



BANK OF CHINA

中國銀行股份有限公司

BANK OF CHINA LIMITED

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

(Stock Code: 3988)

Report for the Third Quarter ended 30 September 2008

The Board of Directors (the “Board”) of Bank of China Limited (the “Bank”) is pleased to announce the unaudited results of the Bank and its subsidiaries (the “Group”) for the third quarter ended 30 September 2008. This announcement is made by the Bank pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

I. BASIC INFORMATION

1.1 Company information

| | |
|--|---|
| Stock name | 中國銀行 |
| Stock code | 601988 (A share) |
| Listing venue | Shanghai Stock Exchange |
| Stock name | Bank of China |
| Stock code | 3988 (H share) |
| Listing venue | The Stock Exchange of Hong Kong Limited |
| Secretary to the Board of Directors | Zhang Bingxun (張秉訓) |
| Contact address | 1 Fuxingmen Nei Dajie, Beijing, China, 100818 |
| Telephone | (86)10-66592638 |
| Facsimile | (86)10-66594568 |
| E-mail | bocir@bank-of-china.com |

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 2008 | As at 31 December 2007 | Change (%) |
|---|-------------------------------|------------------------------|------------|
| Total assets | 6,592,525 | 5,991,217 | 10.04 |
| Capital and reserves attributable to equity holders of the Bank | 449,944 | 420,430 | 7.02 |
| Net assets per share (RMB) | 1.77 | 1.66 | 7.02 |

Unit: RMB million (unless otherwise stated)

| Items | Nine-month period ended 30 September 2008 | Nine-month period ended 30 September 2007 | Change (%) |
|--|--|--|------------|
| Net cash inflows/(outflows) from operating activities ¹ | 84,818 | (1,711) | N/M |
| Net cash inflows/(outflows) from operating activities per share ² (RMB) | 0.33 | (0.01) | N/M |

N/M = not meaningful

Notes:

1. In line with industry practice, certain items in the cash flow statement and their comparatives have been reclassified. Cash inflows from investment securities classified as available-for-sale, held-to-maturity and loans and receivables for the nine-month period ended 30 September 2008 of RMB79,597 million (2007: cash outflows RMB9,293 million) have been reclassified from “Cash flows from operating activities” to “Cash flows from investing activities”.
2. Net cash flows from operating activities per share is calculated based on the Bank’s total number of ordinary shares outstanding at the end of reporting period.

Unit: RMB million (unless otherwise stated)

| Items | Nine-month period ended 30 September 2008 | Nine-month period ended 30 September 2007 | Change (%) |
|--|---|---|---------------------------------|
| Profit for the period | 62,533 | 49,713 | 25.79 |
| Profit attributable to equity holders of the Bank | 59,943 | 45,474 | 31.82 |
| Earnings per share for profit attributable to equity holders of the Bank (<i>basic, RMB</i>) | 0.24 | 0.18 | 31.81 |
| Earnings per share for profit attributable to equity holders of the Bank (<i>diluted, RMB</i>) | 0.24 | 0.18 | 31.81 |
| Return on average equity (<i>annualised, %</i>) | 18.37 | 15.18 | Increase 3.19 percentage points |

| Items | As at 30 September 2008 | As at 31 December 2007 | Change |
|---------------------------------|-------------------------|------------------------|--------------------------------|
| Core capital adequacy ratio (%) | 11.04 | 10.67 | Increase 0.37 percentage point |
| Capital adequacy ratio (%) | 13.89 | 13.34 | Increase 0.55 percentage point |

1.2.2 Reconciliation of differences between Chinese Accounting Standards (“CAS”) and IFRS financial information

Unit: RMB million

| | Equity | | Net profit attributable to equity holders of the Bank | |
|---|-------------------------------|------------------------------|---|--|
| | As at 30 September 2008 | As at 31 December 2007 | Nine-month period ended 30 September 2008 | Nine-month period ended 30 September 2007 |
| CAS figures | 480,095 | 454,993 | 59,200 | 45,744 |
| Adjustments for accounting standard differences: | | | | |
| – Reversal of asset revaluation surplus and corresponding depreciation, amortisation and others | (5,454) | (5,781) | 325 | 356 |
| – Repayment of the initial funding of RMB500 million for the Bank’s annuity plan to Huijin | – | – | 500 | – |
| – Deferred tax impact | 1,364 | 1,445 | (82) | (626) |
| Subtotal | (4,090) | (4,336) | 743 | (270) |
| IFRS figures | 476,005 | 450,657 | 59,943 | 45,474 |

1.3 Number of shareholders and shareholdings of the top ten shareholders

1.3.1 As at 30 September 2008, the Bank had a total of 1,697,464 shareholders, comprising 1,429,083 A-Share holders and 268,381 H-Share holders.

1.3.2 Top ten shareholders as at 30 September 2008

Unit: share

| No. | Name of shareholder | Number of shares held | Number of shares subject to selling restriction | Proportion in total share capital | Type of shareholder | Type of share |
|-----|--|-----------------------|---|-----------------------------------|---------------------------------------|---------------|
| 1 | Central SAFE Investments Limited | 171,327,404,740 | 171,325,404,740 | 67.49% | State | A |
| 2 | HKSCC Nominees Limited | 31,176,162,233 | – | 12.28% | Foreign legal person | H |
| 3 | RBS China Investments S.à.r.l. (The Royal Bank of Scotland Group plc holds H Shares of the Bank through its subsidiary, RBS China Investments S.à.r.l.) | 20,942,736,236 | 20,942,736,236 | 8.25% | Foreign legal person | H |
| 4 | Fullerton Financial Holdings Pte. Ltd. (Temasek Holdings (Private) Limited holds H Shares of the Bank through its wholly-owned subsidiary, Fullerton Financial Holdings Pte. Ltd.) | 10,471,368,118 | 10,471,368,118 | 4.13% | Foreign legal person | H |
| 5 | National Council for Social Security Fund, PRC | 8,377,341,329 | 8,377,341,329 | 3.30% | State | H |
| 6 | UBS AG | 3,377,860,684 | 3,377,860,684 | 1.33% | Foreign legal person | H |
| 7 | Asian Development Bank | 506,679,102 | 506,679,102 | 0.20% | Foreign legal person | H |
| 8 | The Bank of Tokyo-Mitsubishi UFJ Ltd. | 473,052,000 | – | 0.19% | Foreign legal person | H |
| 9 | SSE 50 Trading Open-end Index Securities Investment Fund | 113,295,432 | – | 0.04% | Domestic non state-owned legal person | A |
| 10 | China Life Insurance Company Limited – traditional – ordinary insurance products – 005L – CT001 Shanghai | 105,366,900 | – | 0.04% | State-owned legal person | A |

Notes:

- The number of shares held by H-Share holders was recorded in the Register of Members as kept by the H-Share Registrar of the Bank.
- The shares held by the aforesaid A-Share holders have not been pledged or frozen. The Bank is not aware of whether the shares held by the aforesaid H-Share holders have been pledged or frozen, nor is the Bank aware of the existence of connected relations or concerted actions among the aforesaid shareholders.

1.3.3 Top ten shareholders of shares not subject to selling restriction as at 30 September 2008

Unit: share

| No. | Name of shareholder | Number of shares not subject to selling restriction | Type of share |
|-----|---|---|---------------|
| 1 | HKSCC Nominees Limited | 31,176,162,233 | H |
| 2 | The Bank of Tokyo-Mitsubishi UFJ Ltd. | 473,052,000 | H |
| 3 | SSE 50 Trading Open-end Index Securities Investment Fund | 113,295,432 | A |
| 4 | China Life Insurance Company Limited – traditional – ordinary insurance products – 005L-CT001Shanghai | 105,366,900 | A |
| 5 | China Life Insurance (Group) Company – traditional – ordinary insurance products | 97,402,000 | A |
| 6 | Aluminum Corporation of China | 90,909,000 | A |
| 6 | China Southern Power Grid Co., Ltd. | 90,909,000 | A |
| 6 | Shenhua Group Corporation Limited | 90,909,000 | A |
| 9 | China Reinsurance (Group) Company – Group level – fund owned by the Group – 007G-ZY001Shanghai | 66,038,014 | A |
| 10 | China National Foreign Trade Transportation (Group) Corporation | 64,935,000 | A |

Note: China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company. Save for that, the Bank is not aware of the existence of connected relations or concerted actions among the aforesaid shareholders.

II. SUMMARY OF ANALYSIS ON OVERALL OPERATING ACTIVITIES

In 2008, the Group achieved steady growth, continued to improve operating performance, and enhanced its core competitiveness. In the first three quarters of 2008, the Group recorded a profit attributable to the equity holders of the Bank of RMB59.943 billion, an increase of 31.82% compared with the same period of the previous year. Earnings per share were RMB0.24, an increase of RMB0.06 compared with the same period of 2007. Return on average total assets (annualised) was 1.33% and return on average equity (annualised) was 18.37%, an increase of 0.16 and 3.19 percentage points, respectively, compared with the same period of 2007.

(I) The principal components of the Group's income statement for the nine-month period ended 30 September 2008 were as follows:

- 1 Net interest income of RMB122.250 billion, an increase of RMB11.677 billion or 10.56% against the same period of 2007. Net interest margin of the Group was 2.68%, a decrease of 4 basis points compared with the same period of 2007. In 2008, the net interest income increased, driven by a steady growth in the average balance of interest-earning assets, enhancement of the structure of assets and liabilities, and an increase in pricing spread on loan business.
- 2 Non-interest income of RMB55.258 billion, an increase of RMB24.930 billion or 82.20% compared with the same period of 2007, representing 31.13% of the operating income, an increase of 9.61 percentage points compared with the same period of 2007. The Group continued to be the market leader in terms of the non-interest income to operating income ratio.
 - (1) The Group earned net fee and commission income of RMB31.841 billion, an increase of RMB7.058 billion or 28.48% against the same period of 2007, representing 17.94% of the operating income, an increase of 0.35 percentage point compared with the same period of 2007. In response to the accelerated appreciation of RMB and rapid growth in imports, the Group enhanced the interaction between its domestic and overseas operations and increased its focus on product innovation and market development, resulting in robust growth in its net fee and commission income, including fee income from international settlements, foreign exchange transactions and financial consultancy business.
 - (2) Net trading gains amounted to RMB6.262 billion, an increase of RMB13.577 billion compared with the same period of 2007. The increase was mainly attributable to: (a) favourable revaluation on a reduced net foreign currency position, and (b) a significant reduction in the cost of foreign exchange derivative transactions used by the Group as part of asset and liability management and funding arrangement, due to the decrease in US Dollar interest rates, compared with the same period in 2007.
 - (3) Other operating income amounted to RMB16.185 billion, an increase of RMB4.607 billion or 39.79% compared with the same period of 2007. In 2008, the Group fully leveraged the business opportunities offered by the Beijing Olympic Games to promote Olympic-licensed products and precious metal products, generating sales income of RMB3.618 billion from Olympic-licensed products in the nine-month period ended 30 September 2008, an increase of RMB3.445 billion against the same period in 2007.

- 3 Operating expenses of RMB70.473 billion, an increase of RMB15.418 billion or 28.00% against the same period in 2007. The cost to income ratio was 39.70%, slightly higher than that of the same period in 2007.
- 4 Impairment losses on assets of RMB26.313 billion, including:
 - (1) Impairment losses on loans and advances of RMB9.432 billion. The credit cost was 0.41% of average loans, slightly higher than that of the same period in 2007. As at 30 September 2008, the Group identified total impaired loans of RMB87.144 billion with a ratio of impaired loans to gross loans standing at 2.65%, a decrease of RMB3.173 billion and 0.52 percentage point respectively from the end of 2007. The ratio of allowance for loan impairment losses to identified impaired loans was 118.51%, up 12.14 percentage points from the end of 2007.
 - (2) Impairment losses on investment securities amounted to RMB16.785 billion, mainly relating to the additional impairment on foreign currency investment securities held by the Group.

(II) Principal components of the Group's balance sheet as at 30 September 2008 were as follows:

As at 30 September 2008, the Group's total assets amounted to RMB6,592.525 billion, an increase of RMB601.308 billion or 10.04% compared with the end of 2007, and total liabilities amounted to RMB6,116.520 billion, an increase of RMB575.960 billion or 10.40% compared with the end of 2007.

1. Customer deposits of RMB4,939.338 billion, an increase of RMB539.227 billion or 12.25% compared with the end of 2007. The significant growth in deposits was attributable to the Group's proactive marketing efforts by taking advantage of the volatile capital markets. As at 30 September 2008, RMB-denominated and foreign currency denominated corporate deposits in the Group's domestic operations represented 8.37% and 19.67%, respectively, of the market share¹ among all financial institutions, an increase of 0.24 and 0.96 percentage point, respectively, compared with the end of 2007.
2. Loans and advances to customers of RMB3,290.151 billion, an increase of RMB439.590 billion or 15.42% compared with the end of 2007. In 2008, the Group experienced steady growth in loans and advances to customers while managed lending activities in accordance with the State's macro-economic policies. As at 30 September 2008, the Group's loan to deposit ratio was 66.61%, an increase of 1.83 percentage points compared with the end of 2007. In the first three quarters of 2008, the average loan portfolio balance represented 51.70% of the average interest-earning asset, an increase of 3.47 percentage points compared with 2007.

¹ The market share refers to the all financial institutions (including foreign institutions) quoted by the PBOC's monthly "Summary of Sources and Uses of Funds of Chinese Financial Institutions".

3. Investment securities² of RMB1,563.129 billion, a decrease of RMB149.798 billion compared with the end of 2007. Given the turbulent international financial markets of 2008, the Group restructured its financial market business, strengthened risk monitoring and rebalanced its foreign currency securities positions to further reduce risk in its asset portfolio.

As at 30 September 2008, the carrying value of US subprime mortgage related debt securities held amounted to USD3.274 billion (or RMB22.322 billion), representing 1.43% of the investment securities of the Group, of which 51.14% was AAA Rated, 29.94% AA rated and 7.27% A rated. The impairment allowance for these securities held as at 30 September 2008 was USD1.996 billion (or RMB13.611 billion). In addition, the Group recorded a fair value change of USD0.027 billion (or RMB0.181 billion) as at 30 September 2008 directly in the Reserve for Fair Value Changes of Available-for-Sale Securities under the equity, reflecting the decrease in the fair value of the US subprime mortgage related debt securities positions.

As at 30 September 2008, the carrying value of US Alt-A mortgage-backed securities was USD1.379 billion (or RMB9.403 billion), representing 0.60% of the investment securities of the Group, of which 69.29% was AAA rated. The impairment allowance for US Alt-A mortgage-backed securities held as at 30 September 2008 was USD0.562 billion (or RMB3.829 billion).

As at 30 September 2008, the carrying value of non-agency US mortgage-backed securities was USD4.337 billion (or RMB29.570 billion), representing 1.89% of the investment securities of the Group, of which 87.47% was AAA rated. The impairment allowance for non-agency US mortgage-backed securities held as at 30 September 2008 was USD1.008 billion (or RMB6.875 billion).

As at 30 September 2008, the carrying value of debt securities issued by US Freddie Mac and Fannie Mae and held by the Group was USD6.204 billion (or RMB42.301 billion), of which 99.47% was AAA rated. The carrying value of mortgage-backed securities held by the Group and guaranteed by these two agencies as at 30 September 2008 was USD3.747 billion (or RMB25.547 billion). The principal and interest payment on these securities is currently on schedule.

The Group will continue to follow developments in the international financial markets and assess impairment on related assets in a prudent manner in accordance with International Financial Reporting Standards.

As at 30 September 2008, the carrying value of debt securities issued by Lehman Brothers Holdings Inc. and its subsidiaries (“Lehman”) held by the Group amounted to USD11 million, in relation to which the Group booked an impairment allowance of USD65 million; the carrying value of the loans extended by the Group to Lehman, after an impairment allowance of USD45 million, amounted to USD 8 million. The Group will closely monitor developments and pursue the legal rights of the Group to the greatest extent in accordance with the relevant laws and regulations.

² Investment securities include securities available-for-sale, securities held-to-maturity, securities classified as loans and receivables, and financial assets at fair value through profit or loss.

III. SIGNIFICANT EVENTS

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

√ Applicable □ Not Applicable

The Group's key financial items and indicators which fluctuated over 30% compared with the end of 2007, or compared with the nine-month period ended 30 September 2007 are as follows:

Unit: RMB million

| Items | As at 30 September 2008 | As at 31 December 2007 | Change (%) | Main reasons |
|---|-------------------------------|------------------------------|------------|--|
| Cash and due from banks | 42,809 | 71,221 | (39.89) | Due to the decrease in due from overseas banks and other financial institutions. |
| Balances with central banks | 1,047,932 | 751,344 | 39.47 | Due to the increase in due from central banks. |
| Financial assets at fair value through profit or loss | 80,596 | 124,665 | (35.35) | Due to the decrease in trading debt securities. |
| Derivative financial assets | 77,708 | 45,839 | 69.52 | Due to fluctuation of market parameters such as exchange rates and interest rates. |
| Due to banks and other financial institutions | 427,274 | 324,848 | 31.53 | Due to the increase in due to domestic banks and other financial institutions. |
| Due to central banks | 56,484 | 90,485 | (37.58) | Due to the decrease in borrowings from central banks. |
| Derivative financial liabilities | 43,781 | 27,262 | 60.59 | Due to fluctuation of market parameters such as exchange rates and interest rates. |
| Undistributed profits | 102,432 | 68,480 | 49.58 | Due to the increase in profit for the reporting period. |
| Reserve for fair value changes of available-for-sale securities | (2,366) | (1,506) | 57.10 | Due to changes in fair value of available-for-sale securities. |
| Currency translation differences | (11,074) | (7,289) | 51.93 | Due to fluctuation of exchange rates during the reporting period. |
| Treasury shares | (22) | (45) | (51.11) | A wholly owned subsidiary of the Group held certain listed shares of the Bank in relation to its derivative and arbitrage business. The total number of treasury shares held by the subsidiary as at 30 September 2008 decreased compared with prior year-end. |

| Items | Nine-month period ended 30 September 2008 | Nine-month period ended 30 September 2007 | Change (%) | Main reasons |
|---|---|---|------------|---|
| Net trading gains/(losses) | 6,262 | (7,315) | N/M | Due to the increase in net gains from foreign exchange and foreign exchange products. |
| Other operating income | 16,185 | 11,578 | 39.79 | Due to the increase in sales of Olympic-licensed products. |
| Impairment losses on assets | (26,313) | (10,870) | 142.07 | Due to the increase in impairment losses on loans and foreign currency investment securities. |
| Share of results of associates and joint ventures | 416 | 866 | (51.96) | Due to the decrease in profits of associates. |
| Profit attributable to minority interest | 2,590 | 4,239 | (38.90) | Due to the decrease in net profits of subsidiaries. |

3.2 Development of significant events, related impact and resolution

Applicable Not Applicable

3.3 Fulfillment of undertakings by the company, shareholders and controlling parties

Applicable Not Applicable

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

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 Investment securities

Applicable Not Applicable

Securities of other listed companies held by the Bank and its subsidiaries in their normal course of business:

| No. | Security code | Company name | Stock held at period end <i>(unit: share)</i> | Initial investment cost <i>(unit: RMB)</i> | Carrying value at period end <i>(unit: RMB)</i> | Carrying value at period beginning <i>(unit: RMB)</i> | Accounting classification |
|--------------|---------------|------------------------------|--|---|--|--|---|
| 1 | 23 HK | Bank of East Asia | 77,495,170 | 3,493,595,620 | 1,630,188,396 | 3,623,772,956 | Available for sale equity security |
| 2 | 600591 CH | Shanghai Airlines | 143,886,600 | 87,260,881 | 624,525,644 | 2,352,553,924 | Available for sale equity security |
| 3 | 1398 HK | ICBC | 107,304,762 | 314,384,938 | 429,972,489 | 462,973,209 | Available for sale equity security, trading equity security |
| 4 | MA | MasterCard Inc. | 346,971 | - | 419,410,626 | 509,339,833 | Available for sale equity security, trading equity security |
| 5 | V | VISA Inc. | 911,880 | - | 380,142,221 | 405,979,770 | Available for sale equity security |
| 6 | 1186 HK | China Railway Construction | 36,416,000 | 344,975,573 | 319,825,444 | - | Available for sale equity security |
| 7 | 8002 HK | Phoenix TV | 412,000,000 | 341,617,220 | 317,783,840 | 599,455,880 | Available for sale equity security |
| 8 | 1088 HK | China Shenhua Co. | 18,216,500 | 186,545,152 | 295,065,766 | 592,574,413 | Available for sale equity security |
| 9 | 000527 CH | GD Midea Electric Appliances | 22,568,940 | 371,926,159 | 241,860,973 | 467,642,939 | Trading equity security |
| 10 | 3983 HK | China Bluechemical Ltd. | 60,584,000 | 101,897,484 | 223,027,879 | 287,509,144 | Available for sale equity security |
| Total | | | | 5,242,203,027 | 4,881,803,278 | 9,301,802,068 | |

Notes:

- Investment securities listed in this table include the Group's holding of stocks, warrants, convertible bonds issued by other listed companies, open-ended funds and close-ended funds that were classified as financial assets available for sale and trading financial assets as at 30 September 2008.
- The table lists the top ten investment securities held by the Group in descending order at their carrying value as at 30 September 2008.
- The Group was allocated certain shares of MasterCard Inc. and VISA Inc. in conjunction with their initial public offering arrangements. Initial investment consideration was nil.
- Carrying value at period beginning reflects the Group's securities investment as at the end of 2007.

3.6 Implementation of cash dividend policy during the reporting period

Applicable Not Applicable

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 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.

By Order of the Board
YEUNG Cheung Ying
Company Secretary

Hong Kong, 29 October 2008

As at the date of this announcement, the Directors of the Bank are: XIAO Gang, LI Lihui, LI Zaohang, ZHOU Zaiqun, ZHANG Jinghua, HONG Zhihua*, HUANG Haibo*, CAI Haoyi*, WANG Gang*, LIN Yongze*, Sir Frederick Anderson GOODWIN*, SEAH Lim Huat Peter*, Anthony Francis NEOH#, Alberto TOGNI#, HUANG Shizhong# and HUANG Danhan#.*

* *Non-executive Directors*

Independent Non-executive Directors

APPENDIX – FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH IFRS)

Consolidated Income Statement

Unit: RMB million

| | Three-month period ended 30 September 2008 (unaudited) | Three-month period ended 30 September 2007 (unaudited) | Nine-month period ended 30 September 2008 (unaudited) | Nine-month period ended 30 September 2007 (unaudited) |
|---|--|--|---|---|
| Interest income | 73,208 | 67,844 | 214,613 | 190,347 |
| Interest expense | <u>(32,481)</u> | <u>(28,298)</u> | <u>(92,363)</u> | <u>(79,774)</u> |
| Net interest income | 40,727 | 39,546 | 122,250 | 110,573 |
| Fee and commission income | 10,329 | 10,429 | 34,442 | 27,462 |
| Fee and commission expense | <u>(853)</u> | <u>(1,055)</u> | <u>(2,601)</u> | <u>(2,679)</u> |
| Net fee and commission income | 9,476 | 9,374 | 31,841 | 24,783 |
| Net trading gains/(losses) | 2,787 | (2,418) | 6,262 | (7,315) |
| Net gains on investment securities | 235 | 298 | 970 | 1,282 |
| Other operating income | <u>5,419</u> | <u>4,315</u> | <u>16,185</u> | <u>11,578</u> |
| Operating income | 58,644 | 51,115 | 177,508 | 140,901 |
| Operating expenses | (25,598) | (21,993) | (70,473) | (55,055) |
| Impairment losses on assets | <u>(9,169)</u> | <u>(4,461)</u> | <u>(26,313)</u> | <u>(10,870)</u> |
| Operating profit | 23,877 | 24,661 | 80,722 | 74,976 |
| Share of results of associates and joint ventures | <u>(100)</u> | <u>261</u> | <u>416</u> | <u>866</u> |
| Profit before income tax | 23,777 | 24,922 | 81,138 | 75,842 |
| Income tax expense | <u>(5,889)</u> | <u>(7,591)</u> | <u>(18,605)</u> | <u>(26,129)</u> |
| Profit for the period | <u>17,888</u> | <u>17,331</u> | <u>62,533</u> | <u>49,713</u> |
| Attributable to: | | | | |
| Equity holders of the Bank | 17,762 | 15,931 | 59,943 | 45,474 |
| Minority interest | <u>126</u> | <u>1,400</u> | <u>2,590</u> | <u>4,239</u> |
| | <u>17,888</u> | <u>17,331</u> | <u>62,533</u> | <u>49,713</u> |
| Earnings per share for profit attributable to equity holders of the Bank during the period (<i>Expressed in RMB per ordinary share</i>) | | | | |
| – Basic and diluted | <u>0.07</u> | <u>0.06</u> | <u>0.24</u> | <u>0.18</u> |

Note: In line with industry practice, certain items in the above statement and their comparatives have been reclassified. Spread income earned from foreign exchange business for the nine-month period ended 30 September 2008 of RMB7,052 million (2007: RMB5,860 million) has been reclassified from “Net trading gains/(losses)” to “Fee and commission income” and impairment on investment securities for the nine-month period ended 30 September 2008 of RMB16,785 million (2007: RMB3,610 million) has been reclassified from “net gains on investment securities” to “impairment losses on assets”.

Consolidated Balance Sheet

Unit: RMB million

| | As at 30 September 2008 (unaudited) | As at 31 December 2007 (audited) |
|---|--|---|
| ASSETS | | |
| Cash and due from banks | 42,809 | 71,221 |
| Balances with central banks | 1,047,932 | 751,344 |
| Placements with banks and other financial institutions | 394,638 | 386,648 |
| Government certificates of indebtedness for bank notes issued | 32,147 | 32,478 |
| Precious metals | 47,420 | 44,412 |
| Financial assets at fair value through profit or loss | 80,596 | 124,665 |
| Derivative financial assets | 77,708 | 45,839 |
| Loans and advances to customers, net | 3,186,875 | 2,754,493 |
| Investment securities | | |
| – available-for-sale | 659,469 | 682,995 |
| – held-to-maturity | 397,217 | 446,647 |
| – loans and receivables | 425,847 | 458,620 |
| Investment in associates and joint ventures | 7,068 | 6,779 |
| Property and equipment | 84,527 | 83,805 |
| Investment property | 10,363 | 9,986 |
| Deferred income tax assets | 16,352 | 17,647 |
| Other assets | 81,557 | 73,638 |
| Total assets | 6,592,525 | 5,991,217 |

Consolidated Balance Sheet (continued)

Unit: RMB million

| | As at 30 September 2008 (unaudited) | As at 31 December 2007 (audited) |
|--|--|---|
|--|--|---|

LIABILITIES

| | | |
|--|-----------|-----------|
| Due to banks and other financial institutions | 427,274 | 324,848 |
| Due to central banks | 56,484 | 90,485 |
| Bank notes in circulation | 32,175 | 32,605 |
| Certificates of deposit and placements from banks and other financial institutions | 190,554 | 248,482 |
| Financial liabilities at fair value through profit or loss | 97,155 | 86,655 |
| Derivative financial liabilities | 43,781 | 27,262 |
| Due to customers | 4,939,338 | 4,400,111 |
| Bonds issued | 66,901 | 64,391 |
| Other borrowings | 44,300 | 51,708 |
| Current tax liabilities | 20,424 | 21,045 |
| Retirement benefit obligations | 7,079 | 7,231 |
| Deferred income tax liabilities | 2,301 | 2,894 |
| Other liabilities | 188,754 | 182,843 |

Total liabilities

| | | |
|--|------------------|------------------|
| | <u>6,116,520</u> | <u>5,540,560</u> |
|--|------------------|------------------|

EQUITY

Capital and reserves attributable to equity holders of the Bank

| | | |
|---|----------|---------|
| Share capital | 253,839 | 253,839 |
| Capital reserve | 66,159 | 66,592 |
| Statutory reserves | 15,700 | 15,448 |
| General and regulatory reserves | 25,276 | 24,911 |
| Undistributed profits | 102,432 | 68,480 |
| Reserve for fair value changes of available-for-sale securities | (2,366) | (1,506) |
| Currency translation differences | (11,074) | (7,289) |
| Treasury shares | (22) | (45) |

| | | |
|--|----------------|----------------|
| | <u>449,944</u> | <u>420,430</u> |
|--|----------------|----------------|

Minority interest

| | | |
|--|---------------|---------------|
| | <u>26,061</u> | <u>30,227</u> |
|--|---------------|---------------|

Total equity

| | | |
|--|----------------|----------------|
| | <u>476,005</u> | <u>450,657</u> |
|--|----------------|----------------|

Total equity and liabilities

| | | |
|--|-------------------------|-------------------------|
| | <u><u>6,592,525</u></u> | <u><u>5,991,217</u></u> |
|--|-------------------------|-------------------------|

Xiao Gang
Director

Li Lihui
Director

Consolidated Cash Flow Statement

Unit: RMB million

| | Nine-month period ended 30 September 2008 (unaudited) | Nine-month period ended 30 September 2007 (unaudited) |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before income tax | 81,138 | 75,842 |
| Adjustments: | | |
| Impairment losses on assets | 26,313 | 10,870 |
| Depreciation of property and equipment | 4,546 | 4,072 |
| Amortization of intangible assets and other assets | 903 | 925 |
| Net gains on disposal of property and equipment and other long-term assets | (699) | (106) |
| Net gains on disposal of investments in subsidiaries, associates and joint ventures | (2) | (37) |
| Share of results of associates and joint ventures | (416) | (866) |
| Interest income arising from investment securities | (42,781) | (51,929) |
| Dividends arising from investment securities | (219) | (169) |
| Net gains on de-recognition of investment securities | (970) | (1,282) |
| Interest expense arising from bonds issued | 2,372 | 2,185 |
| Net changes in operating assets and liabilities: | | |
| Net increase in balances with central banks | (178,634) | (129,813) |
| Net decrease/(increase) in due from banks and placements with banks and other financial institutions | 4,074 | (89,602) |
| Net (increase)/decrease in precious metals | (3,008) | 2,873 |
| Net decrease/(increase) in financial assets at fair value through profits/loss | 43,884 | (33,403) |
| Net increase in loans and advances to customers | (441,814) | (411,186) |
| Net decrease/(increase) in other assets | 46,707 | (3,989) |
| Net increase in due to banks and other financial institutions | 102,426 | 180,314 |
| Net (decrease)/increase in due to central banks | (34,001) | 11,655 |
| Net (decrease)/increase in certificates of deposit and placements from banks and other financial institutions | (57,928) | 165,654 |
| Net increase in due to customers | 539,227 | 258,114 |
| Net decrease in other borrowings | (7,408) | (9,172) |
| Net increase in other liabilities | 19,458 | 35,415 |
| Net cash from operating activities | 103,168 | 16,365 |
| Income tax paid | (18,350) | (18,076) |
| Net cash inflows/(outflows) from operating activities | 84,818 | (1,711) |

Consolidated Cash Flow Statement (continued)

Unit: RMB million

| | Nine-month period ended 30 September 2008 (unaudited) | Nine-month period ended 30 September 2007 (unaudited) |
|--|---|---|
| Cash flows from investing activities | | |
| Proceeds from disposal of property and equipment, intangible assets and other long-term assets | 3,237 | 3,243 |
| Proceeds from disposal of investments in subsidiaries, associates and joint ventures | 126 | 65 |
| Dividends received | 519 | 265 |
| Interest income received from investment securities | 43,019 | 50,555 |
| Proceeds from disposal of investment securities | 1,197,191 | 1,026,753 |
| Payment for increase of investments in subsidiaries, associates and joint ventures | (273) | (105) |
| Purchase of property and equipment, intangible assets and other long-term assets | (10,852) | (6,728) |
| Purchase of investment securities | (1,160,496) | (1,086,601) |
| Net cash inflows/(outflows) from investing activities | <u>72,471</u> | <u>(12,553)</u> |
| Cash flows from financing activities | | |
| Cash received from issuance of bonds | 2,559 | 3,389 |
| Proceeds from minority equity holders of a subsidiary upon exercise of subsidiary share options | 20 | – |
| Proceeds from minority equity holders of subsidiaries | 29 | 27 |
| Net sale of treasury shares | 23 | 204 |
| Cash payments for interest on bonds issued | (2,384) | (2,177) |
| Dividend payments to equity holders of the Bank | (25,384) | (10,154) |
| Dividend payments to minority-equity holders | (3,732) | (3,370) |
| Payment of bonds/share issuance costs | (18) | (20) |
| Net cash outflows from financing activities | <u>(28,887)</u> | <u>(12,101)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(24,562)</u> | <u>(12,170)</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>103,840</u> | <u>(38,535)</u> |
| Cash and cash equivalents as at 1 January | <u>528,937</u> | <u>519,944</u> |
| Cash and cash equivalents as at 30 September | <u><u>632,777</u></u> | <u><u>481,409</u></u> |

Note: In line with industry practice, certain items in the above statement and their comparatives have been reclassified. Cash inflows from investment securities classified as available-for-sale, held-to-maturity and loans and receivables for the nine-month period ended 30 September 2008 of RMB79,597 million (2007: cash outflow RMB9,293 million) have been reclassified from “Cash flows from operating activities” to “Cash flows from investing activities”.