中國銀行
BANK OF CHINA

中國銀行股份有限公司
# BANK OF CHINA LIMITED

*(a joint stock company incorporated in the People's Republic of China with limited liability)*
**(Stock Code: 3988)**

# Report for the Third Quarter ended 30 September 2007

The Board of Directors (the "Board") of Bank of China Limited (the "Bank") is pleased to announce the unaudited results of the Bank and its subsidiaries (the "Group") for the third quarter ended 30 September 2007.

## I. BASIC INFORMATION

### 1.1 Key financial data and performance indicators

#### *1.1.1 Key financial data and performance indicators for the Group prepared in accordance with International Financial Reporting Standards ("IFRS")*

| | **As at 30 September 2007** | As at 31 December 2006 | **Change (%)** |
|---|---|---|---|
| Total assets (RMB million) | **6,015,582** | 5,327,653 | 12.91 |
| Capital and reserves attributable to equity holders of the Bank (RMB million) | **416,083** | 382,917 | 8.66 |
| Net assets per share (RMB) | **1.64** | 1.51 | 8.66 |

| | **Nine-month period ended 30 September 2007** | Nine-month period ended 30 September 2006 | **Change (%)** |
|---|---|---|---|
| Net cash outflow from operating activities (RMB million) | **(11,004)** | (88,463) | -87.56 |
| Net cash outflow from operating activities per share* (RMB) | **(0.04)** | (0.35) | -87.56 |
| Profit after tax (RMB million) | **49,713** | 36,381 | 36.65 |
| Profit after tax attributable to equity holders of the Bank (RMB million) | **45,474** | 32,458 | 40.10 |
| Earnings per share for profit attributable to equity holders of the Bank (basic and diluted, RMB) | **0.18** | 0.14 | 28.57 |
| Return on average equity (annualized) | **15.18%** | 14.44% | 0.74 percentage point |

*Note:* Net cash outflow from operating activities per share is calculated based on the Bank's total number of ordinary shares outstanding at the end of reporting period.

On 16 March 2007, the National People's Congress approved the new PRC Enterprise Income Tax Law. This legislation will reduce the enterprise income tax rate for domestic enterprises from 33% to 25% with effect from 2008. In accordance with International Accounting Standards (No. 12), the Group re-measured its net deferred tax assets of the domestic operations as at the date of pronouncement of the new Income Tax Law to reflect future realisation at the newly enacted tax rate and thereby increased the tax expenses. Excluding such impact, the profit after tax attributable to equity holders of the Bank from January to September 2007 would have increased 52.97% compared with the same period of 2006.

### *1.1.2 Reconciliation between IFRS and CAS financial information*

The reconciliations of profit after tax attributable to equity holders of the Bank for the nine-month periods ended 30 September 2006 and 2007 and consolidated equity as at 30 September 2007 and 31 December 2006 prepared under IFRS to those under Chinese Accounting Standards ("CAS") are set forth below. The financial information as at 31 December 2006 and for the nine-month period ended 30 September 2006 has been restated in accordance with CAS issued by the Ministry of Finance in February 2006 which was effective 1 January 2007.

*Unit: RMB million*

| | **Equity (including minority interest)** | | **Profit after tax attributable to equity holders of the Bank** | |
|---|---|---|---|---|
| | **As at 30 September 2007** | As at 31 December 2006 | **Nine-month period ended 30 September 2007** | Nine-month period ended 30 September 2006 |
| CAS figures | **450,393** | 417,325 | **45,744** | 32,294 |
| Adjustments for differences in accounting standards: | | | | |
| Reversal of asset revaluation surplus, corresponding depreciation and other items | **(6,165)** | (6,521) | **356** | 245 |
| Deferred tax impact | **1,541** | 2,152 | **(626)** | (81) |
| Sub-total | **(4,624)** | (4,369) | **(270)** | 164 |
| IFRS figures | **445,769** | 412,956 | **45,474** | 32,458 |

## 1.2 Number of shareholders and top ten shareholders

***1.2.1 As at 30 September 2007, the Bank's total number of shareholders was 1,276,094, comprising 298,456 H-Share holders and 977,638 A-Share holders.***

### 1.2.2 Top ten A-Share holders not subject to selling restrictions as at 30 September 2007

*Unit: share*

| No. | Name of shareholder | Number of shares not subject to selling restrictions |
|---|---|---|
| 1 | Nuoan Stock Securities Investment Fund | 122,350,000 |
| 2 | Boshi Value Growth Securities Investment Fund | 59,999,949 |
| 3 | E Fund 50 Index Securities Investment Fund | 40,000,000 |
| 4 | Boshi Yufu Securities Investment Fund | 37,784,057 |
| 5 | Morgan Stanley Investment Management — Morgan Stanley China A Share Fund | 29,732,000 |
| 6 | NCI — Profit sharing — Personal profit sharing — 018L — FH002 SH | 27,905,180 |
| 7 | SSE-50 Trading Open-end Index Securities Investment Fund | 24,371,575 |
| 8 | China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 SH | 16,778,100 |
| 9 | Everbright Pramerica Advantage Allocation Stock Securities Investment Fund | 16,489,947 |
| 10 | Everbright Securities Co., Ltd | 16,000,500 |

*Note:* Some of the above shareholders are managed by the same legal entity. Save for that, the Bank is not aware of any connected relations and concerted action among the above-mentioned shareholders.

### 1.2.3 Top ten H-Share holders as at 30 September 2007

*Unit: share*

| No. | Name of shareholder | Number of shares held |
|---|---|---|
| 1 | HKSCC Nominees Limited | 30,724,926,122 |
| 2 | RBS China Investments S.à.r.l. | 20,942,736,236 |
| 3 | Fullerton Financial Holdings Pte. Ltd | 10,471,368,118 |
| 4 | National Council for Social Security Fund, PRC | 8,377,341,329 |
| 5 | UBS AG | 3,377,860,684 |
| 6 | Asian Development Bank | 506,679,102 |
| 7 | The Bank of Tokyo-Mitsubishi UFJ Ltd | 473,052,000 |
| 8 | Wingreat International Limited | 420,490,000 |
| 9 | Turbo Top Limited | 46,526,000 |
| 10 | Best Sense Investments Limited | 36,526,000 |

*Note:* The number of shares held by H-Share holders was recorded in the Register of Members maintained by the H-Share Registrar of the Bank as at 30 September 2007.

# II. SIGNIFICANT EVENTS

## 2.1 Significant changes in major financial statement items and indicators and the reasons thereof

✔ Applicable ❏ Not Applicable

The Group's key financial items and indicators which fluctuated over 30% compared with those as at the end of 2006, or compared with those for the nine-month period ended 30 September 2006 are as follows:

*Unit: RMB million*

| Items | **As at 30 September 2007** | As at 31 December 2006 | **Change (%)** | **Main reasons** |
|---|---|---|---|---|
| Cash and due from banks | **63,131** | 39,812 | 58.57 | Increase in deposits with financial institutions. |
| Derivative financial instruments | **35,156** | 24,837 | 41.55 | Increase in derivative transactions. |
| Other assets | **92,196** | 53,570 | 72.10 | Mainly due to increase in items in the process of clearance and settlement. |
| Due to banks and other financial institutions | **359,091** | 178,777 | 100.86 | Increase in deposits from financial institutions. |
| Certificates of deposit and placements from banks and other financial institutions | **312,562** | 146,908 | 112.76 | Increase in interbank placements from financial institutions. |
| Undistributed profits | **73,046** | 38,425 | 90.10 | Mainly due to the profit for the reporting period. |
| Currency translation differences | **(4,301)** | (2,071) | 107.68 | Mainly due to fluctuation of exchange rate during the reporting period. |

*Unit: RMB million*

| Items | **As at 30 September 2007** | As at 31 December 2006 | **Change (%)** | **Main reasons** |
|---|---|---|---|---|
| Treasury shares | **(12)** | (216) | -94.44 | A wholly owned subsidiary of the Group held certain listed shares of the Bank in relation to its derivative and arbitrage business. The total number of treasury shares held by the subsidiary as at 30 September 2007 has decreased as compared with that as at the end of 2006. |

*Unit: RMB million*

| Items | **Nine-month period ended 30 September 2007** | Nine-month period ended 30 September 2006 | **Change (%)** | **Main reasons** |
|---|---|---|---|---|
| Net fee and commission income | **18,923** | 10,072 | 87.88 | Due to the continued growth of fee-based businesses, including agency business, etc. |
| Net trading losses | **(1,455)** | (572) | 154.37 | Increase in costs related to foreign currency derivatives in support of the Bank's increased foreign currency activities. |
| Net (losses)/gains on investment securities | **(2,328)** | 1,258 | -285.06 | Due to impairment losses for investment securities. Please refer to "2.5 Other significant events" of this report for additional information. |
| Operating profit | **74,976** | 54,725 | 37.01 | Increase in net interest income and non-interest income. |

*Unit: RMB million*

| Items | **Nine-month period ended 30 September 2007** | Nine-month period ended 30 September 2006 | **Change (%)** | **Main reasons** |
|---|---|---|---|---|
| Share of results of associates and joint ventures | **866** | 410 | 111.22 | Increase in profits of associates. |
| Profit before income tax | **75,842** | 55,135 | 37.56 | Due to the above-mentioned factors. |
| Income tax expense | **(26,129)** | (18,754) | 39.32 | Due to re-measurement of net deferred tax assets and the increase of operating profit for the period. |
| Profit after tax | **49,713** | 36,381 | 36.65 | Due to the above-mentioned factors. |
| Profit after tax attributable to equity holders of the Bank | **45,474** | 32,458 | 40.10 | Due to the above-mentioned factors. |

**2.2 Development of significant events, related impact and resolution**

❑ Applicable ✔ Not Applicable

**2.3 Fulfillment of undertakings by the company, shareholders and controlling parties**

✔ Applicable ❑ Not Applicable

Based on the best knowledge of the Bank, undertakings by the Bank, its shareholders and controlling parties were fulfilled during the reporting period.

**2.4 Warnings and explanations of any forecasted losses or significant changes to retained earnings brought from the beginning of the financial year to the end of next reporting period**

❑ Applicable ✔ Not Applicable

## 2.5 Other significant events

### *2.5.1 Stocks of other listed companies held by the Group*

✔ Applicable ❑ Not Applicable

Stocks of other listed companies held by the Group's subsidiaries BOCHK Group, BOCI, BOCG Insurance and BOCG Investment during their regular business operation.

| No. | Stock code | Company name | Stock held (unit: share) | Proportion of the total share | Initial investment cost (unit: RMB) | Accounting classification |
|---|---|---|---|---|---|---|
| 1 | 000002 CH | CHINA VANKE | 86,936,265 | 1.44% | 991,477,767 | Held for trading |
| 2 | 1088 HK | CHINA SHENHUA | 76,588,281 | 2.25% | 581,555,917 | Held for trading and Available-for-sale securities |
| 3 | 8002 HK | PHOENIX TV | 412,000,000 | 8.33% | 377,396,411 | Available-for-sale securities |
| 4 | 0005 HK | HSBC HOLDINGS | 2,267,686 | 0.01% | 293,327,176 | Held for trading |
| 5 | 000527 CH | GUANGDONG MIDEA ELECTRIC APPLIANCES | 12,370,596 | 0.98% | 286,329,633 | Held for trading |
| 6 | 1398 HK | ICBC | 93,712,000 | 0.11% | 282,379,769 | Held for trading and Available-for-sale securities |
| 7 | 600823 CH | SHANGHAI SHIMAO | 8,135,978 | 1.70% | 217,864,848 | Held for trading |
| 8 | 0386 HK | SINOPEC CORP | 28,370,420 | 0.17% | 168,699,607 | Held for trading and Available-for-sale securities |
| 9 | 600663 CH | SHANGHAI LUJIAZUI FINANCE & TRADE ZONE DEVELOPMENT | 6,515,114 | 0.48% | 161,673,338 | Held for trading |
| 10 | 2006 HK | JINJIANG HOTELS | 70,780,000 | 5.09% | 152,301,171 | Available-for-sale securities |
| Total | | | | | 3,513,005,637 | |

*Note:* Information in the above table details the Group's holding of stocks of other listed companies in respect of long-term equity investments, financial assets available-for-sale and financial assets held for trading. The top 10 stocks held by the Group are presented in the above table in descending order based on the size of initial investment cost.

### 2.5.2 *Equity investments in unlisted financial institutions and companies with future intention to obtain listing held by the Group*

✔ Applicable ❑ Not Applicable

| Company name | Initial investment cost (unit: RMB) | Number of shares held (unit: share) | % equity held | Carrying value at period end (unit: RMB) |
|---|---:|---:|---:|---:|
| Dongfeng Peugeot Citroen Auto Finance Co., Ltd | 232,619,036 | — | 50.0% | 250,933,564 |
| China UnionPay Co., Ltd | 90,000,000 | 90,000,000 | 5.452% | 225,000,000 |
| JCC Financial Co., Ltd | 56,475,507 | — | 20.0% | 62,197,599 |
| Hunan Hualing Financial Co., Ltd | 28,148,117 | — | 10.0% | 29,295,885 |
| CJM Insurance Brokers Ltd | 726,225 | 2,000,000 | 33.3% | 4,463,516 |
| Debt Management Company Ltd | 16,074 | 1,660 | 16.7% | 16,074 |
| **Total** | 407,984,959 | | | 571,906,638 |

*Notes:*

1. Financial institutions include commercial banks, securities firms, insurance companies, trust companies and futures companies.
2. The carrying value is stated after the deduction of impairment loss.
3. The information stated in the above table is based on the consolidated financial statements.
4. Only holdings of 5% or more are listed.

### 2.5.3 *Changes of shareholders holding shares of more than 5% and changes or estimated changes of shareholding of the actual controller of the company or its controlling situation.*

✔ Applicable ❑ Not Applicable

Please refer to the announcement on *Matters related to the Establishment of China Investment Corporation* published on 9 October 2007 by the Bank.

### *2.5.4 The statement on Subprime ABS and Subprime CDOs held by the Group*

The Group's foreign currency denominated investment portfolio includes asset-backed securities and collateralized debt obligations supported by US subprime mortgages (Subprime ABS and Subprime CDOs). The Group has conducted assessment on these securities based on the changes in market condition of US subprime mortgages since the half-year end of 2007. According to the relevant accounting standards, the Group decided to charge additional impairment allowance of USD135 million and USD187 million against these Subprime ABS and Subprime CDOs respectively. The aggregated amounts of these allowances were USD186 million (equivalent to RMB1.395 billion) and USD287 million (equivalent to RMB2.152 billion) respectively as at 30 September 2007. The Group has also made reserve of USD321 million (equivalent to RMB2.414 billion) directly in the "Reserve for fair value changes of available-for-sale securities" under the equity, reflecting the depreciation of the fair value of the related Subprime securities.

As at 30 September 2007, the carrying value of the investment in Subprime ABS and Subprime CDOs stood at USD7,451 million (equivalent to RMB55.960 billion) and USD496 million (equivalent to RMB3.727 billion), representing 2.86% and 0.19% of the Group's total investment securities respectively.

Considering the inherent uncertainties of the US subprime mortgages market, the Group will closely monitor the future developments of the market.

**Board of Directors of Bank of China Limited**
30 October 2007

# IV. APPENDIX — FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH IFRS)

## Consolidated Income Statements

*Unit: RMB million*

| | **Three-month period ended 30 September 2007 (unaudited)** | Three-month period ended 30 September 2006 (unaudited) | **Nine-month period ended 30 September 2007 (unaudited)** | Nine-month period ended 30 September 2006 (unaudited) |
|---|---|---|---|---|
| Interest income | **67,844** | 56,682 | **190,347** | 156,806 |
| Interest expense | **(28,298)** | (24,228) | **(79,774)** | (69,529) |
| **Net interest income** | **39,546** | 32,454 | **110,573** | 87,277 |
| Fee and commission income | **8,214** | 3,853 | **21,602** | 12,019 |
| Fee and commission expense | **(1,055)** | (622) | **(2,679)** | (1,947) |
| **Net fee and commission income** | **7,159** | 3,231 | **18,923** | 10,072 |
| Net trading losses | **(203)** | (1,129) | **(1,455)** | (572) |
| Net (losses)/gains on investment securities | **(2,157)** | 1,194 | **(2,328)** | 1,258 |
| Other operating income | **4,315** | 2,155 | **11,578** | 9,373 |
| Impairment losses on loans and advances | **(1,925)** | (2,117) | **(7,169)** | (7,596) |
| Operating expenses | **(22,074)** | (15,401) | **(55,146)** | (45,087) |
| **Operating profit** | **24,661** | 20,387 | **74,976** | 54,725 |
| Share of results of associates and joint ventures | **261** | 39 | **866** | 410 |
| **Profit before income tax** | **24,922** | 20,426 | **75,842** | 55,135 |
| Income tax expense | **(7,591)** | (6,296) | **(26,129)** | (18,754) |
| **Profit for the period** | **17,331** | 14,130 | **49,713** | 36,381 |
| **Attributable to:** | | | | |
| Equity holders of the Bank | **15,931** | 12,981 | **45,474** | 32,458 |
| Minority interest | **1,400** | 1,149 | **4,239** | 3,923 |
| | **17,331** | 14,130 | **49,713** | 36,381 |
| Earnings per share for profit attributable to equity holders of the Bank during the period (RMB per ordinary share) | | | | |
| — Basic and diluted | **0.06** | 0.05 | **0.18** | 0.14 |

## Consolidated Balance Sheets

*Unit: RMB million*

| | **As at 30 September 2007 (unaudited)** | As at 31 December 2006 (audited) |
|---|---|---|
| **ASSETS** | | |
| Cash and due from banks | **63,131** | 39,812 |
| Balances with central banks | **474,044** | 379,631 |
| Placements with banks and other financial institutions | **459,228** | 399,138 |
| Government certificates of indebtedness for bank notes issued | **34,830** | 36,626 |
| Precious metals | **39,254** | 42,083 |
| Trading assets and other financial instruments at fair value through profit or loss | **150,186** | 115,828 |
| Derivative financial instruments | **35,156** | 24,837 |
| Loans and advances to customers, net | **2,741,743** | 2,337,726 |
| Investment securities | | |
| — available-for-sale | **810,207** | 815,178 |
| — held-to-maturity | **522,678** | 461,140 |
| — loans and receivables | **474,144** | 500,336 |
| Investment in associates and joint ventures | **6,706** | 5,931 |
| Property and equipment | **83,317** | 86,200 |
| Investment property | **9,302** | 8,221 |
| Deferred income tax assets | **19,460** | 21,396 |
| Other assets | **92,196** | 53,570 |
| **Total assets** | **6,015,582** | 5,327,653 |

**Consolidated Balance Sheets *(continued)***

*Unit: RMB million*

| | **As at 30 September 2007 (unaudited)** | As at 31 December 2006 (audited) |
|---|---|---|
| **LIABILITIES** | | |
| Due to banks and other financial institutions | **359,091** | 178,777 |
| Due to central banks | **54,029** | 42,374 |
| Bank notes in circulation | **34,871** | 36,823 |
| Certificates of deposits and placements from banks and other financial institutions | **312,562** | 146,908 |
| Derivative financial instruments and liabilities at fair value through profit or loss | **118,277** | 113,048 |
| Due to customers | **4,349,232** | 4,091,118 |
| Bonds issued | **63,556** | 60,173 |
| Other borrowings | **54,226** | 63,398 |
| Current tax liabilities | **23,078** | 18,149 |
| Retirement benefit obligations | **6,799** | 7,444 |
| Deferred income tax liabilities | **2,989** | 3,029 |
| Other liabilities | **191,103** | 153,456 |
| **Total liabilities** | **5,569,813** | 4,914,697 |

## Consolidated Balance Sheets *(continued)*

*Unit: RMB million*

| | **As at 30 September 2007 (unaudited)** | As at 31 December 2006 (audited) |
|---|---|---|
| **EQUITY** | | |
| **Capital and reserves attributable to equity holders of the Bank** | | |
| Share capital | **253,839** | 253,839 |
| Capital reserve | **66,582** | 66,617 |
| Statutory reserves | **10,803** | 10,380 |
| General and regulatory reserves | **14,317** | 13,934 |
| Undistributed profits | **73,046** | 38,425 |
| Reserve for fair value changes of available-for-sale securities | **1,809** | 2,009 |
| Currency translation differences | **(4,301)** | (2,071) |
| Treasury shares | **(12)** | (216) |
| | **416,083** | 382,917 |
| **Minority interest** | **29,686** | 30,039 |
| **Total equity** | **445,769** | 412,956 |
| **Total equity and liabilities** | **6,015,582** | 5,327,653 |

**Xiao Gang**
*Director*

**Li Lihui**
*Director*

## Consolidated Cash flow Statements

*Unit: RMB million*

| | **Nine-month period ended 30 September 2007 (unaudited)** | Nine-month period ended 30 September 2006 (unaudited) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before income tax | **75,842** | 55,135 |
| Adjustments: | | |
| Impairment losses on loans and advances | **7,169** | 7,596 |
| Impairment losses/(write back) on investment securities and other assets | **3,702** | (6) |
| Depreciation of property and equipment | **4,072** | 3,888 |
| Amortization of intangible assets and other assets | **925** | 525 |
| Net gains on disposal of property and equipment and other long-term assets | **(106)** | (238) |
| Net gains on disposal of investments in subsidiaries, associates and joint ventures | **(37)** | (907) |
| Share of results of associates and joint ventures | **(866)** | (410) |
| Interest expense arising from bonds issued | **2,185** | 2,105 |
| Net changes in operating assets and liabilities: | | |
| Net increase in balances with central banks | **(129,813)** | (58,503) |
| Net (increase)/decrease in due from banks and placements with banks and other financial institutions | **(89,602)** | 13,159 |
| Net increase in loans and advances to customers | **(411,186)** | (206,428) |
| Net increase in investment securities | **(66,845)** | (235,580) |
| Net decrease/(increase) in precious metals | **2,873** | (14,490) |
| Net increase in other assets | **(26,633)** | (16,518) |
| Net increase in due to central banks | **11,655** | 11,657 |
| Net increase in due to banks and other financial institutions | **180,314** | 53,720 |
| Net increase/(decrease) in certificates of deposits and placements from banks and other financial institutions | **165,654** | (44,232) |
| Net increase in due to customers | **258,114** | 347,253 |
| Net decrease in other borrowings | **(9,172)** | (4,403) |
| Net increase in other liabilities | **28,827** | 21,408 |
| Net cash inflow/(outflow) from operating activities | **7,072** | (65,269) |
| Income tax paid | **(18,076)** | (23,194) |
| **Net cash outflow from operating activities** | **(11,004)** | (88,463) |

## Consolidated Cash flow Statements *(continued)*

*Unit: RMB million*

| | **Nine-month period ended 30 September 2007 (unaudited)** | Nine-month period ended 30 September 2006 (unaudited) |
|---|---|---|
| **Cash flows from investing activities** | | |
| Proceeds from disposal of property and equipment, intangible assets and other long-term assets | **3,243** | 1,165 |
| Proceeds from disposal of investments in subsidiaries, associates and joint ventures | **65** | 1,211 |
| Dividends received | **265** | 160 |
| Purchase of property and equipment, intangible assets and other long-term assets | **(6,728)** | (3,205) |
| Payment for increase of investments in subsidiaries, associates and joint ventures | **(105)** | (84) |
| **Net cash outflow from investing activities** | **(3,260)** | (753) |
| **Net cash outflow before financing activities** | **(14,264)** | (89,216) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of ordinary shares | **—** | 117,423 |
| Cash received from issuance of bonds | **3,389** | — |
| Proceeds from minority equity holders of subsidiaries | **27** | 18 |
| Proceeds from sales of treasury shares | **204** | — |
| Payment of interest on bonds issued | **(2,177)** | (2,154) |
| Dividends paid to equity holders of the Bank | **(10,154)** | (1,375) |
| Dividends paid to minority interest | **(3,370)** | (3,402) |
| Other payment for financing activities | **(20)** | (261) |
| **Net cash (outflow)/inflow from financing activities** | **(12,101)** | 110,249 |
| Effect of exchange rate changes on cash and cash equivalents | **(12,170)** | (3,043) |
| **Net (decrease)/increase in cash and cash equivalents** | **(38,535)** | 17,990 |
| Cash and cash equivalents as at 1 January | **519,944** | 397,112 |
| Cash and cash equivalents as at 30 September | **481,409** | 415,102 |