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中國銀行股份有限公司
BANK OF CHINA LIMITED

(a joint stock company incorporated in the People's Republic of China with limited liability)

(the "Bank")

(Stock Code: 3988 and 4601 (Preference Shares))

Report for the Third Quarter ended 30 September 2018

The Board of Directors (the "Board") of the Bank is pleased to announce the unaudited results of the Bank and its subsidiaries (the "Group") for the third quarter ended 30 September 2018. This announcement is made by the Bank pursuant to Part XIVA of the *Securities and Futures Ordinance* (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

I. BASIC INFORMATION

1.1 Corporate information

A Share

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

H Share

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

Domestic Preference Share

First Tranche

Stock name	中行優1
Stock code	360002

Second Tranche

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

Offshore Preference Share

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

Secretary to the Board of Directors

and Company Secretary	MEI Feiqi (梅非奇)
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1.2 Key financial data and performance indicators

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

Unit: RMB million (unless otherwise stated)

Items	As at 30 September 2018	As at 31 December 2017	Change (%)	
Total assets	20,925,662	19,467,424	7.49	
Capital and reserves attributable to equity holders of the Bank	1,578,658	1,496,016	5.52	
Net assets per share (RMB)	5.02	4.74	5.92	
Items	Three-month period ended 30 September 2018	Change (%)	Nine-month period ended 30 September 2018	Change (%)
Operating income	124,377	7.44	375,859	3.22
Profit for the period	47,173	5.80	162,748	4.91
Profit attributable to equity holders of the Bank	44,186	5.67	153,274	5.34
Basic earnings per share (RMB) ¹	0.13	6.37	0.50	5.57
Diluted earnings per share (RMB) ¹	0.13	6.37	0.50	5.57
Return on average equity (%) ¹	10.63	Up by 0.01 percentage point	13.70	Up by 0.02 percentage point
Net cash inflow from operating activities	N/A	N/A	571,055	50.81
Net cash inflow from operating activities per share (RMB)	N/A	N/A	1.94	50.81

Notes:

1. The impact of annualised preference shares dividends declared in the current reporting period has been considered in the calculation of the above data and/or indicators.
2. Starting on 1 January 2018, the Bank has applied new financial instrument standards as required, but the comparative data of the previous reporting period was not restated accordingly. Please refer to 3.2 for details on the changes in accounting policies.

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

There are no differences in the Group’s operating results for the nine-month period ended 30 September 2018 and 2017 or the total equity as at 30 September 2018 and as at 31 December 2017 presented in the Group’s consolidated financial statements prepared under IFRS and those prepared under CAS.

1.3 Number of ordinary shareholders and top ten ordinary shareholders

1.3.1 Number of ordinary shareholders as at 30 September 2018: 745,892 (including 557,401 A-Share Holders and 188,491 H-Share Holders)

1.3.2 Top ten ordinary shareholders as at 30 September 2018

Unit: share

No.	Name of ordinary shareholder	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	188,461,533,607	64.02%	–	None	State	A
2	HKSCC Nominees Limited	81,914,485,753	27.83%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	8,590,244,925	2.92%	–	None	State-owned legal person	A
4	Central Huijin Asset Management Ltd.	1,810,024,500	0.61%	–	None	State-owned legal person	A
5	Buttonwood Investment Platform Ltd.	1,060,059,360	0.36%	–	None	State-owned legal person	A
6	HKSCC Limited	658,531,650	0.22%	–	None	Foreign legal person	A
7	MUFG Bank, Ltd.	520,357,200	0.18%	–	Unknown	Foreign legal person	H
8	China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH	254,602,199	0.09%	–	None	Other	A
9	Anbang Property & Casualty Insurance Co., Ltd. — traditional product	208,018,959	0.07%	–	None	Other	A
10	China 50 ETF	184,724,070	0.06%	–	None	Other	A

Notes:

1. The number of shares held by H-Share Holders was recorded in the register of members kept at the H-Share Registrar of the Bank.
2. HKSCC Nominees Limited acted as the nominee for all the institutional and individual investors that maintain an account with it as at 30 September 2018. The aggregate number of the Bank's H Shares held by HKSCC Nominees Limited included the number of shares held by National Council for Social Security Fund.
3. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd.
4. HKSCC Limited is the nominee holder who holds securities on behalf of others. The securities included the SSE securities acquired by Hong Kong and overseas investors through Shanghai-Hong Kong Stock Connect.
5. Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned ordinary shareholders.

1.4 Number of preference shareholders and top ten preference shareholders

1.4.1 Number of preference shareholders as at 30 September 2018: 48 (including 47 domestic preference shareholders and 1 offshore preference shareholder)

1.4.2 Top ten preference shareholders as at 30 September 2018

Unit: Share

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

Notes:

- The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintain an account with Euroclear and Clearstream as at 30 September 2018, held 399,400,000 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.
- Both Yunnan Branch of China National Tobacco Corporation and China Shuangwei Investment Co., Ltd. are wholly-owned subsidiaries of China National Tobacco Corporation. Zhong Wei Capital Holdings Co., Ltd. is a subsidiary of China Shuangwei Investment Co., Ltd.
- As at 30 September 2018, China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH is one of both the Bank's top ten ordinary shareholders and top ten preference shareholders.
- Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned preference shareholders, and among the aforementioned preference shareholders and the Bank's top ten ordinary shareholders.

II. SUMMARY OF ANALYSIS ON OVERALL OPERATING ACTIVITIES

During the first three quarters of 2018, the Group achieved a profit for the period of RMB162.748 billion and a profit attributable to equity holders of the Bank of RMB153.274 billion, an increase of 4.91% and 5.34% respectively compared with the same period of 2017. Return on average total assets (ROA) was 1.07%, a decrease of 0.03 percentage point compared with the same period of 2017, and return on average equity (ROE) was 13.70%, an increase of 0.02 percentage point compared with the same period of 2017. The common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 11.14%, 11.99% and 14.16% respectively¹.

2.1 The principal components of the Group's consolidated income statement for the nine-month period ended 30 September 2018 were as follows:

1. The Group's net interest income amounted to RMB264.306 billion, representing an increase of RMB12.222 billion or 4.85% compared with the same period of 2017. The net interest margin was 1.89%², an increase of 0.04 percentage point compared with the same period of 2017.
2. The Group's non-interest income amounted to RMB111.553 billion³, representing a decrease of RMB0.495 billion or 0.44% compared with the same period of 2017. Non-interest income represented 29.68% of the total operating income, a decrease of 1.09 percentage points compared with the same period of 2017. Particularly, net fee and commission income amounted to RMB68.518 billion, a decrease of RMB1.383 billion or 1.98% compared with the same period of 2017.
3. The Group's operating expenses amounted to RMB126.522 billion, an increase of RMB1.692 billion or 1.36% compared with the same period of 2017. The cost to income ratio (calculated under domestic regulations) was 26.80%, equal to the figure of the same period of 2017.
4. The Group's impairment losses on assets amounted to RMB55.269 billion, an increase of RMB5.470 billion or 10.98% compared with the same period of 2017. The Group reported non-performing loans totalling RMB166.835 billion, and the ratio of non-performing loans to total loans was 1.43%. The ratio of allowance for loan impairment losses to non-performing loans was 169.23%.

¹ Capital adequacy ratios are calculated under the advanced approaches in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

² Interest from financial assets and liabilities at fair value through profit or loss under the new financial instrument standards was excluded when calculating the net interest margin for the current period; personal credit card instalment was adjusted to non-interest-earning assets based on the principle of matching returns with assets.

³ Interest from financial assets and liabilities at fair value through profit or loss under the new financial instrument standards was included in non-interest income for the current period.

2.2 The principal components of the Group's financial position as at 30 September 2018 were as follows:

The Group's total assets amounted to RMB20,925.662 billion, an increase of RMB1,458.238 billion or 7.49% compared with prior year-end. Total liabilities amounted to RMB19,236.582 billion, an increase of RMB1,345.837 billion or 7.52% compared with the prior year-end.

1. The Group's due to customers amounted to RMB14,607.864 billion, an increase of RMB949.940 billion or 6.96% compared with the prior year-end. Particularly, domestic RMB-denominated deposits amounted to RMB10,746.680 billion, an increase of RMB682.294 billion or 6.78% compared with the prior year-end.
2. The Group's loans and advances to customers amounted to RMB11,697.773 billion, an increase of RMB801.215 billion or 7.35% compared with the prior year-end. Particularly, domestic RMB-denominated loans amounted to RMB8,841.750 billion, an increase of RMB598.194 billion or 7.26% compared with the prior year-end.
3. The Group's investments⁴ amounted to RMB4,939.608 billion, an increase of RMB384.886 billion or 8.45% compared with the prior year-end. The RMB-denominated investments amounted to RMB3,838.931 billion, an increase of RMB308.258 billion or 8.73% compared with the prior year-end. Foreign currency-denominated investments amounted to USD160.001 billion, an increase of USD3.280 billion or 2.09% compared with the prior year-end.

⁴ Investments include financial investments and financial assets at fair value through profit or loss.

III. SIGNIFICANT EVENTS

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

√ Applicable □ Not Applicable

The Group's key financial data and indicators which fluctuated over 30% compared with those as at the end of 2017, or compared with those for the nine-month period ended 30 September 2017 are as follows:

Unit: RMB million, except percentages

Items	As at 30 September 2018	As at 31 December 2017	Change	Main reasons
Placements with and loans to banks and other financial institutions	764,892	575,399	32.93%	Due to increase of domestic securities purchased under agreements to re-sell with banks and other financial institutions.
Financial assets at fair value through profit or loss	304,848	193,611	57.45%	Due to changes in presentation of financial assets after initial adoption of the new financial instrument standards.
Financial assets at fair value through other comprehensive income	1,824,943	–	N/A	
Financial assets at amortised cost	2,809,817	–	N/A	
Financial assets available for sale	–	1,857,222	N/A	
Financial assets held to maturity	–	2,089,864	N/A	
Loans and receivables	–	414,025	N/A	
Derivative financial assets	151,306	94,912	59.42%	Due to fluctuation of market parameters.
Deferred income tax assets	32,179	46,487	-30.78%	Due to decrease of domestic deferred income tax assets.
Current tax liabilities	23,993	34,521	-30.50%	Due to the payment of income tax of the prior year.
Treasury shares	(69)	(102)	-32.35%	Due to decrease in holdings by the Bank's subsidiary of the Bank's stocks.
Other comprehensive income	(6,150)	(35,573)	-82.71%	Due to differences of currency translation caused by the fluctuation of exchange rates.
Non-controlling interests	110,422	80,663	36.89%	The Bank's subsidiary issued additional tier 1 capital instruments.

Unit: RMB million, except percentages

Items	Nine-month period ended 30 September 2018	Nine-month period ended 30 September 2017	Change	Main reasons
Net trading gains	4,705	1,992	136.19%	Interest from financial assets and liabilities at fair value through profit or loss under the new financial instrument standards was included for the current period.
Share of results of associates and joint ventures	1,546	924	67.32%	Due to increase in share of results of associates.

3.2 Development of significant events, related impact and resolution

Applicable Not Applicable

The International Accounting Standards Board issued *IFRS 9 Financial Instruments* in 2014. The Ministry of Finance of the PRC issued four financial instrument accounting standards in 2017, including *CAS 22 Recognition and Measurement of Financial Instruments*, *CAS 23 Transfer of Financial Assets*, *CAS 24 Hedge Accounting* and *CAS 37 Presentation of Financial Instruments* (the “new financial instrument standards”). These standards introduce new requirements for classification and measurement, impairment and hedge accounting of financial instruments. The Group adopted these new financial instrument standards from 1 January 2018.

These reasonable changes in accounting policies are adopted strictly in accordance with the requirements of new financial instrument standards. The approval procedure conforms to the applicable laws, regulations and requirements of the Articles of Bank of China Limited. There are no differences in the Group’s operating results or total equity presented in the Group’s financial statements prepared under IFRS and those prepared under CAS. For details, please refer to the 2018 interim report.

3.3 Undertakings failed to be fulfilled during the reporting period

Applicable Not Applicable

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

Applicable Not Applicable

3.5 Implementation of cash dividend policy during the reporting period

Applicable Not Applicable

At the Board meeting held on 28 August 2018, the dividend distribution plans for the Bank's Offshore Preference Shares and Domestic Preference Shares (First Tranche) were approved. The Bank distributed a total of approximately USD439 million (after tax) of dividends on Offshore Preference Shares on 23 October 2018, with an annual dividend rate of 6.75% (after tax). The Bank will distribute a total of RMB1.920 billion (before tax) of dividends on Domestic Preference Shares (First Tranche) on 21 November 2018, with an annual dividend rate of 6.00% (before tax). The dividend distribution plan of Offshore Preference Shares has been accomplished.

IV. QUARTERLY REPORT

This announcement is simultaneously available on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and that of the Bank at www.boc.cn. The 2018 third quarter report prepared in accordance with CAS is also available on the website of the Shanghai Stock Exchange at www.sse.com.cn and that of the Bank at www.boc.cn.

**The Board of Directors of
Bank of China Limited**

Beijing, PRC
29 October 2018

As at the date of this announcement, the directors of the Bank are: Chen Siqing, Liu Liange, Zhao Jie, Li Jucai*, Xiao Lihong*, Wang Xiaoya*, Liao Qiang*, Lu Zhengfei#, Leung Cheuk Yan#, Wang Changyun# and Angela Chao#.*

* *Non-executive Directors*

Independent Non-executive Directors

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

Consolidated Income Statement

	Unit: RMB million			
	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Interest income	175,370	160,480	505,578	461,114
Interest expense	(83,514)	(73,438)	(241,272)	(209,030)
Net interest income	91,856	87,042	264,306	252,084
Fee and commission income	23,292	24,024	76,933	78,372
Fee and commission expense	(2,962)	(3,310)	(8,415)	(8,471)
Net fee and commission income	20,330	20,714	68,518	69,901
Net trading gains/(losses)	581	(2,885)	4,705	1,992
Net gains on financial investments	217	291	1,377	1,807
Other operating income	11,393	10,602	36,953	38,348
Operating income	124,377	115,764	375,859	364,132
Operating expenses	(44,390)	(43,167)	(126,522)	(124,830)
Impairment losses on assets	(26,999)	(22,839)	(55,269)	(49,799)
Operating profit	52,988	49,758	194,068	189,503
Share of results of associates and joint ventures	665	291	1,546	924
Profit before income tax	53,653	50,049	195,614	190,427
Income tax expense	(6,480)	(5,463)	(32,866)	(35,292)
Profit for the period	47,173	44,586	162,748	155,135
Attributable to:				
Equity holders of the Bank	44,186	41,816	153,274	145,506
Non-controlling interests	2,987	2,770	9,474	9,629
	47,173	44,586	162,748	155,135
Earnings per share (in RMB)				
— Basic	0.13	0.12	0.50	0.47
— Diluted	0.13	0.12	0.50	0.47

Note: The interest income and expense for the current period were related to financial instruments at fair value through other comprehensive income and at amortised cost.

Consolidated Statement of Comprehensive Income

	Unit: RMB million			
	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Profit for the period	47,173	44,586	162,748	155,135
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
— Actuarial gains/(losses) on defined benefit plans	24	(24)	(46)	(242)
— Net gains on investments in equity instruments designated at fair value through other comprehensive income	918	—	902	—
— Other	(111)	—	(116)	3
Subtotal	831	(24)	740	(239)
Items that may be reclassified subsequently to profit or loss				
— Net gains on investments in debt instruments measured at fair value through other comprehensive income	2,621	—	10,189	—
— Net fair value losses on available for sale financial assets	—	(2,301)	—	(10,807)
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(108)	(10)	(215)	354
— Exchange differences from the translation of foreign operations	12,763	(5,476)	15,169	(11,963)
— Other	70	168	321	228
Subtotal	15,346	(7,619)	25,464	(22,188)
Other comprehensive income for the period, net of tax	16,177	(7,643)	26,204	(22,427)
Total comprehensive income for the period	63,350	36,943	188,952	132,708
Total comprehensive income attributable to:				
Equity holders of the Bank	56,953	35,428	175,634	125,944
Non-controlling interests	6,397	1,515	13,318	6,764
	63,350	36,943	188,952	132,708

Consolidated Statement of Financial Position

Unit: RMB million

	As at 30 September 2018 (unaudited)	As at 31 December 2017 (audited)
ASSETS		
Cash and due from banks and other financial institutions	399,168	560,463
Balances with central banks	2,424,917	2,227,614
Placements with and loans to banks and other financial institutions	764,892	575,399
Government certificates of indebtedness for bank notes issued	144,030	129,350
Precious metals	168,477	172,763
Financial assets at fair value through profit or loss	304,848	193,611
Derivative financial assets	151,306	94,912
Loans and advances to customers, net	11,416,978	10,644,304
Financial investments	4,634,760	4,361,111
— financial assets at fair value through other comprehensive income	1,824,943	—
— financial assets at amortised cost	2,809,817	—
— available for sale	—	1,857,222
— held to maturity	—	2,089,864
— loans and receivables	—	414,025
Investment in associates and joint ventures	17,347	17,180
Property and equipment	218,173	205,614
Investment properties	22,276	21,026
Deferred income tax assets	32,179	46,487
Other assets	226,311	217,590
Total assets	<u>20,925,662</u>	<u>19,467,424</u>

Consolidated Statement of Financial Position (continued)

Unit: RMB million

	As at 30 September 2018 (unaudited)	As at 31 December 2017 (audited)
LIABILITIES		
Due to banks and other financial institutions	1,801,516	1,425,262
Due to central banks	968,026	1,035,797
Bank notes in circulation	144,307	129,671
Placements from banks and other financial institutions	362,545	500,092
Derivative financial liabilities	116,702	111,095
Due to customers	14,607,864	13,657,924
Bonds issued	643,613	499,128
Other borrowings	26,495	30,628
Current tax liabilities	23,993	34,521
Retirement benefit obligations	2,839	3,027
Deferred income tax liabilities	4,568	4,018
Other liabilities	534,114	459,582
	<hr/>	<hr/>
Total liabilities	19,236,582	17,890,745
	<hr/>	<hr/>
EQUITY		
Capital and reserves attributable to equity holders of the Bank		
Share capital	294,388	294,388
Other equity instruments	99,714	99,714
Capital reserve	142,126	141,880
Treasury shares	(69)	(102)
Other comprehensive income	(6,150)	(35,573)
Statutory reserves	141,275	141,334
General and regulatory reserves	208,674	207,817
Undistributed profits	698,700	646,558
	<hr/>	<hr/>
	1,578,658	1,496,016
Non-controlling interests	110,422	80,663
	<hr/>	<hr/>
Total equity	1,689,080	1,576,679
	<hr/>	<hr/>
Total equity and liabilities	20,925,662	19,467,424
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CHEN Siqing
Director

LIU Liange
Director

Consolidated Statement of Cash Flows

Unit: RMB million

	For the nine-month period ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before income tax	195,614	190,427
Adjustments:		
Impairment losses on assets	55,269	49,799
Depreciation of property and equipment	9,899	10,043
Amortisation of intangible assets and other assets	2,600	2,003
Net gains on disposal of property and equipment, intangible assets and other long-term assets	(567)	(322)
Net gains on disposal of investment in subsidiaries, associates and joint ventures	(140)	(3,832)
Share of results of associates and joint ventures	(1,546)	(924)
Interest income arising from financial investments	(106,454)	(93,389)
Dividends arising from investment securities	(233)	(906)
Net gains on financial investments	(1,377)	(1,807)
Interest expense arising from bonds issued	14,991	11,206
Accreted interest on impaired loans	(1,320)	(1,552)
Net changes in operating assets and liabilities:		
Net decrease in balances with central banks	115,011	22,511
Net decrease in due from, placements with and loans to banks and other financial institutions	141,806	2,326
Net decrease/(increase) in precious metals	4,303	(5,513)
Net decrease/(increase) in financial assets at fair value through profit or loss	12,817	(26,602)
Net increase in loans and advances to customers	(862,312)	(885,670)
Net (increase)/decrease in other assets	(159,835)	61,269
Net increase in due to banks and other financial institutions	376,254	105,365
Net (decrease)/increase in due to central banks	(67,771)	46,904
Net (decrease)/increase in placements from banks and other financial institutions	(137,547)	44,128
Net increase in due to customers	949,940	897,472
Net decrease in other borrowings	(4,133)	(2,280)
Net increase/(decrease) in other liabilities	56,527	(9,808)
Cash inflow from operating activities	591,796	410,848
Income tax paid	(20,741)	(32,187)
Net cash inflow from operating activities	571,055	378,661

Consolidated Statement of Cash Flows (continued)

	Unit: RMB million	
	For the nine-month period ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
Cash flows from investing activities		
Proceeds from disposal of property and equipment, intangible assets and other long-term assets	7,134	5,805
Proceeds from disposal of investment in subsidiaries, associates and joint ventures	2,194	3,761
Dividends received	547	1,186
Interest income received from financial investments	109,691	91,148
Proceeds from disposal/maturity of financial investments	1,753,576	1,595,724
Increase in investment in subsidiaries, associates and joint ventures	(1,113)	(2,048)
Purchase of property and equipment, intangible assets and other long-term assets	(24,390)	(20,891)
Purchase of financial investments	(2,079,082)	(2,058,925)
Net cash outflow from investing activities	(231,443)	(384,240)
Cash flows from financing activities		
Proceeds from issuance of bonds	449,939	402,887
Proceeds from non-controlling shareholders investment	20,673	2,193
Repayments of debts issued	(315,861)	(274,478)
Cash payments for interest on bonds issued	(8,943)	(12,911)
Dividend payments to equity holders of the Bank	(53,683)	(50,997)
Dividend payments to non-controlling shareholders	(3,233)	(2,458)
Other net cash flows from financing activities	34	4
Net cash inflow from financing activities	88,926	64,240
Effect of exchange rate changes on cash and cash equivalents	23,647	(17,977)
Net increase in cash and cash equivalents	452,185	40,684
Cash and cash equivalents at beginning of the period	958,752	1,019,247
Cash and cash equivalents at end of the period	<u>1,410,937</u>	<u>1,059,931</u>

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

I. Capital Adequacy Ratio

Unit: RMB million, except percentages

	As at 30 September 2018	As at 31 December 2017
Calculated in accordance with the <i>Capital Rules for Commercial Banks (Provisional)</i>^{Note}		
Net common equity tier 1 capital	1,432,606	1,356,088
Net tier 1 capital	1,542,039	1,461,090
Net capital	1,821,435	1,725,330
Common equity tier 1 capital adequacy ratio	11.14%	11.15%
Tier 1 capital adequacy ratio	11.99%	12.02%
Capital adequacy ratio	<u>14.16%</u>	<u>14.19%</u>
Calculated in accordance with the <i>Regulation Governing Capital Adequacy of Commercial Banks</i>		
Core capital adequacy ratio	11.67%	11.69%
Capital adequacy ratio	<u>14.92%</u>	<u>14.56%</u>

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

II. Leverage Ratio

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

	Unit: RMB million, except percentages			
Items	As at 30 September 2018	As at 30 June 2018	As at 31 March 2018	As at 31 December 2017
Net tier 1 capital	1,542,039	1,486,972	1,470,837	1,461,090
Adjusted on- and off-balance sheet assets	<u>22,556,634</u>	<u>21,764,394</u>	<u>21,671,433</u>	<u>20,927,313</u>
Leverage ratio	<u>6.84%</u>	<u>6.83%</u>	<u>6.79%</u>	<u>6.98%</u>

III. Liquidity Coverage Ratio

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

Regulatory requirements of liquidity coverage ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks* issued by China Banking and Insurance Regulatory Commission (“CBIRC”), the commercial banks’ LCR should reach 100% by the end of 2018. During the transition period, the LCR should be no lower than 90%. Eligible commercial banks are encouraged to fulfil the requirements in advance, and banks with LCR already reaching 100% are encouraged to continuously maintain it at 100% or above.

The Group’s liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis⁽²⁾. In the third quarter of 2018, the Group measured 92-day LCR on this basis, with average ratio standing at 133.73%⁽³⁾, representing an increase of 7.18 percentage points compared to the second quarter of 2018, which was primarily due to the increase in the high-quality liquid assets (“HQLA”).

The Group’s HQLA is comprised of cash, central bank reserves which are able to be drawn down under stress scenarios, and debt securities that meet the qualifying criteria for Level 1 or Level 2 assets pursuant to the *Rules on Liquidity Risk Management of Commercial Banks* by the CBIRC.

	2018			2017
	Quarter ended 30 September	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December
Average value of LCR	<u>133.73%</u>	<u>126.55%</u>	<u>117.81%</u>	<u>117.41%</u>

III. Liquidity Coverage Ratio (continued)

The Group's average values of LCR individual line items in the third quarter of 2018 are as follows:

		Unit: RMB million, except percentages	
No.		Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		3,811,934
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:		
		6,535,973	480,464
3	Stable deposits	3,342,117	161,078
4	Less stable deposits	3,193,856	319,386
5	Unsecured wholesale funding, of which:		
6	Operational deposits (excluding those generated from correspondent banking activities)	4,416,458	1,091,989
7	Non-operational deposits (all counterparties)	3,688,857	2,020,567
8	Unsecured debt	34,896	34,896
9	Secured funding		480
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	2,787,366	1,677,445
11		1,571,207	1,571,207
12	Outflows related to loss of funding on debt products	5,775	5,775
13	Credit and liquidity facilities	1,210,384	100,463
14	Other contractual funding obligations	36,726	36,726
15	Other contingent funding obligations	2,337,844	53,814
16	Total cash outflows		5,396,381
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	107,901	99,172
18	Inflows from fully performing exposures	1,183,173	764,938
19	Other cash inflows	1,763,476	1,679,255
20	Total cash inflows	3,054,550	2,543,365
			Total adjusted value
21	Total HQLA		3,811,934
22	Total net cash outflows		2,853,016
23	Liquidity coverage ratio (%)		133.73%

III. Liquidity Coverage Ratio (continued)

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