

Summary of the 2006 Interim Report

Bank of China Limited

§ 1 Important Notes

1.1 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 the report.

The Summary extracts from the text of the 2006 Interim Report, which is simultaneously available at www.sse.com.cn and www.sehk.com.hk. Investors should read the whole report to get detailed information.

1.2 All directors of the Bank attended the meeting of the Board of Directors.

1.3 The interim financial report of the Bank is unaudited.

1.4 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 data of the interim report are true and complete.

§ 2 Corporate Information

2.1 Brief Introduction

Stock name	Bank of China Limited	
Stock code	601988	
Place of listing	Shanghai Stock Exchange	
Stock name	Bank of China Limited	
Stock codes	3988	
Place of listing	The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange)	
	Secretary to the Board	Securities representative
Name	YEUNG Jason Chi Wai	
Address	1 Fuxingmen Nei Street, Beijing, PRC China	
Telephone	010-66596688	
Tax	010-66016871	
E-mail	bocir@bank-of-china.com	

2.2 Major Financial Data and Indicators

(The financial data and indicators of the Bank for the six months ended 30 June 2006 are prepared under the *Accounting Standard for Business Enterprises* and the *Accounting System for Financial Institutions*.)

2.2.1 Major Accounting Data and Financial Indicators

(1)

Unit: RMB million

	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 Non-recurring gains/losses	18,314	NA	26,174	NA
Earnings per share (EPS) ² (fully diluted, RMB)	0.07	0.09	0.13	(22.22%)

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 EPS is 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.

EPS ^{2,1} (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%)
	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 ² (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%	198
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)

(2) Appendix to the Income Statement

(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 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 excluding non-recurring gains/losses	18,314	10.24%	14.43%	0.07	0.08

Net Interest Income

¹ Weighted average share capital and net asset are calculated with the number of days as the weight.

² The data are calculated according to the *Guidelines on the Corporate Governance and Supervision of State-owned Commercial Banks* (YJF [2006] No.22).

In the first half of 2006, the Group achieved a net interest income of RMB54,476 million a year-on-year increase of RMB5,818 million or 11.96%.

Unit: RMB million

	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

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.

Net Fee and Commission Income

Unit: RMB million

	Half year ended 30 June 2006	Half year ended 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

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.

Settlement and clearing fees of the Group stood at RMB1.794 billion, a year-on-year increase of RMB 507 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 remittances.

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
Net gains from foreign exchange and foreign exchange products	1,302	3,322
Net gains from interest rate products	(1,495)	(329)
Total	(193)	2,993

The Group suffered a net trading loss of RMB 193 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 institutions' spread income from foreign exchange dealings was RMB2.728 billion, a year-on-year increase of RMB 804 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 (the central bank) 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 RMB 300 million. Should the above factors be excluded, the Bank's net trading income has increased by RMB14 million year-on-year.

Investment Income

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.

Impairment Losses

Unit: RMB million

	Half year ended 30 June 2006	Half year ended 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

In the first half of 2006, the Group's asset impairment losses increased by RMB 3 million or 6.56%.

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.

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 the China Banking Regulatory Commission (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 declined 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 assets of the Group were RMB38.549 billion, translating into risk assets of RMB481.868 billion.

2.2.2 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-routine items	(349)
Total	710

2.2.3 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 and stated 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

Notes:

(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 IFRS 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 *IFRS 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 *IFRS 39-Financial Instruments: Recognition and Measurement*, these securities have been classified as available-for-sale and accounted for accordingly.

(4) Early retirement benefit obligation

According to the requirement of MOF, 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 IFRS 19-Employee Benefits, the early retirement benefit at the balance sheet date should be recorded basing on the present value of future payment obligation after adjusting actuarial gain or loss and the past serving cost.

(5) Cost method applied on precious metals

According to accounting practice of China 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 IFRS 2-Inventory, precious metals that are not related to the Group's precious metals trading activities are carried at cost.

(6) 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 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.

2.2.4 Loans

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 (%)	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%

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%

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 with NPL ratio at 4.19%, a decrease of 0.43 percentage points. NPLs of domestic operations were RMB96.519 billion, a decrease of RMB1.69 billion over the previous year-end; with NPL ratio at 4.89%, a decrease of 0.57 percentage points. 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.

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	100.0%	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 dividing the balance of impairment loans with the balance of total loans.

§3 Changes in Share Capital and Shareholdings of Major Shareholders

3.1 Changes in Share Capital:

	At 1 January 2006		At 30 June 2006
--	-------------------	--	-----------------

	Number of shares	Allotment of share	Bonus issue	Shares transferred from the reserves	Increase	Others	Sub-total	Number of shares
I. Unlisted shares								
i. State-owned shares (promoter's shares)	174,128,718,217					-2,803,313,477	-2,803,313,477	171,325,404,740
ii. State-owned shares					8,514,415,652	-8,514,415,652	-8,514,415,652	
iii. Shares held by domestic legal persons								
iv. Shares held by overseas legal persons	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 others					6,493,506,000		6,493,506,000	6,493,506,000
Sub-total	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								
Sub-total	0							76,020,251,269
III. Total	209,427,362,357							253,839,162,009

1. The number of shares in the column of “Preferred Shares or Others” is the number of A Shares issued by the Bank to the public from 12–29 June, 2006, which were registered with the Shanghai Branch of China Securities Depository and Clearing Corporation on 29 June 2006, and traded at Shanghai Stock Exchange on 5 July 2006.

2. 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 issued. 25,568,590,000 H Shares initial public offering was completed in May 2006. 35,298,644,140 non-listed foreign funded shares previously held by the Bank's overseas strategic investors, 8,514,415,652 ordinary shares held by the SSF, and 2,803,313,477 ordinary shares sold by Central SAFE Investments Limited (promoter of the Bank) to SSF, as required by the State, were converted into H Shares, and listed at the Hong Kong Stock Exchange on 1 June along with the H shares already offered to the public. On 9 June 2006, the H Share greenshoe option was exercised in full, involving

3,835,288,000 H shares. In June 2006, 6,493,506,000 A shares were issued to the public. On 29 June 2006, the IPO A shares and 171,325,404,740 ordinary shares held by Central SAFE Investments Limited, promoter of the Bank, were registered. A Shares of the Bank were listed at Shanghai Stock Exchange on 5 July 2006. By 5 July 2006, the Bank had owned 177,818,910,740 A Shares and 76,020,251,269 H Shares, totaling 253,839,162,009 shares.

3.2 Number of Shareholders and Shareholdings

Total number of shareholders: As of the end of the reporting period, the total number of shareholders of the Bank (A and H Shares) was 1,060,828, including 457,146 holders of H Shares and 603,682 holders of A Shares.:

Shareholdings of 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 Register of the Bank)

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

The Bank is not ware of any shares held by the above shareholders have been hypothecated or frozen.

Top Ten Shareholders Whose Shares are not Subject to Selling Restrictions (as at 5 July 2006, being the day of listing of A Shares; number of shares held by HKSCC Nominees Limited is at 30 June 2006)

No.	Name of shareholder	Number of tradable shares	Type of shares
1	HKSCC Nominees Limited	30,341,965,800	H Shares
2	ICBC- GF Strategic Selection Balanced Securities Investment Fund	70,669,000	A Shares
3	Shanghai Huiyin Investment Limited Corporation	70,000,000	A Shares
4	ICBC- E Fund Value Selection Stock Securities Investment Fund	50,397,000	A Shares
5	China Life Insurance (Group) Company – Traditional-General Insurance	38,765,000	A Shares
6	China Life Insurance Company Limited-Dividend- Personal Dividend-005L-FH002 SH	29,076,000	A Shares
7	China Life Insurance Company Limited-Dividend-Group Dividend-005L-FH001 SH	23,982,000	A Shares
8	China Pacific Life Insurance Co., Ltd-Dividend-Personal Dividend	23,357,300	A Shares
9	China Life Insurance Company Limited-Traditional-General Insurance-005L-CT001 SH	23,260,000	A Shares
10	Bank of Communications- Hua An Innovation	23,101,000	A Share
Explanation for the connection or acting in concert among the above shareholders.		Some of the above shareholders are managed by the same legal entity. Save for that, the Bank is not ware of any connection or acting in concert 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 Stock Exchange of Hong Kong Limited 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	% of total issued A shares	% of total issued H shares	% 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 June 30 2006, no other interests or short positions were recorded in the register maintained by the Company under section 336 of the SFO.

3.3 Alteration of Controlling Shareholders and Actual Controllers

□ Applicable √N.A.

§4 Directors, Supervisors and Senior Management

4.1 Changes in Shareholdings of Directors, Supervisors and Senior Management

□ Applicable √N.A.

On 5 July 2002, the following Directors were granted options by BOCHK (BVI) Limited (“BOC (BVI)”), the immediate holding company of BOCHK (Holdings) Limited, pursuant to a Pre-Listing Share Option Scheme to purchase from BOC (BVI) existing issued shares of BOCHK (Holdings) Limited at a price of HK\$8.50 per share. BOCHK (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.

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

Save as disclosed 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.

§5 Management Discussion and Analysis

5.1 Financial Review

As of 30 June 2006, total assets of the Group reached RMB5,226.933 billion, an increase of RMB484.127 billion or 10.21% over 31 December 2005. Total liabilities stood at RMB4,840.480 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.

5.2 Business Review

5.2.1 Commercial Banking Business

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 institutions¹. 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 RMB corporate loans stood at RMB 1,236.7 billion, an increase of RMB 140.9 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 USD 17.67 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 loans. By the end of the report period, the outstanding balance of domestic foreign currency corporate loans was USD41.44 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 USD 27 billion, and outstanding balance of foreign currency corporate loans was USD 37.04 billion.

Corporate Deposits of the Group by Currencies

Unit: RMB billion

	At 30 June 2006	At 31 December 2005
RMB corporate loans	1,143.1	995.9
Foreign currency corporate loans	356.9	353.9
Total corporate loans	1,500	1,349.8

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 BOC Hong Kong, BOC International, BOC Investment, BOC Insurance and other

¹ 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.

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.

Corporate Loans of the Group by Currencies

Unit: RMB billion

	At 30 June 2006	At 31 December 2005
RMB corporate deposits	1,239.2	1,097.9
Foreign currency corporate deposits	624.9	614.1
Total corporate deposits	1,864.1	1,712

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 distribution operations 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 of 30 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.

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, forfaiting, 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 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 Bank's domestic operations, a year-on-year increase of 10.7%, and USD150.5 billion was by overseas operations, a year-on-year increase of 16.2%. Thanks 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 RMB37.3 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 in last year; and the volume of domestic factoring transactions was RMB12.76 billion, reflecting a year-on-year increase of 192.3%.

International Settlement Volume of the Group

Unit: USD billion

Year	At 30 June 2006	At 30 June 2005
Business volume	420.49	373.39

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 forfaiting 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 arena.

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.

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 USD 820 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 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' desire to hold such deposits.

Group Savings Deposits of the Group by Currencies

Unit: RMB billion

	At 30 June 2006	At 31December 2005
RMB savings deposits	1,582.7	1,425.4
Foreign currency savings deposits	801.5	800.2
Total savings deposits	2,384.2	2,225.6

Personal Loans As of 30 June 2006, the outstanding balance of domestic personal loans was RMB 404.7 billion, an increase of RMB 24.7 billion from the prior year-end. Of the total personal loans, the balance of residential mortgage loans was RMB 308.4 billion, an increase of RMB21.6 billion. The balance of overseas personal loans was USD17.1 billion, a decrease of USD 620 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.

Personal Loans of the Group by Categories as of 30 June 2006

	Residential mortgage loans	Auto loans	Credit cards and others
30 June 2006	79.07%	4.50%	16.43%
31 December 2005	78.97%	5.35%	15.68%

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

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 service standard to the Bank’s VIP customers. During the period, 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. An 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, nearly 900 of whom are Certified Financial Planner.

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 agency transaction 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. 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 of 30 June 2006, the domestic operations of BOC issued a total of 94,633,800 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 RMB 10,482 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.

Goods and Services Purchased with Great Wall RMB Cards of domestic operations

Unit: RMB billion

	At 30 June 2006	At 30 June 2005
Goods and services purchased with the cards	65.09	44.08

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 bond and precious metal. 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 central bank 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 Provide Overseas Financial Management Services*, and Bank of China became one of the first banks approved to engage in overseas financial 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 RMB 4.57 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 income-cost 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 HKD 650,994 million, 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. The Bank 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 RMB business market, achieving good performance in all fields. RMB deposits rose slightly by 0.1%; its RMB credit card business still takes a dominant market share, with total business volume rising 60.3%. As at the end of June, BOC Hong Kong has total 236 of 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.

5.2.2 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 RMB 1.101 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. In terms of 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.

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

5.2.3 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 specific 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, increased by 189% year on year. Main resources of insurance businesses include agency banking business and broker business.

Sources of Gross Premium Income

Unit: HKD million

	At 30 June 2006	At 31 December 2005	At 30 June 2005
Gross premium income by banking agency service	293	514	283
Gross premium income by broker agency service	355	752	402
Total	648	1,266	685

In 2006, BOCG Insurance penetrated into more specialized liability insurance market, including director 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 company 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 and further consolidate the interaction of commercial banking, investment banking and insurance business, BOCG Insurance transferred a 51% stake in BOCG Life to BOC Hong Kong, which opened a new chapter for the development of life insurance business of BOCG Life.

5.2.4 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. 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.

5.3 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, improved credit asset quality to pursue sustainable and healthy development of its credit business.

Risk Management Framework

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 Boards 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's 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 and authorization 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 authorization management, customer entry and exit management, credit approval, credit pricing, and classification of credit asset risks. 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.

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 sensitive limit, 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 form below shows the result of VAR analysis for the foreign currency trading portfolios of the Bank's domestic business (exclusive of comparative 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			
	At the 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	2.7	18.69	0.34
Fluctuation risk	0.19	0.68	4.63	0.16	0.36	0.8	2.54	0.04
Total market risk	5.84	8.10	19.15	1.84	15.6	5.1	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-priced 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 avoid 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 well 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 Ltd 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 management policies and guidelines, liquidity indicator management, liquidity gap management, position management, management of fund flow between the Head Office and Branches, management of liquidity portfolios 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:

At 30 June 2006	Local Currency	Foreign Currencies
Liquidity ratio	32.03%	45.88%
Loan-deposit ratio of domestic operations	56.47%	71.95%
Excess reserve ratio ¹	2.58%	17.07%

Note: 1. Deposit reserve refers to the deposits with the central bank for the purpose of guaranteeing the withdrawal of deposits and fund clearing of 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 Financial Enterprise Accounting System.

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 internal control environment, corporate banking, treasury services, personal financial business, e-banking, bank card, and human resources. Meanwhile, it also established key indicator monitoring system for internal control, to conduct key monitoring and periodic reporting of key internal control indicators, including rotation, function in an acting capacity, and business errors.

Operational Risk Operational risk means the risk of losses caused by substandard or problematic internal procedures, personnel or system or by 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 in line with 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 realize 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 internal 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 its 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.

5.4 Outlook

In the second half of the year, we expect the Chinese economy will maintain its rapid growth momentum, thus provide 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 in the beginning of the year can be fulfilled. In addition, the Bank will also continue its reforms with the requirements of the capital market in mind. As for business development, the Bank will focus on developing intermediary business, speeding up development of personal banking business development, and further optimizing its business structure and income mix. The Bank will also steadily push forward its asset business with quality customers, control the speed 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 system, and establish three lines of defense comprising functional 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 reform in HR management will continue, and more efforts will be devoted to improve management capability and staff quality.

5.5 Reporting by Region

At 30 June 2006

Unit: RMB million

	Mainland China	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 China	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 of the Group, accounting for 18% of total assets and 41% of total profit of the Group.

5.6 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 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. Above segment information at 30 June 2006 is based on the new transfer pricing.

5.7 Other Operations having Significant Influences on Net Profit

□Applicable √N.A.

5.8 Operation of Major Subsidiary (Applicable to the company with investment gains accounting for 10% of the net profit)

√Applicable □N.A.

	Half year ended 30 June 2006	Half year ended 30 June 2005
Name	BOC Hong Kong (Holdings) Limited	
Listing place and code	Hong Kong · HK2388	
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 (RMB billion)	4.57	3.993
Proportion of net profit of share participating company in current period in the net profits of the listed company (%)	24.02	24.30

5.9 Explanations on significant changes in main business and its structure compared with the previous year.

☐ Applicable ☒ N.A.

5.10 Explanations on significant changes in profitability of main business (gross margin percentage) compared with the previous year.

☐ Applicable ☒ N.A.

5.11 Analysis of reasons for significant changes in profit components compared with the previous year.

☐ Applicable ☒ N.A.

5.12 Use of raised funds

5.12.1 Use of Proceeds

☒ Applicable ☐ N.A.

Proceeds in the current report period are as follows:

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 RMB 1 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 RMB 1 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 RMB 1 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.

5.12.2 Alteration

☐ Applicable ☒ N.A.

5.13 Plans on alteration of business plan for the second half year by the Board of Directors

☐ Applicable ☒ N.A.

During the report period, the Bank didn't revise its business plan.

5.14 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 ☒ N.A.

The Bank predicts the net accumulative profit earned from the beginning of the year to the end of next report period will neither be loss, and nor significantly fluctuate compared with the same period of last year.

5.15 Explanation of the Management on the “non-standard opinion” of the report period by the accounting firm

☐ Applicable ☒ N.A.

5.16 Explanation of the Management on the changes and disposals of matters the “non-standard opinion” of the previous year by the accounting firm concerned

☐ Applicable ☒ N.A.

§6 Significant Events

6.1 Acquisition, Sales of Assets and Asset Restructuring

6.1.1 Acquisition and Purchase of Assets

☒ Applicable ☐ N.A.

6.1.2 Sale and Disposal of Assets

☒ Applicable ☐ N.A.

On 1 June 2006, BOCG Insurance, a wholly-owned subsidiary of the Group, sold a 51% stake of BOCG Life to BOC Hong Kong which the Bank holds a stake of 65.88%, at the purchase price of HKD0.9 billion by referring to the valuation of BOCG Life as of 31 December 2005. The Group actually sold a 17.4% stake of BOCG Life to minorities of BOCHK, and gained proceeds of RMB0.138 billion.

Bank of China Group Investment Limited, a Hong Kong subsidiary of the Group, sold loans of RMB63 million at the book value to an independent third party in May 2006, and gained proceeds of RMB0.723 billion, with net income of RMB0.660 billion.

6.1.3 The development of the above item and its influence on the operating results and financial positions of the report period after the asset restructuring report or the declaration on sale of assets

☐ Applicable ☒ N.A.

6.2 Guarantee

☐ Applicable ☒ N.A.

The guarantee business is one of the regular off-sheet items. Our bank pursues the principle of prudence when carrying out external guarantee business, and conducts risk management according to the five-category classification of loans to ensure the quality of guarantee business.

In the report period, no cash assets were entrusted to others for management in the Bank.

6.3 Significant Related Party Transactions

☒ Applicable ☐ N.A.

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 subjected to common control. The Group is controlled by the State Council of the People's Republic of China ("PRC") through Central SAFE Investments Ltd.

1. Transactions with Central SAFE Investments Ltd

(1) Foreign Currency Option Agreement

On 5 January 2005, the Bank entered into a Foreign Currency Option Agreement with Central SAFE Investments Ltd whereby the Bank acquired options to sell to Central SAFE Investments Ltd USD, totaling 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 a fixed exchange rate of USD1 to RMB 8.2769. The related option premium totalled RMB 4,469 million, which is payable by the Bank to Central SAFE Investments Ltd in 12 equal monthly installments at the beginning of each calendar month during the year ending 31 December 2007.

(2) Deposits

Unit: RMB million

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

The deposits from Central SAFE Investments Ltd are under commercial terms and at market rates.

2. Transactions with Other Companies Controlled by Central SAFE Investments Ltd

Central SAFE Investments Ltd also has controlling equity interests in certain other bank and non-bank entities in the PRC. The Group enters into banking transactions with these companies in the normal course of its business. 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 Central SAFE Investments Ltd, the shareholders holding 5% or more ordinary shares of the Bank are RMB China Investments S. à. R. l.. The Bank has no significant transactions with these shareholders from January 1 to June 30 2006, and has no material balances with these shareholders as of 30 June 2006.

4. Transactions with Associates

In the ordinary course of business, the Group enters into business transactions with its associates, 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 year/period end are stated below, and the related interest income and expensed are not considered significant.

a) Loans

Unit: RMB million

	Half year ended 30 June 2006	Half year ended 30 June 2005
At 1 January	7,240	1,246
Deposits received during the year	18	8,128
Deposits repaid and other changes during the year	(6,095)	(989)
At 30 June / 31 December	1,163	7,240
Provisions for loan losses	(190)	(119)

b) Deposits

Unit: RMB million

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

c) Debt Securities Issued by Associates

(Unit: RMB million)

	Half year ended 30 June 2006	Half year ended 30 June 2005
At 1 January	188	-
Purchase during the year	-	1,307
Redemption sales during the year	(188)	(1,123)
Fair value changes and others		4
At 30 June / 31 December	-	188

6.4 Major Litigation and Arbitration

□ Applicable ✓ N.A.

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.

6.5 Analysis and explanation on other significant events and its influence and solutions.

☐ Applicable ☒ N.A.

6.6 Undertakings and its performance of the previous non-tradable share holders made in stock splitting.

☐ Applicable ☒ N.A.

6.7 Explanation on the joint-stock reform arrangements of company that hasn't gone through joint-stock reform.

☐ Applicable ☒ N.A.

Detailed Explanation on reasons for not timely performing the undertaking of joint-stock reform by company that hasn't gone through joint-stock reform.

☐ Applicable ☒ N.A.

6.8 Purchase, Sale or Redemption of the Company's Shares

☒ Applicable ☐ N.A.

The Bank issued to SSF 8,514,415,652 ordinary shares on 13 March 2006, par value RMB 1 for each share 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.

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

☒ Applicable ☐ N.A.

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 restructured 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.

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.

6.10 Audit Committee

√ Applicable □ N.A.

The Audit Committee of the Bank consists of Non-executive Directors only, of which two are Non-executive Directors and three are Independent Non-executive Directors. The Committee is chaired by Mr. Patrick de Saint-Aignan, an Independent Non-executive Director. Other members are Mdm. Zhu Yan, Mdm. Huang Haibo, Mr. Anthony Francis Neoh and Mr. William Peter Cooke.

Based on the principle of independence, the Audit Committee assists the Board in monitoring the financial reports, internal control, internal audit and external audit of the Group.

The Audit Committee has reviewed the interim results of the Bank. The Bank's external auditors have carried out a review of the interim financial statements in accordance with the No. 10 Announcement of 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.

6.11 Compliance with the PRC Accounting Standard for Enterprises and the *Accounting System for Financial Institutions*

√ Applicable □ N.A.

The Interim Report as of 30 June 2006 is prepared in accordance with the PRC Accounting Standard for Enterprises and the *Accounting System for Financial Institutions*.

§7 Financial Reports

7.1 Auditors' Opinion

Financial Report	☐ Audited √ Unaudited
------------------	--

7.2 Condensed Consolidated Financial Statements

BANK OF CHINA LIMITED
Income Statement
For the Six Months Ended 30 JUNE 2006

(Amount in millions of Renminbi, unless otherwise stated)

	For the six month period ended 30 June			
	Bank of China Group		Bank of China Limited	
	2006	2005	2006	2005
	Unaudited	Unaudited	Unaudited	Unaudited
Interest income	99,777	77,466	79,525	66,038
Interest expense	(45,301)	(28,808)	(33,197)	(24,401)
Net interest income	54,476	48,658	46,328	41,637
Net fee and commission income	6,841	4,518	4,762	3,029
Net trading (expense)/income	(193)	2,993	(282)	2,250
Investment income	1,681	149	7,652	4,840
Other operating income, net	1,797	361	245	12
	64,602	56,679	58,705	51,768
Operating and administrative expenses	(23,193)	(21,000)	(19,715)	(17,744)
Business tax and surcharges	(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	(4,876)	(4,576)	(5,680)	(6,116)
Profit before tax	34,013	29,578	30,580	26,035
Income tax	(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 shareholders of the Bank during the period(expressed in Renminbi per ordinary share)				
- Basic	0.09	0.09		
- Diluted	0.09	0.09		

Legal Representative and Chairman:
Xiao Gang

Deputy Chairman and President:
Li Lihui

Vice President in charge of accounting function:
Zhou Zaiqun

General Manager in charge of the Accounting
Liu Yanfen

BANK OF CHINA LIMITED
Balance Sheets
As at 30 JUNE 2006

(Amount in millions of Renminbi, unless otherwise stated)

Assets	Bank of China Group		Bank of China Limited	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
	Unaudited	Audited	Unaudited	Audited
Cash	29,811	28,644	26,684	25,144
Precious metals	40,649	30,314	39,003	28,577
Due from central banks	340,651	316,941	314,986	284,373
Government certificates of indebtedness for bank notes	36,094	35,586	1,650	1,641
Trading and other debt securities at fair value through profit or loss	110,602	107,271	81,224	82,082
Derivative financial instruments	21,540	16,808	15,136	11,329
Due from and placements with banks and other financial	300,114	344,537	223,651	256,786
Debt securities	1,877,669	1,562,320	1,570,481	1,297,990
Loans and advances to customers	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	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	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

BANK OF CHINA LIMITED

Balance Sheets As at 30 JUNE 2006

(Amount in millions of Renminbi, unless otherwise stated)

Liabilities	Bank of China Group		Bank of China Limited	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
	Unaudited	Audited	Unaudited	Audited
Due to central banks	30,495	30,05	30,470	30,030
Bank notes in circulation	36,151	35,73	1,708	1,786
Derivative financial instruments and liabilities at fair value through profit or loss	101,172	91,17	80,777	76,323
Due to and placements from banks and other financial	358,349	345,23	350,337	343,574
Deposits from customers	4,053,024	3,703,77	3,356,973	3,009,187
Interest payable	31,485	27,02	29,559	25,291
Special purpose borrowings	49,622	52,16	49,622	52,164
Bonds issued	60,177	60,17	60,177	60,179
Deferred tax liabilities	254	18	22	22
Other liabilities	119,751	134,66	85,618	111,641
Total liabilities	4,840,480	4,480,18	4,045,263	3,710,197
Minority interests	28,812	28,77	-	-
Shareholder' s equity				
Share capital	253,839	209,42	253,839	209,427
Capital reserve	76,545	3,97	75,888	3,978
Surplus reserve	8,095	5,98	8,095	5,987
General reserve and statutory reserve of subsidiary	9,398	5,10	9,398	5,109
Undistributed profits	23,837	12,58	24,494	12,585
Reserve for fair value changes of available-for-sale securities	(11,954)	(1,38)	(11,954)	(1,380)
Currency translation differences	(2,119)	(1,86	(2,119)	(1,864)
Total shareholder' s equity	357,641	233,84	357,641	233,842
Total liabilities and shareholder' s equity	5,226,933	4,742,80	4,402,904	3,944,039

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

BANK OF CHINA LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006 (Amount in millions of Renminbi, unless otherwise stated)

	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	44,412	72,567	-	-	-	-	-	116,979
Appropriation to statutory reserve	-	-	2,108	-	(2,108)	-	-	-
Appropriation to general and regulatory reserves	-	-	-	4,291	(4,291)	-	-	-
Net fair value changes of available-for-sale securities	-	-	-	-	-	(10,574)	-	(10,574)
Dividend	-	-	-	-	(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

Legal Representative and Chairman:
Xiao Gang

Deputy Chairman and President:
Li Lihui

Vice President in charge of accounting function:
Zhou Zaiqun

General Manager in charge of the Accounting Department
Liu Yanfen

7.3 Notes to the Financial Statements

7.3.1 There is no alteration of accounting policies or accounting estimates, or the correction of accounting errors within the report period.

7.3.2 The consolidation scope of financial statements didn't change significantly within the report period.

7.3.3 Notes to Consolidated Financial Statements

7.3.3.1

1 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

2 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

3 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	1,302	3,322
Net (losses)/gains from interest rate instruments(1)	(1,495)	(329)
Total	(193)	2,993

- (1) Include the unrealised loss relating to trading debt securities of RMB1.755 billion.

4 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 HK.

5 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 HK amounting to RMB 660 million.

6 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 the Annuity Plan. Included in the defined contribution plans is RMB 478 million contributed by the Bank to the Annuity Plan in 2006.

Contributions to defined contribution plans for the period ended 30 June 2006 include the effect of deductions of forfeited contributions of approximately RMB 12.07 million (2005: RMB14 million). The amounts of unutilized forfeited contributions available for further deduction are not material as at 30 June 2006 and 31 December 2005.

7 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

8 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

9 Income tax

	For the six month period ended	
	30 June 2006	30 June 2005
Current tax	12,136	10,998
Deferred tax	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 was generated when the bank formerly performed capital injection to COAMC by transferring its equity investments.	
(2)	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.	

10 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, and therefore the diluted earnings per share is equal to the basic earnings per share.

	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

7.3.3.2 Notes to the Bank's Financial Statements

1 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

2 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
--------------------------------------	--------------	--------------

3 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)/gains from interest rate instruments	(625)	(405)
Total	(282)	2,250

4 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

5 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
6	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

7.3.3.3 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.

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)		21,540	(18,761)

7.3.3.4 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	5,569	11,968
Debt securities	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
	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 have 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 summarized 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 Bearer treasury bonds redemption commitments

The Bank is entrusted by the MOF to issue certain Bearer Treasury Bonds. The investors of Bearer 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 Bearer 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 Bearer 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

Bank of China Limited

Chairman: Xiao Gang

August 29, 2006

