALANCE SHEETS

(Amount in millions of Renminbi)

	As at 30 September 2006 (unaudited)	As at 31 December 2005 (audited)
LIABILITIES		
Due to banks	187,937	134,217
Due to central banks	41,712	30,055
Bank notes in circulation	37,317	35,731
Certificates of deposits and placements from banks and other financial institutions	168,394	212,626
Derivative financial instruments and liabilities at fair value through profit or loss	110,259	91,174
Due to customers	4,046,717	3,699,464
Bonds issued	60,175	60,179
Special purpose borrowings	47,761	52,164
Current tax liabilities	19,808	23,459
Retirement benefit obligations	6,787	7,052
Deferred income tax liabilities	2,216	2,136
Other liabilities	139,693	136,272
Total liabilities	4,868,776	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	9,430	5,109
Undistributed profits	34,843	10,188
Reserve for fair value changes of available-for-sale securities	1,545	1,899
Currency translation differences	(1,381)	(237)
Minority interest	28,867	29,100
Total equity	401,851	255,519
Total equity and liabilities	5,270,627	4,740,048

Xiao Gang
Director

Li Lihui
Director