



融通世界 造福社会
BRIDGE CHINA AND THE WORLD FOR THE COMMON GOOD

BUILD A FIRST-CLASS
GLOBAL BANKING GROUP

2022

INTERIM REPORT



Bank of China Limited

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

Ordinary H-Share Stock Code: 3988

Offshore Preference Share Stock Code: 4619

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Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

The Bank/the Group	Bank of China Limited or its predecessors and, except where the context otherwise requires, all of the subsidiaries of Bank of China Limited
Articles of Association	The performing Articles of Association of the Bank
A Share	Domestic investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on SSE (Stock Code: 601988)
Basis Point (Bp, Bps)	Measurement unit of changes in interest rate or exchange rate. 1 basis point is equivalent to 0.01 percentage point
BOC Asset Investment	BOC Financial Asset Investment Co., Ltd.
BOC Aviation	BOC Aviation Limited, a public company limited by shares incorporated in Singapore under the Singapore Companies Act, the shares of which are listed on the Hong Kong Stock Exchange
BOC Consumer Finance	BOC Consumer Finance Co., Ltd.
BOC Financial Technology	BOC Financial Technology Co., Ltd.
BOC Fullerton Community Bank	BOC Fullerton Community Bank Co., Ltd.
BOC Insurance	Bank of China Insurance Company Limited
BOC Life	BOC Group Life Assurance Co., Ltd.
BOCG Insurance	Bank of China Group Insurance Company Limited
BOCG Investment	Bank of China Group Investment Limited
BOCHK	Bank of China (Hong Kong) Limited, an authorised financial institution incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK (Holdings)
BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong, the ordinary shares of which are listed on the Hong Kong Stock Exchange
BOCI	BOC International Holdings Limited
BOCIM	Bank of China Investment Management Co., Ltd.
BOCI China	BOC International (China) Co., Ltd., a company incorporated in the Chinese mainland, the ordinary shares of which are listed on the Shanghai Stock Exchange
BOCL	BOC Financial Leasing Co., Ltd.
BOC-Samsung Life	BOC-Samsung Life Ins. Co., Ltd.
BOC Wealth Management	BOC Wealth Management Co., Ltd.

CAS	Chinese Accounting Standards
CBIRC	China Banking and Insurance Regulatory Commission
Central and Southern China	The area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan
Company Law	The Company Law of PRC
CSRC	China Securities Regulatory Commission
Eastern China	The area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Xiamen, Jiangxi, Shandong and Qingdao
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
H Share	Overseas-listed foreign investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 3988)
IFRS	International Financial Reporting Standards
Independent Director	Independent director under the listing rules of SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
MOF	Ministry of Finance, PRC
Northeastern China	The area including, for the purpose of this report, the branches of Heilongjiang, Jilin, Liaoning and Dalian
Northern China	The area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office
PBOC	The People's Bank of China
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	The Shanghai Stock Exchange
Western China	The area including, for the purpose of this report, the branches of Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Qinghai, Tibet and Xinjiang

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank warrant that the information in this report is authentic, accurate and complete, contains no false record, misleading statement or material omission, and jointly and severally accept full responsibility for the information in this report.

The 2022 Interim Report and Interim Results Announcement of the Bank have been reviewed and approved at the meeting of the Board of Directors of the Bank held on 30 August 2022. The number of directors who should attend the meeting is 15, with 14 directors attending the meeting in person. Executive Director Mr. WANG Wei did not attend the meeting in person due to other important business engagements and appointed Executive Director Mr. LIN Jingzhen as his authorised proxy to attend and vote on his behalf. 15 directors of the Bank exercised their voting rights at the meeting. The supervisors and senior management members of the Bank attended the meeting as non-voting attendees.

The 2022 interim financial statements prepared by the Bank in accordance with CAS and IFRS have been reviewed by PricewaterhouseCoopers Zhong Tian LLP, and PricewaterhouseCoopers in accordance with Chinese and international standards on review engagements, respectively.

Legal Representative and Chairman of the Board of Directors LIU Liange, Vice Chairman of the Board of Directors and President LIU Jin, who is also responsible for the Bank's finance and accounting, and General Manager of the Financial Management Department WU Jianguang, warrant the authenticity, accuracy and completeness of the financial statements in this report.

As considered and approved by the 2021 Annual General Meeting, the Bank distributed the 2021 cash dividend of RMB2.21 per ten shares (before tax) to ordinary shareholders whose names appeared on the register of members of the Bank as at market close on 14 July 2022, amounting to approximately RMB65.060 billion (before tax) in total. The Bank did not distribute an interim dividend on ordinary shares for 2022, nor did it propose any capitalisation of capital reserve into share capital.

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that violated the applicable regulations and procedures.

This report may contain forward-looking statements that involve risks and future plans. These forward-looking statements are based on the Bank's own information and information from other sources that the Bank believes to be reliable. They relate to future events or the Bank's future financial, business or other performance and are subject to a number of factors and uncertainties that may cause the actual results to differ materially. Any future plans mentioned do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.

The Bank is faced with risks arising from changes in the macroeconomic environment and from political and economic conditions in different countries and regions as well as risks arising from its day-to-day operations, including the risk arising from changes in the credit status of borrowers, adverse changes in market prices and operational risk. It shall at the same time meet regulatory and compliance requirements. The Bank actively adopts adequate measures to effectively manage all types of risks. Please refer to the section "Management Discussion and Analysis — Risk Management" for details.

Corporate Information

Registered Name in Chinese

中國銀行股份有限公司 (“中國銀行”)

Registered Name in English

BANK OF CHINA LIMITED (“Bank of China”)

Legal Representative and Chairman

LIU Liange

Vice Chairman and President

LIU Jin

Listing Affairs Representative

YU Ke

Office Address:

No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China

Telephone: (86) 10-6659 2638

Facsimile: (86) 10-6659 4568

E-mail: ir@bankofchina.com

Registered Address

No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China

Office Address

No. 1 Fuxingmen Nei Dajie, Xicheng District,
Beijing, China, 100818

Telephone: (86) 10-6659 6688

Facsimile: (86) 10-6601 6871

Website: www.boc.cn

Customer Service and Complaint Hotline:
(86) Area Code-95566

Place of Business in Hong Kong

Bank of China Tower, 1 Garden Road,
Central, Hong Kong, China

Selected Newspapers for Information Disclosure (A Share)

*China Securities Journal, Shanghai Securities News,
Securities Times, Securities Daily*

Website of SSE for Disclosure of the Interim Report

www.sse.com.cn

Website of HKEX for Disclosure of the Interim Report

www.hkexnews.hk

Place where Interim Report can be Obtained

Head Office of Bank of China Limited
Shanghai Stock Exchange

Registered Capital

RMB294,387,791,241

Securities Information

A Share

Shanghai Stock Exchange

Stock Name: 中國銀行

Stock Code: 601988

H Share

The Stock Exchange of Hong Kong Limited

Stock Name: Bank of China

Stock Code: 3988

Domestic Preference Share

Shanghai Stock Exchange

Third Tranche

Stock Name: 中行優3

Stock Code: 360033

Fourth Tranche

Stock Name: 中行優4

Stock Code: 360035

Offshore Preference Share (Second Tranche)

The Stock Exchange of Hong Kong Limited

Stock Name: BOC 20USDPREF

Stock Code: 4619

A-Share Registrar

Shanghai Branch of China Securities
Depository and Clearing Corporation Limited
Office Address:

188 South Yanggao Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-4008 058 058

H-Share Registrar

Computershare Hong Kong
Investor Services Limited

Office Address:

17M Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai,
Hong Kong, China

Telephone: (852) 2862 8555

Facsimile: (852) 2865 0990

Domestic Preference Share Registrar

Shanghai Branch of China Securities
Depository and Clearing Corporation Limited
Office Address:

188 South Yanggao Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-4008 058 058

Financial Highlights

Note: The financial information in this report has been prepared in accordance with IFRS. The data are presented in RMB and reflect amounts related to the Group, unless otherwise noted.

Unit: RMB million

	Note	For the six-month period ended 30 June 2022	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Results of operations				
Net interest income		223,993	208,773	205,413
Non-interest income	1	89,618	94,082	81,570
Operating income		313,611	302,855	286,983
Operating expenses		(108,912)	(102,357)	(90,946)
Impairment losses on assets		(52,810)	(52,945)	(66,484)
Operating profit		151,889	147,553	129,553
Profit before income tax		152,069	148,302	129,616
Profit for the period		124,303	118,547	107,812
Profit attributable to equity holders of the Bank		119,924	112,813	100,917
Basic earnings per share (RMB)		0.37	0.36	0.32
Key financial ratios				
Return on average total assets (%)	2	0.91	0.93	0.92
Return on average equity (%)	3	11.62	11.97	11.10
Net interest margin (%)	4	1.76	1.76	1.87
Non-interest income to operating income (%)	5	28.58	31.07	28.42
Cost to income ratio (calculated under regulations in the Chinese mainland, %)	6	25.08	24.06	23.41
Credit cost (%)	7	0.56	0.65	0.90
		As at 30 June 2022	As at 31 December 2021	As at 31 December 2020
Statement of financial position				
Total assets		28,052,758	26,722,408	24,402,659
Loans, gross		16,953,221	15,712,574	14,216,477
Allowance for loan impairment losses	8	(416,425)	(390,541)	(368,619)
Investments	9	6,248,071	6,164,671	5,591,117
Total liabilities		25,608,006	24,371,855	22,239,822
Due to customers		19,548,227	18,142,887	16,879,171
Capital and reserves attributable to equity holders of the Bank		2,315,234	2,225,153	2,038,419
Share capital		294,388	294,388	294,388
Net assets per share (RMB)	10	6.61	6.47	5.98
Capital ratios				
Net common equity tier 1 capital	11	1,882,487	1,843,886	1,704,778
Net additional tier 1 capital		380,461	329,845	287,843
Net tier 2 capital		558,952	525,108	458,434
Common equity tier 1 capital adequacy ratio (%)		11.33	11.30	11.28
Tier 1 capital adequacy ratio (%)		13.63	13.32	13.19
Capital adequacy ratio (%)		16.99	16.53	16.22
Asset quality				
Credit-impaired loans to total loans (%)	12	1.34	1.33	1.46
Non-performing loans to total loans (%)	13	1.34	1.33	1.46
Allowance for loan impairment losses to non-performing loans (%)	14	183.26	187.05	177.84
Allowance for loan impairment losses to total loans (%)	15	2.77	2.83	2.96

Notes:

- 1 Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on transfers of financial assets + other operating income.
- 2 Return on average total assets = profit for the period ÷ average total assets × 100%, annualised. Average total assets = (total assets at the beginning of reporting period + total assets at the end of reporting period) ÷ 2.
- 3 Return on average equity = profit attributable to ordinary shareholders of the Bank ÷ weighted average capital and reserves attributable to ordinary shareholders of the Bank × 100%, annualised. Calculation is based on *No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies — Calculation and Disclosure of Return on Average Equity and Earnings per Share (Revised in 2010)* (CSRC Announcement [2010] No. 2) issued by the CSRC.
- 4 Net interest margin = net interest income ÷ average balance of interest-earning assets × 100%, annualised. Average balance is average daily balance derived from the Group's management accounts (unreviewed).
- 5 Non-interest income to operating income = non-interest income ÷ operating income × 100%.
- 6 Cost to income ratio is calculated in accordance with the *Measures of the Performance Evaluation of Financial Enterprises* (Cai Jin [2016] No. 35) formulated by the MOF.
- 7 Credit cost = impairment losses on loans ÷ average balance of loans × 100%, annualised. Average balance of loans = (balance of loans at the beginning of reporting period + balance of loans at the end of reporting period) ÷ 2. Total loans are exclusive of accrued interest when being used to calculate credit cost.
- 8 Allowance for loan impairment losses = allowance for loans at amortised cost + allowance for loans at fair value through other comprehensive income.
- 9 The data on investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.
- 10 Net assets per share = (capital and reserves attributable to equity holders of the Bank at the end of reporting period – other equity instruments) ÷ number of ordinary shares in issue at the end of reporting period.
- 11 The capital ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Y.J.H.L. [2012] No. 1) and related regulations, under the Advanced Approaches.
- 12 Credit-impaired loans to total loans = credit-impaired loans at the end of reporting period ÷ total loans at the end of reporting period × 100%. Total loans are exclusive of accrued interest when being used to calculate credit-impaired loans to total loans.
- 13 Non-performing loans to total loans = non-performing loans at the end of reporting period ÷ total loans at the end of reporting period × 100%. Total loans are exclusive of accrued interest when being used to calculate non-performing loans to total loans.
- 14 Allowance for loan impairment losses to non-performing loans = allowance for loan impairment losses at the end of reporting period ÷ non-performing loans at the end of reporting period × 100%. Total loans are exclusive of accrued interest when being used to calculate allowance for loan impairment losses to non-performing loans.
- 15 Allowance for loan impairment losses to total loans = allowance for loan impairment losses at the end of reporting period ÷ total loans at the end of reporting period × 100%. Calculation is based on the data of the Bank's institutions in the Chinese mainland. Total loans are exclusive of accrued interest when being used to calculate allowance for loan impairment losses to total loans.

Business Overview

Since the beginning of 2022, in the face of a resurgent COVID-19 pandemic and a serious and complex operating environment, the Bank has earnestly implemented the decisions and plans of the CPC Central Committee and the State Council, adhered to the general principle of pursuing progress while ensuring stability, coordinated all-round efforts towards serving the real economy, preventing financial risks, and deepening reform and innovation, and promoted the implementation of the 14th Five-Year Plan in the course of supporting the development of the real economy. Overall, the Bank delivered steady improvement in business performance and demonstrated strong momentum in terms of high-quality development.

Steadily enhancing financial performance and improving the quality and efficiency of development

The Bank proactively responded to difficulties and challenges while seizing development opportunities. Its assets and liabilities grew steadily, financial performance rose steadily, and its key financial indicators were kept within a reasonable range. As at 30 June 2022, the Group's total assets amounted to RMB28,052.758 billion, up 4.98% compared with the prior year-end. Total liabilities amounted to RMB25,608.006 billion, up 5.07% compared with the prior year-end. In the first half of 2022, the Group achieved operating income of RMB313.611 billion and profit for the period of RMB124.303 billion, up 3.55% and 4.86% compared with the same period of the prior year respectively. The return on average total assets (ROA) was 0.91% and return on average equity (ROE) was 11.62%. Net interest margin remained stable, and the cost to income ratio (calculated in accordance with regulations in the Chinese mainland) was 25.08%.

Actively fulfilling its responsibilities as a large State-owned bank to help stabilise the economy

Constantly taking pre-emptive measures and making targeted efforts on all fronts, the Bank formulated a work plan to implement the central government's strategy for assisting the real economy, with a view to firmly supporting economic stability. It increased its credit granting activities, hitting a record high in domestic RMB loans growth. It continuously strengthened support for key areas and weak links, increased credit extension to strategic emerging industries, manufacturing industry, infrastructure construction and other areas, and actively cut fees and forwent profits in order to benefit the real economy. The Bank actively served the country's overall diplomatic, economic and trade interests, issued the action plan for supporting the high-quality development of foreign trade and making cross-cyclical adjustment, and made concerted efforts to stabilise foreign trade through financial support, maintaining a leading market position in terms of major international business indicators. It formulated measures to assist enterprises in overcoming difficulties, and fully supported enterprises in affected areas to resume work and production.

Accelerating the development of the "Eight Priority Areas" to further tap development potential

The Bank implemented the new development philosophy, proactively served key national strategies, and accelerated the development of the "Eight Priority Areas for Enhancing Financial Services Capabilities". It maintained solid development momentum in technology finance, providing a total of RMB1,017.7 billion of credit support to approximately 46,000 technology enterprises. The influence of green finance business was further enhanced, with the balance of domestic green credit¹ reaching RMB1.73 trillion.

¹ The balance of green credit was based on the statistics of the CBIRC.

Its inclusive finance business grew in both volume and coverage, recording an increase of 25.36% in outstanding inclusive finance loans granted to micro and small-sized enterprises² compared with the prior year-end, as well as an increase of 76,700 micro and small-sized loan customers. The Bank's characteristic advantages in cross-border finance were further consolidated, as it gradually expanded its market share of international trade settlement and cross-border RMB settlement business. Its consumer finance business made positive contributions towards stabilising the consumer market, with the growth rate of the non-housing consumer loans leading the market among major peers. The foundations of the Bank's wealth finance business grew stronger, with the total financial assets under management of the Group's personal customers exceeding RMB12 trillion. The Bank's supply chain financing business emerged new momentum, as it provided more than RMB1.3 trillion of liquidity support to core supply chain enterprises and RMB1 trillion of on- and off-balance sheet financing support for enterprises in the upstream and downstream of the supply chain. Finally, fresh achievements were recorded in county-level finance business, as the balance of domestic agriculture-related loans reached RMB1,964.4 billion.

Speeding up digital transformation to empower innovation-oriented and technology-driven development

The Bank accelerated its efforts to build enterprise-level architecture, improved its FinTech and data governance capabilities, and actively promoted digital transformation. The first batch of components of its OASIS enterprise-level architecture was successfully put into operation, thus gradually forming a component-based, platform-oriented and service-centric IT architecture. The Bank redoubled efforts to deepen the

integration of business and technology in all respects to promote the reform of its technology management system. Mobile banking kept being upgraded, with the monthly active users of personal mobile banking exceeding 73.00 million, up 15.64% compared with the same period of the prior year. At the same time, the Bank promoted the construction of scenario-based financial services ecosystems across the board. It actively expanded its e-CNY business, completing a pilot project for e-CNY in Winter Olympics-related scenarios. The Bank successfully served the Beijing 2022 Olympic Winter Games and Paralympic Winter Games, which showcased Chinese financial services to the world.

Continually deepening risk management to effectively forestall and defuse financial risks

The Bank continuously improved its risk management system in accordance with the Group's strategies, developed its management structure and optimised its risk management mechanism. It strengthened its risk screening, early warning and emergency response capabilities, established an intelligent risk control system, improved its comprehensive risk management capability, and further enhanced its cybersecurity capability. As a result, the Bank achieved more targeted and forward-looking risk management. It actively strengthened its credit risk management and steadily advanced the disposal of non-performing assets. The Bank's asset quality maintained basically stable. As at 30 June 2022, the balance of the Group's non-performing loans stood at RMB227.232 billion, with a NPL ratio of 1.34%. The allowance for loan impairment losses to non-performing loans was 183.26%. The capital adequacy ratio was 16.99%, remaining at a reasonable and adequate level. Liquidity risk and market risk indicators were also stable, and foreign currency liquidity remained reasonably sufficient.

2 Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Circular of the General Office of China Banking and Insurance Regulatory Commission on Further Strengthening the Financial Support for the Development of Micro and Small-sized Enterprises in 2022* (Yin Bao Jian Ban Fa [2022] No. 37).

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

In the first half of 2022, the resurgence of the COVID-19 pandemic and geopolitical conflicts compounded the complexity of the global economic recovery. Global growth retreated, growth expectations weakened and inflation levels rose across the board. The U.S. and Europe faced increased risk of “stagflation”, and Japan saw sluggish growth. While emerging economies generally maintained growth momentum, some countries experienced heightened economic and financial vulnerability.

International financial markets were characterised by new cyclical patterns. Market interest rates crept up as the monetary authorities of major economies continually issued tightening signals and quickened the pace of policy adjustments, putting pressure on liquidity in the money markets. The US dollar was strong to the upside, the exchange rates of the euro and pound sterling remained weak, and the Japanese yen exchange rate reached a 24-year low. Some emerging markets also suffered a sharp fall in their currencies. Global stock markets shuddered downwards, with U.S. stock indexes leading the decline. Treasury yields increased across the world, with U.S. long and short-end Treasury yields becoming inverted amid pessimistic market sentiment about long-term economic growth. Global commodity prices remained at high levels.

China effectively coordinated COVID-19 containment and social and economic development, restoring normal economic operations. In particular, industrial production picked up significantly, market sales recovered, investment grew steadily, exports registered rapid growth, net inflows in direct investment were maintained, and inflation levels were basically stable. In

the first half of 2022, China's gross domestic product (GDP) grew by 2.5% year-on-year. Industrial added value increased by 3.4% year-on-year, total retail sales of consumer goods (TRSCG) dropped by 0.7% year-on-year, total fixed asset investments (TFAI) (excluding those by rural households) increased by 6.1% year-on-year, and total exports climbed by 13.2% year-on-year, with a trade surplus of RMB2.48 trillion. The consumer price index (CPI) rose by 1.7% year-on-year.

The PBOC reinforced the implementation of its sound monetary policy, gave full play to the dual functions of monetary policy tools in adjusting the credit aggregate and structure, maintained adequate liquidity at a reasonable level, promoted the optimisation of credit structure, and facilitated a steady decline in enterprises overall financing costs, thus further improving the quality and efficiency of financial services for the real economy. As at 30 June 2022, the outstanding broad money supply (M2) was RMB258.1 trillion, up 11.4% year-on-year. The balance of RMB loans reached RMB206.4 trillion, an increase of 11.2% year-on-year. Outstanding aggregate financing to the real economy (AFRE) was RMB334.27 trillion, up 10.8% year-on-year. The SSE Composite Index stood at 3,399 points, down 6.63% from the end of the prior year. The central parity of the RMB against the US dollar was 6.7114, a depreciation of 5.0% compared with the prior year-end.

China's banking sector generally registered stable operations and increased credit granting in order to support stable growth, ensure steady operations of market entities and maintain stable employment, thus facilitating the transformation, upgrading and high-quality development of China's economy. Great efforts were made to prevent and resolve financial risks, and

risk prevention abilities were constantly strengthened. The capital and provision level of the banking sector were sufficient. As at 30 June 2022, the total assets of China's banking sector grew by 6.65% from the prior year-end to RMB367.68 trillion, while total liabilities increased by 6.98% to RMB337.30 trillion. Commercial

banking institutions recorded a profit for the period of RMB1.22 trillion, a year-on-year increase of 7.08%. Outstanding non-performing loans (NPLs) stood at RMB2.95 trillion as at 30 June 2022, with the NPL ratio of 1.67%. The allowance for loan impairment losses to non-performing loans was 203.78%, and the capital adequacy ratio was 14.87%.

Income Statement Analysis

The Bank adhered to the general principle of seeking progress while maintaining stability and coordinated its work in preventing and controlling the pandemic and advancing its operations and management, thus making steady progress in business performance. In the first half of 2022, the Group achieved a profit for the period of RMB124.303 billion, an increase of 4.86% compared with the same period of the prior year. It realised a profit attributable to equity holders of the Bank of RMB119.924 billion, an increase of 6.30% compared with the same period of the prior year. Return on average total assets (ROA) was 0.91% and return on average equity (ROE) was 11.62%.

The principal components and changes of the Group's consolidated income statement are set forth below:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2022	For the six-month period ended 30 June 2021	Change	Change (%)
Net interest income	223,993	208,773	15,220	7.29%
Non-interest income	89,618	94,082	(4,464)	(4.74%)
Including: net fee and commission income	43,145	46,813	(3,668)	(7.84%)
Operating income	313,611	302,855	10,756	3.55%
Operating expenses	(108,912)	(102,357)	(6,555)	6.40%
Impairment losses on assets	(52,810)	(52,945)	135	(0.25%)
Operating profit	151,889	147,553	4,336	2.94%
Profit before income tax	152,069	148,302	3,767	2.54%
Income tax expense	(27,766)	(29,755)	1,989	(6.68%)
Profit for the period	124,303	118,547	5,756	4.86%
Profit attributable to equity holders of the Bank	119,924	112,813	7,111	6.30%

Management Discussion and Analysis

A detailed review of the Group's principal items in each quarter is summarised in the following table:

Unit: RMB million

Items	For the three-month period ended					
	30 June 2022	31 March 2022	31 December 2021	30 September 2021	30 June 2021	31 March 2021
Operating income	152,460	161,151	149,820	153,042	144,989	157,866
Profit attributable to equity holders of the Bank	62,173	57,751	53,036	50,710	58,824	53,989
Net cash inflow/(outflow) from operating activities	167,397	(294,137)	395,589	(240,907)	108,072	580,504

Net Interest Income and Net Interest Margin

In the first half of 2022, the Group achieved net interest income of RMB223.993 billion, an increase of RMB15.220 billion or 7.29% compared with the same period of the prior year. Specifically, interest income grew by RMB32.077 billion or 8.29% to RMB419.011 billion, and interest expense stood at RMB195.018 billion, an increase of RMB16.857 billion or 9.46% compared with the same period of the prior year.

Interest Income

In the first half of 2022, interest income on loans was RMB311.957 billion, an increase of RMB29.099 billion or 10.29% compared with the same period of the prior year, which was primarily attributable to an increase in loan scale.

Interest income on investments amounted to RMB79.831 billion, an increase of RMB4.414 billion or 5.85% compared with the same period of the prior year, mainly due to an increase in investment scale.

Interest income on balances with central banks and due from and placements with banks and other financial institutions was RMB27.223 billion, a decrease of RMB1.436 billion or 5.01% compared with the same period of the prior year, mainly due to a decrease in the balances with central banks and due from and placements with banks and other financial institutions.

Interest Expense

In the first half of 2022, interest expense on due to customers was RMB142.511 billion, an increase of RMB11.961 billion or 9.16% compared with the same period of the prior year, principally due to an increase in the scale and interest rate of deposits.

Interest expense on due to and placements from banks and other financial institutions was RMB30.527 billion, an increase of RMB3.237 billion or 11.86% compared with the same period of the prior year, primarily owing to an increase in the scale and interest rate of due to and placements from banks and other financial institutions.

Interest expense on bonds issued was RMB21.980 billion, an increase of RMB1.659 billion or 8.16% compared with the same period of the prior year, which was mainly attributable to an increase in the scale of bonds issued.

Net Interest Margin

In the first half of 2022, the Group's net interest margin was 1.76%, remaining basically stable as at the same period of the prior year. The Group's net interest margin was mainly affected by the following factors: First, as the Bank continued to strengthen its support to the real economy, the proportion of customer loans

within the Bank's interest-earning assets increased, with the proportion of the average balance of RMB medium and long-term loans within its total RMB customer loans in the Chinese mainland of 74.71%. Second, a series of interest rate hikes by the U.S. Federal Reserve

raised the yields of foreign currency assets. Third, the Bank maintained a balance between quantity and price, strengthened liability cost control and actively reduced high-cost deposits, thus ensuring that the costs of its domestic RMB liabilities remained relatively stable.

The average balances³ and average interest rates of the major interest-earning assets and interest-bearing liabilities of the Group, as well as the impact on interest income/expense of variances in the volume factor and the interest rate factor⁴, are summarised in the following table:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2022			For the six-month period ended 30 June 2021			Analysis of changes in interest income/expense		
	Average balance	Interest income/ expense	Average interest rate	Average balance	Interest income/ expense	Average interest rate	Volume factor	Interest rate factor	Total
Interest-earning assets									
Loans	16,312,780	311,957	3.86%	14,870,211	282,858	3.84%	27,470	1,629	29,099
Investments	5,560,995	79,831	2.89%	5,127,403	75,417	2.97%	6,386	(1,972)	4,414
Balances with central banks and due from and placements with banks and other financial institutions	3,790,816	27,223	1.45%	3,955,514	28,659	1.46%	(1,192)	(244)	(1,436)
Total	25,664,591	419,011	3.29%	23,953,128	386,934	3.26%	32,664	(587)	32,077
Interest-bearing liabilities									
Due to customers	18,410,058	142,511	1.56%	17,262,586	130,550	1.53%	8,706	3,255	11,961
Due to and placements from banks and other financial institutions	3,850,595	30,527	1.60%	3,578,637	27,290	1.54%	2,077	1,160	3,237
Bonds issued	1,416,223	21,980	3.13%	1,282,185	20,321	3.20%	2,127	(468)	1,659
Total	23,676,876	195,018	1.66%	22,123,408	178,161	1.62%	12,910	3,947	16,857
Net interest income		223,993			208,773		19,754	(4,534)	15,220
Net interest margin			1.76%			1.76%			0Bp

Notes:

- Investments include debt securities at fair value through other comprehensive income, debt securities at amortised cost, investment trusts and asset management plans, etc.
- Balances with central banks and due from and placements with banks and other financial institutions include mandatory reserves, surplus reserves, other placements with central banks and due from and placements with banks and other financial institutions.
- Due to and placements from banks and other financial institutions include due to and placements from banks and other financial institutions, due to central banks and other funds.

³ Average balances are average daily balances derived from the Group's management accounts (unreviewed).

⁴ The impact on interest income/expense of variances in the volume factor is calculated based on the changes in average balances of interest-earning assets and interest-bearing liabilities during the reporting period. The impact on interest income/expense of variances in the interest rate factor is calculated based on the changes in the average interest rates of interest-earning assets and interest-bearing liabilities during the reporting period. The impact relating to the combined changes in both the volume factor and the interest rate factor has been classified as a change in the interest rate factor.

Management Discussion and Analysis

The average balances and average interest rates of loans and due to customers in the Chinese mainland, classified by business type, are summarised in the following table:

Items	For the six-month period ended 30 June 2022		For the six-month period ended 30 June 2021		Change	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
RMB businesses						
in the Chinese mainland						Unit: RMB million, except percentages
Loans						
Corporate loans	7,255,917	4.03%	6,370,006	4.10%	885,911	(7) Bps
Personal loans	5,509,110	4.89%	5,129,859	4.84%	379,251	5 Bps
Trade bills	371,973	2.17%	283,806	2.80%	88,167	(63) Bps
Total	13,137,000	4.34%	11,783,671	4.39%	1,353,329	(5) Bps
Including:						
Medium and long-term loans	9,814,919	4.73%	8,835,641	4.74%	979,278	(1) Bp
Short-term loans within 1 year and others	3,322,081	3.17%	2,948,030	3.34%	374,051	(17) Bps
Due to customers						
Corporate demand deposits	3,881,743	0.90%	3,651,396	0.80%	230,347	10 Bps
Corporate time deposits	2,785,453	2.82%	2,593,370	2.85%	192,083	(3) Bps
Personal demand deposits	2,513,601	0.33%	2,384,806	0.36%	128,795	(3) Bps
Personal time deposits	4,034,755	2.99%	3,593,779	3.09%	440,976	(10) Bps
Other	767,121	3.16%	704,595	3.26%	62,526	(10) Bps
Total	13,982,673	1.91%	12,927,946	1.90%	1,054,727	1 Bp
Foreign currency businesses						
in the Chinese mainland						Unit: USD million, except percentages
Loans	55,964	1.21%	42,468	0.88%	13,496	33 Bps
Due to customers						
Corporate demand deposits	81,280	0.16%	70,975	0.27%	10,305	(11) Bps
Corporate time deposits	39,442	0.60%	28,403	0.92%	11,039	(32) Bps
Personal demand deposits	27,034	0.01%	26,402	0.01%	632	0 Bp
Personal time deposits	15,781	0.33%	16,812	0.44%	(1,031)	(11) Bps
Other	3,194	1.52%	2,472	1.79%	722	(27) Bps
Total	166,731	0.28%	145,064	0.39%	21,667	(11) Bps

Note: Due to customers — Other includes structured deposits.

Non-interest Income

In the first half of 2022, the Group reported non-interest income of RMB89.618 billion, a decrease of RMB4.464 billion or 4.74% compared with the same period of the prior year. Non-interest income represented 28.58% of operating income.

Net Fee and Commission Income

The Group earned net fee and commission income of RMB43.145 billion, a decrease of RMB3.668 billion or 7.84% compared with the same period of the prior year. Net fee and commission income represented 13.76% of operating income. The decline was driven by a decrease in income from stock agency commissions and agency sales of funds following the fluctuations in domestic and overseas capital markets. Meanwhile, the Bank actively supported the real economy and implemented requirements on fee reduction, resulting in a corresponding decrease in income. Please refer to Note III.2 to the Condensed Consolidated Interim Financial Information.

Other Non-interest Income

The Group realised other non-interest income of RMB46.473 billion, a decrease of RMB0.796 billion or 1.68% compared with the same period of the prior year. This was primarily attributable to a decrease in net trading gains and net gains on transfers of financial assets. Please refer to Notes III.3, 4, 5 to the Condensed Consolidated Interim Financial Information.

Operating Expenses

In the first half of 2022, the Group recorded operating expenses of RMB108.912 billion, an increase of

RMB6.555 billion or 6.40% compared with the same period of the prior year. The Group's cost to income ratio (calculated in accordance with regulations in the Chinese mainland) was 25.08%, continuing to be maintained at a relatively low level. The Bank continued to operate its business in a prudent and frugal manner. It proactively optimised its cost structure, allocated greater resources to key areas such as market expansion and digital transformation, and kept reducing the expenditures of administrative expenses so as to improve input and output efficiency and strengthen its cost and expenditure management. Please refer to Notes III.6, 7 to the Condensed Consolidated Interim Financial Information.

Impairment Losses on Assets

In the first half of 2022, the Group's impairment losses on assets amounted to RMB52.810 billion, a decrease of RMB0.135 billion or 0.25% compared with the same period of the prior year. Specifically, the Group's impairment losses on loans and advances amounted to RMB45.576 billion, a decrease of RMB2.174 billion or 4.55% compared with the same period of the prior year. The Bank continued to improve its enterprise risk management (ERM) system and constantly adopted a proactive and forward-looking approach to risk management, ensuring relatively stable credit asset quality. At the same time, it stringently implemented a prudent and solid risk provisioning policy, thus maintaining an adequate risk resistance capability. Please refer to the section "Risk Management — Credit Risk Management" and Notes III.8, 16 and Note IV.1 to the Condensed Consolidated Interim Financial Information for more information on loan quality and the allowance for loan impairment losses.

Management Discussion and Analysis

Financial Position Analysis

The Bank committed itself to the new development philosophy, dynamically adjusted its business strategies and continually improved its business structure, thus achieving steady growth in assets and liabilities. As at 30 June 2022, the Group's total assets amounted to RMB28,052.758 billion, an increase of RMB1,330.350 billion or 4.98% compared with the prior year-end. The Group's total liabilities amounted to RMB25,608.006 billion, an increase of RMB1,236.151 billion or 5.07% compared with the prior year-end.

The principal components of the Group's consolidated statement of financial position are set out below:

Unit: RMB million, except percentages

Items	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Assets				
Loans and advances to customers, net	16,537,489	58.95%	15,322,484	57.34%
Investments	6,248,071	22.27%	6,164,671	23.07%
Balances with central banks	2,142,398	7.64%	2,228,726	8.34%
Due from and placements with banks and other financial institutions	1,829,587	6.52%	1,842,711	6.90%
Other assets	1,295,213	4.62%	1,163,816	4.35%
Total assets	28,052,758	100.00%	26,722,408	100.00%
Liabilities				
Due to customers	19,548,227	76.34%	18,142,887	74.44%
Due to and placements from banks and other financial institutions and due to central banks	3,634,271	14.19%	4,046,063	16.60%
Other borrowed funds	1,483,575	5.79%	1,415,032	5.81%
Other liabilities	941,933	3.68%	767,873	3.15%
Total liabilities	25,608,006	100.00%	24,371,855	100.00%

Note: Other borrowed funds includes bonds issued and other borrowings.

Loans and Advances to Customers

The Bank earnestly fulfilled its responsibilities as a large state-owned bank and increased support for the real economy, and achieved solid growth in lending scale. It bolstered support for key areas such as inclusive finance, green finance and strategic emerging industries, continued to improve its credit structure. It thoroughly implemented major regional strategies and the coordinated regional development strategies and effectively served the development of local economies and people's livelihoods. As at 30 June 2022, the Group's loans and advances to customers amounted to RMB16,953.221 billion, an increase of RMB1,240.647 billion or 7.90% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB13,779.576 billion, an increase of RMB1,020.918 billion or 8.00% compared with

the prior year-end, while its foreign currency loans amounted to USD472.874 billion, an increase of USD9.565 billion or 2.06% compared with the prior year-end.

The Bank continuously improved its comprehensive risk management structure, closely monitored changes in the macroeconomic situation, effectively strengthened risk identification and controls in key areas, and stepped up efforts to recover and resolve non-performing assets (NPAs), thus maintaining relatively stable asset quality. As at 30 June 2022, the balance of the Group's allowance for loan impairment losses amounted to RMB416.425 billion, an increase of RMB25.884 billion compared with the prior year-end. The balance of the Group's non-performing restructured loans amounted to RMB25.503 billion, an increase of RMB2.290 billion compared with the prior year-end.

The structure of the Group's loans and advances to customers is set out as below:

Unit: RMB million, except percentages

Items	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Corporate loans				
Chinese mainland: RMB	8,060,118	47.54%	7,161,416	45.58%
Foreign currency	373,734	2.21%	329,463	2.10%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	2,228,300	13.14%	2,090,365	13.30%
Subtotal	10,662,152	62.89%	9,581,244	60.98%
Personal loans				
Chinese mainland: RMB	5,581,755	32.93%	5,461,645	34.76%
Foreign currency	828	0.00%	735	0.00%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	666,871	3.93%	631,370	4.02%
Subtotal	6,249,454	36.86%	6,093,750	38.78%
Accrued interest	41,615	0.25%	37,580	0.24%
Total loans	16,953,221	100.00%	15,712,574	100.00%

Management Discussion and Analysis

Investments

The Bank closely tracked financial market dynamics, maintained investment activity at a reasonable pace and dynamically adjusted the portfolio. As at 30 June 2022, the Group held investments of RMB6,248.071 billion, an increase of RMB83.400 billion or 1.35% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB4,866.746 billion, an increase of RMB89.850 billion or 1.88% compared with the prior year-end, while foreign currency investments totalled USD205.818 billion, a decrease of USD11.848 billion or 5.44% compared with the prior year-end.

The classification of the Group's investment portfolio is shown below:

Unit: RMB million, except percentages

Items	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	540,009	8.64%	561,642	9.11%
Financial assets at fair value through other comprehensive income	2,379,585	38.09%	2,389,830	38.77%
Financial assets at amortised cost	3,328,477	53.27%	3,213,199	52.12%
Total	6,248,071	100.00%	6,164,671	100.00%

Investments by Currency

Unit: RMB million, except percentages

Items	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
RMB	4,866,746	77.89%	4,776,896	77.49%
USD	783,701	12.54%	801,236	13.00%
HKD	239,951	3.84%	260,080	4.22%
Other	357,673	5.73%	326,459	5.29%
Total	6,248,071	100.00%	6,164,671	100.00%

Top Ten Financial Bonds by Value Held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual Rate	Maturity Date	Impairment Allowance
Bond issued by policy banks in 2019	15,049	3.48%	2029-01-08	—
Bond issued by policy banks in 2018	13,580	4.98%	2025-01-12	—
Bond issued by policy banks in 2019	12,927	3.65%	2029-05-21	—
Bond issued by policy banks in 2020	12,888	2.96%	2030-04-17	—
Bond issued by policy banks in 2017	11,730	4.39%	2027-09-08	—
Bond issued by policy banks in 2018	11,098	4.88%	2028-02-09	—
Bond issued by policy banks in 2018	10,730	4.73%	2025-04-02	—
Bond issued by policy banks in 2020	10,043	3.23%	2030-03-23	—
Bond issued by financial institution in 2022	9,000	3.45%	2032-06-17	—
Bond issued by policy banks in 2021	8,839	3.07%	2024-03-24	—

Note: Financial bonds refer to debt securities issued by financial institutions in the bond market, including bonds issued by policy banks, other banks and non-bank financial institutions, but excluding restructured bonds and PBOC bills.

Due to Customers

In order to improve both the scale and pricing of its deposits, the Bank continuously accelerated product and service innovation, improved the building of scenario-based financial services ecosystem, thus enhancing its financial services offering and expanding the scale of customers' financial assets. It actively diversified the sources of its deposits, including from salary payment agency, third-party custody, cash management and social security cards, with the increment of domestic RMB deposits reaching a record

high. The Bank effectively controlled the funding cost of deposits, leading to continuous improvement in the development quality of its deposit business. As at 30 June 2022, the Group's due to customers amounted to RMB19,548.227 billion, an increase of RMB1,405.340 billion or 7.75% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB15,330.580 billion, an increase of RMB1,182.360 billion or 8.36% compared with the prior year-end, while its foreign currency due to customers stood at USD628.430 billion, an increase of USD1.884 billion or 0.30% compared with the prior year-end.

Management Discussion and Analysis

The structure of the Group's due to customers is set out as below:

Unit: RMB million, except percentages

Items	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Corporate deposits				
Chinese mainland: RMB	7,508,716	38.41%	6,949,089	38.30%
Foreign currency	700,509	3.59%	746,501	4.12%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	2,009,777	10.28%	1,899,896	10.47%
Subtotal	10,219,002	52.28%	9,595,486	52.89%
Personal deposits				
Chinese mainland: RMB	7,286,159	37.27%	6,635,794	36.58%
Foreign currency	309,881	1.59%	293,935	1.62%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	1,243,694	6.36%	1,157,382	6.38%
Subtotal	8,839,734	45.22%	8,087,111	44.58%
Certificates of deposit and others	489,491	2.50%	460,290	2.53%
Total deposits	19,548,227	100.00%	18,142,887	100.00%

Note: Certificates of deposit and others includes accrued interest.

Equity

As at 30 June 2022, the Group's total equity stood at RMB2,444.752 billion, an increase of RMB94.199 billion or 4.01% compared with the prior year-end. This was primarily attributable to the following factors: (1) In the first half of 2022, the Group realised a profit for the period of RMB124.303 billion, of which profit attributable to equity holders of the Bank amounted to RMB119.924 billion. (2) The Bank pushed forward its external capital replenishment projects in a proactive

and prudent manner, successfully issuing RMB50.0 billion of undated capital bonds. (3) As per the 2021 dividend distribution plan approved at the Annual General Meeting, a cash dividend of RMB65.060 billion was paid out on ordinary shares. (4) The Bank paid a dividend on its preference shares of RMB4.4595 billion and interest on undated capital bonds of RMB5.200 billion. Please refer to the "Condensed Consolidated Interim Statement of Changes in Equity" in the Condensed Consolidated Interim Financial Information.

Cash Flow Analysis

As at 30 June 2022, the balance of the Group's cash and cash equivalents was RMB1,882.314 billion, a decrease of RMB93.317 billion compared with the prior year-end.

In the first half of 2022, net cash flow from operating activities was an outflow of RMB126.740 billion, as compared to an inflow of RMB688.576 billion in the same period of the prior year. This was mainly attributable to a net decrease of due to central banks and due to and placement from banks and other financial institutions as compared to a net increase in the same period of the prior year.

Net cash flow from investing activities was an outflow of RMB85.538 billion, a decrease of RMB91.847 billion compared with the same period of the prior year. This was mainly attributable to an increase in cash

received from the disposal and maturing of financial investments.

Net cash flow from financing activities was an inflow of RMB77.116 billion, as compared to an outflow of RMB8.606 billion in the same period of the prior year. This was mainly attributable to a time difference on dividend payment to ordinary shareholders.

Segment Information

The Group manages its operations on both geographic and business segment lines. From a geographic perspective, the Group operates in three principal regions: the Chinese mainland; Hong Kong (China), Macao (China) and Taiwan (China); and other countries and regions. From a business perspective, the Group provides financial services through six main business segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.

Operating income for the main geographical segments of the Group is set forth in the following table:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2022		For the six-month period ended 30 June 2021	
	Amount	% of total	Amount	% of total
Chinese mainland	247,691	78.74%	237,960	78.33%
Hong Kong (China), Macao (China) and Taiwan (China)	55,560	17.66%	55,579	18.29%
Other countries and regions	11,335	3.60%	10,279	3.38%
Elimination	(975)	—	(963)	—
Group	313,611	100.00%	302,855	100.00%

Note: Percentages of operating income for each geographic segment are calculated based on the amount before elimination.

Management Discussion and Analysis

Operating income for the main business segments of the Group is set forth in the following table:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2022		For the six-month period ended 30 June 2021	
	Amount	% of total	Amount	% of total
Commercial banking business	279,788	89.22%	266,952	88.15%
Including: Corporate banking	107,870	34.40%	104,698	34.57%
Personal banking	117,287	37.40%	111,781	36.91%
Treasury operations	54,631	17.42%	50,473	16.67%
Investment banking and insurance	23,556	7.51%	22,603	7.46%
Others and elimination	10,267	3.27%	13,300	4.39%
Group	313,611	100.00%	302,855	100.00%

Please refer to Note III.31 to the Condensed Consolidated Interim Financial Information for more detailed information related to the Group's other operating results and financial position in terms of geographic and business segment categories.

Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value:

Unit: RMB million

Items	As at 30 June 2022	As at 31 December 2021	Change
Placement with and loans to banks and other financial institutions at fair value	5,137	–	5,137
Financial assets at fair value through profit or loss			
Debt securities	327,558	356,462	(28,904)
Equity instruments	102,807	102,268	539
Fund investments and other	109,644	102,912	6,732
Loans and advances to customers at fair value	489,876	355,600	134,276
Financial assets at fair value through other comprehensive income			
Debt securities	2,355,504	2,363,078	(7,574)
Equity instruments and other	24,081	26,752	(2,671)
Derivative financial assets	155,953	95,799	60,154
Derivative financial liabilities	(128,807)	(89,151)	(39,656)
Due to and placements from banks and other financial institutions at fair value	(67)	(162)	95
Due to customers at fair value	(25,569)	(31,311)	5,742
Bonds issued at fair value	(2)	(317)	315
Short position in debt securities	(24,725)	(12,458)	(12,267)

The Bank has put in place a sound internal control mechanism for fair value measurement. In accordance with the *Guidelines on Market Risk Management in Commercial Banks*, the *Regulatory Guidelines on Valuation of Financial Instruments in Commercial Banks*, CAS and IFRS, with reference to the New Basel Capital Accord, and drawing on the best practices of international banks regarding valuations, the Bank formulated the *Valuation Policy of Financial Instrument Fair Values of Bank of China Limited* to standardise the fair value measurement of financial instruments and enable timely and accurate financial information

disclosure. Please refer to Note IV.4 to the Condensed Consolidated Interim Financial Information for more detailed information related to fair value measurement.

Other Financial Information

There are no differences between the shareholders' equity and profit for the period prepared by the Bank in accordance with IFRS and those prepared in accordance with CAS. Please refer to Supplementary Information I to the Condensed Consolidated Interim Financial Information for detailed information.

Management Discussion and Analysis

Business Review

During the reporting period, the Bank closely followed national strategies and pressed ahead with the implementation of the Group's 14th Five-Year Plan. Based on a clear sense of its market positioning and comparative advantages, the Bank accelerated efforts to foster a strategic development pattern with domestic commercial banks as the "One Mainstay" and globalisation and integration as the "Two Engines", in order to ensure smooth flows in the domestic and international dual circulations. Adhering to its original aspiration to serve the real economy, the Bank fully and correctly applied the nation's new development philosophy in all fields of endeavour. It also took necessary steps to deepen supply-side structural reform in the financial sector, with emphasis given to accelerating the development of the "Eight Priority Areas for Enhancing Financial Services Capabilities". To embrace the digital era, it intensified the application of various technologies such as big data, cloud computing, artificial intelligence, blockchain and 5G mobile communications, as part of its efforts to accelerate digital transformation. Keeping bottom-line thinking firmly in mind, the Bank worked to build stronger lines of defence against risks and to dissolve risks and address challenges, thus continuously improving the efficiency of its comprehensive risk management.

Commercial Banking in the Chinese Mainland

The Bank's commercial banking business in the Chinese mainland aligned with the nation's strategic development priorities and focused on key areas, key businesses and key projects. It strengthened product innovation, consolidated its customer account base, and continued to enhance its sustainable development capabilities, effectively play the cornerstone role of "One Mainstay". In the first half of 2022, the Group's commercial banking business in the Chinese mainland recorded an operating income of RMB241.873 billion, an increase of RMB8.655 billion or 3.71% compared with the same period of the prior year. Details are set forth below:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2022		For the six-month period ended 30 June 2021	
	Amount	% of total	Amount	% of total
Corporate banking business	95,836	39.62%	91,574	39.27%
Personal banking business	111,429	46.07%	103,312	44.30%
Treasury operations	35,712	14.76%	36,669	15.72%
Others	(1,104)	(0.45%)	1,663	0.71%
Total	241,873	100.00%	233,218	100.00%

Corporate Banking

With a focus on high-quality development, the Bank continued to advance the transformation of its corporate financial services so as to serve the real economy more efficiently and effectively. It prioritised the support of high-quality development in key areas such as technology finance, green finance, inclusive finance, supply chain finance, county-level finance, strategic emerging industries and manufacturing, thus contributing to the transformation and upgrading of the national economy. It also proactively expanded core customer groups in the advanced manufacturing and digital economy-related industries, so as to help improve the country's strategic scientific and technological strengths. In addition, the Bank accelerated progress in the development of the Beijing-Tianjin-Hebei region, the Xiongan New Area, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, Hainan Free Trade Port and other key areas by virtue of its financial resources, thus supporting national strategies for coordinated regional development. Centring on customers' needs and experience, the Bank rapidly increased the scale of its assets under management (AUM), closely cooperated with its comprehensive operation companies, and implemented differentiated precision marketing based on the refined classification of customer groups. It also promoted the management of financial product aggregates (FPA), gave full play to the advantages of the Group's comprehensive operations, and provided integrated service solutions covering the whole product line of "investment, loans, bonds, equity, insurance and leasing" to meet the diversified financing needs of all customers. The Bank made every effort to provide high-quality financial services for the Beijing 2022 Winter Olympic and Paralympic Games, successfully implemented an e-CNY trial during the Winter Olympic Games and ensured that

all event-related financial services were carbon neutral through green construction, low-carbon operations and carbon allowance offsetting. The Bank realised the achievements of "zero infection, zero accident, zero mistake and zero complaint", thus making outstanding contributions to the success of the Winter Olympic Games. It set up five temporary outlets and four self-service centres in three competition areas and accepted 10,100 transactions from 8,687 institutional and personal customers. A total of 12,000 transactions were handled via various self-service machines and devices within the Winter Olympics campus. It cumulatively issued 20.75 million UnionPay Great Wall Ice and Snow Debit Cards, 11,900 Visa Winter Olympics Debit Cards and 1.92 million Winter Olympics Credit Cards. In the first half of 2022, the Group's corporate banking business in the Chinese mainland recorded an operating income of RMB95.836 billion, an increase of RMB4.262 billion or 4.65% compared with the same period of the prior year.

Corporate Deposits

Upholding its customer-centric approach, the Bank continued to consolidate its development foundations and remained committed to building a comprehensive and tiered marketing management system through scientific classification and targeted policy implementation. Focusing on customers' diversified financial needs, it further enhanced its cross-industry services, comprehensive marketing awareness and all-round service capabilities, and made the efforts to increase the scale of its AUM. Furthermore, by proactively integrating into the domestic and international dual circulations, the Bank strived to connect its business product channels for domestic settlement and international settlement, increased business volumes in payments and settlements, enhanced fund retention capacity, and boosted the sound and sustainable development of its deposit

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business. The Bank highlighted the strategic positioning of its administrative institution business, served the implementation of national strategies, and fulfilled the requirements of stabilising the economy. It accelerated digital transformation, pressed ahead with the building of a smart government services ecosystem, strengthened the “Head Office-to-headquarters” connection, consolidated the customer base, and continuously enhanced its market expansion ability. As at the end of 30 June 2022, RMB corporate deposits of the Group’s commercial banking in the Chinese mainland totalled RMB7,508.552 billion, an increase of RMB559.627 billion or 8.05% compared with the prior year-end, with the increase amount hitting a ten-year high and the market share of daily average deposits continuously increasing. Foreign currency corporate deposits amounted to USD104.376 billion, securing the leading position in the industry.

Corporate Loans

The Bank actively performed its responsibilities, deeply implemented the national development strategy and effectively improved the quality and efficiency of its service to the real economy. It devoted itself to the development of the modern industrial system, and backed efforts to bolster the nation’s strategic strengths in science and technology. It actively promoted a shift in service focus from traditional industries to new industries, new business forms and new business models, and increased credit extension to strategic emerging industries. It strived to promote the nation’s coordinated regional development strategy, supporting industrial upgrading and transfer as well as the development of city clusters in the Beijing-Tianjin-Hebei region and the Xiongan New Area. The Bank also increased its investment in the advanced manufacturing sector, high-quality service sector, new infrastructure construction, new urbanisation and other sectors in the Yangtze River Delta, and vigorously seized the

opportunities arising from the technology finance, industry finance and cross-border finance sectors of the Guangdong-Hong Kong-Macao Greater Bay Area. The Bank adopted policies tailoring to local conditions and pursued accelerated development in the ecological protection of the Yellow River basin, the development of modern agriculture and animal husbandry, new urbanisation, infrastructure connectivity, and the upgrading and transformation of traditional industries. It further stepped up its efforts to promote financial connectivity in the Chengdu-Chongqing economic circle, and energetically supported new forms of consumption. In addition, the Bank contributed to the development of the Hainan Free Trade Port and Smart Hainan, positioning itself as the first-choice bank for the free trade port. To serve the national strategy of expanding domestic demand, it increased support for consumption, capitalised on the new trend of consumption upgrading and accelerated the construction of scenario ecosystem. To serve common prosperity for all, the Bank continuously strengthened its inclusive finance services and made breakthroughs in online products. It also proactively integrated into the national rural revitalisation strategy and increased support for agricultural modernisation. To serve the nation’s ecological conservation strategy, it further boosted the development of green finance and improved relevant products and services, which in turn supported the sustainable development of the economy and society and helped the Bank to build a brand reputation for green finance. The Bank contributed to the high-quality opening up of the Chinese economy by providing solid financial services to the Belt and Road initiative and strengthening Chinese enterprises’ “Going Global” efforts and overseas economic and trade cooperation. As at the end of June 2022, RMB corporate loans of the Bank’s operations in the Chinese mainland totalled RMB8,017.478 billion, an increase of RMB893.831 billion or 12.55% compared with the

prior year-end, with the increase amount higher than that of the same period of the prior year. Foreign currency corporate loans totalled USD55.686 billion, an increase of USD4.011 billion or 7.76% compared with the prior year-end, maintaining its top position among peers. Specifically, technology finance loans grew by 17.21%, loans granted to strategic emerging industries grew by 67.00%, and manufacturing loans went up by 15.64% compared with the prior year-end.

Financial Institutions Business

The Bank continued to build up its integrated financial services platform and deepen all-round cooperation with various kinds of financial institutions, retaining a leading position in terms of customer coverage. It has maintained correspondent relationships with about 1,200 institutions around the world and has opened 1,417 cross-border RMB clearing accounts for correspondent banks from 116 countries and regions, thus securing a leading position among domestic banks. It promoted the RMB Cross-Border Interbank Payment System (CIPS) and signed cooperation agreements for indirect participants with 573 domestic and overseas financial institutions, seizing the largest market share among peers. The Bank's custodian service for Qualified Foreign Investors (QFI) and its agency service for overseas central banks and other sovereign institutions held leading positions in the industry in terms of both customer base and business scale. The Bank became one of the first settlement banks to facilitate Interbank-exchange-traded Bond Market Connect Business, and successfully supported the first transaction as the exclusive settlement bank for the conversion of Shanghai-listed B shares to Hong Kong-listed H shares. It assisted China Central Depository & Clearing Co., Ltd. in the issuance of the first green asset-backed securities in the free trade zone and the related transfer of proceeds, thus enhancing its brand image in the

financial factor markets. The Bank also strengthened cooperation with the Asian Infrastructure Investment Bank (AIIB), New Development Bank (NDB) and other multilateral development institutions. It assisted the AIIB and NDB, respectively, with the issuance of Panda bonds by serving as lead underwriter and lead bookrunner, and successfully marketed NDB's insurance business for super-sovereign organisations, the first of its kind in the Chinese mainland. As at the end of June 2022, the Bank had the largest market share in foreign currency deposits from financial institutions, and further increased its market share in terms of third-party funds under custody.

Transaction Banking

Actively adapting to the trend of FinTech innovation and the integrated financial needs of customers, the Bank vigorously developed its transaction banking business. It continued to strengthen financial support for the policy imperative of "ensuring stable foreign trade" and issued the *BOC Action Plan for Supporting High-quality Development of Foreign Trade and Making Cross-cyclical Adjustments to Ensure Stable Foreign Trade* and the *Action Plan for Seizing New Opportunities in RCEP Free Trade Zone to Develop a New Development Pattern of Dual Circulation*. The Bank organised the "100+10000" campaign to support the high-quality development of trade, and provided full support to the 131st China Import and Export Fair ("Canton Fair"). Moreover, the Bank maintained a leading position in the market in terms of international trade settlement, cross-border RMB settlement, cross-border guarantee business and cross-border cash pooling business. It promoted the digitalised, intelligent and scenario-based development of supply chain finance, and launched a new online financing product "BOC Smart Chain • Rong Yi Xin", moving online the full process of unsecured factoring financing services

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for multi-tier upstream suppliers on the industrial chain. In addition, the “BOC Smart Chain • BOC Cold-Chain Logistics Chain” was introduced to provide financial services for the whole industrial chain of cold-chain logistics. The Bank accelerated the digital transformation of its transaction banking business, innovatively launched “BOC Cross-border Remittance STP”, “BOC Cross-border E-Presentation” and other products, continuously improved its “Global Cash Management Platform+” product system, and accelerated the iteration and upgrading of its “BOC Intelligent Funds Supervision Service” system to further improve customer experience. The Bank improved its financial product system for new business patterns in foreign trade, and continued to expand its circle of partners in new business patterns such as cross-border e-commerce, market procurement trade, oversea warehouse, etc. It continued to optimise its account opening modes, providing micro and small-sized enterprises with an easy account opening service and promoting account opening reservation services via “one-stop” government platforms to increase the efficiency of its corporate account services.

Inclusive Finance

The Bank resolutely implemented national decisions and plans for stabilising the economy, followed regulatory policy requirements on all fronts, focused on the inclusive finance needs of micro and small-sized enterprises, and boosted the development of the real economy with high-quality and efficient inclusive finance services. It issued the *Thirty Measures on the Long-effect Mechanism for Being Confident, Willing, Able and Capable to Grant Loans to Micro and Small-sized Enterprises* to optimise the supply of financial services for micro and small-

sized enterprises. It provided financial support during pandemic prevention and control, and took emergency measures to ensure business continuity. It helped stabilise and promote employment through the “Inclusive Loan for Employment Promotion” action plan, and launched exclusive services in cooperation with platform enterprises based on the “Inclusive Loan for Supply Chain” to give batch-by-batch support to enterprises in relevant industries affected by the pandemic. The Bank strengthened financial services in key areas, promoted the development of featured outlets, organised a special campaign for “BOC Inclusive Services for Specialised, Refined, Featured and Innovative Enterprises”, and launched “Bancassurance Cooperation” to serve micro and small-sized foreign trade enterprises. In addition, it issued ten measures to support the diversified financial needs of “new citizens”, such as entrepreneurship and employment. The Bank accelerated the digital transformation of inclusive finance and launched online inclusive finance products such as “Industrial Housing Loan” and “Online Mortgage Loan”. It also strengthened credit information sharing and application, continuously improved product functions and enhanced its intelligent risk control system. As at the end of June 2022, the Bank’s outstanding inclusive finance loans granted to micro and small-sized enterprises reached RMB1,105.0 billion, an increase of 41.38% compared with the same period of the prior year and 25.36% compared with the prior year-end, outpacing the growth rate of the Bank’s total loans. The number of micro and small-sized business customers was nearly 0.7 million, higher than that at the beginning of the year. The average interest rate of new inclusive finance loans granted to micro and small-sized enterprises in the first half of 2022 was 3.87%. The quality of loans granted to micro and small-sized enterprises remained stable and manageable.

Pension Business

The Bank continuously provided a range of products including enterprise annuities, occupational annuities and employee benefit plans, intensified efforts in the building of inclusive pension finance and other scenario-based financial services ecosystems, and accelerated the strategic layout of its pension business, thus supporting the development of the silver economy on all fronts. As at 30 June 2022, pension funds held in trust by the Bank reached RMB156.124 billion, an increase of RMB14.579 billion or 10.30% compared with the prior year-end. The total number of enterprise annuity individual accounts held by the Bank reached 3.7757 million, an increase of 99,800 or 2.72% compared with the prior year-end. Pension assets under custody amounted to RMB860.695 billion, an increase of RMB77.193 billion or 9.85% compared with the prior year-end. The Bank provided enterprise annuity services for more than 17,000 institutional clients.

Digital Transformation of Corporate Banking

The Bank continuously improved its function of the global service platform of corporate banking customers and accelerated the promotion and application of the platform, enriched the data foundations of its platforms, acquired new customers via marketing insights based on multi-scenario, built up an unified core capability in data analysis and supported the differentiated management of corporate customers for different business lines, so as to continuously optimise the management of institutional effectiveness and enhance penetrating and refined management capabilities. The Bank also employed technology to improve risk management and compliance, implemented compliance requirements for local government financing business and launched a debt monitoring and security inquiry system. Empowering

green finance through intelligence, the first phase of its green finance management system was launched with a view to realising the intelligent identification and measurement of the environmental benefits arising from its green finance business.

Personal Banking

Adhering to the philosophy of professional development, with a customer-centric approach, the Bank shaped its retail banking business into one with wealth finance as the mainstay, cross-border finance and consumer finance as features, and key regions as breakthrough drivers. It remained committed to bolstering its development momentum, comprehensively accelerated digital transformation, and continued to promote the high-quality development of its personal banking business. In the first half of 2022, the Bank's personal banking business in the Chinese mainland realised an operating income of RMB111.429 billion, an increase of RMB8.117 billion or 7.86% compared with the same period of the prior year.

Account Management Business

Upholding the concept of "finance for the people", the Bank built a long-acting mechanism for personal banking account services, optimised financial services for "new citizens", and earnestly addressed the difficulties that flexible workers face in opening personal salary accounts. As the only official banking partner of both the Winter and Summer Olympic Games, the Bank provided all-round personal banking support to the Winter Olympics and developed Winter Olympics-themed annual bank statement for personal customers. The Bank provided inclusive, convenient and high-quality account management services, and constantly worked on fee reduction and profit concession. Since 1 February 2022, it has cancelled annual fees for personal debit cards and management fees for petty accounts.

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Wealth Finance Business

The Bank constantly implemented the national strategy of “common prosperity”. Based on the strategic development pattern of “One Mainstay, Two Engines”, the Bank provided wealth finance as its primary service to customers, leading to the high-quality development of its wealth finance business. As at the end of June 2022, the total financial assets under management of the Group’s personal customers exceeded RMB12 trillion. The Bank built a “Group-wide + market-wide” wealth finance platform, actively introduced innovative mutual fund products, and steadily expanded the scope of cooperation with wealth management companies. As at 30 June 2022, the Bank had established partnerships with eight wealth management companies, and the balance of its agency sales of personal customers’ wealth management products increased by 8.17% over the end of the previous year. It put more emphasis on asset allocation products, upgraded the “BOC Smart Investment” service brand, and provided asset allocation services for customers through product recommendation, asset diagnosis, intelligent automatic investment plan (AIP), etc. Adhering to the philosophy of professional development, the Bank pooled expertise and professional research capabilities and launched “BOC Investment Strategy”, featuring global investment research service covering stocks, bonds, currencies, commodities and other major asset categories, and consisting of daily, weekly, monthly, quarterly and annual reports. As at 30 June 2022, the Bank had established 8,146 wealth management centres and 1,107 prestigious wealth management centres in the Chinese mainland.

Consumer Finance Business

In strict compliance with national policies, the Bank increased the volume of loans and maintained steady

growth in housing loans and rapid development in non-housing consumer loans. It earnestly fulfilled concentration management requirements for residential mortgage loans, vigorously supported demand for first-time and improve-living-quality homes, and reduced financing costs for home buyers, facilitating the steady and healthy development of the real estate market. At the same time, the Bank continued to accelerate product promotion, innovation and upgrading, built an efficient and convenient consumer loan product system, and launched featured products and services aimed at “new citizens”, farmers and other customer groups, in a bid to promote the expansion of non-housing consumer loans and help stabilise the economy by boosting consumption. In addition, the Bank supported pandemic prevention and control, actively implemented the requirements of national policies, provided grace periods and deferred the repayment for people suffering from the pandemic, and implemented an interest exemption and deferred repayment policy for government-sponsored student loans to student bodies. The Bank continued to promote digital transformation and integration of scenarios, and accelerated the development of online products such as “BOC E-Loan”. It focused on large-amount consumption scenarios such as automobile purchase and home decoration, and strengthened its inclusive and green finance offers in auto finance services, making home decoration instalment become its “Second Largest Scenario”, developing a new layout for its traditional scenario-based instalment. The Bank focused on multiple resident consumption scenarios and promoted BOC E-instalment “Family Consumption Reserve Fund” brand services, so as to support the upgrading of residents’ consumption. As at 30 June 2022, the balance of personal RMB loans of the Group’s commercial banking business in the Chinese mainland was RMB5,581.755 billion, an increase of RMB120.110 billion or 2.20% compared with the prior year-end.

Private Banking Business

In order to accelerate the high-quality development of its private banking business, the Bank adhered to the concept of “private banking driven by the Group’s strength”, undertook the mission of serving the real economy with private banking services and improved professional, comprehensive and globalised financial services. It launched a new brand identity for BOC Private Banking and promoted its service concept of managing the value of wealth. It deepened research into investment strategies, built an asset allocation platform, increased a variety of products with public welfare features, thus contributing to common prosperity. It also promoted family trust services. The number of family trust service customers grew by 63.72% compared with the prior year-end. It launched an innovative service of “entrepreneurs’ office”, which is designed on the perspective of entrepreneurs, centred on highly tailored wealth value management and set to be a top private banking service pooling the Group’s resources. The entrepreneurs’ office provided all-around, full-cycle and globally-integrated and professional service platform to assist entrepreneurs in achieving their long-term personal, family, enterprise and social responsibility development visions. The Bank continued to build its Asia-Pacific private banking platform and consolidated the advantages of the Bank’s globally integrated services. The Bank strengthened the constructions of its private banking channels and professional team, establishing 167 private banking centres in the Chinese mainland. As at 30 June 2022, the Group had 0.1550 million private banking customers with RMB2.33 trillion of financial assets under management. In the first half of 2022, the Bank was again awarded “Overall Best State-owned Private Bank in China” by *Asiamoney*. It was recognised by *Asian Private Banker* as the “Best National Private Bank in China” for the fourth consecutive year, and was

honoured the “Best Private Bank in China — Asset Allocation Services and Research” and “Best Private Bank in China — Services for Business Entrepreneurs”. It also won “Best Private Bank in China — Risk Management” from *Wealth Management*.

Personal Foreign Exchange Business

The Bank actively adapted to a changing market environment and shifting customer demands, consolidated its leading edge in cross-border finance and continued to optimise its personal foreign exchange services. The Bank offered personal foreign currency deposit and withdrawal services in 25 currencies and personal foreign exchange services in 39 currencies, securing the leading position among peers. Focusing on key customer groups, key regions and key businesses, the Bank accelerated product and service innovation and continued to promote the development of digital currency systems for currency exchange. In addition, it promoted online processes for traditional business services and was the first bank in the industry to support the conversion of foreign currencies into e-CNY via self-service exchange machines, providing foreign exchange services in eight languages covering 18 currencies and 169 kinds of face value. Its foreign exchange cash reservation service was available in major cities in the Chinese mainland and via multiple channels such as mobile banking, WeChat banking and online banking, and was integrated into platforms such as China’s online government affairs service platform and JegoTrip APP. The Bank attached great importance to providing personal foreign exchange services and support to the Beijing 2022 Winter Olympics, offered a “green channel” of foreign exchange business to Winter Olympics short-term visitors, made efforts to improve the micro-payment experience for visitors to China, and accomplished connected systems and unified operation and management of authorised foreign currency exchange hotels, thus greatly

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reinforcing its brand image as an official banking partner of both the Winter and Summer Olympic Games. As at 30 June 2022, the personal foreign currency deposits of the Group's commercial banking business in the Chinese mainland amounted to USD46.172 billion, outperforming peers in terms of personal cross-border business income, the business volume of foreign currency exchange against RMB, and the market share of foreign currency personal deposits.

Bank Card Business

Persisting the concept of high-quality development, the Bank implemented a digital transformation strategy to continuously accelerate the development of its bank card business. It steadily advanced its debit card business and worked to enhance its brand competitiveness. It optimised its debit card services and issued more than 20 million debit cards themed on the Beijing 2022 Winter Olympics and winter sports. The Bank's social security card business was further expanded. As at 30 June 2022, the Bank had cumulatively issued 117.9941 million physical and 12.5291 million electronic social security cards. It endeavoured to improve rail travel services and extended Railway e-Card service to 64 railway lines, covering national strategic regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei region, the Chengdu-Chongqing economic circle and the Hainan Free Trade Port, serving over 8 million customers. The Bank optimised its products and services and stepped up the high-quality development of its credit card business. Serving the goal of engaging "300 million people on the ice and snow", it promoted Winter Olympics-themed credit card products and successfully delivered payment acceptance in Winter Olympic venues and key scenarios related to the Olympics. It strengthened Group-wide coordination and

collaboration, providing convenient credit card services for high-quality customers, so as to promote the growth of active users. To facilitate a recovery in automobile consumption, the Bank cooperated with mainstream automobile brands to launch multiple subsidy products for auto finance fees, thus reducing the financing costs of automobile purchases. It enhanced digital services to facilitate its credit card instalment, established online financial service cooperation with new energy vehicle brands, launched the "Instalment Mobile Office PAD" service tool, and optimised the layout of its "consumer finance (credit cards) featured outlets". In order to assist the recovery of the commercial economy, the Bank launched the "BOC Benefit Day — Super Weekend" campaign, focusing on restaurants, department stores, convenience stores and fresh groceries and other sectors. In response to the nation's key regional development strategies, the Bank supported the development of Beijing, Shanghai, Tianjin, Chongqing, Guangzhou, etc., as international consumption centres, selected key shopping areas as planned by local government for consumption stimulation, and jointly launched the "discount upon purchase" marketing campaign. As at 30 June 2022, the Bank had issued a total of 136.9679 million credit cards. In the first half of 2022, credit card consumption amounted to RMB728.869 billion, including RMB169.429 billion from credit card instalments.

Digital Transformation of Personal Banking

The Bank accelerated the digital transformation of its personal banking business so as to empower high-quality development of personal finance business. It adopted a system-building philosophy based on sharing and reuse, and enhanced its digital capabilities focusing on eight priority areas, namely integrated and collaborative channel management, agile and customised products and services, closed-loop and

collaborative digital marketing, intensive and efficient smart operations, unified and shared data asset mining and application, smart and multi-dimensional internal risk control and management, open and shared scenario ecosystem building and accurate customer insight. It established a digital business development model and successfully launched the “Smart Reach 2.0” digital marketing system, creating a customer-oriented digital marketing model. It actively promoted digitalised products, in a bid to enhance its online service capabilities. As at 30 June 2022, the volume of the Bank’s mobile banking transactions reached RMB22.94 trillion, up 16.15% compared with the same period of the prior year. The number of monthly active mobile banking customers stood at 73.67 million.

Financial Markets Business

The Bank actively supported national strategies, closely tracked global financial market dynamics and grasped the direction of the development of the real economy. It continuously adjusted its business structure, stepped up efforts to ensure prudent operations and compliance with regulatory requirements, thus consolidating its leading position in financial markets business and achieving high-quality development of its financial markets business.

Securities Investment Business

By strengthening its macroeconomic situation and market interest rates forecasting and analysis capabilities, the Bank proactively seized market opportunities and dynamically adjusted its investment portfolio in a bid to mitigate portfolio risk. It supported the development of the real economy, increased the proportion of key fields such as local government bonds and green bonds in its RMB investment portfolios, and took a leading position in the market in terms of investment in green debt financing

instruments. Following trends in global bond markets, the Bank actively responded to the impact of US dollar interest rate hikes and intensified efforts to increase the yield of its foreign currency investment portfolios and optimise its foreign currency bond investment portfolio. The Bank actively invested in bonds issued by large state-owned enterprises and green bonds, and strictly controlled credit risk.

Trading Business

The Bank continuously improved its financial markets business systems, consolidated its development foundations and enhanced its comprehensive customer service capabilities. It outperformed peers in terms of market share of foreign currency exchange against RMB, with the Bank providing 40 currency pairs available for exchange. It also led the domestic market in terms of the variety and total number of tradable foreign currencies. To fulfill the hedging needs of the real economy, the Bank actively publicised the concept of FX risk neutrality and made comprehensive use of financial market trading instruments to help enterprises enhance their risk management. It also launched new service models that steadily increased its hedging service coverage among micro, small and medium-sized enterprises and inclusive finance customers. Seizing opportunities arising from the two-way opening up of financial markets and relying on a multi-tier service system “integrating trading, sales and research”, the Bank took steps to expand its overseas institutional investor customer base and provide high-quality trading services for domestic bonds and derivatives. It improved its research system and advanced the sharing of research resources and capabilities. In response to market risk fluctuations, the Bank further optimised credit risk management, continuously strengthened product and agreement management, effectively enhancing its risk control capacity.

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Investment Banking Business

The Bank followed its mission to serve the real economy, leveraged the operational advantages of its international business and diversified services, and strived to deliver an integrated “commercial banking + investment banking” service system. Focused on national strategies, it increased efforts to develop its direct financing and investment banking advisory businesses, including domestic and overseas bond underwriting and distribution, asset-backed securitisation (ABS), etc., in order to fully meet customers’ “domestic + overseas” and “financing + intelligent” needs for comprehensive financial services. To facilitate the development of China’s capital markets and its two-way opening up, the Bank underwrote bonds in the China interbank bond market with a total amount of RMB826.246 billion in the first half of 2022. It actively promoted asset-backed securitisation underwriting business and maintained a leading position in terms of market share in ABS underwriting in the China interbank bond market. The Bank also actively supported the issuance of green bonds. It underwrote the first batch of transition bonds, and helped non-financial enterprises and financial institutions issue green bonds of a total amount of RMB112.092 billion. In addition, the Bank further sharpened its competitive advantages in cross-border underwriting business and maintained the largest market share in both offshore China bond underwriting and Panda bond underwriting. As a result, the brand influence of “BOC Debt Capital Markets” was continuously enhanced. The Bank continued to build its professional financial advisory service system and strengthened Group-level coordination. It provided clients with professional financial advisory services such as M&A, debt restructuring, divestitures, equity financing and project financing. It served clients including Chinese central state-owned enterprises, local state-owned enterprises and private enterprises in relation to several acquisitions and project financing.

Asset Management Business

The Bank leveraged the competitive advantages of its international and comprehensive operations, seized market opportunities brought about by the continuous increase in residents’ wealth, and devoted more resources to its asset management business in order to become a best-in-class asset management group. It effectively connected financing and investment and promoted the development of green finance, cross-border finance and wealth finance, with the aim of serving the real economy as well as preserving and increasing the value of residents’ wealth. The Bank stepped up the issuance of various special themed innovative products and enriched its themed product systems such as green, technology and cross-border. Its cross-border wealth management products led the industry in terms of scale.

The Asset Management Committee of the Bank is responsible for the overall management and top-level design of the asset management business line. The Bank carried out asset management business through BOC Wealth Management, BOCIM, BOC Securities, BOC Asset, BOC Hong Kong Asset Management, BOCI-Prudential Asset Management Limited, Bank of China (Europe) S.A., providing individual and institutional investors with access to local and foreign currency products with a comprehensive range of asset classes, diversified investment strategies and a complete investment cycle. The Bank’s business scale and market share continued to grow. As at 30 June 2022, the Bank’s AUM reached RMB3.24 trillion.

Custody Business

The Bank insisted on serving the major national strategies as the guide and serving the real economy as the core to continuously promote the overall high-quality development of its custody business. It built a smart operation system and continued to improve the quality

and efficiency of its custody services. Boasting high-level custody operation professionals and an efficient custody operation service system, the Bank further improved its direct connection rate with custody service customers on the basis of its connectivity with major financial market infrastructures, realising high-quality and efficient processing of direct instructions, real-time settlement, one-click valuation, automatic information disclosure, customer self-service terminals, etc. It paid close attention to the development of its performance evaluation business, expanded the extension of custody value-added services, and optimised the functions of the securities safety management unit for custody service customers. It continued to perfect the emergency system construction for custody operation services, effectively improved its risk management capabilities, ensured the provision of continuous and high-quality custody services under various emergency scenarios, and helped protect the interests of investors and the steady development of financial markets. The Bank made efforts to support the building of multi-tier pension security system, kept pushing forward key annuity and insurance fund custody programmes. As at 30 June 2022, total assets of the Group's custody business amounted to RMB15.36 trillion, an increase of 0.84% compared with the prior year-end. In particular, its pension finance assets under custody reached RMB21.5 billion. The Bank retained its leading position in terms of the size of mutual funds under custody among major Chinese peers, stayed at first echelon in the industry in terms of the number and size of newly-issued mutual funds under custody, and steadily increased its market share of income of its custody business.

Digital Transformation of Financial Markets

The Bank continuously enhanced its online service capabilities, made customer transactions more convenient and realised a rapid growth in the transaction volume and customer base of its corporate e-channels. It also made steady progress in the building of its quantitative trading platform, designed and developed quantitative trading strategies, and strengthened its quantitative trading capacity.

Village Bank

BOC Fullerton Community Bank actively implemented the national strategy of rural revitalisation according to the development concept of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". It is committed to providing modern financial services to farmers, county-level micro and small-sized enterprises, individual merchants and wage earners, developing inclusive finance and facilitating rural revitalisation. As at 30 June 2022, BOC Fullerton Community Bank controlled 132 village banks with 189 sub-branches in 22 provinces (including municipalities directly under the Central Government) through establishment and acquisition, of which 86 legal-person banks were located in the mid-west region. With the approval of the CBIRC Hebei Office, BOC Fullerton Community Bank completed the equity integration and registered capital change on 31 May 2022, with its registered capital increasing to RMB10.585 billion.

BOC Fullerton Community Bank continuously improved its product and service system and achieved a steady growth in business performance. As at 30 June 2022, the balances of total deposits and loans of these banks stood at RMB63.620 billion and RMB73.478 billion respectively. The NPL ratio was 1.85%, and the ratio of allowance for loan impairment losses to non-performing loans was 199.75%. In the first half of 2022, BOC Fullerton Community Bank achieved a profit for the period of RMB440 million.

Globalised Operation

As the most globalised Chinese bank, the Bank solidly pushed forward its globalisation agenda and continuously improved its global services and global management capabilities. It actively served China's new development pattern and the national strategy of higher-standard opening up, and facilitated smooth flows in the domestic economy and in the dual circulation paradigm with domestic and international

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circulations reinforcing each other. The Bank has been an active contributor at bilateral and multilateral international financial organisations, engaged in the formulation of a range of international standards and rules, and used its presence at venues of high-level international conferences to represent the interest of and promote the influence of China's finance. The Bank also tapped into development opportunities to better serve the two-way trade and investment, and to advance high-quality "Bringing In" and high-level "Going Global" endeavours, effectively enhancing its value-creation capacity. As at 30 June 2022, the Bank's overseas commercial banking business realised customer deposits and loans of USD508.819 billion and USD429.534 billion respectively, an increase of 1.49% and 1.32% compared with the prior year-end. In the first half of 2022, the Bank's overseas commercial banking business achieved a profit before income tax of USD3.685 billion, an increase of 1.18% compared with the same period of the prior year, accounting for 15.77% of the Group's total profit before income tax.

To meet global customers' needs for financial services, the Bank continued to improve its institutional layout in countries along the Belt and Road as well as its global service network. As at 30 June 2022, the Bank had 548 overseas institutions, covering 62 countries and regions, including 42 countries along the Belt and Road.

The Bank continued to optimise its approaches in managing overseas network and operating global businesses. It achieved phased progress in the construction and management of overseas regional headquarters. Bank of China (Luxembourg) S.A. was restructured into an Intermediate Parent Undertaking in the EU and renamed Bank of China (Europe) S.A., and equity adjustments of Bank of China (Central and Eastern Europe) Limited and Bank of China Srbija A.D. Beograd were completed. The Bank also further promoted integrated operation, and thus improved its expertise and capacities for providing quality services. In

addition, the Bank continued to categorise its branches and subsidiaries outside the Chinese mainland based on their historical status and market positions, and reviewed and revised its Market-by-Market Strategies for overseas operations, creating further synergy between its domestic and overseas institutions. In this way, the Bank improved its capabilities to support the global development of its customers, and continuously provided high-quality financial services for their "Bringing In" and "Going Global" efforts.

Corporate Banking

Keeping a close eye on changes in global markets, the Bank strengthened its analysis of market trends and risk management, and took effective measures in line with local conditions to ensure the stable and sustainable development of its overseas corporate banking business. It gave full play to its advantages in globalised and integrated operations, pushed forward the integration of its domestic and overseas operations, and facilitated smooth domestic and international circulations, thus making positive contributions to both China's economic development and the global economic recovery.

The Bank gave full play to the advantages arising from its global institution network and conducted all-round cooperation with various kinds of financial institutions in areas such as clearing, settlement, lending, investment, custody, treasury operations and comprehensive capital market services. As a result, the Bank further expanded its customer base and enhanced its international influence. Making agile response to market fluctuations, the Bank actively provided market advice to overseas institutional customers and promoted the investment value of RMB to medium and long-term investors around the world. As such, it enjoyed steady growth in its overseas institutional investor customer base. Moreover, the Bank made full use of its international partnership network, drew on advanced

global expertise and established a peer communication and cooperation mechanism to continually strengthen its participation in ESG-related fields across the world. Focusing on bilateral trade and related customers, the Bank gave full play to its unique advantages in both domestic and foreign markets to mobilise resources of the Group and serve customers that engage in both the domestic and international circulations, thus achieving steady growth in overseas institutions international settlement and trade finance business, improving its global strategic synergies, and enhancing the quality and effectiveness of its customer services.

Following the national policy of “facilitating cross-border funds”, the Bank continuously improved the overseas functions of its cash management services and leveraged the synergistic effects arising from “One Mainstay, Two Engines” to provide cross-border fund management services for multinational enterprises and further improve its integrated service capabilities.

Personal Banking

The Bank continued to leverage its advantages in globalised operations and established personal banking presence in over 30 countries and regions, serving over 6 million customers. It improved its overseas service system for personal customers, provided customers with account, settlement and electronic channel services, and delivered wealth management and private banking services in Hong Kong (China), Macao (China) and Singapore.

Leveraging its advantages in globalised network and personal cross-border business, the Bank built a one-stop comprehensive service platform for cross-border related needs covering the whole service process, and provided full-chain, all-round financial services for students studying abroad, expatriates, overseas business travellers and visitors to the Chinese mainland. It continuously promoted innovation and optimisation in cross-border products, connected to market procurement

trade information platform systems in pilot areas, and launched online foreign exchange collection and settlement services for market procurement trade in Wuhan, Hubei Province and Manzhouli, Inner Mongolia Autonomous Region. The Bank stepped up efforts to meet the cross-border financial needs of customers in key regions. As at 30 June 2022, the Bank had opened a total of over 0.183 million domestic RMB settlement accounts via BOCHK’s “Greater Bay Area Account Opening” service, and the total number of WMC Northbound and Southbound subscribers in the Guangdong-Hong Kong-Macao Greater Bay Area amounted to 19,000, securing the leading market share. The Bank steadily expanded its overseas private banking and wealth management services and made efforts to develop its Asia-Pacific private banking platform, thus consolidating the advantages of its globally integrated services. It also stepped up the promotion of overseas versions of its mobile banking platform, expanding services to 30 countries and regions.

Following the principle of Market-by-Market Strategies, the Bank promoted bank card acquiring business in its overseas branches, providing high-quality payment acceptance services to domestic and overseas cardholders. Leveraging its advantages in cross-border credit card operations, the Bank followed cross-border market trends and placed emphasis on expanding and maintaining customer groups of students studying abroad. It launched the “cash back for purchase abroad” marketing offer for BOC Overseas Student Credit Card holders, so as to increase the volume of cross-border transactions.

Financial Markets Business

The Bank made moderate progress in terms of its overseas institutions’ investment businesses while steadily improved the global integrated management of its investment operations and strengthened risk control.

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Taking full advantage of its globalised operations, the Bank enhanced its operational capacity building in Hong Kong, London and New York so as to provide stable and continuous quotation services worldwide, and steadily improved its comprehensive financial service capabilities for customers. In line with national strategies, the Bank vigorously developed RMB futures business at exchanges in Singapore, South Korea and other countries and regions as well as Taiwan of China and actively provided RMB market-making and quotation services in Russia, Kazakhstan, South Korea and other countries, in a bid to promote the development of the overseas offshore RMB market. The Hong Kong Offshore RMB Trading Centre continued to expand its product coverage and improve its market-making and operational capabilities, thus facilitating RMB internationalisation based on offshore market. The London Trading Centre implemented centralised trading operations to strengthen business support for the Bank's branches in Europe, Africa and the Middle East. In the first half of 2022, the Bank underwrote RMB11.291 billion of Panda bonds, ranking first among peers with a market share of 22.10%, and underwrote USD3.582 billion of offshore China bonds, ranking first among peers with a market share of 6.52%. It placed first among Chinese banks in underwriting Asia (ex-Japan) G3 currency bonds, reaching a total of USD3.941 billion and securing a market share of 3.31% during the period. It also remained a leading position among Chinese peers in terms of cross-border custody business, and further improved custody services for global customers.

In line with the national strategies of high-level opening up, the Bank actively participated in innovative business which interconnected domestic and overseas capital markets and became the first custodian bank to provide related cross-border custody services for foreign institutions investing directly in the exchange bond market. The Bank also vigorously expanded its cross-border custody business for Global Depository Receipts (GDR). As at 30 June 2022, it ranked first among Chinese peers in terms of GDR custody scale and in terms of cross-border custody scale.

Clearing Business

The Bank actively contributed to the internationalisation of RMB and strongly promoted its cross-border use, thus further consolidating its leading edge in international payments. As at 30 June 2022, the Bank accounted for 13 of the world's 27 authorised RMB clearing banks, continuing to lead its peers. It provided continuous support to expand the global coverage of the RMB Cross-Border Interbank Payment System (CIPS). The Group ranked first in terms of the number of CIPS direct participants and indirect participants. In the first half of 2022, the Group's cross-border RMB clearing transactions totalled RMB367 trillion, an increase of more than 18% compared with the same period of the prior year, maintaining the leading position in the global market.

Digital Transformation and Online Service Channels

The Bank accelerated digital transformation, improved the globalised service system for online products, expanded the coverage of its overseas corporate online banking services and improved its capabilities for providing e-finance services to global enterprises. Relying on the Group's integrated e-finance service platform, it worked to expand its clearing channels and salary payment services, and consolidated its leading position among Chinese banks in overseas corporate online banking services. As at 30 June 2022, the Bank offered overseas corporate online banking services in 51 countries and regions, and in 15 languages including Chinese, English, Korean, Japanese, German, French and Russian.

The Bank built a comprehensive overseas management platform for promoting the online approval and processing internal matters, thus effectively improving working efficiency. It advanced its overseas regulatory reporting data services to realise automatic reporting of regulatory data. The Bank piloted an overseas mobile investment and trading platform as well as "remote account opening" services, providing online wealth management and instant

account opening functions via the overseas version of its mobile banking services. Leveraging its cross-border financial resources, the Bank launched eMPay, a cross-border e-commerce payment product which significantly increased merchants' capital turnover.

BOCHK

As a Hong Kong listed banking group controlled by the Bank, BOCHK is one of the three note-issuing banks in Hong Kong. BOCHK continued to deeply cultivate the Hong Kong market and actively expanded its business in Southeast Asia. It earnestly implemented the spirit of the Group's 14th Five-Year Plan and upheld its customer-centric philosophy with a view to achieving high-quality growth. Practicing the concept of sustainable development, BOCHK promoted the development of green and inclusive finance. It strengthened its regional integrated development and improved the quality and efficiency of its Southeast Asian entities' businesses. It enhanced its integrated financial service capabilities and reinforced its competitive advantages in the Hong Kong market. BOCHK placed emphasis on advancing its cross-border business by actively capturing market opportunities arising from national policies, and continuously strengthened its technological foundations so as to deepen digital transformation. As at 30 June 2022, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD3,621.134 billion and net assets reached HKD324.515 billion. In the first half of 2022, its profit for the period was HKD14.417 billion.

BOCHK practiced the concept of high-quality development and promoted green and inclusive finance. Upholding its green and sustainable development philosophy, BOCHK put into practice low-carbon and high-efficiency operational initiatives while also enriching its green finance product and service offering in order to seize green finance business opportunities stemming from Carbon Neutrality targets. It rolled out a retail green bond trading service platform via mobile

banking and launched a green personal loan service, both being the first of their kind in Hong Kong. It executed its first green repo transaction, continuously expanded its sustainability-linked loans and green mortgage businesses, introduced green time deposit products, and continued to offer a number of services, including green bond underwriting, green consulting and green cash management. BOCHK cooperated with S&P Dow Jones Indices and launched the "S&P BOCHK GBA Climate Transition Index", the first climate transition index covering listed companies in the Guangdong-Hong Kong-Macao Great Bay Area. BOCHK enhanced its financial support initiatives and continued to support and participate in various financial support schemes for SMEs introduced by the HKSAR Government and HKMA, so as to help SMEs cope with changes in the operating environment. BOCHK participated in the HKMA's Commercial Data Interchange project, which enabled commercial data to be used as credit supports for SMEs, and introduced the BOCHK Bill Merchant Loan Programme, which made use of BoC Bill transaction data in the credit approval process, relieving the pain points of SME customers in raising finance. All of the above contributed to the development of inclusive finance. In addition, BOCHK signed a memorandum of understanding to become a cornerstone member of the Alliance for Green Commercial Banks, thus making every effort to advance green and sustainable finance.

BOCHK strengthened its regional management mechanism and improved the quality and efficiency of its Southeast Asian businesses. BOCHK kept strengthening its regional integrated management and remained committed to pursuing regional integrated development by implementing market-by-market approach in order to effectively enhance its Southeast Asian entities' development capacities and notably improved regional competitiveness. It seized opportunities from the

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enactment of the Regional Comprehensive Economic Partnership (RCEP) and focused on the development of the Belt and Road and “Going-Out” projects as well as business opportunities from large corporate customers in the region. Concrete results were achieved in Southeast Asian industrial park projects, and BOCHK maintained the leading position in cross-border RMB business in a number of countries. BOCHK promoted green finance in the region, with BOCHK Vientiane Branch introducing its first certified green deposits in Laos and BOCHK Manila Branch participating in the Government of the Philippines’s USD sovereign bond issuance. BOCHK stepped up its efforts to enrich the suite of products and services offered in the region. Its intelligent Global Transaction Banking (iGTB) Platform coverage was expanded to eight Southeast Asian countries. BOCHK Phnom Penh Branch launched its UnionPay QR code payment service and cross-border account opening service for BOCHK personal accounts via mobile banking, and Bank of China (Thai) Public Company Limited, Bank of China (Malaysia) Berhad and BOCHK Manila Branch each initiated an online RMB salary direct remittance service. Adhering to its risk management approach, BOCHK regularly monitored and optimised the structure and quality of its credit portfolio with a view to strengthening the synergistic mechanism between regional business development and risk management, and enhancing its risk management capabilities in market risk, interest rate risk, liquidity risk, etc.

BOCHK enhanced its integrated financial service capabilities and reinforced its competitive advantages in the Hong Kong market. BOCHK gave full play to the synergistic effects of deepening internal and external collaboration and outperformed the market average in Hong Kong in terms of total customer deposits and loans growth as well as asset quality. It provided additional support to major projects and expanded its supply chain finance business. It maintained its top market share as an arranger bank in the Hong Kong-Macao syndicated loan market and as an IPO receiving

bank. To ensure continuous business operations during the pandemic, BOCHK enhanced the capacity and efficiency of its online financial services with innovative technology, registering stable growth in the number of personal customers using its electronic channels, a year-on-year increase in online mortgage applications and the number of transactions executed via mobile banking, as well as steady growth in the scale of its consumer finance businesses such as BoC Pay and BoC Bill. It endeavoured to strengthen the breadth and depth of its wealth management business, reinforced its leading edge in its core products, and maintained its top market position in terms of the total number of new mortgage loans. BOCHK further expanded the development of its key business such as trade finance, payments and settlement, and treasury businesses, and secured market leadership in the cash pooling business. It strengthened exclusive products and corresponding services for high-end customers, leading to steady growth in terms of number of related customers and assets under management. It launched “Banking TrendyToo”, a brand targeting a younger customer segment with a view to assisting young clients to fulfil their financial goals by better aligning their financial needs and lifestyle.

BOCHK vigorously captured market opportunities arising from national policies and consolidated its prominent position in cross-border business. Seizing opportunities arising from national policies, BOCHK facilitated the development of innovative technology enterprises based in major regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei region by offering them diversified products and services. It also continuously monitored the development plan and business opportunities arising from Hong Kong’s Northern Metropolis area so as to cultivate new business growth drivers. To satisfy increasing customers’ investing demand for RMB products, BOCHK rolled out “RMB One”, a series of RMB product promotions. It also introduced a number of facilitative measures to

remotely support cross-border customers and enhance customer experience, and recorded steady growth in the total number of accounts opened under the “Greater Bay Area Account Opening Service”. BOCHK enhanced the product and service suite of “Bank of China Cross-Boundary Wealth Management Connect”, with the aggregate number of accounts opened for both Southbound and Northbound services ranking among the top tier in Hong Kong. Clearing volumes grew year-on-year as BOCHK capitalised on its role as the RMB clearing bank in Hong Kong. It remained committed to cultivating the offshore RMB market, making solid efforts to innovate and promote RMB products in the region and assist local peers in Southeast Asia to apply for the indirect participant qualification of the Cross-border Interbank Payment System (CIPS) and to open RMB accounts. BOCHK Vientiane Branch and BOCHK Brunei Branch both successfully undertook their first RMB trade-related business transactions.

BOCHK accelerated the integration of technology into its products and services with the aim of building a full-scale digital bank. BOCHK continuously pushed forward digital transformation and promoted integration of technology and business, so as to provide customers with high-quality digital services and experiences. Adhering to the principle of collaboration for mutual growth, BOCHK drew on different customer segments and ecologies to construct innovative business models, with a view to facilitating the development of ecological, open and scenario-based banking services. It upheld the concept of value creation and deepened integration between products and services, so as to optimise its integrated product and service solutions. Guided by its customer-centric philosophy, BOCHK reviewed end-to-end workflows with the aim of providing its customers with omni-channel and seamless services. To move towards intelligent internal management, it constructed a smart operational system

to comprehensively enhance management efficiency. In addition, BOCHK refined its policies and systems, optimised agile methodologies, deepened technological empowerment, fostered digital talent and encouraged an innovative culture, laying a solid foundation for its long-term development.

(Please refer to the interim report of BOCHK for a full review of BOCHK’s business performance and related information.)

Comprehensive Operation

As the first large commercial bank to explore comprehensive operation area, the Bank has developed to engage in such main fields as investment banking, asset management, insurance, direct investment, leasing, consumer finance and financial technology. It implements national strategies and remains committed to sharpening differentiated advantages based on its integrated operations and developing integrated operations as a driver of value creation, functional innovation and mechanism exploration for the Group. Guided by the Group’s strategies, centred on customer needs and based on corporate governance, the Bank strives to enhance the synergy and interaction between commercial banks and comprehensive operation companies, and supports the development of the real economy with high-quality integrated financial services.

In the first half of 2022, the Bank further optimised the synergistic mechanisms between the Bank and its comprehensive operation companies, reviewed and revised the rules for the regional joint meetings and synergy offices for integrated management, and provided synergy-related support. It continuously improved the Group-wide management and control mechanism of its integrated operations and advanced the implementation of special plans for

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integrated development. At the same time, the Bank stepped up efforts towards building its director and supervisor teams, and optimised its performance evaluation mechanism. It also continuously enhanced its comprehensive risk management capabilities, thereby advancing the high-quality development of its integrated operations.

Investment Banking Business

BOCI

The Bank is engaged in investment banking business through BOCI. As at 30 June 2022, BOCI had an issued share capital of HKD3.539 billion, total assets of HKD94.572 billion, and net assets of HKD22.082 billion. In the first half of 2022, BOCI realised a profit for the period of HKD290 million.

BOCI consolidated its advantages in traditional investment banking and accelerated the development of its wealth management and asset management business. It refined its comprehensive risk management system to support business innovation, and fostered the new development pattern in which domestic and international circulations reinforce each other through its activities in equity and bond financing, cross-border wealth management, M&A, asset management, employee stock ownership plan (ESOP) and global commodities. BOCI improved international integrated investment banking service capabilities, strengthened Group-wide synergistic collaboration and executed several large projects, including the IPO listing of Huitongda Network Co., Ltd. and TI Cloud Inc. on the Hong Kong Stock Exchange and the rights issue placement of Yuexiu Real Estate Investment Trust. It participated in the issuance of a multi-tranche USD

bond and the first green bond of Airport Authority Hong Kong, as well as the issuance of several Chinese institutions' overseas green bonds. BOCI expanded its equity investment and private equity fund management business, and completed listing or secured listing approval for several equity investment projects. It enhanced the competitive edge of its ESOP business, expanding the functions and coverage of its management platform to improve customer experience and enhance operating efficiency. It optimised its wealth management service, improved its mobile securities services, continuously expanded FinTech application scenarios, and continued to enrich the functions of its intelligent stock selection, bond platform and other systems by actively introducing ESG elements. BOCI also accelerated the transformation of its traditional brokerage business to wealth management, and provided customers with services such as investment consulting, portfolio building and diversified asset investment. The trading volume of over-the-counter equity derivatives maintained great performance. The "BOCI Greater Bay Area Leaders Index" continued to outperform its peers. BOCI continued to improve its asset management capabilities by developing and promoting ESG indices and products. BOCI-Prudential Asset Management Limited, a subsidiary of BOCI, maintained its position as a top-ranked service provider in the Hong Kong Mandatory Provident Fund (MPF) and Macao Pension Fund businesses. Sixteen eligible funds under the Cross-boundary Wealth Management Connect scheme have been listed in Hong Kong. It accelerated the construction of a world-wide centre of commodities and proactively facilitated the internationalisation of the onshore commodity futures market, vigorously developed natural gas and other types of products, and assisted with the low-carbon transformation of energy enterprises.

BOCI China

BOCI China engages in securities-related business in the Chinese mainland. As at 30 June 2022, the registered capital of BOCI China was RMB2.778 billion.

BOCI China promoted business transformation through technological empowerment, focused on the wealth management needs of individual customers, constructed a customer-centric product system, refined its comprehensive service process for wealth management, and improved the service capability of its investment advisors. It received approval to begin conducting mutual fund advisory business. Deepening its synergistic advantages of “investment banking + commercial banking”, “investment banking + investment” and “domestic + overseas”, and targeting key client groups and key industries, BOCI China shifted its investment banking business focus towards transaction-driven comprehensive financial services. It drew up blueprints for technology finance, green finance and other national strategic areas, establishing benchmarks by making its first deal for low carbon transition bonds and sustainable development bonds in the exchange market. Its asset management business continued to transform towards active management services and further improved its customer service capabilities. In addition, the brand reputation of its research products was further enhanced. BOCI China ranked 3rd and 12th for the size of assets under management and asset management net income respectively, demonstrating its continuously increasing market influence.

(Please refer to the interim report of BOCI China for a full review of its business performance and related information.)

Asset Management Business

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at 30 June 2022, BOCIM’s registered capital amounted to RMB100 million, its total assets stood at RMB6.184 billion and its net assets totalled RMB4.686 billion. In the first half of 2022, BOCIM realised a profit for the period of RMB377 million.

BOCIM steadily expanded its asset management business, achieved stable profitability and maintained robust and good internal control and risk management. As at 30 June 2022, BOCIM’s AUM stood at RMB496.188 billion. Specifically, its public-offered funds reached RMB406.475 billion and its public-offered funds excluding money market funds were RMB272.814 billion.

BOC Wealth Management

The Bank is engaged in wealth management business in the Chinese mainland through BOC Wealth Management. BOC Wealth Management’s business includes wealth management products for the general public, wealth management products for qualified investors, advisory and consulting, and other asset management-related business. As at 30 June 2022, BOC Wealth Management’s registered capital was RMB10.000 billion, its total assets amounted to RMB15.381 billion and its net assets totalled RMB14.544 billion. In the first half of 2022, BOC Wealth Management’s profit for the period reached RMB1.456 billion.

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BOC Wealth Management grounded its business in the new development stage, implemented the Group's strategic development pattern of "One Mainstay, Two Engines" and actively promoted business transformation and development, thus steadily increasing its total assets under management and market share. The Company proactively served national strategies, continued to increase investment in strategic emerging industries and key fields such as technology finance and green finance, and constantly improved its asset allocation. It also tapped into wealth management products' inclusive potential to bring financial benefit to the general public, launching its "Wealth for New Counties" and "Inclusive Finance" products. BOC Wealth Management received approval to participate in a pilot programme for pension wealth management products, and is now preparing for their launch. It supported national "Third Distribution" efforts and issued Public Welfare themed products, supporting national vocational education and rural children's educational development. BOC Wealth Management continually expanded its sales channels, realising product sales through 15 external institutions and 19 sales channels. The total scale of sales from third-party channels increased 110.96% compared with the prior year-end, showing significant increase in client base. It also further expanded its product line and strategies and launched the first interbank certificate of deposit index product and foreign currency cash management product in the industry. Its foreign currency and cross-border products maintained market leading position in terms of product scale. BOC Wealth Management strengthened its risk management and infrastructure capacity, firmly establishing bottom line thinking, accelerating digital transformation, and laying a stable foundation for future business development.

Insurance Business

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at 30 June 2022, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD10.985 billion and net assets of HKD4.321 billion. In the first half of 2022, BOCG Insurance recorded gross written premiums of HKD1.629 billion and a profit for the period of HKD154 million.

Centring on the Group's strategic development pattern of "One Mainstay, Two Engines", BOCG Insurance endeavoured to build a regional high-tech property insurance company with market leadership and commercial bank characteristics. Leveraging the advantages of the Group, it deepened bank-insurance coordination to provide customers with comprehensive financial services. In health insurance, its business model of "insurance + ecosystem" and "support + services" has taken shape, offering distinctive advantages. BOCG Insurance also advanced digital transformation across the board to improve operational efficiency, online platform functionality and customer experience. It launched an online insurance purchase application for its "Greater Bay Area Medical Coverage Programme" and expanded the cross-border scenarios of its insurance products by enabling Great Bay Area customers who resided in Hong Kong to complete the online and one-stop purchase of insurance through its official website and mobile app. Furthermore, in response to the pandemic in Hong Kong, BOCG Insurance actively fulfilled its social responsibilities by launching a series of anti-pandemic products and services, and fully supported the Hong Kong people in fighting the pandemic.

BOC Life

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at 30 June 2022, BOC Life's issued share capital was HKD3.538 billion. Its total assets amounted to HKD201.740 billion and its net assets amounted to HKD10.287 billion. In the first half of 2022, its profit for the period was HKD353 million.

BOC Life actively expanded its mid to high-end customer base. Based on its comprehensive approach consisting of high-end private banking, brokers from Chinese banks, and large independent financial advisors, it successfully captured opportunities arising from mid to high-end customers' demand for insurance products, thus achieving steady business development. BOC Life continued to expand its team scale by strengthening talent recruitment and retention. Standard new premiums from brokers and exclusive agency channels increased notably year-on-year. It enhanced the competitiveness of its protection products by continuing the momentum of the launch of its "Glamorous Glow Whole Life Insurance Plan" at the end of last year, and stimulating sales of higher value-added products in new business. BOC Life maintained its leading position in the life insurance sector and continuously remained the market leader in RMB insurance business in Hong Kong.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at 30 June 2022, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB14.688 billion and net assets of RMB4.987 billion. In the first half of 2022, it realised written premiums of RMB3.486 billion and a profit for the period of RMB143 million.

BOC Insurance actively implemented the Group's strategic development pattern of "One Mainstay, Two Engines" and gave full play to the functional value of property insurance. In the first half of 2022, it provided claim services for various enterprises and personnel on more than 0.577 million occasions and paid out RMB1.44 billion on insurance indemnities. It supported the domestic and international dual circulations and cooperated with the China International Trade "Single Window" platform to supply 24/7 online insurance services to customers. It provided RMB22.8 billion of tax guarantees for foreign trade enterprises through tariff guarantee insurance and more than RMB80.0 billion of insurance cover for nearly 80 the Belt and Road projects. It supported inclusive finance and launched an innovative "government-bank-insurance" service model to provide convenient financing for more than 7,000 micro and small-sized enterprises. BOC Insurance developed and launched a number of products including "Accidental Injury Insurance for People in Flexible Employment" to actively serve customer groups such as "new citizens", and expanded the coverage of services related to people's wellbeing. It fully supported the fight against the COVID-19 pandemic by providing liability insurance for more than 400 medical institutions of various types and issuing more than 16,000 employer liability insurance for enterprises that resumed work and production. It stuck to its customer base strategy, accelerated the "three transformation" in concepts, models and strategies, and deepened transformation in order to cultivate new development momentum. BOC Insurance enhanced innovation-driven development, promoted technological empowerment and steadily advanced digitalisation. It boosted the building of its smart operation system, solidly carried out data governance and deepened the protection of consumers' rights and interests, thus continuously improving its customer response and service capabilities

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both internally and externally. It adhered to compliant operations and continued to optimise its comprehensive risk management system. Through these efforts, it realised stable business development and operational efficiency. BOC Insurance received an “A” and above integrated risk rating (classified regulation) for the 23rd consecutive quarter. It also maintained an “A-” credit rating and “stable” outlook from Standard & Poor’s for the eighth consecutive year.

BOC-Samsung Life

The Bank is engaged in life insurance business in the Chinese mainland through BOC-Samsung Life. As at 30 June 2022, BOC-Samsung Life’s registered capital stood at RMB2.467 billion, total assets amounted to RMB58.187 billion and net assets amounted to RMB2.400 billion. In the first half of 2022, BOC-Samsung Life recorded written premiums and premium deposits of RMB11.197 billion and a loss for the period of RMB159 million.

BOC-Samsung Life maintained rapid business growth, with the size of new premiums from the protection business and long-term savings business doubling year-on-year, and the proportion of long-term regular policies growing significantly. It proactively integrated itself into the Group’s wealth management system and provided premium trust services to private banking customers. It empowered its customer service and risk prevention and control by applying technologies such as upgrading its facial recognition function to simplify the customer identification process. The online services accounted for more than 89%, and the success rate of AI customer service responses increased to over 99%. A big data-driven risk control programme for underwriting and claim settlement was also successfully launched. BOC-Samsung Life launched a new version of its official website and optimised the insurance purchase process

of its online insurance mall to enhance the customer experience. Upholding the belief that financial services should serve the real economy, it supported investment in technology startups and increased green investments, investing RMB1.463 billion in technology finance and green finance in the first half of 2022. Grasping the essence of providing insurance services, it launched products such as “JianKangXing Critical Illness Insurance (internet business exclusive)”, “ShouHuXing Medical Insurance (internet business exclusive)” and “BOC ShouHuAnKang Group Critical Illness Insurance”, so as to realise a diversified supply of life insurance products.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment’s business scope includes enterprise equity investment, fund investment and management, real estate investment and management and special situation investment. As at 30 June 2022, BOCG Investment recorded issued share capital of HKD34.052 billion, total assets of HKD146.132 billion and net assets of HKD76.336 billion. In the first half of 2022, it recorded a profit for the period of HKD2.569 billion.

BOCG Investment gave full play to its advantages in integrated operations, strengthened group-wide coordination and collaboration, increased investment in key areas, and steadily carried out post-investment management and project exit. It actively served the fostering of the new development pattern and continued to increase investment in hard-tech enterprises as encouraged by state policy. It focused on investing in “specialised, refined, featured and innovative” small and medium-sized enterprises, and invested in new energy vehicles, semiconductors,

healthcare, consumption and other fields. In addition, BOCG Investment further optimised the layout of its domestic institutions, improved system and mechanism building, studied and supported the development of Hong Kong's Northern Metropolis Plan, and contributed to the economic development of the Guangdong-Hong Kong-Macao Greater Bay Area.

BOC Asset Investment

The Bank is engaged in debt-for-equity swap and related business in the Chinese mainland through BOC Asset Investment. As at 30 June 2022, the registered capital of BOC Asset Investment was RMB14.500 billion, with total assets and net assets standing at RMB85.895 billion and RMB19.155 billion respectively. In the first half of 2022, it realised a profit for the period of RMB1.198 billion.

With the main line of serving the country's deepening supply-side structural reform and adhering to the Group's "One Mainstay, Two Engines" strategy, BOC Asset Investment met enterprises' diversified financial service needs for steady growth, enhanced reform, structural adjustment and risk control. BOC Asset Investment focused on strategic emerging industries such as semiconductors, electric automobiles and clean energy, and invested in industries such as the environmental health and transportation facilities to help to stabilise economic growth. It also coordinated to resolve the Group's credit risks, relieving enterprises' difficulties and injected development vitality through debt-for-equity swap. As at 30 June 2022, the Bank's cumulative market-oriented debt-for-equity swap business reached RMB188.414 billion.

Leasing Business

BOC Aviation

BOC Aviation is engaged in the aircraft leasing business. It is one of the world's leading aircraft operating leasing companies and is the largest aircraft operating leasing company headquartered in Asia, as measured by value of owned aircraft. As at 30 June 2022, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD22.813 billion and net assets of USD4.920 billion. In the first half of 2022, it recorded a loss after tax of USD313 million, as BOC Aviation recognised the effects of the Ukraine crisis and wrote down to zero the value of aircraft formerly leased to airlines in Russia. The impairment was offset by cash collateral held by BOC Aviation in respect of these aircraft, resulting in a pre-tax write-down of USD581 million. Net profit after tax was USD206 million, when adjusted to exclude the write-down of the net book value of aircraft that remain in Russia and partially offset by cash collateral held in respect of these aircraft.

Committed to pursuing sustainable growth, BOC Aviation continued to implement its proactive business strategy and steadily promoted its standing in the aircraft leasing industry. Actively supporting the Belt and Road initiative, it had leased 62% of its aircraft to airlines of the Belt and Road countries and regions as well as to airlines in the Chinese mainland, Hong Kong (China), Macao (China) and Taiwan (China) as at 30 June 2022. Continuing to closely track customer demand, the Company took delivery of 20 aircraft, including five aircraft that airline customers purchased at delivery, as it expanded its owned fleet. All of these aircraft were

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delivered on long-term leases. During the first half of 2022, BOC Aviation signed 46 leases for aircraft and added one new customer, bringing its total to 79 customers in 36 countries and regions. The Company consistently sought to optimise its asset structure and improve its sustainable development. It sold five owned aircraft during the first half of 2022, leaving it with an average owned fleet age of 4.1 years (weighted by net book value) as at 30 June 2022, one of the youngest aircraft portfolios in the aircraft leasing industry.

(Please refer to the interim report of BOC Aviation for a full review of its business performance and related information.)

BOCL

The Bank is engaged in financial leasing, transfer and receiving of financial leasing assets and other related businesses through BOCL in the Chinese mainland. As at 30 June 2022, BOCL recorded registered capital of RMB10.800 billion, total assets of RMB47.110 billion and net assets of RMB10.897 billion. In the first half of 2022, it realised a profit for the period of RMB194 million.

Following the strategic objectives of the Group, BOCL focused on national key regions and industries, upheld the development philosophy of specialisation, differentiation and featured characteristics, highlighted the featured characteristics of financial leasing, and refined and strengthened its leasing brand. As at 30 June 2022, it had cumulatively conducted RMB53.096 billion of financial leasing business, involving transportation, water conservancy, energy production and supply, construction, manufacturing and other industries. In particular, the proportion of

green leasing in the total leasing business was 32.50%, continuing improve the quality and efficiency of its service to the real economy.

Consumer Finance Business

BOC Consumer Finance

The Bank is engaged in consumer loan business in the Chinese mainland through BOC Consumer Finance. As at 30 June 2022, BOC Consumer Finance's registered capital stood at RMB1.514 billion, total assets amounted to RMB52.566 billion and net assets were RMB7.998 billion. In the first half of 2022, it recorded a profit for the period of RMB136 million.

Upholding the philosophy of "building a high-quality consumer finance company in the new era", BOC Consumer Finance fulfilled its responsibilities and obligations as a state-owned licensed consumer finance company. It built an integrated operation platform featuring "online + offline" and "finance + technology" through technological applications, thus continuously improving its customer service capacity and safeguarding the legitimate rights and interests of its customers. It placed equal emphasis on consolidating its foundations and pushing forward transformational development, and continuously pushed forward the strategic policy of online transformation. As at 30 June 2022, BOC Consumer Finance had set up 27 regional centres, covering about 400 cities and 900 counties nationwide through its offline and online businesses. As at 30 June 2022, it registered a loan balance of RMB53.288 billion, an increase of 1.63% compared with the prior year-end, with the balance of online loans accounting for 41.66% of all loans, an increase of 6.61 percentage points compared with the prior year-end.

Financial Technology

BOC Financial Technology

The Bank is engaged in financial technology innovation, software development, platform operation and technical consulting services in the Chinese mainland through BOC Financial Technology. As at 30 June 2022, the registered capital of BOC Financial Technology was RMB600 million, with total assets and net assets standing at RMB804 million and RMB595 million respectively.

BOC Financial Technology actively served the Group's comprehensive digital transformation and participated in key projects including the OASIS project, smart risk control, anti-money laundering and data governance. It supported business development in areas such as technology finance, green finance, county-level finance and inclusive finance, and strengthened the development, promotion and integration of the Group's scenario-based financial services ecosystem, including silver economy, education, transportation, government affairs and other scenarios. Empowering the Group's comprehensive operations, BOC Financial Technology focused on insurance, wealth management, consumers and other areas, put forth IFRS 17 product solutions and built up the Group's unique asset management technology platform. It delivered tools and technologies of risk control to small and medium-sized banks, and thus raising the influence of the Group's "finance + technology" brand. Furthermore, BOC Financial Technology promoted the "1+1+3" synergy development, and served the construction of key regions such as Smart Hainan, the Xiongan New Area, the Yangtze River Delta and the Chengdu-Chongqing economic circle through the regional radiation advantages of 1 subsidiary and 3 bases. It intensified research efforts in scientific and technological

innovation, deepened theoretical research and built technology platforms for technology ethics and private computing. Its software products boast high quality with strong process research capability and full-scope implementation, which enabled it to obtain the CMMI5 software maturity advanced qualification certification, ISO 9001 Quality Management System certification and ISO 27001 Information Security Management System certification.

Service Channels

Focusing on customer experience, the Bank accelerated the transformation and upgrading of all service channels using digital transformation as the key driver, building online channels with stronger scenario integration capabilities and offline channels with greater value creation capacity. It cultivated an ecosystem in which online and offline channels are integrated and financial and non-financial scenarios are seamlessly connected.

Online Channels

Embracing the trends of digital transformation, the Bank followed a "Mobile First" strategy, continued to intensify efforts to expand its online channels and upgrade its mobile banking services, thus realising rapid growth in online business. As at 30 June 2022, its e-channel transaction volume reached RMB167.31 trillion, an increase of 6.88% compared with the same period of the prior year. Among this, the volume of the Bank's mobile banking transactions reached RMB22.94 trillion, up 16.15% compared with the same period of the prior year. The number of monthly active mobile banking customers stood at 73.67 million, making mobile banking the online channel with the most active customers.

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Unit: million customers, except percentages

Items	As at 30 June 2022	As at 31 December 2021	Change (%)
Number of corporate online banking customers	6.8697	6.4812	5.99%
Number of personal online banking customers	198.8854	198.7857	0.05%
Number of mobile banking customers	244.6363	235.1805	4.02%

For corporate banking customers, the Bank accelerated digital transformation, continuously improved the functions of its electronic channels, further improved globalized corporate network financial service capabilities and constructed a comprehensive Group-wide financial e-portal. In terms of corporate online banking services, it launched “BOC Smart Chain • Rong Yi Xin” multi-tier online financing for suppliers, single window financial services, a fund supervision service for construction projects, proxy collection agreement management, third-party custody, a commodity clearing service, cross-platform user system sharing and other products. With the aim of creating comprehensive mobile financial services that are convenient, efficient, intelligent and interactive as well as integrate various scenarios, the Bank optimised and upgraded its corporate mobile banking services. It continuously promoted the construction of its open banking services and launched the “BOC Corporate E-Link” corporate financial services, thus helping SMEs to realise a one-stop financial management. Through open banking services, the Bank also integrated the BOC Intelligent Funds Supervision Service into the national comprehensive platform for after-school tutoring supervision and services.

For personal banking customers, the Bank constantly improved its mobile banking customer service capabilities. Focusing on wealth finance, it launched certificates of deposit (CDs) transfer services and

optimised webpage and processes for key products such as deposits, funds, wealth management and insurance. For key customer groups, it upgraded the private banking customer service zone and constantly promoted the credit card section. For key scenarios, it upgraded the four characteristic scenarios of cross-border, silver economy, education and sports, and launched the Winter Olympics themed annual personal statements. Focusing on customer engagement, it created “Lucky’s Travel”, a marketing gadget using task incentives and benefit upgrades, to explore customer growth system with digital means. It continued to upgrade the overseas versions of its mobile banking platform, which covered 30 countries and regions, provided up to 17 categories of services and were available in 12 languages. Furthermore, the Bank upgraded its mobile banking to support business development in key regions and key institutions overseas. It newly introduced functions including direct remittance service of RMB salary and online update of customer information; and optimised account management, transfer, remittance and other basic services to improve customer experience. It further enhanced the digital risk control capacity of its online channels. In the first half of 2022, the “Cyber Defence” smart risk control and prevention system monitored 3.916 billion transactions through online channels, up by 4.37% year-on-year. The Bank won the “Digital Platform Innovation Award”, “Golden Award for Smart Digital Platform” and “Golden Award for Digital Marketing” at the 5th (2022) Digital Finance Innovation Competition.

Offline Channels

The Bank pushed forward the digital transformation of its outlets Upholding the “Smart Winter Olympics” concept, the Bank constructed payment scenarios for Winter Olympics including the use of ATM, smart counters and other channels, and launched innovative services such as e-CNY exchange and carried out business with foreign customers using passports. The Bank spared no effort to improve people’s wellbeing. It built the “outlet + government affairs” smart service ecosystem and promoted the “Yangtze River Delta Smart Government Affairs” service scenario via smart counters, covering 2,178 outlets, 4,612 terminals and 482 government affairs services. It provided government affairs services in Shanghai, Jiangsu, Zhejiang and Anhui and realised cross-province services in the Yangtze River Delta, enabling access to government affairs services in different places and in different regions. This provided convenient access for the public and enhanced regional integration.

Furthermore, the Bank improved its differentiated outlet management system. Based on local conditions, it constructed outlets featuring technology finance, green finance, inclusive finance and cross-border finance, etc., in order to develop the “Eight Priority Areas for Enhancing Financial Services Capabilities” and the “Four Scenario-based Financial Services Ecosystem”. It also refined the products, services, business models and software/hardware resource allocation at featured outlets, so as to stimulate outlets’ vitality through featured businesses and deepen the transformation and development of outlets.

As at 30 June 2022, the Bank’s commercial banking network in the Chinese mainland (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised 10,348 branches and outlets. Its non-commercial banking institutions in the Chinese mainland totalled 528, and the number of its institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions totalled 548.

Unit: single item, except percentages

Items	As at 30 June 2022	As at 31 December 2021	Change (%)
ATM	27,154	27,729	(2.07%)
Smart counter	33,009	32,367	1.98%

Information Technology Development

The Bank resolutely implemented the Group’s comprehensive digital transformation strategy and “SMART BOC+” FinTech plan. Leveraging technology management system reform as a breakthrough driver, it continued to optimise its organisational structure and management procedures, improved digital services in various business fields, and consolidated the foundations of its digital transformation and FinTech capabilities to better drive innovation in its financial services offering.

Reform of the Bank’s information technology management system continued to deepen, allowing IT to serve as an engine releasing ever stronger endogenous power. Efforts were made to reshape the added value of full-lifecycle IT management, with the Bank formulating an efficient and technological service model that aligns with its businesses in all aspects and reacts quickly throughout the whole process. By dispatching client managers, improving implementation processes, enhancing tool support and optimising budget management, etc., the Bank

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effectively shortened the application projects' average delivery cycle. A number of pilot projects were carried out, including the in-depth integration of business and technology, the integrated research and development of branches' featured characteristics, and an enterprise-level network security operation centre.

Significant progress was made in the OASIS project, which was brought to the next stage thanks to the all-round digital empowerment. With the Bank undertaking top-level design and overall planning at the enterprise level, the project's first batch focused on basic public sectors such as customers, institutions and employee information as well as tellers' access rights. Through the large-scale and in-depth application of data elements to such information, the Bank was able to deeply empower precision marketing, product customisation, intelligent risk control, refined management and sound decision-making. The next-generation enterprise-level basic technology platform maintained stable operation, and the Bank's enterprise-level development process and technological standards were gradually formulated. Meanwhile, further steps were taken to improve the Bank's capabilities in digital financing services.

The Bank focused on the digital development of the "Eight Priority Areas for Enhancing Financial Services Capabilities" in order to improve service efficiency. A FinTech information platform was built to facilitate technology innovation within financial services, and a green finance management system was launched to

realise the automatic identification of green projects and the automatic calculation of environmental benefits. The Bank enriched its inclusive finance products and improved the functions of its "Inclusive Loan" app so as to expand its marketing channels. In addition, it piloted cross-border e-commerce direct payment products and comprehensively promoted the "BOC Cross-Border Services" app. A financial product system was established covering three major supply chains of accounts receivable, prepayments and payables, and stock-rights pledge, so as to provide better financing services for enterprises along supply chains. In terms of government-sponsored student loans, online services were provided throughout the process.

The Bank strengthened its FinTech layout to expand space for innovation and reform. It improved the construction of RPA, OCR and other enterprise-level basic technology platforms, and enhanced property rights protection and FinTech output. In the first half of 2022, 1,801 patent applications were filed and 272 patent licenses were granted. 11 new cooperation programmes on digital risk control tools and technology cooperation were carried out between BOC Financial Technology and 10 financial institutions. In addition, the Bank continued to explore cutting-edge technologies including the metaverse, virtual digital humans, blockchain, non-fungible tokens (NFTs), etc., and participated in privacy computing and open-source federated learning communities, thus building the future development values of technology innovation.

Risk Management

The Bank continued to improve its risk management system in line with the Group's strategies and refine its risk management structure, mechanism, process, tools and foundations, thus ensuring the sustainable and robust operation of the Group. It followed regulatory requirements and responded positively to the implementation of Basel III and international benchmark interest rate reform. It also enhanced accountability for rectification to ensure compliant operations. In addition, the Bank intensified risk control of its overseas institutions and comprehensive operation companies and facilitated the development of the "Two Engines". It established and refined a whole-process financial risk prevention mechanism covering risk judgment, risk investigation, stress testing and emergency plans, etc., and thus formed a closed-loop risk management system. It refined its multi-tier risk control and early warning system and strengthened its emergency response capability. Furthermore, the Bank developed risk data governance work in an orderly manner, and accelerated the digital transformation of risk management. It also strengthened bottom-line thinking to cultivate a risk culture that supports sustainable development.

Credit Risk Management

Closely monitoring changes in macroeconomic and financial conditions, the Bank pushed forward the optimisation of its credit structure, improved its credit risk management policies, strengthened credit asset quality management and took a more proactive and forward-looking stance on risk management.

The Bank continuously optimised its credit structure. Aiming to advance strategic implementation and

balance risk, capital and return, it pushed forward the establishment of an industrial policy system, formulated industry guidelines for credit granting, and improved the management scheme for its asset portfolios. In line with the 14th Five-Year Plan of the country and that of the Bank, as well as requirements for the development of the "Eight Priority Areas for Enhancing Financial Services Capabilities", the Bank optimised its industry credit structure, promoted green development of industries, and prevented industrial credit risks. It identified key industries for credit development, steadily increased infrastructure construction business, and helped to sharpen the core competitiveness of the manufacturing industry. Furthermore, the Bank firmly pushed forward the development of technology finance, guided the green and low-carbon development of key industries, steadily carried out energy transformation and supply provision, and improved the quality of people's livelihood consumption services. In addition, it stepped up support for rural revitalisation and seized policy opportunities such as urban renewal and government-subsidised housing rental.

The Bank strengthened its unified credit granting management and enhanced centralised comprehensive credit risk management. It continuously improved its long-acting credit management mechanism, strengthened the control of customer concentration risk, improved asset quality screening and monitoring system, enhanced the screening and monitoring of key risk areas, and further upgraded the effectiveness of potential risk identification, control and mitigation. The Bank enhanced the supervision of risk analysis and asset quality control in key focus regions, and strengthened window guidance, inspection and post-assessment across its business lines. In addition, it constantly

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identified, measured and monitored large exposures in line with related large exposure management requirements.

In terms of corporate banking, the Bank further strengthened risk identification, control and mitigation in key areas, strictly controlled the aggregate amount and orientation of loans through limit management, and prevented and mitigated risks associated with projects in high energy consumption and high carbon emission industries. In addition, it implemented the macro prudential management system for real estate finance, supported reasonable real estate financing demands and maintained stable and orderly real estate financing activities. In terms of personal banking, the Bank supported the stable development of its personal credit business in line with regulatory requirements and business development needs under the new situation.

The Bank stepped up efforts in the mitigation of NPAs, consolidated asset quality, and prevented and resolved financial risks. It continued to adopt centralised and tiered management of NPA projects in order to apply classified policies, drive for major breakthroughs and improve the quality and efficiency of disposal. The Bank expanded disposal channels, pushed forward single corporate transfers and batch individual transfers, and issued securitisations of non-performing bank card assets.

The Bank scientifically measured and managed the quality of its credit assets based on the *Guidelines for Loan Credit Risk Classification*, which requires Chinese commercial banks to classify loans into the following five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified as substandard, doubtful and loss are recognised as NPLs. In order to further refine its credit asset risk management, the Bank used a 13-tier risk classification criteria scheme for corporate loans to companies in the Chinese mainland, covering on- and off-balance sheet credit assets. In addition, the Bank strengthened risk classification management of key industries, regions and material risk events, and dynamically adjusted classification results. It strengthened the management of loan terms, managed overdue loans by the name list system and made timely adjustments to risk classification results, so as to truly reflect assets quality.

As at 30 June 2022, the Group's NPLs⁵ totalled RMB227.232 billion, an increase of RMB18.440 billion compared with the prior year-end. The NPL ratio was 1.34%, an increase of 0.01 percentage points compared with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB416.425 billion, an increase of RMB25.884 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 183.26%, a decrease of 3.79 percentage points compared with the prior year-end.

⁵ Total loans and advances to customers in the "Risk Management — Credit risk management" section are exclusive of accrued interest.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Group				
Pass	16,465,570	97.37%	15,255,389	97.32%
Special-mention	218,804	1.29%	210,813	1.35%
Substandard	84,652	0.50%	61,790	0.39%
Doubtful	69,280	0.41%	60,718	0.39%
Loss	73,300	0.43%	86,284	0.55%
Total	16,911,606	100.00%	15,674,994	100.00%
NPLs	227,232	1.34%	208,792	1.33%
Chinese mainland				
Pass	13,633,495	97.26%	12,586,668	97.17%
Special-mention	178,771	1.28%	173,561	1.34%
Substandard	70,930	0.51%	53,591	0.41%
Doubtful	62,726	0.45%	55,923	0.43%
Loss	70,513	0.50%	83,516	0.65%
Total	14,016,435	100.00%	12,953,259	100.00%
NPLs	204,169	1.46%	193,030	1.49%

Migration Ratio

Unit: %

Items	For the six-month period ended 30 June 2022		
	(annualised)	2021	2020
Pass	1.12	1.18	1.21
Special-mention	27.56	32.91	32.66
Substandard	48.86	83.68	24.68
Doubtful	15.41	23.06	28.62

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Distribution of Loans and NPLs by Industry

Unit: RMB million, except percentages

Items	As at 30 June 2022				As at 31 December 2021			
	Loans	% of total	NPLs	NPL ratio	Loans	% of total	NPLs	NPL ratio
Chinese mainland								
Corporate Loans								
Commerce and services	1,884,391	11.14%	34,197	1.81%	1,589,119	10.14%	30,111	1.89%
Manufacturing	1,793,957	10.61%	48,589	2.71%	1,549,639	9.89%	55,341	3.57%
Transportation, storage and postal services	1,678,236	9.92%	18,259	1.09%	1,578,645	10.07%	18,073	1.14%
Real estate	734,769	4.34%	41,678	5.67%	687,186	4.38%	34,694	5.05%
Production and supply of electricity, heating, gas and water	705,072	4.17%	13,558	1.92%	657,020	4.19%	13,173	2.00%
Financial services	564,832	3.34%	211	0.04%	500,380	3.19%	201	0.04%
Construction	329,072	1.95%	2,968	0.90%	266,775	1.70%	3,406	1.28%
Water conservancy, environment and public utility administration	336,245	1.99%	2,610	0.78%	295,183	1.88%	2,257	0.76%
Mining	166,993	0.99%	5,348	3.20%	161,473	1.03%	4,717	2.92%
Public utilities	186,441	1.10%	2,832	1.52%	159,284	1.02%	2,215	1.39%
Others	53,844	0.32%	563	1.05%	46,175	0.30%	608	1.32%
Total	8,433,852	49.87%	170,813	2.03%	7,490,879	47.79%	164,796	2.20%
Personal loans	5,582,583	33.01%	33,356	0.60%	5,462,380	34.85%	28,234	0.52%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	2,895,171	17.12%	23,063	0.80%	2,721,735	17.36%	15,762	0.58%
Total of the Group	16,911,606	100.00%	227,232	1.34%	15,674,994	100.00%	208,792	1.33%

The Bank continued to optimise its credit structure and stepped up efforts to support the real economy. As at 30 June 2022, loans to the transportation, storage and postal services industries totalled RMB1,678.236 billion, an increase of RMB99.591 billion or 6.31% compared with the prior year-end. Loans to the manufacturing industry totalled RMB1,793.957 billion, an increase of RMB244.318 billion or 15.77% compared with the prior year-end. The NPL ratios of the commerce and services industry and manufacturing industry decreased by 0.08 percentage points and 0.86 percentage points respectively compared with the prior year-end.

In accordance with IFRS 9, the Bank assesses expected credit losses with forward-looking information and makes relevant allowances. In particular, it makes allowances for assets classified as Stage 1 and assets classified as Stage 2 and Stage 3 according to the

expected credit losses over 12 months and the expected credit losses over the entire lifetime of the asset, respectively. As at 30 June 2022, the Group's Stage 1 loans totalled RMB16,428.474 billion, accounting for 97.17% of total loans; Stage 2 loans totalled RMB252.252 billion, accounting for 1.49% of total loans; and Stage 3 loans totalled RMB226.625 billion, accounting for 1.34% of total loans. In the first half of 2022, the Group's impairment losses on loans and advances stood at RMB45.576 billion, a decrease of RMB2.174 billion compared with the same period of the prior year. The credit cost was 0.56%, down 0.09 percentage points compared with the same period of the prior year. Please refer to Notes III.16 and IV.1 to the Interim Financial Information for detailed information regarding loan classification, stage determination and allowance for loan impairment losses.

The Bank continued to focus on controlling borrower concentration risk and was in compliance with regulatory requirements on borrower concentration.

Unit: %				
Indicators	Regulatory standard	As at 30 June 2022	As at 31 December 2021	As at 31 December 2020
Loan concentration ratio of the largest single borrower	≤10	1.8	2.3	2.8
Loan concentration ratio of the ten largest borrowers	≤50	12.1	12.8	13.9

Notes:

- 1 Loan concentration ratio of the largest single borrower = total outstanding loans to the largest single borrower ÷ net capital.
- 2 Loan concentration ratio of the ten largest borrowers = total outstanding loans to the ten largest borrowers ÷ net capital.

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The following table shows the ten largest individual borrowers as at 30 June 2022.

Unit: RMB million, except percentages

	Industry	Related parties or not	Outstanding loans	% of total loans
Customer A	Transportation, storage and postal services	NO	49,803	0.29%
Customer B	Commerce and services	NO	44,390	0.26%
Customer C	Transportation, storage and postal services	NO	41,484	0.25%
Customer D	Manufacturing	NO	36,915	0.22%
Customer E	Transportation, storage and postal services	NO	36,509	0.22%
Customer F	Transportation, storage and postal services	NO	31,917	0.19%
Customer G	Financial services	NO	27,751	0.16%
Customer H	Transportation, storage and postal services	NO	26,039	0.15%
Customer I	Transportation, storage and postal services	NO	24,340	0.14%
Customer J	Manufacturing	NO	23,491	0.14%

Market Risk Management

In response to changes in the market environment, the Bank continued to refine its market risk management system in order to control its market risk.

The Bank strengthened its judgement and analysis of the financial market situation, closely supervised “hotspot” events, actively carried out risk investigation and prevented the cross-infection of risks caused by extreme events, thereby making its risk management more proactive and forward-looking. It optimised the Group’s market risk management system, reviewed its market risk appetite and promoted the formation of risk management synergies among the first and second lines of defence. In addition, the Bank consolidated the market risk management of key products, improved policies and procedures for derivatives, and strengthened unified risk control at the Group level. It improved market risk measurement and increased the accuracy of system measurement. It

also effectively implemented regulatory requirements, including continuous promotion of implementation of new regulations on market risk. For more information regarding market risk, please refer to Note IV.2 to the Interim Financial Information.

The Bank improved the market risk limit system for its bond investment business and strengthened cross-risk management. It continued to strengthen risk control of its securities investment activities, bolstered the early warning of domestic bond market default risks and the tracking of the Chinese offshore USD bond market, and enhanced its post-investment monitoring and early-warning capabilities.

In terms of exchange rate risk management, the Bank sought to achieve currency matching between fund source and application. It controlled its foreign exchange exposure through currency conversion and hedging, thus maintaining its exchange rate risk at a reasonable level.

Management of Interest Rate Risk in the Banking Book

Based on the principles of “matching, comprehensiveness and prudence”, the Bank strengthened the management of interest rate risk in the banking book (IRRBB). Through effective management, the Bank’s IRRBB management strategy is to control risks within an acceptable level by considering factors such as the Bank’s risk appetite and risk profile, as well as macro-economic and market conditions, so as to achieve a reasonable balance between risk and return and thus maximise shareholder value.

The Bank assessed the interest rate risk in the banking book mainly through the analysis of interest rate repricing gaps. Based on changes in the market situation, it made timely adjustments to the structure of its assets and liabilities, optimised its internal and external pricing strategy or implemented risk hedging.

The Bank attached great importance to the reform of interest rate benchmarks, proactively participated in the establishment of the global benchmark rate market by capitalising on its advantages in globalised operations, and took a crucial part in the invention and promotion of alternative benchmark rate products. It also pressed ahead with the transition of remaining LIBOR contracts as scheduled by strengthening customer

communication, and the overall transition risk is under effective control.

Liquidity Risk Management

The Bank endeavoured to develop a sound liquidity risk management system with the aim of effectively identifying, measuring, monitoring and controlling liquidity risk at the Bank and Group level, including that of branches, subsidiaries and business lines, thus ensuring that liquidity demand is met in a timely manner and at a reasonable cost.

Adhering to an appropriate balance of safety, liquidity and profitability, and following regulatory requirements, the Bank improved its liquidity risk management in a forward-looking and effective manner. It enhanced liquidity risk management at the Bank and Group level, including that of branches, subsidiaries and business lines. It formulated sound liquidity risk management policies and contingency plans, periodically re-examined the liquidity risk limits, upgraded the early warning system for liquidity risk, and strengthened the management of high quality liquid assets, in order to strike an appropriate balance between risk and return. In addition, the Bank regularly improved its liquidity stress-testing scheme and performed stress tests on a quarterly basis. The test results indicated that the Bank had adequate payment ability to cope with distressed scenarios.

As at 30 June 2022, the Group’s liquidity risk indicator met regulatory requirements. The Group’s liquidity ratio is shown in the table below (in accordance with the relevant provisions of regulatory authorities in the Chinese mainland):

		Unit: %			
Ratio		Regulatory standard	As at 30 June 2022	As at 31 December 2021	As at 31 December 2020
Liquidity ratio	RMB	≥25	52.5	49.6	54.5
	Foreign currency	≥25	67.9	69.9	58.6

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Reputational Risk Management

The Bank earnestly implemented regulatory requirements on reputational risk management, continued to enhance its reputational risk management system and mechanism and strengthened the consolidated management of reputational risk, so as to enhance its overall reputational risk management capabilities. It attached great importance to the investigation and pre-warning of potential reputational risk factors, strengthened public opinion monitoring, continued to conduct reputational risk identification, assessment and reporting, and dealt appropriately with reputational events, thus effectively protecting its brand reputation. In addition, the Bank continued to roll out reputational risk management training so as to enhance employees' awareness and foster a culture of reputational risk management.

Internal Control and Operational Risk Management

Internal Control

The Board of Directors, senior management and their special committees earnestly performed their duties regarding internal control and supervision while emphasising early risk warning and prevention, thus improving the Group's level of operational compliance.

The Bank continued to adopt the "Three Lines of Defence" mechanism for internal control. The first line of defence consists of business departments and all banking outlets. They are the owners of, and are accountable for local risks and controls. They undertake self-directed risk control and management functions in the course of their business operations, including formulate and implement policies, conduct business examination, report control deficiencies and organise rectifications.

The internal control and risk management departments of the Bank's institutions at all levels form the second line of defence. They are responsible for the overall planning, implementing, examining and assessment of risk management and internal control, as well as for identifying, measuring, monitoring and controlling risks. They lead the first line of defence to enhance its use of the Group's operational risk monitoring and analysis platform, and are responsible for handling employee violations and management accountability. Through regular monitoring of material risks, the Bank identified and mitigated risks in a timely manner and promoted the optimisation of its business processes and systems.

The third line of defence rests in the audit department of the Bank. The audit department is responsible for performing internal audits of the Bank's internal control and risk management in respect of its adequacy and effectiveness. Adhering to the risk-oriented principle and focusing on the implementation of national policies, regulatory requirements and the Group's strategies, the audit department concentrated its efforts on the main responsibilities of audit supervision, closely monitored material potential risks and weak links, and carried out audit inspections as scheduled. It carried out audits in a more forward-looking and proactive manner, established and promoted the coordination and connection mechanism with other supervisory bodies, and improved the capabilities of the first and second lines of defence to prevent problems at source. The audit department attached equal importance to problem revelation and rectification supervision. It further improved its rectification supervision mechanism for audit findings, arranged and clarified the rectification process for problems identified, continuously supervised rectification implementation and promoted the application of audit results and the improvement of rectification quality and efficiency. The Bank also stepped up overall audit planning, pressed ahead with improvements to the audit management

system, continued to enhance audit team building and promoted the digital development of its audit function, thus further reinforcing the efficiency of audit supervision.

The Bank devoted great efforts to internal control and case prevention management, consolidated the liabilities of primary responsible parties and took multiple control measures. It consistently improved internal control rules, processes and systems, and carried out a special campaign regarding case prevention in high-risk areas, thereby continuously improving its internal control and case prevention management. The Bank also focused on internal control inspection and the rectification of findings, conducted warning and education activities on a regular basis, raised employees' compliance awareness and fostered an internal control compliance culture.

The Bank continued to implement the *Basic Standard for Enterprise Internal Control* and its supporting guidelines, and implemented the *Guidelines for Internal Control of Commercial Banks* by following the basic principles of "complete coverage, checks and balances, prudence and correspondence", so as to promote internal control governance and an organisational structure characterised by a reasonable delegation of work, well-defined responsibilities and clear reporting lines.

The Bank established and implemented a systematic financial accounting policy framework in accordance with relevant accounting laws and regulations. As such, its accounting basis was solidified and the level of standardisation and refinement of its financial accounting management was further improved. The Bank continuously strengthened the quality management of its accounting information and endeavoured to establish a long-term mechanism

of basic accounting work, and continued to deepen the implementation of good accounting standard for domestic and overseas branches.

Focusing on strengthening fraud risk prevention and control, the Bank proactively identified, assessed, controlled and mitigated risks. In the first half of 2022, the Bank successfully prevented 69 external cases involving RMB22.9339 million.

Operational Risk Management

The Bank continuously improved its operational risk management system. It promoted the application of operational risk management tools, including Risk and Control Assessment (RACA), Key Risk Indicators (KRI), Loss Data Collection (LDC), etc., carried out the identification, assessment and monitoring of operational risks and further standardised its operational risk reporting mechanism, thus continuously improving its risk management measures. The Bank enhanced its IT system support capabilities by optimising its operational risk management information system. It strengthened its business continuity management system, optimised its operating mechanism, enhanced its business continuity policies, and performed business impact analysis. The Bank also refined contingency plans, carried out business continuity drills, proactively addressed the COVID-19 pandemic and improved the Group's business continuity capacity.

Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the Group's sound operation and sustainable development. It improved its anti-money laundering (AML) and sanctions compliance management

Management Discussion and Analysis

mechanism, strengthened refined management, optimised institutional money laundering risk assessment and reinforced transaction monitoring and reporting. It enhanced its system and model building and improved system functionality. The Bank continuously reinforced its robust long-term management framework for overseas institutions' compliance and consolidated its compliance management foundations, thus enhancing the compliance management capabilities of its overseas institutions. It improved its AML and sanction compliance training management mechanism and conducted various forms of compliance training, so as to enhance all employees' compliance awareness and abilities.

The Bank continuously enhanced the management of its connected transactions and internal transactions, and actively promoted the implementation of the CBIRC's new regulatory rules on connected transactions. It improved the management of connected parties and consolidated the foundation of its connected transaction management. It strengthened the monitoring of connected transactions and internal transactions to strictly control their risks. In addition, it was also committed to improving its connected transaction monitoring system and internal

transaction management system, and thereby enhanced IT applications in compliance management.

Country Risk Management

The Bank incorporates country risk into its comprehensive risk management system in strict accordance with regulatory requirements. It manages and controls country risk through a series of management tools, including country risk ratings, country risk limits, statistics and monitoring of country risk exposures, and provisioning of allowances. In the first half of 2022, the Bank continued to strengthen country risk management in strict accordance with regulatory requirements and based on its business development needs. It continuously made country rating and limit management more science-based and efficient. It also strengthened country risk monitoring, improved country risk analysis and reporting, and enhanced its country risk management system. The Bank actively pushed forward the provisioning of country risk allowances and enhanced its ability to mitigate country risk. Country risk exposures were mainly concentrated in countries and regions with low and relatively low country risk, and the overall country risk was controlled at a reasonable level.

Capital Management

The Bank's capital management objectives are to ensure reasonable capital adequacy, support the implementation of the Group's strategies, resist various risks including credit risk, market risk and operational risk, ensure the compliance of the Group and related institutions with capital regulatory requirements, promote the Group's transformation towards capital-light business development and improve its capital use efficiency and value creation capabilities.

The Bank implemented its 14th Five-Year Capital Management Plan. Focusing on the "One Mainstay, Two Engines" strategy and the "Eight Priority Areas for Enhancing Financial Services Capabilities", it continuously improved management measures, enhanced the economic capital budget and assessment mechanism, strengthened the application of value creation indicators in resource allocation, and heightened the Group's awareness of capital saving and value creation in order to enhance its capability for endogenous capital accumulation. The Bank expanded the application of advanced approaches of capital

measurement, optimised its on- and off-balance sheet asset structure, strived to reduce capital consumption, actively developed capital-light businesses, and reasonably controlled the risk weight of assets. It optimised its internal capital adequacy assessment process and improved its capital management governance structure. The Bank replenished capital through external financing channels in a prudent manner in order to consolidate its capital base. In the first half of 2022, the Bank successfully issued RMB50.0 billion of undated capital bonds and RMB30.0 billion of tier 2 capital bonds. In addition, the Shareholders' Meeting approved a capital replenishment plan of RMB80.0 billion of undated capital bonds and RMB120.0 billion of tier 2 capital bonds. The Bank continually reinforced internal management, with RWA growing at a slower pace than total assets. As at 30 June 2022, the Group's capital adequacy ratio reached 16.99%, an increase of 0.46 percentage points compared with the prior year-end, remaining at a robust and reasonable level in line with the objectives of its 14th Five-Year Plan.

Management Discussion and Analysis

Capital Adequacy Ratios

As at 30 June 2022, the capital adequacy ratios calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* are listed below:

Unit: RMB million, except percentages

Items	Group		Bank	
	As at	As at	As at	As at
	30 June	31 December	30 June	31 December
	2022	2021	2022	2021
Net common equity tier 1 capital	1,882,487	1,843,886	1,586,958	1,563,789
Net tier 1 capital	2,262,948	2,173,731	1,956,453	1,883,294
Net capital	2,821,900	2,698,839	2,499,824	2,391,365
Common equity tier 1 capital adequacy ratio	11.33%	11.30%	11.01%	11.06%
Tier 1 capital adequacy ratio	13.63%	13.32%	13.57%	13.32%
Capital adequacy ratio	16.99%	16.53%	17.34%	16.91%

Please refer to Note IV.5 to the Condensed Consolidated Interim Financial Information and Supplementary Information II.5 to the Condensed Consolidated Interim Financial Information for detailed information.

Leverage Ratio

As at 30 June 2022, the leverage ratio calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* is listed below:

Unit: RMB million, except percentages

Items	As at 30 June 2022	As at 31 December 2021
Net tier 1 capital	2,262,948	2,173,731
Adjusted on- and off-balance sheet exposures	29,870,557	28,425,377
Leverage ratio	7.58%	7.65%

Please refer to Supplementary Information II.6 to the Condensed Consolidated Interim Financial Information for detailed information.

Outlook

In the second half of 2022, the banking industry will continue to face both development opportunities and challenges within a complicated operating environment. From an international perspective, the global economic growth momentum has weakened amid rising risk of “stagflation”, turmoil in international financial markets has intensified, and the external environment has become more severe and complex, leading to heightened risks in banks’ international operation. From a domestic point of view, the fundamentals of China’s economy that will sustain long-term growth remain unchanged. As a package of policies to stabilise the economy is implemented, the national economy will gradually recover and economic indicators will be kept within a reasonable range.

The Bank will earnestly implement the decisions and plans of the CPC Central Committee and the State Council, follow the general principle of pursuing progress while ensuring stability, and fully implement requirements for “keeping the pandemic under control, maintaining stable economic growth, and ensuring development safety”. It will coordinate the works to serve the real economy, forestall financial risks, and deepen reform and innovation so as to intensify its implementation of the 14th Five-Year Plan. Through courage and hard work, it will realize stable long-term economic development, speed up construction of the world’s first-class modern banking group, and strive to write a chapter for Bank of China that carves out a path for financial development with Chinese characteristics.

First, the Bank will actively serve national development to firmly assist the stabilisation of the economy. The Bank will continue to increase credit support to the real economy and ensure steady growth of loans. It will also vigorously develop the “Eight Priority Areas for Enhancing Financial Services Capabilities”, further strengthen financial services in key fields and weak links and deepen the coordination and collaboration of its domestic and overseas operations, so as to improve the quality and efficiency of its services for the real economy.

Second, the Bank will consolidate its characteristic advantages and strengthen its foundations for high-quality development. The Bank will adhere to measures to improve both the scale and pricing of deposits, to increase the quality of its liabilities. It will promote projects to enhance its accounts and customer base and optimise its marketing system for financial institution clients, thus expanding its customer base. Furthermore, the Bank consolidate its advantages in international business, optimise the layout of its overseas institutions and related development strategies, and promote the regional management of overseas institutions, in order to increase the contribution of its overseas operations to the Group. At the same time, it will optimise regional and comprehensive synergy mechanism, balance the layout of its comprehensive operations and businesses, enhancing the competitive advantage of its integrated services.

Third, the Bank will accelerate digital transformation and continue to unleash new development vitality. With the OASIS project driving forward the integration of business and technology, the Bank will incorporate “digitisation DNA” into its operational management. Using scenario building to guide digital innovation, mobile banking to guide digital services and intelligent operation to guide outlet transformation, the Bank will continue to improve its customer and market responsiveness and further refine its management capability.

Fourth, the Bank will comprehensively strengthen risk management and control to ensure operational safety. The Bank will further promote the development of its risk management system to a deeper level and continuously improve the effectiveness of its comprehensive risk management system. It will strengthen the management and control of key risk areas and take the initiative to prevent and resolve potential risks. It will enhance the sensitivity of its risk management system to market risk and liquidity risk, and improve the risk management capability of forward-looking business and emerging business. Furthermore, it will enhance the management of anti-money laundering compliance, and promote the establishment of a long-term compliance mechanism across the Bank.

Environmental and Social Responsibilities

The Bank actively carried out its responsibilities as a state-owned commercial bank. Leveraging the competitive advantages arising from its globalised and integrated operations, it fully integrated environmental, social and governance (ESG) concepts into its business operations, deepened its ESG practices, and devoted itself to promoting win-win cooperation with stakeholders and creating sustainable value for the environment, society and economy.

Environmental Responsibilities

Governance

In the first half of 2022, the Board of Directors assessed the implementation progress of the Bank's 14th Five-Year Plan for Green Finance, reviewed its corporate social responsibility report (ESG) and, for the first time, published annual disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the Principles for Responsible Banking (PRB). The steering group for green finance and industry planning and development headed by the Bank's Chairman held two themed meetings to study national policies and guidance related to "carbon peak and carbon neutrality". At the same time, it approved the *2022 Work Plan for Green Finance of Bank of China*. The Green Finance Committee, chaired by the Bank's President, also achieved progress on several fronts. It reviewed developments including a report on the greenhouse gas emissions calculation of the Group's operations, the launch of its green credit system and progress in its pilot energy-saving transformation programme; approved the *Management Measures for Assessment of Domestic Green Finance Model Companies of Bank of China*, and formulated a differentiated assessment system, management mechanism and supporting measures for the Group's domestic branches. Moreover, the senior management

held several themed meetings to review and discuss matters concerning external ESG assessment, green operations and climate risk stress testing.

Policy System

The Bank refined its preferential policies to support the development of its green finance business. It formulated customer marketing and credit review guidelines for industrial chains such as lithium-ion power batteries, photovoltaic manufacturing, sewage treatment and the upstream chain of new energy vehicles; introduced new credit policies for hydrogen energy and fuel cells, new energy metals, water and water environment treatment, forestry and other industries; and imposed measures to stop funding customers or projects that engage in illegal logging of natural forests, harm to biodiversity, or the poaching of wild animals, etc. The Bank also strengthened assessment guidance by incorporating green finance-related indicators into the performance assessment of its senior management members, linking the results to their remuneration. At the same time, it enhanced resource support for its green finance businesses by optimising economic capital management, implementing preferential pricing, adopting differentiated authorisation regimes, establishing green approval channels, adjusting industry credit strategies, allocating designated staff funds, and improving reward systems.

Environmental Risk Management

The Bank proactively implemented the concept of responsible investment. In the first half of 2022, the Bank added a qualitative statement of its environmental and social risk appetite to its overall risk appetite statement. The Risk Policy Committee of the Board of Directors regularly reviewed the Bank's progress in environmental and social risk

management. For key overseas and comprehensive institutions, the Bank formulated an assessment plan for incorporating environmental and social risk management requirements. Restrictive measures related to environmental and social risk have been added to the Bank's credit policies, covering more than 70 industries including agriculture, forestry, animal husbandry and fisheries. The Bank revised its credit due diligence review reporting template for corporate customers to include reporting requirements related to their environmental and social risks. Furthermore, it continually promoted climate risk stress tests for key industries and established sensitivity analysis models based on local conditions in Australia, Singapore and other regions, to quantify the risk exposures and financial impacts of different scenarios and to conduct region-specific climate risk stress tests.

Indicators and Objectives

The Bank met its target quantitative indicators for green credit, green bonds, green wealth management, and green insurance as scheduled. It received the "Model Entity in Green Bank Evaluation" award from China Banking Association, as well as five awards from *Global Finance* including the "China Sustainable Finance Awards 2022". In the first half of 2022, the Bank placed first among Chinese banks in the Bloomberg Global Green Loan rankings.

As at 30 June 2022, the green credit balance (according to CBIRC standard) of the Bank's domestic institutions was equivalent to RMB1.73 trillion, with a low NPL ratio of green credit. In the first half of 2022, the Bank issued the world's first green bond under the updated *Common Ground Taxonomy*, and issued its first green bond in the Chinese mainland. Its total

global green bond issuance in the first half of 2022 ranked first among Chinese banks. The Bank's domestic and overseas green bond underwriting volumes were RMB112.1 billion and USD19.8 billion respectively, leading its Chinese peers. It also participated in the issuance of the first batch of transition bonds in China's inter-bank market and secured the top position in investors of green debt financing instruments from China's National Association of Financial Market Institutional Investors (NAFMII).

In the first half of 2022, the balance of BOCL's green leasing business reached RMB13.8 billion, with the proportion of green leasing assets accounting for 32.5% of total leasing assets. BOC Wealth Management has launched 39 green finance-themed products with a total scale of over RMB13.9 billion, and its green bond-related assets under management amounted to RMB42.2 billion. BOC Insurance revised and developed its environmental pollution liability insurance, including 11 policy provisions, assuming insurance liabilities of RMB29.0 billion through green product and portfolio innovation. BOC-Samsung Life has cumulatively invested a total of RMB889 million in the green finance industries. BOCIM has developed 17 green and ESG mutual fund products under the three categories of low-carbon and green development concept funds, social responsibility funds and ESG concept themed funds, achieving a scale of RMB16.0 billion.

The Bank actively contributed to accelerating the realisation of "carbon peak and carbon neutrality" goals in accordance with national objectives and timetables. In the first half of 2022, it formulated a green conduct employee initiative and green action guidelines for all staff, providing BOC institutions with clear guidance on target setting and achievement

Environmental and Social Responsibilities

pathways. BOC Wealth Management and BOC Aviation⁶ continued to carry out green operations after achieving carbon neutrality in 2021. BOCI published a low-carbon action plan and formulated corresponding emission reduction approaches and measures. Comprehensive energy-saving renovations are underway in the office buildings of the Head Office in Beijing, BOCHK, the London Branch and the Shanghai Branch. The Bank has formulated the *Green Construction Specifications for Bank of China Outlets* to standardise green construction requirements in terms of layout and site selection, indoor environment, decoration, resource utilisation, and so on.

International Cooperation and Capacity Building

The Bank participated in the PRB framework review working group and helped to prepare China's disclosure guidelines; assumed the responsibility of co-chair of the Green Finance Products Innovation working group of the Green Investment Principles (GIP) for the Belt and Road; became the only Chinese commercial bank to join the Green Finance Working Group of the International Finance Forum (IFF); assisted the International Sustainability Standards Board (ISSB) in its sustainable standards development; participated in the technical committee responsible for the development of ISO standards relating to sustainable finance (ISO/TC322) and played a part in the Green Bond Standards Committee. At the branch level, BOC London Branch became the only Chinese bank to join the Initiative to Measure and Promote Aviation's Carbon-free Transition (IMPACT).

The Bank invited experts to provide high-level green finance training to the Board of Directors. It held a Green Finance Learning Day event for all employees and provided lectures and workshops on green finance-related topics such as environmental disclosure and climate risk management. The Bank also provided specialised and tailored green finance training courses to cultivate "green talents" internally from all BOC institutions. Branches in London, New York, Paris, Sydney, Zhejiang and Jiangxi respectively issued green finance and ESG-themed periodicals to enhance internal communication and exchange of views on the latest developments in international green finance and ESG trends.

Social Responsibilities

Strengthening Financial Services for Rural Revitalisation

As the leading financial power serving the nation's rural revitalisation strategy, the Bank upheld its responsibilities, in a bid to consolidate its achievements in poverty alleviation and provide consistent support to rural revitalisation. It signed a strategic cooperation agreement with the Ministry of Agriculture and Rural Affairs and the National Rural Revitalisation Administration, and formulated the *Support Plan for Key Counties to Receive Assistance in Pursuing Rural Revitalisation* to enhance the financial service capabilities of the key counties. It accelerated the development of featured outlets for rural revitalisation. The Bank built a unified system of diversified businesses with commercial banking as the pillar, village finance as

⁶ BOC Wealth Management achieved carbon neutrality in its operations in 2021, with an independent assurance report from relevant institution. BOC Aviation reached 100% carbon neutrality in direct carbon emissions (including the emissions generated by employees' air travel).

a supplement, and consumer finance and public welfare finance as unique features. As at 30 June 2022, the Bank's outlets covered 1,171 counties, with a coverage ratio of 62.8%. The balance of agriculture-related loans amounted to RMB1,964.4 billion. The balance of inclusive agriculture-related loans amounted to RMB246.2 billion. BOC Fullerton Community Bank had 132 village banks with 189 sub-branches, covering 22 provinces and municipalities nationwide, making it the largest domestic village bank group in terms of total number of institutions and scope of business.

Consolidating Achievements in Poverty Alleviation

As a major state-owned banking group, the Bank leveraged its strength and resources in funds, talents and technology to provide paired assistance to the four counties of Xunyi, Chunhua, Yongshou and Changwu in Xianyang, Shaanxi Province (the "four counties in Xianyang"), consolidating its achievements of poverty alleviation and rural revitalisation as well as enhancing the synergies between them. As at 30 June 2022, the Bank had invested RMB39.80 million of anti-poverty grant funding to the four counties in Xianyang, and launched more than 30 assistance projects including donating insurance to prevent rural residents from slipping back into poverty, supporting county-level epidemic prevention and control, improving the rural

living environment and delivering the "BOC Rural Revitalisation School" training programme, directly benefiting more than 450,000 people. In addition, it organised training courses for a total of 24 thousand primary-level officials, rural revitalisation leaders and professional and technical personnel from the four counties in Xianyang, and purchased and sold more than RMB60.00 million worth of agricultural products from the poverty-alleviated areas nationwide.

Contributing to Public Welfare

Upholding the principles of "serving society, contributing to society and repaying society", the Bank continuously explored specialised public welfare programmes as well as the integrated development of online public welfare and its banking businesses. In the first half of 2022, the Bank supported 111 charitable donation programmes initiated by 203 organisations through the "Bank of China Philanthropy" platform, raising a total of RMB7.9556 million (including the Bank's matching funds), with donations from nearly 173 thousand people. It also continued to support government-sponsored student loans, providing a total of RMB25.2 billion government-sponsored student loans as at 30 June 2022 and helping more than 1.80 million students from impoverished families to finish school education. Together with the Ministry

Environmental and Social Responsibilities

of Education, the Bank launched an action plan for “Supporting the Development of Vocational Education” to jointly promote the high-quality development of vocational education. To mitigate the impact of scattered outbreak of the pandemic, the Bank adopted multiple financial measures to ease the difficulties faced by micro and small-sized enterprises and self-employed individuals, and supported key industries such as public welfare to ensure steady production and sufficient supply, maintain stable employment and promote business start-ups.

Supporting the Healthy Development of the Sports Industry

As the official banking partner of the 2022 Beijing Winter Olympic Games and Paralympic Winter Games, the Bank provided high-quality financial services to Beijing Winter Olympic Games and Paralympic Winter Games and achieved a record of “zero infection, zero accident, zero mistake and zero complaint”. It cooperated with mainstream media to build a comprehensive multimedia advertising and promotion campaign, generate an “Olympic atmosphere”, promote the Olympic spirit and support Chinese athletes to strive

courageously for Olympic medals. In the future, the Bank will continue to leverage its advantages as the official banking partner of both the Winter and Summer Olympic Games in order to promote the development of China’s sports industry and serve to the national strategy of building a healthy China that excels in sports.

Fully Ensuring the Rights and Interests of Consumers

Practising its customer-centric operation and management concept, the Bank fully integrated consumer protection into its corporate culture. It strengthened management of complaint handling, standardised marketing activities, ensured personal information protection, and promoted healthy business development by safeguarding consumer rights and interests. In the first half of 2022, the Bank handled 86 thousand consumer complaints, achieving a completion rate of 100%. It also launched a series of education and publicity campaigns such as the “3·15” protection of consumer rights, the “Promoting Financial Knowledge, Protecting Personal Wealth” and the “Financial Knowledge Popularisation”, so as to raise the consumers’ risk awareness and enhance their ability to protect their legal rights.

Changes in Shares and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Shares

Unit: Share

	As at 1 January 2022		Increase/decrease during the reporting period					As at 30 June 2022	
	Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	Number of shares	Percentage
I. Shares subject to selling restrictions	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restrictions	294,387,791,241	100.00%	–	–	–	–	–	294,387,791,241	100.00%
1. RMB-denominated ordinary shares	210,765,514,846	71.59%	–	–	–	–	–	210,765,514,846	71.59%
2. Overseas listed foreign shares	83,622,276,395	28.41%	–	–	–	–	–	83,622,276,395	28.41%
III. Total Ordinary Shares	294,387,791,241	100.00%	–	–	–	–	–	294,387,791,241	100.00%

Notes:

- As at 30 June 2022, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.
- As at 30 June 2022, none of the Bank's A Shares and H Shares were subject to selling restrictions.

Number of Ordinary Shareholders and Shareholdings

The number of ordinary shareholders as at 30 June 2022 was 679,219, including 505,289 A-Share Holders and 173,930 H-Share Holders.

The top ten ordinary shareholders as at 30 June 2022 are set forth below:

Unit: Share

No.	Name of ordinary shareholder	Changes during the reporting period	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, labelled 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	(34,523,964)	81,814,564,721	27.79%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	–	7,941,164,885	2.70%	–	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	HKSCC Limited	448,236,987	1,515,598,962	0.51%	–	None	Foreign legal person	A
6	MUFG Bank, Ltd.	–	520,357,200	0.18%	–	Unknown	Foreign legal person	H
7	China Pacific Life Insurance Co., Ltd. — China Pacific Life Insurance Dividend Equity Portfolio (Traditional) with management of Changjiang Pension Insurance Co., Ltd.	(42,238,605)	340,000,000	0.12%	–	None	Other	A
8	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	(100,641,809)	234,751,441	0.08%	–	None	Other	A
9	BOCOM MSG Life Insurance Company Limited — traditional 2	123,725,842	156,325,623	0.05%	–	None	Other	A
10	Beijing Dadi Yuantong Group Co., Ltd.	(7,000,000)	145,000,037	0.05%	–	None	Domestic non-state-owned legal person	A

Notes:

- 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.
- The number of shares held by HKSCC Nominees Limited is the aggregate number of the Bank's H Shares it held as the nominee for all the institutional and individual investors that maintain accounts with it as at 30 June 2022, including the number of shares held by the National Council for Social Security Fund.

Changes in Shares and Shareholdings of Shareholders

- 3 Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd.
- 4 The number of shares held by HKSCC Limited is the aggregate number of the A Shares it held as the nominee holder who holds securities on behalf of others, including the number of SSE securities acquired by Hong Kong (China) 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.

Substantial Shareholder Interests

The register maintained by the Bank under section 336 of the SFO recorded that, as at 30 June 2022, the shareholders indicated in the following table were substantial shareholders having interests in shares of the Bank (as defined in the SFO):

Name of shareholder	Capacity (types of interest)	Number of shares held/Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A Shares	Percentage of total issued H Shares	Percentage of total issued ordinary shares
Central Huijin Investment Ltd.	Beneficial owner	188,461,533,607	A	89.42%	–	64.02%
	Interest of controlled corporations	1,810,024,500	A	0.86%	–	0.61%
	Total	190,271,558,107	A	90.28%	–	64.63%
National Council for Social Security Fund	Beneficial owner	4,986,934,214	H	–	5.96%	1.69%
BlackRock, Inc.	Interest of controlled corporations	5,814,817,030	H	–	6.95%	1.98%
		2,602,000 (S)	H	–	0.003%	0.001%
Citigroup Inc.	Interest of controlled corporations	556,638,958	H	–	0.67%	0.19%
		359,654,560 (S)	H	–	0.43%	0.12%
	Approved lending agent	3,718,203,517 (P)	H	–	4.45%	1.26%
	Total	4,274,842,475	H	–	5.11%	1.45%
		359,654,560 (S)	H	–	0.43%	0.12%
		3,718,203,517 (P)	H	–	4.45%	1.26%

Notes:

- 1 BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., while BlackRock Holdco 2 Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. Thus BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have equal interests in shares of the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. held a long position of 5,814,817,030 H Shares and a short position of 2,602,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 5,814,817,030 H Shares, 8,324,000 H Shares were held through derivatives. In the short position of 2,602,000 H Shares, 2,371,000 H Shares were held through derivatives.

- 2 Citigroup Inc. holds the entire issued share capital of Citicorp LLC, while Citicorp LLC holds the entire issued share capital of Citibank, N.A. Thus Citigroup Inc. and Citicorp LLC are deemed to have equal interests in shares of the Bank as Citibank, N.A. under the SFO. Citigroup Inc. held a long position of 4,274,842,475 H Shares and a short position of 359,654,560 H Shares of the Bank through Citibank, N.A. and other corporations controlled by it. In the long position of 4,274,842,475 H Shares, 3,718,203,517 H Shares were held in the lending pool, and 403,579,021 H shares were held through derivatives. In the short position of 359,654,560 H Shares, 338,588,347 H Shares were held through derivatives.
- 3 “S” denotes short position, “P” denotes lending pool.
- 4 Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 30 June 2022, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Preference Shares

Number of Preference Shareholders and Shareholdings

The number of preference shareholders as at 30 June 2022 was 71, including 70 domestic preference shareholders and 1 offshore preference shareholder.

The top ten preference shareholders as at 30 June 2022 are set forth below:

Unit: Share

No.	Name of preference shareholder	Changes during the reporting period	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	Bosera Fund — ICBC — Bosera — ICBC — Flexible Allocation No. 5 Specific Multi-customer Assets Management Plan	–	200,000,000	16.70%	None	Other	Domestic Preference Shares
2	The Bank of New York Mellon Corporation	–	197,865,300	16.52%	Unknown	Foreign legal person	Offshore Preference Shares
3	Hwabao Trust Co., Ltd. — Hwabao Trust — Baofu Investment No. 1 Collective Capital Trust Plan	–	119,460,000	9.97%	None	Other	Domestic Preference Shares
4	CCB Trust Co., Ltd. — “Qian Yuan — Ri Xin Yue Yi” Open-ended Wealth Management Single Fund Trust	(21,000,000)	112,000,000	9.35%	None	Other	Domestic Preference Shares
5	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	–	70,000,000	5.84%	None	Other	Domestic Preference Shares
6	Jiangsu International Trust Corporation Limited — JSITC — He Xiang Tian Li No. 1 Collective Capital Trust Plan	–	54,540,000	4.55%	None	Other	Domestic Preference Shares
7	BOCOM Schroder Asset Management — BOCOM — BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	–	54,400,000	4.54%	None	Other	Domestic Preference Shares
8	Postal Savings Bank of China Co., Ltd.	–	40,000,000	3.34%	None	State-owned legal person	Domestic Preference Shares
9	Shanghai Tobacco Group Co., Ltd.	–	30,000,000	2.50%	None	State-owned legal person	Domestic Preference Shares
9	Ping An Life Insurance Company of China — universal — individual universal insurance	–	30,000,000	2.50%	None	Other	Domestic Preference Shares

Changes in Shares and Shareholdings of Shareholders

Notes:

- 1 The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintain accounts with Euroclear and Clearstream as at 30 June 2022, held 197,865,300 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.
- 2 As at 30 June 2022, “China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH” is one of both the Bank’s top ten ordinary shareholders and top ten preference shareholders.
- 3 Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned preference shareholders, or among the aforementioned preference shareholders and the Bank’s top ten ordinary shareholders.

Profit Distribution of Preference Shares

For the profit distribution policy of the preference shares and the profit distribution arrangements during the reporting period, please refer to the section “Significant Events”.

Other Information regarding Preference Shares

During the reporting period, there was no redemption, conversion into ordinary shares or voting rights recovery in respect of the preference shares of the Bank.

Preference shares issued by the Bank contain no contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. Preference shares issued are non-derivative instruments that will be settled in the entity’s own equity instruments, but include no contractual obligation for the entity to deliver a variable number of its own equity instruments. The Bank classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs arising from preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

The funds raised from the issuance of preference shares have been fully used to replenish the Bank’s additional tier 1 capital and increase its capital adequacy ratio.

Directors, Supervisors, Senior Management Members and Staff

Directors, Supervisors and Senior Management Members

Directors

Name	Position	Name	Position
LIU Liange	Chairman	HUANG Binghua	Non-executive Director
LIU Jin	Vice Chairman and President	JIANG Guohua	Independent Director
WANG Wei	Executive Director and Executive Vice President	Martin Cheung Kong LIAO	Independent Director
LIN Jingzhen	Executive Director and Executive Vice President	CHUI Sai Peng Jose	Independent Director
XIAO Lihong	Non-executive Director	Jean-Louis EKRA	Independent Director
WANG Xiaoya	Non-executive Director	E Weinan	Independent Director
ZHANG Jiangang	Non-executive Director	Giovanni TRIA	Independent Director
CHEN Jianbo	Non-executive Director		

Notes:

- 1 The information listed in the above table pertains to the incumbent directors.
- 2 Mr. ZHAO Jie ceased to serve as Non-executive Director, member of the Audit Committee, member of the Risk Policy Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 15 March 2022 due to a change of job.
- 3 Mr. HUANG Binghua began to serve as Non-executive Director, member of the Audit Committee, member of the Risk Policy Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 31 March 2022.
- 4 Mr. LIN Jingzhen ceased to serve as Chairman of BOCI China as of 20 April 2022.
- 5 Mr. Jean-Louis EKRA began to serve as Independent Director of the Bank as of 24 May 2022 and began to serve as member of the Strategic Development Committee, member of the Corporate Culture and Consumer Protection Committee and member of the Risk Policy Committee of the Board of Directors of the Bank as of 24 June 2022. Mr. Jean-Louis EKRA began to serve as the Vice Chair of the Risk Policy Committee of the Board of Directors of the Bank as of 30 June 2022.
- 6 Mr. CHUI Sai Peng Jose began to serve as member of the Risk Policy Committee of the Board of Directors of the Bank as of 24 June 2022. Mr. CHUI Sai Peng Jose ceased to serve as Board Member of Macao Science Center as of 1 April 2022.

Directors, Supervisors, Senior Management Members and Staff

- 7 Mr. WANG Changyun ceased to serve as Independent Director, member and Chair of the Risk Policy Committee, member of the Strategic Development Committee, member of the Audit Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 30 June 2022 due to expiration of the term of office.
- 8 Ms. Angela CHAO ceased to serve as Independent Director, member of the Audit Committee, member of the Risk Policy Committee and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 30 June 2022 due to expiration of the term of office.
- 9 Ms. XIAO Lihong began to serve as the Chair of the Risk Policy Committee of the Board of Directors of the Bank as of 30 June 2022.
- 10 Mr. E Weinan began to serve as Independent Director, member of the Strategic Development Committee, member of the Corporate Culture and Consumer Protection Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 25 July 2022.
- 11 Mr. Giovanni TRIA began to serve as Independent Director, member and Vice Chair of the Corporate Culture and Consumer Protection Committee, member of the Strategic Development Committee, member of the Audit Committee and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 25 July 2022.
- 12 Ms. CHEN Chunhua ceased to serve as Independent Director, member and Chair of the Corporate Culture and Consumer Protection Committee, member of the Strategic Development Committee, and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 29 August 2022 due to personal work arrangement.
- 13 Incumbent Non-executive Directors Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. ZHANG Jiangang, Mr. CHEN Jianbo and Mr. HUANG Binghua were recommended by Central Huijin Investment Ltd., a shareholder of the Bank.
- 14 No incumbent director or director who left office during the reporting period held any share of the Bank.

Supervisors

Name	Position	Name	Position
ZHANG Keqiu	Chairwoman of the Board of Supervisors	JIA Xiangsen	External Supervisor
WEI Hanguang	Employee Supervisor	HUI Ping	External Supervisor
ZHOU Hehua	Employee Supervisor	CHU Yiyun	External Supervisor
LENG Jie	Employee Supervisor		

Notes:

- 1 The information listed in the above table pertains to the incumbent supervisors.
- 2 Mr. HUI Ping began to serve as External Supervisor of the Bank as of 17 February 2022, and began to serve as member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 7 March 2022.

- 3 Mr. ZHENG Zhiguang ceased to serve as External Supervisor, member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 30 June 2022 due to expiration of the term of office.
- 4 Mr. CHU Yiyun began to serve as External Supervisor of the Bank as of 30 June 2022, and began to serve as member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 22 July 2022.
- 5 No incumbent supervisor or supervisor who left office during the reporting period held any share of the Bank.

Senior Management Members

Name	Position	Name	Position
LIU Jin	Vice Chairman and President	WANG Zhiheng	Executive Vice President
WANG Wei	Executive Director and Executive Vice President	LIU Jiandong	Chief Risk Officer
LIN Jingzhen	Executive Director and Executive Vice President	ZHUO Chengwen	Chief Audit Officer
CHEN Huaiyu	Executive Vice President	MENG Qian	Chief Information Officer

Notes:

- 1 The information listed in the above table pertains to the incumbent senior management members.
- 2 Ms. MENG Qian began to serve as Chief Information Officer of the Bank as of 6 May 2022.
- 3 Mr. MEI Feiqi ceased to serve as Secretary to the Board of Directors and Company Secretary of the Bank as of 29 August 2022 due to the reason of age. During the vacancy of the Secretary to the Board of Directors, the Chairman of the Bank shall perform such duties.
- 4 The Board of Directors of the Bank considered and approved the proposal regarding the appointment of Ms. ZHAO Rong as Chief Business and Management Officer of the Bank. This appointment is subject to the approval by the relevant regulatory authorities.
- 5 No incumbent senior management member or senior management member who left office during the reporting period held any share of the Bank.

Directors, Supervisors, Senior Management Members and Staff

Organisational Management, Human Resources Development and Management

Organisational Management

As at 30 June 2022, the Bank had a total of 11,424 institutions worldwide, including 10,876 institutions in the Chinese mainland and 548 institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. Its commercial banking business in the Chinese mainland comprised 10,348 institutions, including 38 tier-1 and direct branches, 371 tier-2 branches and 9,938 outlets.

The geographic distribution of the institutions and employees of the Bank is set forth below:

Unit: RMB million/unit/person, except percentages

Items	Assets		Institutions		Employees	
	Total assets	% of total	Number of institutions	% of total	Number of employees	% of total
Northern China	8,267,607	28.05%	2,066	18.08%	62,372	20.48%
Northeastern China	915,138	3.10%	898	7.86%	23,394	7.68%
Eastern China	6,588,808	22.35%	3,477	30.44%	90,832	29.83%
Central and Southern China	4,606,330	15.63%	2,736	23.95%	65,328	21.45%
Western China	2,185,482	7.41%	1,699	14.87%	37,489	12.31%
Hong Kong (China), Macao (China) and Taiwan (China)	4,645,773	15.76%	384	3.36%	17,417	5.72%
Other countries and regions	2,267,852	7.70%	164	1.44%	7,689	2.52%
Elimination	(1,424,232)	N/A	N/A	N/A	N/A	N/A
Total	28,052,758	100.00%	11,424	100.00%	304,521	100.00%

Note: The proportion of geographic assets was based on data before elimination.

Human Resources Development and Management

As at 30 June 2022, the Bank had 304,521 employees. There were 279,415 employees in the Chinese mainland, of which 265,476 worked in the Bank's commercial banking business in the Chinese mainland. The Bank had 25,106 employees in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. As at 30 June 2022, the Bank bore costs for a total of 4,822 retirees.

In the first half of 2022, the Bank deepened reform of its organisational structure and management mechanism based on the Group's strategies and annual priorities. It reformed its technology management system, strengthened the coordinated management of its technology system, promoted the in-depth integration of its technology business, and established the Scenario Ecosystem and Innovation Department to manage the Group's products, innovation and scenario ecosystem construction in a more aligned manner. The Bank also set up the Digital Asset Operation Centre to further strengthen data analysis and application and thus realise more value from data.

In the first half of 2022, the Bank fully implemented the requirements of the national policies, and formulated the *14th Five-Year Plan for Education and Training*, which specified the overall plan and key tasks for education and training work, based on the Group's development strategies. Efforts were made to build a project system based on the "two pillars" of accelerated leadership reform and core professional competency, as well as to provide multi-tiered and classified training programmes for business managers and professionals. The Bank also conducted staff training on professional ethics, anti-corruption, integrity and self-discipline, consumer protection, etc., so as to provide a strong compliance guarantee for the Bank to conduct various business activities. ESG training was delivered throughout the Bank in line with the "Eight Priority Areas for Enhancing Financial Services Capabilities", helping employees at all levels to apply ESG concepts in their routine work. A cooperation agreement was signed between the Bank and Shanghai Jiao Tong University to jointly establish the BOC Institute of Technology & Finance and accelerate the training to build digital talents. Furthermore, the Bank pushed forward the development of its online learning platform so as to enhance its capabilities for delivering and managing online training projects and improve new training model developed during the pandemic. In the first half of 2022, over 90% of BOC employees participated in online/offline training, with an average learning time of 17.68 hours.

The Bank implemented the *14th Five-Year Plan of Bank of China for Talent Development*, vigorously strengthened its human resources, stimulated employee enthusiasm, and improved its team structure. It constantly pushed forward the building of professional development pathways, moved faster in talent cultivation and development, introduced the online management of professional qualifications, and supported the cultivation of technological and interdisciplinary talents. Besides, the Bank intensified talent exchange by selecting and dispatching outstanding personnel to frontline outlets and areas facing challenging conditions, so as to support local economic development. Actively responding to the country's "employment-first" strategy, the Bank took the initiative to offer more new jobs, explored advanced and efficient recruitment methods, and provided high-quality job opportunities for various personnel.

Corporate Governance

The Bank takes excellent corporate governance as an important objective and constantly pursues the best practice in corporate governance. It strictly follows the regulatory rules governing capital markets and industries, closely tracks changes and trends in overseas and domestic regulations, proactively explores innovative models and methods of corporate governance, and integrates the Party's leadership with improvement of corporate governance, so as to continuously enhance its corporate governance capabilities.

During the reporting period, the Bank further improved its corporate governance mechanisms. The Bank revised its Articles of Association. Relevant proposal has been considered and approved by the Shareholders' Meeting and will come into force after being approved by the CBIRC. It conducted self-inspection on the implementation of the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China Limited* and the *Measures of Authorisation to the President by the Board of Directors of Bank of China Limited*. The implementation was satisfactory with no approval in excess of authority identified.

The Board of Directors paid close attention to the continuous professional development of directors, organised research activities and training for directors and improved the communication mechanisms, thus continuously enhancing its decision-making efficiency and capability.

During the reporting period, the Bank continued to strengthen the protection of shareholders' rights, ensuring that shareholders were properly informed and entitled to participate and make decisions.

Corporate Governance Compliance

During the reporting period, the actual status of the Bank's corporate governance was consistent with the requirements of the laws, administrative regulations and CSRC regulations on the corporate governance of listed companies.

During the reporting period, the Bank strictly observed the *Corporate Governance Code* (the "Code") as set out in Appendix 14 to the Hong Kong Listing Rules. The Bank has complied with all provisions of the Code and most of the recommended best practices set out in the Code.

Shareholders' Meeting

On 17 February 2022, the Bank held its 2022 First Extraordinary General Meeting on-site in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved ten proposals, including the election of Mr. HUANG Binghua as Non-executive Director of the Bank, the election of Mr. E Weinan as Independent Non-executive Director of the Bank, the election of Mr. Jean-Louis EKRA as Independent Non-executive Director of the Bank, the election of Mr. Giovanni TRIA as Independent Non-executive Director of the Bank, the election of Mr. HUI Ping as External Supervisor of the Bank, the application for special external donation limit for targeted support, the 2020 remuneration distribution plan for Chairman of the Board of Directors and Executive Directors, the 2020 remuneration distribution plan for Chairman of the Board of Supervisors, the capital management plan of the Bank for the 14th five-year plan period, and the amendments to the *Procedural Rules for Board of Supervisors of the Bank*. All the proposals were ordinary resolutions.

On 30 June 2022, the Bank held its 2021 Annual General Meeting on-site in Beijing. A-Share Holders could also cast votes online. This meeting considered and approved the proposals including the 2021 work report of the Board of Directors, the 2021 work report of the Board of Supervisors, the 2021 annual financial report, the 2021 profit distribution plan, the 2022 annual budget for fixed assets investment, the appointment of the Bank's external auditor for 2022, the election of Mr. Martin Cheung Kong LIAO to be re-appointed as Independent Non-executive Director of the Bank, the election of Mr. CHUI Sai Peng Jose to be re-appointed as Independent Non-executive Director of the Bank, the election of Mr. CHU Yiyun as External Supervisor of the Bank, the

additional donation to the Tan Kah Kee Science Award Foundation, the 2021 remuneration distribution plan for External Supervisors, the plan for the issuance of non-capital bonds, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments, the revision of the Articles of Association and the election of Mr. ZHANG Jiangang to be re-appointed as Non-executive Director of Bank of China Limited, among others. The meeting also heard the report on the connected transactions for 2021, the duty report of Independent Directors for 2021, and the report on the implementation of the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China Limited* for 2021. The proposals regarding the plan for the issuance of non-capital bonds, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments and the revision of the Articles of Association were special resolutions, while the rest of the proposals were ordinary resolutions.

The abovementioned shareholders' meetings were convened and held in strict compliance with relevant laws and regulations as well as the listing rules of the Bank's listing exchanges. The Bank's directors, supervisors and senior management members attended the meetings and communicated with shareholders on issues of concern. The Bank published announcements on the resolutions and legal opinions of the aforementioned shareholders' meetings pursuant to the regulatory requirements in a timely manner. For details, please refer to the Bank's announcements published on the websites of SSE, HKEX and the Bank on 17 February 2022 and 30 June 2022.

Directors and the Board of Directors

Currently, the Board of Directors comprises fifteen members. Besides the Chairman, there are three executive directors, five non-executive directors and six

independent directors. The proportion of independent directors reaches one-third of the total number of directors, which is in compliance with the Articles of Association of the Bank and the relevant regulatory provisions. The positions of Chairman of the Board of Directors and President of the Bank are assumed by two persons.

Save as disclosed in this report, to the best knowledge of the Bank, information regarding the Bank's directors including their appointments during the reporting period is the same as that disclosed in the 2021 Annual Report of the Bank.

During the reporting period, the Bank convened three on-site meetings of the Board of Directors respectively on 27 January, 29 March and 29 April, and one meeting of the Board of Directors via written resolutions on 24 June. At these meetings, the Board of Directors mainly considered and approved proposals regarding the 2021 work report of the Board of Directors, the 2021 profit distribution plan, the 2021 internal control self-assessment report, the 2021 corporate social responsibility report (ESG), the 2021 annual report, the 2021 capital adequacy ratio report, the 2022 first quarter report, the revision of the Articles of Association and the plan for the issuance of non-capital bonds, among others.

The Board of Directors has set up the Strategic Development Committee, the Corporate Culture and Consumer Protection Committee, the Audit Committee, the Risk Policy Committee, the Personnel and Remuneration Committee, and the Connected Transactions Control Committee as well as the US Risk and Management Committee established under the Risk Policy Committee, to assist it in performing its functions under the authorisation of the Board of Directors. Independent directors individually serve as the chair of the Audit Committee, the Personnel and Remuneration

Corporate Governance

Committee and the Connected Transactions Control Committee. The work performance of each special committee during the reporting period was as follows:

Special Committees	Work Performance
Strategic Development Committee	The committee held three on-site meetings, at which it mainly reviewed proposals on business plan and financial budget of Bank of China for 2022, fixed asset investment budget of Bank of China for 2022, profit distribution plan for 2021, dividend distribution plan of Domestic Preference Shares (Third and Fourth Tranche), issuance of write-down undated capital bonds, issuance of qualified write-down tier 2 capital instruments, non-capital bond issuance plan, the 2022 operation plan of the SME Services Department, among others. In addition, it heard the report on development plan implementation for 2021, the report on green finance development, the report on the IT strategy implementation and IT risk management, the report on digital transformation.
Corporate Culture and Consumer Protection Committee	The committee held two on-site meetings, at which it reviewed the <i>Summary of Consumer Protection for 2021 of Bank of China and work plan for 2022</i> and the <i>Corporate Social Responsibility Report of Bank of China Limited for 2021</i> , among others. In addition, it heard the <i>Report on Consumer Complaints in Banking Industry in the Second Half of 2021</i> and the <i>Work Summary of Corporate Culture Construction for 2021 and 2022 Work Plan</i> .
Audit Committee	The committee held three on-site meetings, at which it mainly reviewed and approved the <i>Development Plan for Audit Work of Bank of China during the 14th Five-Year Plan Period</i> and the 2022 work plan and financial budget for internal audit. It reviewed the re-appointment of external auditors for 2022 and fees, the 2021 financial report, the 2022 first quarter financial report, the 2021 internal control work report, the 2021 internal control assessment report, and the audit results on internal control and its management proposal. In addition, it heard the work report on internal audit in 2021, the 2021 report on the overseas supervision information, the report on prevention and control of cases incurred by outsiders in 2021, the reports on progress in internal control audit and compliance with the principle of independence in 2021 of PricewaterhouseCoopers, the 2022 audit plan and agreed-upon procedures for the first quarter of 2022, and the report on asset quality in the first quarter of 2022, among others.
Risk Policy Committee	The committee held three on-site meetings, at which it mainly reviewed proposals including the Group Risk Appetite Statement (Version 2022), Internal Control Policy (2022 edition), Liquidity Risk Management Policy (Version 2022), Country Risk Ratings & Limits for 2022, Trading Book Market Risk Limits (Level A) in 2022, Internal Capital Adequacy Assessment Process (ICAAP) Report for 2022, Report on the Business and Risk Analysis of Derivatives for 2021 and so on. The committee also regularly reviewed the Risk Reports of the Group.
Personnel and Remuneration Committee	The committee held two on-site meetings and one meeting via written resolutions. At these meetings, the committee mainly reviewed proposals on the appointment of Mr. HUANG Binghua as a member of special committees of the Board of Directors, the appointment of Ms. MENG Qian as Chief Information Officer of the Bank, the performance evaluation results of the Chairman, President and other senior management members for 2021, and the change of chairs and members of special committees of the Board of Directors, among others.
Connected Transactions Control Committee	The committee held one on-site meeting, at which it mainly reviewed and approved the report on the connected party list and other proposals. It also reviewed the report on connected transactions in 2021, report on the Implementation Plan of the CBIRC's New Regulatory Rules on Connected Transactions, among others.

Supervisors and the Board of Supervisors

The Board of Supervisors currently comprises seven members, with one shareholder supervisor (who serves as Chairwoman of the Board of Supervisors), three employee supervisors and three external supervisors.

Save as disclosed in this report, to the best knowledge of the Bank, information regarding the Bank's supervisors including their appointments during the reporting period is the same as that disclosed in the 2021 Annual Report of the Bank.

During the reporting period, the Board of Supervisors of the Bank performed its supervisory duties in accordance with the law. With the aim of building a first-class global banking group, it followed the national decisions and plans regarding economic and financial work and regulatory requirements, earnestly carried out routine supervision of the Bank's strategies, duty performance, finance, risk management and internal control, and further improved the quality and efficiency of supervision. It comprehensively performed supervision over duty performance by conducting the 2021 duty performance assessment of the Board of Directors, the Senior Management and its members. The Board of Supervisors enhanced its strategic and financial supervision, focused on the Bank's service to the implementation of national strategies and its implementation of the 14th Five-Year Plan, and carefully reviewed regular reports. At the same time, it followed up with and studied internal and external situations, intensified efforts to analyse risks in key areas, and issued prompt reminders to the Board of Directors, Senior Management and relevant departments, in order to further enhance its supervision over risk management and internal control. Furthermore, the Board of Supervisors deepened its coordination and collaboration with the second

and third lines of defence to enhance supervision synergy. It continuously tracked the progress of the Senior Management and relevant departments in implementing the opinions and suggestions raised at meetings of the Board of Supervisors and during special surveys, and followed up with the quality and efficiency of rectification. Focusing on the Bank's priorities, the Board of Supervisors launched special surveys on various topics, including the support for the country's high-level opening-up and cross-border risk management, special supervision over the implementation of the Guangdong-Hong Kong-Macao Greater Bay Area strategy, and special supervision over the effectiveness of the Bank's financial management, thereby giving full play to its supervision and advisory role.

During the reporting period, the Board of Supervisors held two on-site meetings on 29 March and 29 April and four meetings via written resolutions on 22 February, 7 March, 12 May and, 27 June, at which it reviewed and approved 25 proposals, including the 2021 annual report, report for the first quarter ended 31 March 2022, profit distribution plan for 2021, social responsibility report for 2021 (ESG), internal control assessment report for 2021, work report of the Board of Supervisors for 2021, evaluation opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors, the Senior Management and its members for 2021, performance assessment results and remuneration distribution plan for external supervisors, performance assessment results of the Chairwoman of the Board of Supervisors for 2021, implementation plan for the performance assessment of external supervisors for 2022, appointment of Supervisor HUI Ping as member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee, nomination of Mr. CHU Yiyun as the candidate for external supervisor

Corporate Governance

of the Bank, nomination of Mr. JIA Xiangsen to be re-appointed as external supervisor of the Bank, nomination of Mr. LU Kegui as the candidate for external supervisor of the Bank, supervision and evaluation opinions of the Board of Supervisors on the Bank's performance in strategy implementation, capital management and management of advanced capital measurement approaches, liquidity risk management, internal audit, consolidated management, stress testing management, data governance, internal control, case prevention, reputational risk management and information disclosure management in 2021. The Duty Performance and Due Diligence Supervision Committee held two on-site meetings and four meetings via written resolutions, and the Finance and Internal Control Supervision Committee held two on-site meetings, at which the two committees carried out preliminary review of their respective issues of relevance and submitted them to the Board of Supervisors for review and approval.

During the reporting period, External Supervisors Mr. JIA Xiangsen, Mr. ZHENG Zhiguang and Mr. HUI Ping performed their supervisory duties in strict accordance with the provisions of the Articles of Association of the Bank. Mr. JIA Xiangsen attended the 2022 First Extraordinary General Meeting and the 2021 Annual General Meeting, and was present at meetings of the Board of Directors and relevant committees as a non-voting attendee. He also attended two on-site meetings of the Board of Supervisors, presided over two meetings of the Finance and Internal Control Supervision Committee of the Board of Supervisors, was present at the first seminar of directors, supervisors and senior management in 2022, and participated in special surveys regarding the implementation of the Guangdong-Hong Kong-Macao Greater Bay Area strategy. Mr. ZHENG Zhiguang attended the 2022 First Extraordinary General Meeting, and was present

at meetings of the Board of Directors and relevant committees as a non-voting attendee, attended two on-site meetings of the Board of Supervisors, two meetings of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors and two meetings of the Finance and Internal Control Supervision Committee, and participated in special surveys regarding the support for the country's high-level opening-up and cross-border risk management. Mr. HUI Ping attended the 2021 Annual General Meeting, and was present at meetings of the Board of Directors and relevant committees as a non-voting attendee. He also attended two on-site meetings of the Board of Supervisors, two meetings of the Duty Performance and Due Diligence Supervision Committee and two meetings of the Finance and Internal Control Supervision Committee of the Board of Supervisors, was present at the first seminar of directors, supervisors and senior management in 2022, and participated in special supervision surveys regarding the effectiveness of the Bank's financial management. During the reporting period, the three external supervisors expressed opinions independently and objectively, and put forward suggestions on strategy management, business development, risk management and internal control, thus playing an active role in promoting the improvement of the Bank's corporate governance and management quality.

Senior Management

During the reporting period, the Senior Management of the Bank managed the Bank's operations in accordance with the powers bestowed upon it by the Articles of Association and the authorisations of the Board of Directors. Closely adhering to the strategic goal of "Building a First-class Global Banking Group" and to the annual performance objectives approved by the Board of Directors, the Senior Management

placed emphasis on invigorating, adapting to change and driving for major breakthroughs. It accelerated the implementation of various tasks within the Bank's development strategy, thus realising steady improvement in the Group's operating results.

During the reporting period, the Senior Management of the Bank held 22 regular meetings, at which it focused on key operational areas and discussed and decided upon a series of significant matters, including the Group's business development, performance management, risk management, audit supervision, IT development, product and service innovation, integrated operation, globalised development, inclusive finance and scenario building. It also held special meetings to study and make plans for the Group's corporate banking, personal banking, financial markets, channel building and compliance management.

During the reporting period, the duties of the former Innovation and Product Management Committee were incorporated into the Financial Digitalisation Committee under the Senior Management (Executive Committee) to enhance the coordinated integration and management of product innovation and digitalised development. The Technology Finance Committee was newly established to take charge of the coordinated management and professional decision-making of the Group's technology finance. The Senior Management presided over the

Asset and Liability Management Committee, the Risk Management and Internal Control Committee (which governs the Anti-money Laundering Committee, the Asset Disposal Committee and the Credit Risk Management and Decision-making Committee), the Centralised Procurement Management Committee, the Securities Investment and Management Committee, the Integrated Operation Coordination Committee, the Asset Management Business Committee, the Consumer Protection Committee, the Domestic Branch Development and Coordination Committee, the Green Finance Committee, the Overseas Work Coordination Committee, the Financial Digitalisation Committee and the Technology Finance Committee. During the reporting period, all of the committees diligently fulfilled their duties and responsibilities as per the powers specified in their committee charters and the rights delegated by the Executive Committee, and pushed forward the sound development of the Bank's various operations.

Implementation of Stock Incentive Plan and Employee Stock Ownership Plan

The Bank approved a long-term incentive policy, including the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan, at the Board meeting and the Extraordinary General Meeting held in November 2005. To date, the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan have not been implemented.

Significant Events

Formulation and Implementation of Profit Distribution Policy

Ordinary Shares

The Articles of Association of the Bank states that the Bank should maintain the continuity and stability of its profit distribution policy. It also clarifies the Bank's profit distribution principles, policy and adjustment procedures, the consideration process of the profit distribution plan and other matters. The Bank shall adopt cash dividend as the priority form of profit distribution. Except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive, and that the cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the ordinary shareholders of the Bank. The Bank shall offer online voting to shareholders when considering amendments to the profit distribution policy and profit distribution plan.

The procedure to formulate the aforementioned profit distribution policy was compliant and transparent, and the decision procedure was complete. The criterion and ratio of the dividend were explicit and clear. The independent directors fully expressed their opinions and the legitimate rights and interests of minority shareholders were fully respected and protected. In these regards, the formulation of the policy was in line with the provisions of the Articles of Association and other rules and regulations.

The profit distribution plan for ordinary shares of the Bank shall be approved by the shareholders' meeting. The Bank distributed dividends on ordinary shares for 2021 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

The preference shareholders of the Bank receive dividend at the specified dividend rate prior to the ordinary shareholders. The Bank shall pay the dividend to the preference shareholders in cash. The Bank shall not distribute the dividends on ordinary shares before all the dividends of preference shares have been paid.

Dividend on the Bank's preference shares will be distributed on an annual basis. Once the preference shareholders have received dividends at the specified dividend rate, they shall not be entitled to participate in the distribution of the remaining profits of the Bank together with the ordinary shareholders.

The preference share dividend is non-cumulative. If any preference share dividend for any dividend period is not paid in full, such remaining amount of dividend shall not be carried forward to the following dividend year. The Bank shall be entitled to cancel the payment of any dividend on the preference shares, and such cancellation shall not constitute a default. The Bank may at its discretion use the funds arising from the cancellation of such dividend payment to repay other indebtedness due and payable.

Dividend payments are independent of the Bank's credit rating, nor do they vary with the credit rating.

In the first half of 2022, the Bank distributed dividends on preference shares in strict compliance with the Articles of Association, the terms of issuance of preference shares and the Board of Directors' resolutions on dividend distribution.

Profit Distribution during the Reporting Period

The 2021 Annual General Meeting held on 30 June 2022 considered and approved the Bank's profit distribution plan as follows: appropriation to statutory

surplus reserve of RMB20.492 billion; appropriation to general and regulatory reserves of RMB35.228 billion; no appropriation to the discretionary reserve; considering the Bank's business performance, financial position, and the capital requirements for the future development of the Bank, RMB2.21 per ten shares (before tax) was proposed to be distributed as cash dividends on ordinary shares to A-Share Holders and H-Share Holders whose names appeared on the register of members of the Bank as at market close on 14 July 2022, amounting to approximately RMB65.060 billion (before tax) in total. The dividend distribution plan has been accomplished. The Bank did not distribute an interim dividend on ordinary shares for 2022, nor did it implement any capitalisation of capital reserve into share capital.

At the Board meeting held on 29 October 2021, the dividend distribution plan for the Bank's Offshore Preference Shares (Second Tranche) was approved. The Bank distributed dividends on the Offshore Preference Shares (Second Tranche) on 4 March 2022. According to the Bank's issuance terms of the Offshore Preference Shares (Second Tranche), dividends on Offshore Preference Shares (Second Tranche) were paid in US dollars, with a total of approximately USD101.5 million (after tax) at an annual dividend rate of 3.60% (after tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 29 April 2022, the dividend distribution plans for the Bank's Domestic Preference Shares (Third Tranche and Fourth Tranche) were approved. The Bank distributed a total of RMB3.285 billion (before tax) of dividends on the Domestic Preference Shares (Third Tranche) on 27 June 2022, with an annual dividend rate of 4.50% (before tax). The Bank distributed a total of RMB1.1745 billion (before tax) of dividends on the Domestic Preference Shares (Fourth Tranche) on

29 August 2022, with an annual dividend rate of 4.35% (before tax). The dividend distribution plan has been accomplished.

Please refer to the Condensed Consolidated Interim Financial Information for other profit distribution during the reporting period.

Corporate Governance

For details of the corporate governance of the Bank, please refer to the section "Corporate Governance".

Purchase and Sale of Material Assets

During the reporting period, the Bank did not undertake any purchase and sale of material assets that is required to be disclosed.

Material Litigation and Arbitration

The Bank was involved in certain litigation and arbitration cases in the regular course of its business. Given the range and scale of its international presence, the Bank may be involved in a variety of litigation, arbitration and judicial proceedings within different jurisdictions in the course of its regular business operations in different countries and regions across the world, and the ultimate outcomes of these proceedings involve various levels of uncertainty. Based upon the opinions of internal and external legal counsels, the senior management of the Bank believes that, at the current stage, these matters will not have a material impact on the financial position or operating results of the Bank. Should the ultimate outcomes of these matters differ from the initially estimated amounts, such differences will impact the profit or loss in the period during which such a determination is made.

Significant Events

Significant Connected Transactions

The Bank had no significant connected transactions during the reporting period. For details of the related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note III.30 of the Condensed Consolidated Interim Financial Information.

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

During the reporting period, the Bank did not take, or allow to subsist any significant custody of, sub-contract or lease assets from other companies, or allow its material business assets to be subject to such arrangements, in each case that is required to be disclosed.

Material Guarantee Business

As approved by PBOC and CBIRC, the Bank's guarantee business is an off-balance sheet item in the ordinary course of its business. The Bank operates its guarantee business in a prudent manner and has formulated specific management measures, operational processes and approval procedures in respect of the risks of guarantee business and carries out this business accordingly. During the reporting period, save as disclosed above, the Bank did not enter into or allow to subsist any material guarantee business that is required to be disclosed.

During the reporting period, there was no violation of laws, administrative regulations or rules of CSRC in the Bank's guarantee business.

Other Major Contracts

During the reporting period, the Bank did not enter into or allow to subsist any other major contract that is required to be disclosed.

Undertakings

There was no undertaking that had been fulfilled by the Bank during the reporting period. As at the end of the reporting period, there was no undertaking that the Bank had failed to fulfill.

Disciplinary Actions Imposed on the Bank, its Directors, Supervisors, Senior Management Members and Controlling Shareholder

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or controlling shareholder was subject to compulsory measures due to alleged crimes, subject to criminal punishment, investigated by CSRC due to potential violation of laws and regulations or subject to administrative punishment by CSRC, or had material administrative punishment imposed on them by other competent authorities. None of the directors, supervisors, senior management members or controlling shareholder was detained by disciplinary inspection and supervision authorities due to any potential material breach of laws, disciplinary regulations or duty crimes, nor did any such matter affect its duty performance. None of the directors, supervisors or senior management members was subject to compulsory measures by other competent authorities due to potential violation of laws and regulations, nor did any such matter affect its duty performance.

Alert of and Explanations for Predicted Loss in Net Profit for the Period from the Beginning of the Year to the End of the Next Reporting Period or Substantial Change Compared with the Same Period of the Prior Year

Not applicable.

Misappropriation of Funds for Non-operating Purposes by Controlling Shareholder and Other Related Parties

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes.

Use of Raised Funds

All proceeds raised from initial public offerings, issuance of subordinated bonds, the rights issue, issuances of tier 2 capital bonds, preference shares and undated capital bonds have been fully used to replenish the Bank's capital and increase the level of its capital adequacy.

For details, please refer to the related announcements published on the websites of SSE, HKEX and the Bank, and the Notes to the Condensed Consolidated Interim Financial Information.

Purchase, Sale or Redemption of the Bank's Shares

During the reporting period, neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any shares of the Bank.

Audit Committee

The Audit Committee of the Bank comprises six members, including Non-executive Directors Mr. ZHANG Jiangang and Mr. HUANG Binghua, Independent Directors Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO, Mr. CHUI Sai Peng Jose and Mr. Giovanni TRIA. Independent Director Mr. JIANG Guohua serves as the Chair of the committee. Following the principle of independence, the committee assists the Board of Directors in supervising 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 external auditor of the Bank has reviewed the interim report in accordance with *International Standards on Review Engagements No. 2410*. The committee has considered the financial statements in light of accounting standards, accounting policies and practices, internal control and financial reporting.

Appointment of External Auditors

The Bank engaged PricewaterhouseCoopers Zhong Tian LLP as the Bank's domestic auditor and internal control external auditor for 2022 to provide audit services on its financial statements and internal control pursuant to CAS and engaged PricewaterhouseCoopers as its international auditor for 2022 to provide audit services on financial statements pursuant to IFRS.

Directors' and Supervisors' Rights to Acquire Shares

During the reporting period, none of the Bank, its holding companies, or any of its subsidiaries or fellow subsidiaries was party to any arrangements that would enable the Bank's directors and supervisors or their respective spouses or children below the age of 18, to

Significant Events

benefit by acquiring shares in, or debentures of, the Bank or any other legal entity.

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

To the best knowledge of the Bank, as at 30 June 2022, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (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* (the "*Model Code*") as set out in Appendix 10 of the Hong Kong Listing Rules.

Securities Transactions by Directors and Supervisors

Pursuant to domestic and overseas securities regulatory requirements, the Bank formulated and implemented the *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* (the "*Management Rules*") to govern securities transactions by the directors, supervisors and senior management members of the Bank. The terms of the *Management Rules* are more stringent than the mandatory standards set out in the *Model Code*. All the directors and supervisors of the Bank have confirmed that they have complied with the standards set out in both the *Management Rules* and the *Model Code* throughout the reporting period.

Consumer Rights Protection

The Bank always places the rights and interests of customers above all, and establishes the Corporate Culture and Consumer Protection Committee under the Board of Directors, which is responsible for reviewing and advising the Board of Directors on the Bank's consumer rights protection strategies, policies and objectives, and overseeing and evaluating the Bank's consumer protection work. In 2022, the Bank saw steady development in the key areas of consumer rights protection work and constantly enhanced its system and mechanism building, to make sure that the rights and interests of customers are effectively protected.

The bank-customer relation became harmonious. The Bank always listened to the voice of customers, and improved the product and service experience according to customer feedback, forming a closed-loop workflow of "collection-analysis-evaluation-improvement", in a bid to better fulfill customers' new expectations for financial products and services and consumer rights protection. Meanwhile, the Bank not only specified the definition, handling and verification of complaints, but also sorted out and specified the complaint management system, working mechanism and operational rules. With a focus on areas where most customer complaints arise, it conducted list-based rectification of the ability of the outlets in resolving financial disputes. It strengthened performance evaluation from the source, improved the handling process at the management level, deepened accountability and rectification at the governance level, took targeted measures to increase the quality and efficiency of complaint management, and effectively safeguarded the lawful rights and interests of consumers.

The marketing activities became standardised. Based on the financial appropriateness principle and regulatory requirements, the Bank formulated and fully implemented the *Guidelines on the Management of Consumer Financial Marketing and Publicity of Bank of China Limited*, which specified the marketing management framework and the code of conducts as well as the management responsibilities of the business lines and departments, and provided clear rules and well-defined responsibilities. The Bank integrated the consumer protection concept into the whole business process from the bank side to the customer side, to ensure that the work requirements for consumer protection are effectively implemented in all business links including the design and development of financial products or services, marketing and promotion and after-sales service management. Efforts were made to improve the risk alerts before, during and after sales, so that the marketing and publicity are conducted in accordance with relevant laws, regulations and rules.

The education and publicity brand became prominent. The Bank consistently developed consumer education and training programmes to popularise financial knowledge, and helped develop a financial ecosystem in which consumers make sensible consumption decisions and safeguard their rights according to law. It participated in the intensive education and publicity activities organised by regulatory authorities to jointly improve the financial literacy of the Chinese people. It developed a regular online and offline financial education and publicity system, made posters themed on traditional festivals and the 24 solar terms, and launched the “Learn Insurance by Cases” activity on the official website and official Weibo account, and regularly updated the contents in the financial education zones of various channels. The Bank focused on key groups including elderly people, people with disabilities, young people and “new citizens”, and

launched featured financial education and publicity programmes in communities, campuses and old age centres, winning popularity among the people. In the first half of 2022, the Bank launched a total of 35,776 financial education and publicity activities, benefiting more than 400 million consumers.

Integrity of the Bank and its Controlling Shareholder

During the reporting period, neither the Bank nor its controlling shareholder failed to perform any obligations from effective legal instruments of the court or pay off any due debt in large amount.

Other Significant Events

For announcements regarding other significant events made in accordance with the regulatory requirements during the reporting period, please refer to the websites of SSE, HKEX and the Bank.

Interim Report

You may write to the Bank’s H-Share Registrar, Computershare Hong Kong Investor Services Limited (Address: 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, China) to request the interim report prepared under IFRS or visit the Bank’s office address for copies prepared under CAS. The Chinese and/or English versions of this interim report are also available on the following websites: www.boc.cn, www.sse.com.cn and www.hkexnews.hk.

Should you have any queries about how to obtain copies of this interim report or access the document on the Bank’s website, please contact the Bank’s H-Share Registrar at (852) 2862 8688 or the Bank’s hotline at (86) 10-6659 2638.

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Bank of China Limited

(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 94 to 177, which comprises the condensed consolidated interim statement of financial position of Bank of China Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2022 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Chinese Hong Kong, 30 August 2022

Interim Financial Information

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Condensed Consolidated Interim Income Statement

For the six month period ended 30 June 2022 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Six month period ended 30 June	
		2022 Unaudited	2021 Unaudited
Interest income	III.1	419,011	386,934
Interest expense	III.1	(195,018)	(178,161)
Net interest income		223,993	208,773
Fee and commission income	III.2	49,917	52,912
Fee and commission expense	III.2	(6,772)	(6,099)
Net fee and commission income		43,145	46,813
Net trading gains	III.3	8,944	9,754
Net gains on transfers of financial assets	III.4	557	1,852
Other operating income	III.5	36,972	35,663
Operating income		313,611	302,855
Operating expenses	III.6	(108,912)	(102,357)
Impairment losses on assets	III.8	(52,810)	(52,945)
Operating profit		151,889	147,553
Share of results of associates and joint ventures		180	749
Profit before income tax		152,069	148,302
Income tax expense	III.9	(27,766)	(29,755)
Profit for the period		124,303	118,547
Attributable to:			
Equity holders of the Bank		119,924	112,813
Non-controlling interests		4,379	5,734
		124,303	118,547
Earnings per share (in RMB)	III.10		
— Basic		0.37	0.36
— Diluted		0.37	0.36

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six month period ended 30 June 2022 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Six month period ended 30 June	
		2022 Unaudited	2021 Unaudited
Profit for the period		124,303	118,547
Other comprehensive income:	III.11		
Items that will not be reclassified to profit or loss			
— Actuarial gains/(losses) on defined benefit plans		44	(38)
— Changes in fair value on equity instruments designated at fair value through other comprehensive income		(1,107)	822
— Other		1	37
Subtotal		(1,062)	821
Items that may be reclassified to profit or loss			
— Changes in fair value on debt instruments measured at fair value through other comprehensive income		(17,779)	(794)
— Allowance for credit losses on debt instruments measured at fair value through other comprehensive income		64	132
— Exchange differences from the translation of foreign operations		15,880	(4,204)
— Other		622	141
Subtotal		(1,213)	(4,725)
Other comprehensive income for the period, net of tax		(2,275)	(3,904)
Total comprehensive income for the period		122,028	114,643
Total comprehensive income attributable to:			
Equity holders of the Bank		114,773	110,356
Non-controlling interests		7,255	4,287
		122,028	114,643

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2022 (Amounts in millions of Renminbi, unless otherwise stated)

		As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
	Note		
ASSETS			
Cash and due from banks and other financial institutions	III.12	706,192	644,816
Balances with central banks	III.13	2,142,398	2,228,726
Placements with and loans to banks and other financial institutions	III.14	1,186,074	1,257,413
Government certificates of indebtedness for bank notes issued		191,590	175,715
Precious metals		304,124	276,258
Derivative financial assets	III.15	155,953	95,799
Loans and advances to customers, net	III.16	16,537,489	15,322,484
Financial investments	III.17	6,248,071	6,164,671
— financial assets at fair value through profit or loss		540,009	561,642
— financial assets at fair value through other comprehensive income		2,379,585	2,389,830
— financial assets at amortised cost		3,328,477	3,213,199
Investments in associates and joint ventures		37,352	35,769
Property and equipment	III.18	243,100	246,091
Investment properties	III.19	20,229	19,554
Deferred income tax assets	III.24	58,203	51,172
Other assets	III.20	221,983	203,940
Total assets		28,052,758	26,722,408

The accompanying notes form an integral part of this interim financial information.

		As at 30 June 2022	As at 31 December 2021
	Note	Unaudited	Audited
LIABILITIES			
Due to banks and other financial institutions		2,665,323	2,682,739
Due to central banks		687,657	955,557
Bank notes in circulation		191,683	175,605
Placements from banks and other financial institutions		281,291	407,767
Financial liabilities held for trading	III.21	24,725	12,458
Derivative financial liabilities	III.15	128,807	89,151
Due to customers	III.22	19,548,227	18,142,887
Bonds issued	III.23	1,457,968	1,388,678
Other borrowings		25,607	26,354
Current tax liabilities		37,010	45,006
Retirement benefit obligations		1,945	2,095
Deferred income tax liabilities	III.24	6,163	7,003
Other liabilities	III.25	551,600	436,555
Total liabilities		25,608,006	24,371,855
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital		294,388	294,388
Other equity instruments	III.26	369,494	319,505
Capital reserve		135,755	135,717
Other comprehensive income	III.11	(3,070)	1,417
Statutory reserves		214,148	213,930
General and regulatory reserves		304,473	303,209
Undistributed profits		1,000,046	956,987
		2,315,234	2,225,153
Non-controlling interests		129,518	125,400
Total equity		2,444,752	2,350,553
Total equity and liabilities		28,052,758	26,722,408

Approved and authorised for issue by the Board of Directors on 30 August 2022.

The accompanying notes form an integral part of this interim financial information.

LIU Liange
Director

LIU Jin
Director

Condensed Consolidated Interim Statement of Changes in Equity

For the six month period ended 30 June 2022 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Attributable to equity holders of the Bank							Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits		
As at 1 January 2022		294,388	319,505	135,717	1,417	213,930	303,209	956,987	125,400	2,350,553
Total comprehensive income	III.11	-	-	-	(5,151)	-	-	119,924	7,255	122,028
Appropriation to statutory reserves		-	-	-	-	218	-	(218)	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	1,264	(1,264)	-	-
Dividends	III.27	-	-	-	-	-	-	(74,719)	(3,264)	(77,983)
Capital contribution by non-controlling shareholders		-	-	(3)	-	-	-	-	127	124
Capital contribution by other equity instruments holders	III.26	-	49,989	-	-	-	-	-	-	49,989
Other comprehensive income transferred to retained earnings		-	-	-	664	-	-	(664)	-	-
Other		-	-	41	-	-	-	-	-	41
As at 30 June 2022 (Unaudited)		294,388	369,494	135,755	(3,070)	214,148	304,473	1,000,046	129,518	2,444,752

The accompanying notes form an integral part of this interim financial information.

	Note	Attributable to equity holders of the Bank									Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	
As at 1 January 2021		294,388	277,490	135,973	4,309	193,438	267,981	864,848	(8)	124,418	2,162,837
Total comprehensive income	III. 11	-	-	-	(2,457)	-	-	112,813	-	4,287	114,643
Appropriation to statutory reserves		-	-	-	-	229	-	(229)	-	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	1,299	(1,299)	-	-	-
Dividends		-	-	-	-	-	-	(65,610)	-	(3,743)	(69,353)
Net change in treasury shares		-	-	-	-	-	-	-	(43)	-	(43)
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	-	39	39
Capital contribution and reduction by other equity instruments holders		-	22,020	(31)	-	-	-	-	-	-	21,989
Other comprehensive income transferred to retained earnings		-	-	-	(42)	-	-	42	-	-	-
Other		-	-	236	-	-	-	-	-	-	236
As at 30 June 2021 (Unaudited)		294,388	299,510	136,178	1,810	193,667	269,280	910,565	(51)	125,001	2,230,348
Total comprehensive income		-	-	-	(487)	-	-	103,746	-	3,201	106,460
Appropriation to statutory reserves		-	-	-	-	20,263	-	(20,263)	-	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	33,929	(33,929)	-	-	-
Dividends		-	-	-	-	-	-	(3,035)	-	(2,815)	(5,850)
Net change in treasury shares		-	-	-	-	-	-	-	51	-	51
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	-	2	2
Capital contribution by other equity instruments holders		-	19,995	-	-	-	-	-	-	-	19,995
Other comprehensive income transferred to retained earnings		-	-	-	94	-	-	(94)	-	-	-
Other		-	-	(461)	-	-	-	(3)	-	11	(453)
As at 31 December 2021 (Audited)		294,388	319,505	135,717	1,417	213,930	303,209	956,987	-	125,400	2,350,553

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

For the six month period ended 30 June 2022 (Amounts in millions of Renminbi, unless otherwise stated)

	Six month period ended 30 June	
	2022 Unaudited	2021 Unaudited
Cash flows from operating activities		
Profit before income tax	152,069	148,302
Adjustments:		
Impairment losses on assets	52,810	52,945
Depreciation of property and equipment and right-of-use assets	11,071	11,263
Amortisation of intangible assets and other assets	3,287	3,041
Net gains on disposals of property and equipment, intangible assets and other long-term assets	(251)	(252)
Net gains on disposals of investments in subsidiaries, associates and joint ventures	(35)	(839)
Share of results of associates and joint ventures	(180)	(749)
Interest income arising from financial investments	(79,831)	(75,417)
Dividends arising from investment securities	(267)	(189)
Net gains on financial investments	394	(888)
Interest expense arising from bonds issued	21,980	20,321
Accreted interest on impaired loans	(397)	(360)
Interest expense arising from lease liabilities	334	379
Net changes in operating assets and liabilities:		
Net increase in balances with central banks	(44,625)	(165,697)
Net decrease in due from and placements with and loans to banks and other financial institutions	93,415	94,265
Net (increase)/decrease in precious metals	(27,852)	15,407
Net increase in loans and advances to customers	(1,258,271)	(1,243,419)
Net (increase)/decrease in other assets	(116,492)	57,185
Net (decrease)/increase in due to banks and other financial institutions	(19,718)	441,343
Net (decrease)/increase in due to central banks	(269,940)	5,322
Net (decrease)/increase in placements from banks and other financial institutions	(126,713)	88,313
Net increase in due to customers	1,394,242	1,329,144
Net decrease in other borrowings	(747)	(1,770)
Net increase/(decrease) in other liabilities	128,068	(42,091)
Cash (outflow)/inflow from operating activities	(87,649)	735,559
Income tax paid	(39,091)	(46,983)
Net cash (outflow)/inflow from operating activities	(126,740)	688,576

The accompanying notes form an integral part of this interim financial information.

	Note	Six month period ended 30 June	
		2022 Unaudited	2021 Unaudited
Cash flows from investing activities			
Proceeds from disposals of property and equipment, intangible assets and other long-term assets		3,580	3,198
Proceeds from disposals of investments in subsidiaries, associates and joint ventures		162	1,410
Dividends received		442	287
Interest income received from financial investments		79,199	74,995
Proceeds from disposals/maturities of financial investments		1,756,327	1,414,209
Increase in investments in subsidiaries, associates and joint ventures		(1,455)	(1,609)
Purchase of property and equipment, intangible assets and other long-term assets		(8,140)	(11,541)
Purchase of financial investments		(1,915,653)	(1,658,334)
Net cash outflow from investing activities		(85,538)	(177,385)
Cash flows from financing activities			
Proceeds from issuance of bonds		540,964	559,997
Proceeds from issuance of other equity instruments		49,989	49,989
Proceeds from capital contribution by non-controlling shareholders		96	40
Repayments of debts issued		(498,676)	(513,344)
Cash payments for interest on bonds issued		(3,496)	(5,172)
Repayments of other equity instruments issued		–	(28,000)
Dividend payments to ordinary shareholders		–	(57,911)
Dividend and interest payments to other equity instrument holders		(9,214)	(8,755)
Dividend payments to non-controlling shareholders		(1,176)	(3,743)
Other net cash flows from financing activities		(1,371)	(1,707)
Net cash inflow/(outflow) from financing activities		77,116	(8,606)
Effect of exchange rate changes on cash and cash equivalents		41,845	(17,896)
Net (decrease)/increase in cash and cash equivalents		(93,317)	484,689
Cash and cash equivalents at beginning of the period		1,975,631	1,494,868
Cash and cash equivalents at end of the period	III.29	1,882,314	1,979,557

The accompanying notes form an integral part of this interim financial information.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six month period ended 30 June 2022 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2021.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group's consolidated financial statements for the year ended 31 December 2021.

1 Standards and amendments effective in 2022 relevant to and adopted by the Group

On 1 January 2022, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board, which were mandatorily effective for the current interim period.

IFRS 3 Amendments	<i>Business Combination</i>
IAS 16 Amendments	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
IAS 37 Amendments	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018–2020 Cycle (issued in May 2020)	<i>Minor Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16</i>

The adoption of the above standards and amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group for the six month period ended 30 June 2022.

2 Standards and amendments that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group in 2022

		Effective for annual period beginning on or after
IFRS 17 and Amendments	<i>Insurance Contracts</i>	1 January 2023
IAS 1 and IFRS Practice Statement 2 Amendments	<i>Disclosure of Accounting Policies</i>	1 January 2023
IAS 8 Amendments	<i>Definition of Accounting Estimates</i>	1 January 2023
IAS 12 Amendments	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

The Group is considering the impact of IFRS 17 and amendments on the consolidated financial statements. Except for IFRS 17 and amendments, the adoption of the above standards and amendments will have no material impact on the Group's consolidated financial statements.

II CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's consolidated financial statements for the year ended 31 December 2021.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	Six month period ended 30 June	
	2022	2021
Interest income		
Loans and advances to customers		
— Corporate loans and advances	168,667	150,661
— Personal loans	139,146	128,133
— Discounted bills	4,144	4,064
Financial investments		
— Financial assets at fair value through other comprehensive income	28,028	26,357
— Financial assets at amortised cost	51,803	49,060
Due from and placements with and loans to banks and other financial institutions and central banks	27,223	28,659
Subtotal	419,011	386,934
Interest expense		
Due to customers	(142,511)	(130,550)
Due to and placements from banks and other financial institutions	(30,258)	(27,064)
Bonds issued and other	(22,249)	(20,547)
Subtotal	(195,018)	(178,161)
Net interest income	223,993	208,773

2 Net fee and commission income

	Six month period ended 30 June	
	2022	2021
Agency commissions	14,224	16,971
Settlement and clearing fees	8,945	8,377
Credit commitment fees	6,296	6,813
Bank card fees	6,061	6,756
Consultancy and advisory fees	4,203	3,827
Custodian and other fiduciary service fees	3,474	3,328
Spread income from foreign exchange business	2,886	2,705
Other	3,828	4,135
Fee and commission income	49,917	52,912
Fee and commission expense	(6,772)	(6,099)
Net fee and commission income	43,145	46,813

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

3 Net trading gains

	Six month period ended 30 June	
	2022	2021
Net gains/(losses) from foreign exchange and foreign exchange products	3,770	(593)
Net gains from interest rate products	5,050	7,806
Net (losses)/gains from fund investments and equity products	(435)	1,946
Net gains from commodity products	559	595
Total ⁽¹⁾	8,944	9,754

- (1) For the six month period ended 30 June 2022, included in "Net trading gains" above were losses of RMB999 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (six month period ended 30 June 2021: losses of RMB311 million).

4 Net gains on transfers of financial assets

	Six month period ended 30 June	
	2022	2021
Net (losses)/gains on derecognition of financial assets at fair value through other comprehensive income	(405)	1,071
Net gains on derecognition of financial assets at amortised cost ⁽¹⁾	962	781
Total	557	1,852

- (1) All the net gains on the derecognition of financial assets at amortised cost resulted from disposals during the six month period ended 30 June 2022 and 30 June 2021.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

5 Other operating income

	Six month period ended 30 June	
	2022	2021
Insurance premiums		
— Life insurance contracts	17,432	14,484
— Non-life insurance contracts	2,633	2,616
Aircraft leasing income	5,701	5,996
Revenue from sale of precious metal products	4,970	5,956
Dividend income ⁽¹⁾	3,110	3,423
Changes in fair value of investment properties (Note III.19)	(36)	(116)
Gains on disposals of property and equipment, intangible assets and other assets	292	321
Gains on disposals of subsidiaries, associates and joint ventures	35	839
Other	2,835	2,144
Total	36,972	35,663

- (1) For the six month period ended 30 June 2022, included in the “Dividend income” was related to equity instruments classified as financial assets at fair value through other comprehensive income of RMB267 million (six month period ended 30 June 2021: RMB189 million).

6 Operating expenses

	Six month period ended 30 June	
	2022	2021
Staff costs (Note III.7)	48,263	44,865
General operating and administrative expenses ⁽¹⁾	18,512	16,175
Insurance benefits and claims		
— Life insurance contracts	16,462	14,983
— Non-life insurance contracts	1,992	1,746
Depreciation and amortisation	11,799	11,868
Cost of sales of precious metal products	4,749	5,685
Taxes and surcharges	3,203	2,991
Other	3,932	4,044
Total⁽²⁾	108,912	102,357

- (1) For the six month period ended 30 June 2022, included in the “General operating and administrative expenses” were lease expenses related to short-term operating leases, leases of low-value assets and others of RMB570 million (six month period ended 30 June 2021: RMB634 million).

- (2) For the six month period ended 30 June 2022, included in the “Operating expenses” were premises and equipment-related expenses (mainly comprised property management and building maintenance expenses and taxes) of RMB5,706 million (six month period ended 30 June 2021: RMB5,218 million).

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

7 Staff costs

	Six month period ended 30 June	
	2022	2021
Salary, bonus and subsidy	34,691	31,344
Staff welfare	1,274	1,325
Retirement benefits	11	26
Social insurance		
— Medical	1,736	1,722
— Pension	3,117	3,070
— Annuity	1,780	1,730
— Unemployment	103	106
— Injury at work	41	40
— Maternity insurance	54	69
Housing funds	2,461	2,410
Labour union fee and staff education fee	961	1,071
Reimbursement for cancellation of labour contract	7	13
Other	2,027	1,939
Total	48,263	44,865

8 Impairment losses on assets

	Six month period ended 30 June	
	2022	2021
Loans and advances		
— Loans and advances at amortised cost	45,338	47,712
— Loans and advances at fair value through other comprehensive income	238	38
Subtotal	45,576	47,750
Financial investments		
— Financial assets at amortised cost	(81)	97
— Financial assets at fair value through other comprehensive income	(199)	148
Subtotal	(280)	245
Credit commitments	1,458	(1,675)
Other	534	5,967
Subtotal of impairment losses on credit	47,288	52,287
Other impairment losses on assets	5,522	658
Total	52,810	52,945

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

9 Income tax expense

	Six month period ended 30 June	
	2022	2021
Current income tax		
— Chinese mainland income tax	23,201	14,761
— Hong Kong (China) profits tax	2,470	2,232
— Macao (China), Taiwan (China) and other countries and regions taxation	1,955	1,879
Adjustments in respect of current income tax of prior years	2,736	288
Subtotal	30,362	19,160
Deferred income tax (Note III.24.3)	(2,596)	10,595
Total	27,766	29,755

Provision for Chinese mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Bank and each of its subsidiaries established in the Chinese mainland, and supplementary PRC tax on overseas operations as determined in accordance with the relevant PRC income tax rules and regulations.

Taxation on profits of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions has been calculated on the estimated assessable profits in accordance with local tax regulations at the rates of taxation prevailing in the countries or regions in which the Group operates.

The tax rate on the Group's profit before income tax differs from the theoretical amount that would arise using the basic Chinese mainland tax rate of the Bank as follows:

	Six month period ended 30 June	
	2022	2021
Profit before income tax	152,069	148,302
Tax calculated at the basic Chinese mainland tax rate	38,017	37,076
Effect of different tax rates for Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	(1,213)	(2,417)
Supplementary PRC tax on overseas income	1,873	2,014
Income not subject to tax ⁽¹⁾	(16,118)	(14,792)
Items not deductible for tax purposes ⁽²⁾	3,529	8,450
Other	1,678	(576)
Income tax expense	27,766	29,755

(1) Income not subject to tax mainly comprises interest income from PRC treasury bonds and Chinese local government bonds, and tax-free income recognised by the overseas entities in accordance with the relevant local tax law.

(2) Non-deductible items primarily include non-deductible losses resulting from the write-off of certain non-performing loans, and marketing and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

10 Earnings per share (basic and diluted)

Basic earnings per share was computed by dividing the profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all potentially dilutive shares for the period by the adjusted weighted average number of ordinary shares in issue. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the six month period ended 30 June 2022 and 30 June 2021.

	Six month period ended 30 June	
	2022	2021
Profit attributable to equity holders of the Bank	119,924	112,813
Less: dividends/interest on preference shares/ perpetual bonds declared	(9,659)	(7,616)
Profit attributable to ordinary shareholders of the Bank	110,265	105,197
Weighted average number of ordinary shares in issue (in million shares)	294,388	294,380
Basic and diluted earnings per share (in RMB)	0.37	0.36

Weighted average number of ordinary shares in issue (in million shares)

	Six month period ended 30 June	
	2022	2021
Issued ordinary shares as at 1 January	294,388	294,388
Less: weighted average number of treasury shares	—	(8)
Weighted average number of ordinary shares in issue	294,388	294,380

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

11 Other comprehensive income

	Six month period ended 30 June	
	2022	2021
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	44	(38)
Changes in fair value on equity instruments designated at fair value through other comprehensive income	(1,389)	1,125
Less: related income tax impact	282	(303)
Other	1	37
Subtotal	(1,062)	821
Items that may be reclassified to profit or loss		
Changes in fair value on debt instruments measured at fair value through other comprehensive income	(23,550)	(280)
Less: related income tax impact	5,027	157
Amount transferred to the income statement	762	(828)
Less: related income tax impact	(18)	157
	(17,779)	(794)
Allowance for credit losses on debt instruments measured at fair value through other comprehensive income	58	178
Less: related income tax impact	6	(46)
	64	132
Exchange differences from the translation of foreign operations	15,880	(4,204)
Other	622	141
Subtotal	(1,213)	(4,725)
Total	(2,275)	(3,904)

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

11 Other comprehensive income (Continued)

Other comprehensive income attributable to equity holders of the Bank in the consolidated interim statement of financial position:

	Gains/(losses) on financial assets at fair value through other comprehensive income	Exchange differences from the translation of foreign operations	Other	Total
As at 1 January 2021	22,190	(20,457)	2,576	4,309
Changes for the previous year	6,700	(9,782)	190	(2,892)
As at 1 January 2022	28,890	(30,239)	2,766	1,417
Changes for the period	(15,679)	10,715	477	(4,487)
As at 30 June 2022	13,211	(19,524)	3,243	(3,070)

12 Cash and due from banks and other financial institutions

	As at 30 June 2022	As at 31 December 2021
Cash	62,679	59,518
Due from banks in Chinese mainland	505,326	464,417
Due from other financial institutions in Chinese mainland	18,169	8,709
Due from banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	118,259	110,948
Due from other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	1,626	926
Subtotal ⁽¹⁾	643,380	585,000
Accrued interest	1,429	1,835
Less: allowance for impairment losses ⁽¹⁾	(1,296)	(1,537)
Subtotal due from banks and other financial institutions	643,513	585,298
Total	706,192	644,816

(1) As at 30 June 2022 and 31 December 2021, the Group included the predominant majority of due from banks and other financial institutions under Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months ("12-month ECL").

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

13 Balances with central banks

	As at 30 June 2022	As at 31 December 2021
Mandatory reserves ⁽¹⁾	1,510,575	1,478,465
Surplus reserves and others ⁽²⁾	635,248	753,369
Subtotal	2,145,823	2,231,834
Accrued interest	661	672
Less: allowance for impairment losses	(4,086)	(3,780)
Total	2,142,398	2,228,726

(1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions where it has operations. As at 30 June 2022, mandatory reserve funds placed with the PBOC were calculated at 9.75% (31 December 2021: 10.00%) and 8.00% (31 December 2021: 9.00%) of qualified RMB deposits and foreign currency deposits from customers in Chinese mainland of the Bank, respectively. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve funds placed with the central banks of other jurisdictions are determined by local regulators.

(2) These represent funds for clearing purposes and balances other than mandatory reserves placed with the PBOC, and the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

14 Placements with and loans to banks and other financial institutions

	As at 30 June 2022	As at 31 December 2021
Placements with and loans to:		
Banks in Chinese mainland	106,754	150,556
Other financial institutions in Chinese mainland	610,348	589,919
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	445,662	450,817
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	25,485	67,055
Subtotal ^{(1) (2)}	1,188,249	1,258,347
Accrued interest	2,177	3,109
Less: allowance for impairment losses ⁽²⁾	(4,352)	(4,043)
Total	1,186,074	1,257,413

- (1) "Placements with and loans to banks and other financial institutions" include balances arising from reverse repo agreements and collateralised financing agreements. They are presented by collateral type as follows:

	As at 30 June 2022	As at 31 December 2021
Debt securities		
— Governments	282,199	396,324
— Policy banks	93,409	101,436
— Financial institutions	18,915	6,914
— Corporates	3,231	1,222
Subtotal	397,754	505,896
Less: allowance for impairment losses	(555)	(668)
Total	397,199	505,228

- (2) As at 30 June 2022 and 31 December 2021, the Group included the predominant majority of its placements with and loans to banks and other financial institutions under Stage 1, and measured the impairment losses based on 12-month ECL.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

15 Derivative financial instruments

The Group enters into foreign currency exchange rate, interest rate, equity, credit or precious metals and other commodity-related derivative financial instruments for trading, hedging, asset and liability management and customer initiated transactions.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with the fair values of instruments recognised in the statement of financial position 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 interest rates, foreign currency exchange rates, credit spreads, 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.

	As at 30 June 2022			As at 31 December 2021		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	6,515,255	101,870	(81,793)	5,966,594	61,172	(52,535)
Currency options	755,104	6,791	(6,590)	593,654	4,996	(4,196)
Currency futures	1,041	2	(1)	1,250	1	(3)
Subtotal	7,271,400	108,663	(88,384)	6,561,498	66,169	(56,734)
Interest rate derivatives						
Interest rate swaps	4,199,592	34,680	(28,986)	4,032,069	23,860	(27,179)
Interest rate options	21,124	299	(296)	22,988	136	(135)
Interest rate futures	85,550	14	–	2,058	2	(4)
Subtotal	4,306,266	34,993	(29,282)	4,057,115	23,998	(27,318)
Equity derivatives	5,972	91	(129)	4,776	185	(120)
Commodity derivatives and other	367,273	12,206	(11,012)	288,773	5,447	(4,979)
Total ⁽¹⁾	11,950,911	155,953	(128,807)	10,912,162	95,799	(89,151)

(1) The derivative financial instruments above include those designated as hedging instruments by the Group.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

16 Loans and advances to customers

16.1 Analysis of loans and advances to customers by measurement category

	As at 30 June 2022	As at 31 December 2021
Measured at amortised cost		
— Corporate loans and advances	10,170,408	9,224,184
— Personal loans	6,249,454	6,093,750
— Discounted bills	1,868	1,460
Measured at fair value through other comprehensive income ⁽¹⁾		
— Corporate loans and advances	9,085	2,254
— Discounted bills	476,536	349,541
Subtotal	16,907,351	15,671,189
Measured at fair value through profit or loss ⁽²⁾		
— Corporate loans and advances	4,255	3,805
Total	16,911,606	15,674,994
Accrued interest	41,615	37,580
Total loans and advances	16,953,221	15,712,574
Less: allowance for loans at amortised cost	(415,732)	(390,090)
Loans and advances to customers, net	16,537,489	15,322,484

(1) As at 30 June 2022, the allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income of the Group amounted to RMB693 million (31 December 2021: RMB451 million) and was credited to other comprehensive income.

(2) During the six month period ended 30 June 2022 and the year ended 31 December 2021, there were no significant movements in the fair value and accumulated fair value changes of loans and advances measured at fair value through profit or loss that are attributable to changes in credit risk of these loans.

16.2 Analysis of loans and advances to customers (accrued interest excluded) by geographical area, customer type, industry, collateral type and analysis of impaired and overdue loans and advances to customers are presented in Note IV.1.1.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

16 Loans and advances to customers (Continued)

16.3 Reconciliation of allowance for impairment losses on loans and advances to customers

(1) Allowance for loans at amortised cost

	Six month period ended 30 June 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	166,358	53,832	169,900	390,090
Transfers to Stage 1	4,679	(3,912)	(767)	–
Transfers to Stage 2	(1,391)	3,029	(1,638)	–
Transfers to Stage 3	(458)	(7,667)	8,125	–
Impairment (reversal)/losses of loans with stage transfers	(4,254)	10,774	22,079	28,599
Charge for the period ⁽ⁱ⁾	57,131	7,563	19,096	83,790
Reversal for the period ⁽ⁱⁱ⁾	(35,149)	(10,928)	(20,974)	(67,051)
Write-off and transfer out	(64)	–	(27,272)	(27,336)
Recovery of loans and advances written off	–	–	5,599	5,599
Exchange differences and other	646	381	1,014	2,041
As at 30 June	187,498	53,072	175,162	415,732

	Year ended 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	134,566	70,712	162,895	368,173
Transfers to Stage 1	6,186	(5,205)	(981)	–
Transfers to Stage 2	(989)	1,786	(797)	–
Transfers to Stage 3	(687)	(14,244)	14,931	–
Impairment (reversal)/losses of loans with stage transfers	(5,245)	10,226	32,586	37,567
Charge for the year ⁽ⁱ⁾	84,479	15,132	58,502	158,113
Reversal for the year ⁽ⁱⁱ⁾	(51,399)	(24,087)	(21,905)	(97,391)
Write-off and transfer out	(195)	–	(85,401)	(85,596)
Recovery of loans and advances written off	–	–	11,921	11,921
Exchange differences and other	(358)	(488)	(1,851)	(2,697)
As at 31 December	166,358	53,832	169,900	390,090

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

16 Loans and advances to customers (Continued)

16.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(2) Allowance for loans at fair value through other comprehensive income

	Six month period ended 30 June 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	374	77	–	451
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impairment (reversal)/losses of loans with stage transfers	–	–	–	–
Charge for the period ⁽ⁱ⁾	567	5	–	572
Reversal for the period ⁽ⁱⁱ⁾	(263)	(71)	–	(334)
Exchange differences and other	4	–	–	4
As at 30 June	682	11	–	693

	Year ended 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	441	5	–	446
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impairment (reversal)/losses of loans with stage transfers	–	–	–	–
Charge for the year ⁽ⁱ⁾	276	77	–	353
Reversal for the year ⁽ⁱⁱ⁾	(339)	(5)	–	(344)
Exchange differences and other	(4)	–	–	(4)
As at 31 December	374	77	–	451

- (i) Charge for the period/year comprises impairment losses attributable to new loans granted, brought forward loans without stage transfers, as well as changes to model and risk parameters, during the period/year.
- (ii) Reversal for the period/year comprises impairment losses attributable to loan repaid, brought forward loans without stage transfers, as well as changes to model and risk parameters, during the period/year.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

17 Financial investments

	As at 30 June 2022	As at 31 December 2021
Financial assets at fair value through profit or loss		
Financial assets held for trading and other financial assets at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	18,356	18,837
— Public sectors and quasi-governments	659	30
— Policy banks	34,748	26,127
— Financial institutions	160,063	204,624
— Corporate	51,278	52,415
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	18,470	13,535
— Public sectors and quasi-governments	109	367
— Financial institutions	8,445	12,982
— Corporate	10,084	9,808
	302,212	338,725
Equity instruments	102,807	102,268
Fund investments and other	109,644	90,733
Total financial assets held for trading and other financial assets at fair value through profit or loss	514,663	531,726
Financial assets designated as at fair value through profit or loss		
Debt securities ⁽¹⁾		
Issuers in Chinese mainland		
— Government	2,477	3,164
— Policy banks	—	516
— Financial institutions	6,851	4,811
— Corporate	370	396
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	6,544	594
— Public sectors and quasi-governments	957	1,164
— Financial institutions	3,619	2,322
— Corporate	4,528	4,770
	25,346	17,737
Other	—	12,179
Total financial assets designated as at fair value through profit or loss	25,346	29,916
Total financial assets at fair value through profit or loss	540,009	561,642

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

17 Financial investments (Continued)

	As at 30 June 2022	As at 31 December 2021
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	857,004	752,899
— Public sectors and quasi-governments	100,833	101,562
— Policy banks	364,702	358,807
— Financial institutions	178,148	223,510
— Corporate	155,886	171,294
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	479,038	532,338
— Public sectors and quasi-governments	26,302	28,529
— Financial institutions	95,955	79,214
— Corporate	97,636	114,925
	2,355,504	2,363,078
Equity instruments and other	24,081	26,752
Total financial assets at fair value through other comprehensive income ⁽²⁾	2,379,585	2,389,830
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government	2,451,457	2,417,293
— Public sectors and quasi-governments	68,802	64,724
— Policy banks	155,399	155,338
— Financial institutions	68,853	76,280
— Corporate	44,021	48,959
— China Orient ⁽³⁾	152,433	152,433
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	153,986	101,974
— Public sectors and quasi-governments	80,704	70,107
— Financial institutions	86,302	65,885
— Corporate	25,275	19,058
	3,287,232	3,172,051
Investment trusts, asset management plans and other	13,940	12,010
Accrued interest	37,013	38,865
Less: allowance for impairment losses	(9,708)	(9,727)
Total financial assets at amortised cost	3,328,477	3,213,199
Total financial investments⁽⁵⁾	6,248,071	6,164,671

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

17 Financial investments (Continued)

	As at 30 June 2022	As at 31 December 2021
Analysed as follows:		
Financial assets at fair value through profit or loss		
— Listed in Hong Kong (China)	35,600	33,127
— Listed outside Hong Kong (China) ⁽⁶⁾	300,252	332,549
— Unlisted	204,157	195,966
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong (China)	135,335	154,931
— Listed outside Hong Kong (China) ⁽⁶⁾	1,777,774	1,633,446
— Unlisted	442,395	574,701
Equity instruments and other		
— Listed in Hong Kong (China)	5,723	5,980
— Listed outside Hong Kong (China) ⁽⁶⁾	10,502	11,762
— Unlisted	7,856	9,010
Financial assets at amortised cost⁽⁴⁾		
— Listed in Hong Kong (China)	48,694	38,898
— Listed outside Hong Kong (China) ⁽⁶⁾	3,011,002	2,886,030
— Unlisted	268,781	288,271
Total	6,248,071	6,164,671
Listed in Hong Kong (China)	225,353	232,936
Listed outside Hong Kong (China) ⁽⁶⁾	5,099,533	4,863,787
Unlisted	923,185	1,067,948
Total	6,248,071	6,164,671

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

17 Financial investments (Continued)

- (1) In order to eliminate or significantly reduce accounting mismatches, certain debt securities are designated as financial assets at fair value through profit or loss.
- (2) The Group's accumulated impairment allowance for the debt securities at fair value through other comprehensive income as at 30 June 2022 amounted to RMB6,046 million (31 December 2021: RMB6,230 million).
- (3) The Bank transferred certain non-performing assets to China Orient Asset Management Corporation ("China Orient") in 1999 and 2000 and China Orient issued a bond ("Orient Bond") with a par value of RMB160,000 million to the Bank as consideration. Based on the latest agreement, the Orient Bond will mature on 30 June 2025. The Ministry of Finance of the People's Republic of China (the "MOF") shall continue to provide funding support for the principal and interest of the Orient Bond. The Bank received a notice from the MOF in January 2020, confirming that from 1 January 2020, the interest rate on the unpaid amounts will be verified year by year based on the rate of return of the five-year treasury bond of the previous year. As at 30 June 2022, the Bank had received early repayments of principal amounting to RMB7,567 million cumulatively.
- (4) Market values of the listed debt securities at amortised cost are set out below:

	As at 30 June 2022		As at 31 December 2021	
	Carrying value	Market value	Carrying value	Market value
Debt securities at amortised cost				
— Listed in Hong Kong (China)	48,694	45,448	38,898	39,594
— Listed outside Hong Kong (China) ⁽⁶⁾	3,011,002	3,059,529	2,886,030	2,937,103

- (5) As at 30 June 2022, RMB2,382 million of debt securities measured at fair value through other comprehensive income and at amortised cost of the Group was determined to be impaired and was included under Stage 3 (31 December 2021: RMB2,338 million) with the impairment allowances fully accrued (31 December 2021: fully accrued); RMB6,342 million of debt securities was included under Stage 2 (31 December 2021: RMB816 million), with an impairment allowances of RMB194 million (31 December 2021: RMB5 million); and the remaining debt securities were included under Stage 1, with impairment allowances measured based on 12-month ECL.
- (6) Debt securities traded in the Chinese mainland interbank bond market are included in "Listed outside Hong Kong (China)".

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

17 Financial investments (Continued)

Reconciliation of allowance for impairment losses on financial investments at amortised cost:

	Six month period ended 30 June 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	2,173	4	7,550	9,727
Transfers to Stage 2	(37)	37	–	–
Impairment losses due to stage transfers	–	26	–	26
Impairment losses/(reversal) for the period	310	29	(446)	(107)
Exchange differences and other	10	–	52	62
As at 30 June	2,456	96	7,156	9,708

	Year ended 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	1,907	1	7,015	8,923
Impairment losses during the year	159	3	559	721
Exchange differences and other	107	–	(24)	83
As at 31 December	2,173	4	7,550	9,727

Reconciliation of allowance for impairment losses on financial investments at fair value through other comprehensive income:

	Six month period ended 30 June 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	5,729	1	500	6,230
Transfers to Stage 2	(40)	40	–	–
Impairment losses due to stage transfers	–	55	–	55
Impairment (reversal)/losses for the period	(255)	1	–	(254)
Exchange differences and other	14	1	–	15
As at 30 June	5,448	98	500	6,046

	Year ended 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	4,979	–	500	5,479
Impairment losses during the year	762	1	–	763
Exchange differences and other	(12)	–	–	(12)
As at 31 December	5,729	1	500	6,230

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

18 Property and equipment

	Six month period ended 30 June 2022				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	124,989	73,497	27,192	146,901	372,579
Additions	21	900	2,025	2,716	5,662
Transfer from investment properties (Note III.19)	23	–	–	–	23
Construction in progress transfer in/(out)	572	140	(5,367)	4,655	–
Deductions	(268)	(1,153)	(636)	(3,077)	(5,134)
Exchange differences	792	255	923	7,748	9,718
As at 30 June	126,129	73,639	24,137	158,943	382,848
Accumulated depreciation					
As at 1 January	(45,518)	(58,364)	–	(20,022)	(123,904)
Additions	(2,002)	(3,117)	–	(2,559)	(7,678)
Deductions	225	1,118	–	448	1,791
Transfer to investment properties (Note III.19)	4	–	–	–	4
Exchange differences	(214)	(217)	–	(1,140)	(1,571)
As at 30 June	(47,505)	(60,580)	–	(23,273)	(131,358)
Allowance for impairment losses					
As at 1 January	(740)	–	(227)	(1,617)	(2,584)
Additions	–	–	–	(5,531)	(5,531)
Deductions	–	–	–	–	–
Exchange differences	(11)	–	–	(264)	(275)
As at 30 June	(751)	–	(227)	(7,412)	(8,390)
Net book value					
As at 1 January	78,731	15,133	26,965	125,262	246,091
As at 30 June	77,873	13,059	23,910	128,258	243,100

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

18 Property and equipment (Continued)

	Year ended 31 December 2021				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	122,464	73,337	31,281	141,025	368,107
Additions	1,413	5,550	6,247	11,187	24,397
Transfer from investment properties (Note III.19)	960	–	–	–	960
Construction in progress transfer in/(out)	2,806	607	(8,046)	4,633	–
Deductions	(1,736)	(5,748)	(1,788)	(6,737)	(16,009)
Exchange differences	(918)	(249)	(502)	(3,207)	(4,876)
As at 31 December	124,989	73,497	27,192	146,901	372,579
Accumulated depreciation					
As at 1 January	(42,814)	(57,839)	–	(17,302)	(117,955)
Additions	(4,098)	(6,274)	–	(4,911)	(15,283)
Deductions	1,145	5,563	–	1,747	8,455
Transfer to investment properties (Note III.19)	10	–	–	–	10
Exchange differences	239	186	–	444	869
As at 31 December	(45,518)	(58,364)	–	(20,022)	(123,904)
Allowance for impairment losses					
As at 1 January	(746)	–	(227)	(590)	(1,563)
Additions	(3)	–	–	(1,060)	(1,063)
Deductions	8	–	–	10	18
Exchange differences	1	–	–	23	24
As at 31 December	(740)	–	(227)	(1,617)	(2,584)
Net book value					
As at 1 January	78,904	15,498	31,054	123,133	248,589
As at 31 December	78,731	15,133	26,965	125,262	246,091

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

19 Investment properties

	Six month period ended 30 June 2022	Year ended 31 December 2021
As at 1 January	19,554	22,065
Additions	47	720
Transfer to property and equipment, net (Note III.18)	(27)	(970)
Deductions	(6)	(1,324)
Fair value changes (Note III.5)	(36)	(427)
Exchange differences	697	(510)
As at 30 June/31 December	20,229	19,554

20 Other assets

	As at 30 June 2022	As at 31 December 2021
Accounts receivable and prepayments	131,055	123,590
Right-of-use assets ⁽¹⁾	19,480	20,321
Intangible assets	16,737	16,930
Land use rights	5,926	6,122
Long-term deferred expense	3,246	3,329
Interest receivable	2,696	284
Goodwill ⁽²⁾	2,580	2,481
Repossessioned assets ⁽³⁾	2,183	2,043
Other	38,080	28,840
Total	221,983	203,940

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

20 Other assets (Continued)

(1) Right-of-use assets

	Six month period ended 30 June 2022		
	Buildings	Motor vehicles and other	Total
Cost			
As at 1 January	36,447	232	36,679
Additions	2,768	30	2,798
Deductions	(2,046)	(19)	(2,065)
Exchange differences	248	–	248
As at 30 June	37,417	243	37,660
Accumulated depreciation			
As at 1 January	(16,265)	(93)	(16,358)
Additions	(3,328)	(65)	(3,393)
Deductions	1,622	19	1,641
Exchange differences	(70)	–	(70)
As at 30 June	(18,041)	(139)	(18,180)
Net book value			
As at 1 January	20,182	139	20,321
As at 30 June	19,376	104	19,480

	Year ended 31 December 2021		
	Buildings	Motor vehicles and other	Total
Cost			
As at 1 January	35,251	176	35,427
Additions	5,243	119	5,362
Deductions	(3,734)	(61)	(3,795)
Exchange differences	(313)	(2)	(315)
As at 31 December	36,447	232	36,679
Accumulated depreciation			
As at 1 January	(12,477)	(95)	(12,572)
Additions	(7,087)	(58)	(7,145)
Deductions	3,166	58	3,224
Exchange differences	133	2	135
As at 31 December	(16,265)	(93)	(16,358)
Net book value			
As at 1 January	22,774	81	22,855
As at 31 December	20,182	139	20,321

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

20 Other assets (Continued)

(2) Goodwill

	Six month period ended 30 June 2022	Year ended 31 December 2021
As at 1 January	2,481	2,525
Addition through acquisition of subsidiaries	–	–
Decrease resulting from disposals of subsidiaries	–	–
Exchange differences	99	(44)
As at 30 June/31 December	2,580	2,481

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,616 million).

(3) Repossessed assets

As at 30 June 2022, the net book amount of repossessed assets was RMB2,183 million (31 December 2021: RMB2,043 million), mainly comprised properties. Related allowance for impairment was RMB873 million (31 December 2021: RMB882 million).

The total book value of the repossessed assets disposed of for the six month period ended 30 June 2022 amounted to RMB32 million (2021: RMB353 million). The Group plans to dispose of the repossessed assets held at 30 June 2022 by auction, bidding or transfer.

21 Financial liabilities held for trading

As at 30 June 2022 and 31 December 2021, financial liabilities held for trading mainly included short position in debt securities.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

22 Due to customers

	As at 30 June 2022	As at 31 December 2021
Demand deposits		
— Corporate deposits	5,535,251	5,275,514
— Personal deposits	3,693,244	3,487,433
Subtotal	9,228,495	8,762,947
Time deposits		
— Corporate deposits	4,285,330	3,968,527
— Personal deposits	4,789,250	4,299,050
Subtotal	9,074,580	8,267,577
Structured deposits ⁽¹⁾		
— Corporate deposits	398,421	351,445
— Personal deposits	357,240	300,628
Subtotal	755,661	652,073
Certificates of deposit	170,604	160,419
Other deposits	85,070	77,152
Subtotal due to customers	19,314,410	17,920,168
Accrued interest	233,817	222,719
Total ⁽²⁾	19,548,227	18,142,887

(1) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its structured deposits. The Group designates certain structured deposits as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 30 June 2022, the carrying amount of these financial liabilities was RMB25,569 million (31 December 2021: RMB31,311 million). The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 30 June 2022 and 31 December 2021 were not significant. For the six month period ended 30 June 2022 and the year ended 31 December 2021, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.

(2) Due to customers included margin deposits received by the Group as at 30 June 2022 of RMB415,613 million (31 December 2021: RMB330,494 million).

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(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

23 Bonds issued

	Issue date	Maturity date	Annual interest rate	As at 30 June 2022	As at 31 December 2021
Bonds issued at amortised cost					
Subordinated bonds issued					
2012 RMB Debt Securities Second Tranche ⁽¹⁾⁽¹⁷⁾	27 November 2012	29 November 2027	4.99%	18,000	18,000
Tier 2 capital bonds issued					
2014 US Dollar Debt Securities ⁽²⁾	13 November 2014	13 November 2024	5.00%	20,092	19,084
2017 RMB Debt Securities First Tranche ⁽³⁾	26 September 2017	28 September 2027	4.45%	29,974	29,973
2017 RMB Debt Securities Second Tranche ⁽⁴⁾	31 October 2017	2 November 2027	4.45%	29,973	29,974
2018 RMB Debt Securities First Tranche ⁽⁵⁾	3 September 2018	5 September 2028	4.86%	39,987	39,984
2018 RMB Debt Securities Second Tranche ⁽⁶⁾	9 October 2018	11 October 2028	4.84%	39,985	39,986
2019 RMB Debt Securities First Tranche 01 ⁽⁷⁾	20 September 2019	24 September 2029	3.98%	29,990	29,989
2019 RMB Debt Securities First Tranche 02 ⁽⁸⁾	20 September 2019	24 September 2034	4.34%	9,996	9,996
2019 RMB Debt Securities Second Tranche ⁽⁹⁾	20 November 2019	22 November 2029	4.01%	29,988	29,991
2020 RMB Debt Securities First Tranche 01 ⁽¹⁰⁾	17 September 2020	21 September 2030	4.20%	59,977	59,976
2020 RMB Debt Securities First Tranche 02 ⁽¹¹⁾	17 September 2020	21 September 2035	4.47%	14,994	14,994
2021 RMB Debt Securities First Tranche 01 ⁽¹²⁾	17 March 2021	19 March 2031	4.15%	14,994	14,995
2021 RMB Debt Securities First Tranche 02 ⁽¹³⁾	17 March 2021	19 March 2036	4.38%	9,996	9,996
2021 RMB Debt Securities Second Tranche 01 ⁽¹⁴⁾	12 November 2021	16 November 2031	3.60%	39,986	39,989
2021 RMB Debt Securities Second Tranche 02 ⁽¹⁵⁾	12 November 2021	16 November 2036	3.80%	9,996	9,997
2022 RMB Debt Securities First Tranche ⁽¹⁶⁾	20 January 2022	24 January 2032	3.25%	29,990	–
Subtotal ⁽¹⁷⁾				409,918	378,924
Other bonds issued ⁽¹⁸⁾					
US Dollar Debt Securities				192,537	185,618
RMB Debt Securities				161,880	90,604
Other				34,972	49,403
Subtotal				389,389	325,625
Negotiable certificates of deposit				625,815	659,306
Subtotal-bonds issued at amortised cost				1,443,122	1,381,855
Bonds issued at fair value⁽¹⁹⁾					
Subtotal-bonds issued				2	317
Accrued interest					
				14,844	6,506
Total ⁽²⁰⁾				1,457,968	1,388,678

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

23 Bonds issued (Continued)

- (1) The second subordinated bonds issued on 27 November 2012 have a maturity of 15 years with a fixed coupon rate of 4.99%, paid annually. The Bank is entitled to early redeem all the subordinated bonds at the end of the tenth year. If the Bank does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall remain fixed at 4.99%.
- (2) The Bank issued tier 2 capital bonds in an amount of USD3 billion on 13 November 2014. The bonds have a maturity of 10 years with a fixed coupon rate of 5.00%.
- (3) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 26 September 2017. The bonds have a maturity of 10 years with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (4) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 31 October 2017. The bonds have a maturity of 10 years with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (5) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 3 September 2018. The bonds have a maturity of 10 years with a fixed coupon rate of 4.86%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (6) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 9 October 2018. The bonds have a maturity of 10 years with a fixed coupon rate of 4.84%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (7) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 September 2019. The bonds have a maturity of 10 years with a fixed coupon rate of 3.98%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (8) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 20 September 2019. The bonds have a maturity of 15 years with a fixed coupon rate of 4.34%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (9) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 November 2019. The bonds have a maturity of 10 years with a fixed coupon rate of 4.01%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (10) The Bank issued tier 2 capital bonds in an amount of RMB60 billion on 17 September 2020. The bonds have a maturity of 10 years with a fixed coupon rate of 4.20%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (11) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 September 2020. The bonds have a maturity of 15 years with a fixed coupon rate of 4.47%. The Bank is entitled to redeem the bonds at the end of the tenth year.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

23 Bonds issued (Continued)

- (12) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 March 2021. The bonds have a maturity of 10 years with a fixed coupon rate of 4.15%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (13) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 17 March 2021. The bonds have a maturity of 15 years with a fixed coupon rate of 4.38%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (14) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 12 November 2021. The bonds have a maturity of 10 years with a fixed coupon rate of 3.60%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (15) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 12 November 2021. The bonds have a maturity of 15 years with a fixed coupon rate of 3.80%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (16) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 January 2022. The bonds have a maturity of 10 years with a fixed coupon rate of 3.25%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (17) The claims of the holders of subordinated bonds and tier 2 capital bonds will be subordinated to the claims of depositors and general creditors.
- (18) US Dollar Debt Securities, RMB Debt Securities and other Debt Securities were issued in Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions between 2013 and 30 June 2022 by the Group with dates of maturity ranging from 1 July 2022 to 2030.
- (19) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its bonds issued. The Group designates certain bonds issued as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 30 June 2022, the carrying amount of the above-mentioned bonds issued by the Group was RMB2 million (31 December 2021: RMB317 million). The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 30 June 2022 and 31 December 2021 were not significant. For the six month period ended 30 June 2022 and the year ended 31 December 2021, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.
- (20) For the six month period ended 30 June 2022 and the year ended 31 December 2021, the Group did not default on any principal, interest or redemption amounts with respect to its bonds issued.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

24 Deferred income taxes

24.1 Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are related to the same fiscal authority. The table below includes the deferred income tax assets and liabilities of the Group after offsetting qualifying amounts and the related temporary differences.

	As at 30 June 2022		As at 31 December 2021	
	Temporary differences	Deferred tax assets/(liabilities)	Temporary differences	Deferred tax assets/(liabilities)
Deferred income tax assets	225,881	58,203	197,710	51,172
Deferred income tax liabilities	(35,310)	(6,163)	(40,818)	(7,003)
Net	190,571	52,040	156,892	44,169

24.2 Deferred income tax assets/liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	As at 30 June 2022		As at 31 December 2021	
	Temporary differences	Deferred tax assets/(liabilities)	Temporary differences	Deferred tax assets/(liabilities)
Deferred income tax assets				
Asset impairment allowances	286,538	70,909	274,503	68,376
Pension, retirement benefits and salary payables	22,752	5,679	24,929	6,238
Financial instruments at fair value through profit or loss and derivative financial instruments	106,634	26,406	65,287	16,237
Financial assets at fair value through other comprehensive income	16,754	3,562	1,224	304
Other temporary differences	41,391	9,755	37,898	8,849
Subtotal	474,069	116,311	403,841	100,004
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	(146,027)	(36,200)	(108,696)	(26,774)
Financial assets at fair value through other comprehensive income	(28,628)	(7,170)	(37,265)	(9,205)
Depreciation and amortisation	(28,522)	(4,980)	(25,978)	(4,530)
Revaluation of property and investment properties	(9,457)	(1,795)	(8,040)	(1,536)
Other temporary differences	(70,864)	(14,126)	(66,970)	(13,790)
Subtotal	(283,498)	(64,271)	(246,949)	(55,835)
Net	190,571	52,040	156,892	44,169

As at 30 June 2022, deferred tax liabilities relating to temporary differences of RMB190,220 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2021: RMB174,351 million).

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

24 Deferred income taxes (Continued)

24.3 Movements of the deferred income tax are as follows:

	Six month period ended 30 June 2022	Year ended 31 December 2021
As at 1 January	44,169	52,417
Credited/(charged) to the income statement (Note III.9)	2,596	(6,702)
Credited/(charged) to other comprehensive income	5,305	(1,557)
Other	(30)	11
As at 30 June/31 December	52,040	44,169

24.4 Breakdowns of deferred income tax credit/(charge) in the condensed consolidated interim income statement are as follows:

	Six month period ended 30 June	
	2022	2021
Asset impairment allowances	2,533	(802)
Financial instruments at fair value through profit or loss and derivative financial instruments	743	(7,366)
Pension, retirement benefits and salary payables	(559)	(835)
Other temporary differences	(121)	(1,592)
Total	2,596	(10,595)

25 Other liabilities

	As at 30 June 2022	As at 31 December 2021
Insurance liabilities		
— Life insurance contracts	168,846	153,677
— Non-life insurance contracts	11,436	9,932
Items in the process of clearance and settlement	97,586	68,229
Dividends payable	68,324	732
Salary and welfare payables	36,164	39,685
Provision		
— Allowance for credit commitments	27,121	25,456
— Allowance for litigation losses (Note III. 28.1)	917	887
Lease liabilities	19,563	19,619
Deferred income	6,110	6,362
Other	115,533	111,976
Total	551,600	436,555

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

26 Other equity instruments

Movements of the Bank's other equity instruments are as follows:

	As at 1 January 2022		Increase/(decrease)		As at 30 June 2022	
	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount
Preference Shares						
Domestic Preference Shares (Third Tranche)	730.0	72,979	–	–	730.0	72,979
Domestic Preference Shares (Fourth Tranche)	270.0	26,990	–	–	270.0	26,990
Offshore Preference Shares (Second Tranche)	197.9	19,581	–	–	197.9	19,581
Subtotal ⁽¹⁾	1,197.9	119,550	–	–	1,197.9	119,550
Perpetual Bonds						
2019 Undated Capital Bonds (Series 1)		39,992		–		39,992
2020 Undated Capital Bonds (Series 1)		39,990		–		39,990
2020 Undated Capital Bonds (Series 2)		29,994		–		29,994
2020 Undated Capital Bonds (Series 3)		19,995		–		19,995
2021 Undated Capital Bonds (Series 1)		49,989		–		49,989
2021 Undated Capital Bonds (Series 2)		19,995		–		19,995
2022 Undated Capital Bonds (Series 1) ⁽²⁾		–		29,993		29,993
2022 Undated Capital Bonds (Series 2) ⁽³⁾		–		19,996		19,996
Subtotal ⁽⁴⁾		199,955		49,989		249,944
Total		319,505		49,989		369,494

- (1) Save for such dividend at the agreed dividend payout ratio, the holders of the above preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The above preference shares bear non-cumulative dividends. The Bank shall be entitled to cancel any dividend on the preference shares, and such cancellation shall not constitute a default. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full payment of dividends on the preference shares. Upon the occurrence of a triggering event for the compulsory conversion of preference shares into ordinary shares in accordance with the agreement, the Bank shall convert the preference shares into ordinary shares in whole or in part after reporting to the China Banking and Insurance Regulatory Commission (the "CBIRC") for its examination and approval decision.

Capital raised from the issuance of the above preference shares, after deduction of transaction costs, was fully used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

26 Other equity instruments (Continued)

- (2) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB30,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 8 April 2022 and completed the issuance on 12 April 2022. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.65%, which is reset every 5 years.
- (3) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB20,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 26 April 2022 and completed the issuance on 28 April 2022. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.65%, which is reset every 5 years.
- (4) The above bonds will continue to be outstanding so long as the Bank's business continues to operate. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the above bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance of the above bonds. Upon the occurrence of a triggering event for the write-downs, with the consent of the CBIRC and without the need for the consent of the holders of the above bonds, the Bank has the right to write down the principal amount of the above bonds issued and existing at that time in whole or in part, in accordance with the outstanding principal amount of the bonds. The claims in respect of the above bonds, in the event of a winding-up of the Bank, will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the above bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the above bonds.

The above bonds bear non-cumulative interest and the Bank shall have the right to cancel distributions on the above bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilise the proceeds from the cancelled distributions to meet other obligations of maturing debts. The Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment to the holders of the above bonds.

Capital raised from the issuance of the above bonds, after deduction of transaction costs, was fully used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

27 Dividends

Dividends for Ordinary Shares

A cash dividend of RMB2.21 per ten ordinary shares (pre-tax) in respect of the profit for the year ended 31 December 2021 amounting to RMB65,060 million (pre-tax) was approved at the Annual General Meeting held on 30 June 2022 and was recorded in "Other liabilities" as at 30 June 2022. Such cash dividend was distributed on 15 July 2022 and 10 August 2022 after the appropriate withholding of individual and enterprise income taxes.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

27 Dividends (Continued)

Dividends for Preference Shares

Dividend distributions of Domestic Preference Shares (Third Tranche and Fourth Tranche) were approved by the Board of Directors of the Bank at the Board Meeting held on 29 April 2022. Dividend of Domestic Preference Shares (Third Tranche) amounting to RMB3,285 million (pre-tax) was distributed on 27 June 2022. Dividend of Domestic Preference Shares (Fourth Tranche) amounting to RMB1,174.5 million (pre-tax) was distributed on 29 August 2022 and was recorded in "Other liabilities" as at 30 June 2022.

Interest on Perpetual Bonds

The Bank distributed interest on the 2019 Undated Capital Bonds (Series 1) amounting to RMB1,800 million on 29 January 2022.

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 1) amounting to RMB1,360 million on 5 May 2022.

The Bank distributed interest on the 2021 Undated Capital Bonds (Series 1) amounting to RMB2,040 million on 19 May 2022.

28 Contingent liabilities and commitments

28.1 Legal proceedings and arbitrations

As at 30 June 2022, the Group was involved in certain litigation and arbitration cases in the regular course of its business. In the Group's regular business operations in different countries and regions across the world, given the range and scale of its international presence, the Group may be involved in a variety of litigation, arbitration and judicial proceedings within different jurisdictions, and the ultimate outcomes of these proceedings involve various levels of uncertainty. Management makes provisions for potential losses that may arise from these uncertainties based on assessments of potential liabilities, courts' judgements or the opinions of legal counsel, and as at 30 June 2022, the balance of the provisions was RMB917 million (31 December 2021: RMB887 million), as discussed in Note III.25. Based upon the opinions of internal and external legal counsels, the senior management of the Group believes that, at the current stage, these matters will not have a material impact on the financial position or operating results of the Group. Should the ultimate outcomes of these matters differ from the initially estimated amounts, such differences will impact the profit or loss in the period during which such a determination is made.

28.2 Assets pledged

Assets pledged by the Group as collateral mainly for placement, repurchase, short positions, derivative transactions with other banks and financial institutions and for local statutory requirements are set forth in the table below. These transactions are conducted under standard and normal business terms.

	As at 30 June 2022	As at 31 December 2021
Debt securities	689,863	1,050,527
Bills	1,968	1,778
Total	691,831	1,052,305

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(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

28 Contingent liabilities and commitments (Continued)

28.3 Collateral accepted

The Group accepts securities as collateral that are permitted to be sold or re-pledged in connection with reverse repurchase and derivative agreements with banks and other financial institutions. As at 30 June 2022, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB200,917 million (31 December 2021: RMB299,137 million). As at 30 June 2022, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB2,162 million (31 December 2021: RMB2,384 million). These transactions are conducted under standard terms in the normal course of business.

28.4 Capital commitments

	As at 30 June 2022	As at 31 December 2021
Property and equipment		
— Contracted but not provided for	66,950	34,371
— Authorised but not contracted for	2,178	1,992
Intangible assets		
— Contracted but not provided for	2,282	1,442
— Authorised but not contracted for	233	155
Investment properties and others		
— Contracted but not provided for	683	686
Total	72,326	38,646

28.5 Treasury bonds redemption commitments

The Bank is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these treasury bonds. The MOF will not provide funding for the early redemption of these treasury bonds on a back-to-back basis but will pay interest and repay the principal at maturity. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 30 June 2022, the outstanding principal value of the treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB48,409 million (31 December 2021: RMB54,053 million). The original maturities of these treasury bonds vary from 3 to 5 years and management expects the amount of redemption through the Bank prior to the maturity dates of these bonds will not be material.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

28 Contingent liabilities and commitments (Continued)

28.6 Credit commitments

	As at 30 June 2022	As at 31 December 2021
Loan commitments ⁽¹⁾		
— with an original maturity of less than 1 year	348,703	318,393
— with an original maturity of 1 year or above	2,117,838	1,898,072
Undrawn credit card limits	1,063,743	1,044,469
Letters of guarantee issued ⁽²⁾	1,117,894	1,086,152
Bank bill acceptance	429,368	378,118
Letters of credit issued	174,412	171,018
Accepted bills of exchange under letters of credit	77,778	80,958
Other	185,597	243,974
Total ⁽³⁾	5,515,333	5,221,154

(1) Loan commitments mainly represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at 30 June 2022, the unconditionally revocable loan commitments of the Group amounted to RMB346,173 million (31 December 2021: RMB338,647 million).

(2) Letters of guarantee issued mainly include financial guarantees and performance guarantees. These obligations on the Group to make payments are dependent on the outcome of a future event.

(3) Risk-weighted assets for credit risk of credit commitments

The risk-weighted assets for credit risk of the Group are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations under the advanced capital measurement approaches. The amounts are determined based on the creditworthiness of the counterparties, the maturity characteristics of each type of contracts and other factors.

	As at 30 June 2022	As at 31 December 2021
Credit commitments	1,254,845	1,266,950

28.7 Underwriting obligations

As at 30 June 2022, there was no firm commitment in underwriting securities of the Group. (31 December 2021: RMB600 million).

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

29 Note to the condensed consolidated interim statement of cash flows

For the purpose of the condensed consolidated interim statement of cash flows, cash and cash equivalents comprise the following balances with an original maturity of less than three months:

	As at 30 June 2022	As at 30 June 2021
Cash and due from banks and other financial institutions	562,476	470,009
Balances with central banks	609,456	602,670
Placements with and loans to banks and other financial institutions	613,061	795,151
Financial investments	97,321	111,727
Total	1,882,314	1,979,557

30 Related party transactions

30.1 China Investment Corporation ("CIC") was established on 29 September 2007 with registered capital of RMB1,550 billion. CIC is a wholly state-owned company engaging in foreign currency investment management. The Group is subject to the control of the State Council of the PRC Government through CIC and its wholly owned subsidiary, Central Huijin Investment Ltd. ("Huijin").

The Group entered into banking transactions with CIC in the normal course of its business on commercial terms.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

30 Related party transactions (Continued)

30.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

Legal representative	PENG Chun
Registered capital	RMB828,209 million
Location of registration	Beijing
Capital shares in the Bank	64.02%
Voting rights in the Bank	64.02%
Nature	Wholly State-owned company
Principal activities	Investment in major State-owned financial institutions on behalf of the State Council; other related businesses approved by the State Council.
Unified social credit code	911000007109329615

(2) Transactions with Huijin

The Group enters into banking transactions with Huijin in the normal course of its business on commercial terms. Purchase of the bonds issued by Huijin was in the normal course of business and in compliance with the requirements of the related regulations and corporate governance.

Transaction balances

	As at 30 June 2022	As at 31 December 2021
Investment in debt securities	32,395	37,842
Due to Huijin	(11,904)	(40,617)

Transaction amounts

	Six month period ended 30 June	
	2022	2021
Interest income	524	598
Interest expense	(283)	(197)

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

30 Related party transactions (Continued)

30.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin

Companies under Huijin include its equity interests in subsidiaries, associates and joint ventures 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 business on commercial terms which include mainly purchase and sale of debt securities, money market transactions and derivative transactions.

In the normal course of business, main transactions that the Group entered into with the affiliates of Huijin are as follows:

Transaction balances

	As at 30 June 2022	As at 31 December 2021
Due from banks and other financial institutions	139,126	101,654
Placements with and loans to banks and other financial institutions	204,776	210,826
Financial investments	471,776	498,044
Derivative financial assets	9,178	7,407
Loans and advances to customers	81,919	64,341
Due to customers, banks and other financial institutions	(425,036)	(259,277)
Placements from banks and other financial institutions	(93,228)	(135,319)
Derivative financial liabilities	(9,596)	(8,561)
Credit commitments	48,309	47,175

Transaction amounts

	Six month period ended 30 June	
	2022	2021
Interest income	7,971	7,292
Interest expense	(4,278)	(3,226)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

30 Related party transactions (Continued)

30.3 Transactions with government authorities, agencies, affiliates and other State-controlled entities

The State Council of the PRC government directly and indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other State-controlled entities. The Group enters into extensive banking transactions with these entities in the normal course of business on commercial terms.

Transactions conducted with government authorities, agencies, affiliates and other State-controlled entities include purchase and redemption of investment securities issued by government agencies, underwriting and distribution of treasury bonds issued by government agencies through the Group's branch network, foreign exchange transactions and derivative transactions, lending, provision of credit and guarantees and deposit taking.

30.4 Transactions with associates and joint ventures

The Group enters into banking transactions with associates and joint ventures in the normal course of business on commercial terms. These include loans and advances, deposit taking and other normal banking businesses. The main transactions that the Group entered into with associates and joint ventures are as follows:

Transaction balances

	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers	22,700	18,935
Due to customers, banks and other financial institutions	(25,968)	(16,285)
Credit commitments	26,757	27,408

Transaction amounts

	Six month period ended 30 June	
	2022	2021
Interest income	356	393
Interest expense	(232)	(153)

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

30 Related party transactions (Continued)

30.5 Transactions with the Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the six month period ended 30 June 2022 and the year ended 31 December 2021.

30.6 Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and Executive Officers.

The Group enters into banking transactions with key management personnel in the normal course of business. During the six month period ended 30 June 2022 and the year ended 31 December 2021, there were no material transactions and balances with key management personnel on an individual basis.

30.7 Transactions with Connected Natural Persons

As at 30 June 2022, the Bank's balance of loans to the connected natural persons as defined in the regulations issued by the CBIRC, and Shanghai Stock Exchange totalled RMB343 million (31 December 2021: RMB352 million) and RMB12 million (31 December 2021: RMB14 million), respectively.

30.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

Transaction balances

	As at 30 June 2022	As at 31 December 2021
Due from banks and other financial institutions	58,115	98,768
Placements with and loans to banks and other financial institutions	239,396	273,438
Due to banks and other financial institutions	(170,141)	(200,982)
Placements from banks and other financial institutions	(54,252)	(40,061)

Transaction amounts

	Six month period ended 30 June	
	2022	2021
Interest income	1,869	881
Interest expense	(721)	(758)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

31 Segment reporting

The Group manages the business from both geographic and business perspectives. From the geographic perspective, the Group operates in three principal regions: Chinese mainland; Hong Kong (China), Macao (China) and Taiwan (China); and other countries and regions. From the business perspective, the Group provides services through six main business segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information presented includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Funding is provided to and from individual business segments through treasury operations as part of the asset and liability management process. The pricing of these transactions is based on market rates. The transfer price takes into account the specific features and maturities of the products. Internal transactions are eliminated on consolidation. The Group regularly examines the transfer price and adjusts the price to reflect current situation.

Geographical segments

Chinese mainland — Corporate banking, personal banking, treasury operations and insurance services, etc. are performed in Chinese mainland.

Hong Kong (China), Macao (China) and Taiwan (China) — Corporate banking, personal banking, treasury operations, investment banking and insurance services are performed in Hong Kong (China), Macao (China) and Taiwan (China). The business of this segment is centralised in BOC Hong Kong (Group) Limited ("BOCHK Group").

Other countries and regions — Corporate and personal banking services are provided in other countries and regions. Significant locations include New York, London, Singapore and Tokyo.

Business segments

Corporate banking — Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, payments and settlements, trade-related products and other credit facilities, foreign currency, derivative products and wealth management products.

Personal banking — Services to retail customers including saving deposits, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury operations — Consisting of foreign exchange transactions, customer-based interest rate and foreign exchange derivative transactions, money market transactions, proprietary trading and asset and liability management. The results of this segment include the inter-segment funding income and expenses, results from interest-bearing assets and liabilities; and foreign currency translation gains and losses.

Investment banking — Consisting of debt and equity underwriting and financial advisory, sales and trading of securities, stock brokerage, investment research and asset management services, and private equity investment services.

Insurance — Underwriting of general and life insurance business and insurance agency services.

Other — Other operations of the Group comprise investment holding business, leasing business and other miscellaneous activities, none of which constitutes a separately reportable segment.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

31 Segment reporting (Continued)

As at and for the six month period ended 30 June 2022

	Hong Kong (China), Macao (China) and Taiwan (China)				Other countries and regions	Elimination	Total
	Chinese mainland	BOCHK Group	Other	Subtotal			
Interest income	382,814	18,392	11,631	30,023	13,279	(7,105)	419,011
Interest expense	(182,807)	(5,486)	(8,604)	(14,090)	(5,226)	7,105	(195,018)
Net interest income	200,007	12,906	3,027	15,933	8,053	-	223,993
Fee and commission income	41,313	5,524	2,855	8,379	3,107	(2,882)	49,917
Fee and commission expense	(5,181)	(1,427)	(1,483)	(2,910)	(960)	2,279	(6,772)
Net fee and commission income	36,132	4,097	1,372	5,469	2,147	(603)	43,145
Net trading gains	256	5,975	1,643	7,618	1,070	-	8,944
Net gains/(losses) on transfers of financial assets	1,967	(1,702)	299	(1,403)	(7)	-	557
Other operating income ⁽¹⁾	9,329	8,777	19,166	27,943	72	(372)	36,972
Operating income	247,691	30,053	25,507	55,560	11,335	(975)	313,611
Operating expenses ⁽¹⁾	(76,183)	(13,616)	(16,608)	(30,224)	(3,577)	1,072	(108,912)
Impairment losses on assets	(43,317)	(1,424)	(6,495)	(7,919)	(1,574)	-	(52,810)
Operating profit	128,191	15,013	2,404	17,417	6,184	97	151,889
Share of results of associates and joint ventures	273	(129)	36	(93)	-	-	180
Profit before income tax	128,464	14,884	2,440	17,324	6,184	97	152,069
Income tax expense							(27,766)
Profit for the period							124,303
Segment assets	22,480,716	3,067,420	1,562,842	4,630,262	2,267,852	(1,363,424)	28,015,406
Investments in associates and joint ventures	21,841	488	15,023	15,511	-	-	37,352
Total assets	22,502,557	3,067,908	1,577,865	4,645,773	2,267,852	(1,363,424)	28,052,758
Include: non-current assets ⁽²⁾	112,943	27,136	170,949	198,085	8,831	(4,530)	315,329
Segment liabilities	20,534,558	2,811,970	1,426,015	4,237,985	2,198,827	(1,363,364)	25,608,006
Other segment items:							
Inter-segment net interest (expense)/income	(261)	(223)	1,429	1,206	(945)	-	-
Inter-segment net fee and commission income/(expense)	344	141	121	262	(3)	(603)	-
Capital expenditure	2,938	611	4,461	5,072	95	-	8,105
Depreciation and amortisation	10,170	902	3,246	4,148	395	(355)	14,358
Credit commitments	4,682,106	289,381	166,412	455,793	583,151	(205,717)	5,515,333

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

31 Segment reporting (Continued)

As at 31 December 2021 and for the six month period ended 30 June 2021

	Hong Kong (China), Macao (China) and Taiwan (China)				Other countries and regions	Elimination	Total
	Chinese mainland	BOCHK Group	Other	Subtotal			
Interest income	352,839	16,992	11,661	28,653	11,117	(5,675)	386,934
Interest expense	(168,646)	(3,231)	(8,391)	(11,622)	(3,568)	5,675	(178,161)
Net interest income	184,193	13,761	3,270	17,031	7,549	–	208,773
Fee and commission income	41,778	6,520	4,199	10,719	3,030	(2,615)	52,912
Fee and commission expense	(4,732)	(1,243)	(1,142)	(2,385)	(922)	1,940	(6,099)
Net fee and commission income	37,046	5,277	3,057	8,334	2,108	(675)	46,813
Net trading gains	4,439	1,479	3,533	5,012	303	–	9,754
Net gains on transfers of financial assets	1,228	376	28	404	220	–	1,852
Other operating income ⁽¹⁾	11,054	8,276	16,522	24,798	99	(288)	35,663
Operating income	237,960	29,169	26,410	55,579	10,279	(963)	302,855
Operating expenses ⁽¹⁾	(70,762)	(14,314)	(14,576)	(28,890)	(3,728)	1,023	(102,357)
Impairment losses on assets	(49,192)	(985)	(1,312)	(2,297)	(1,456)	–	(52,945)
Operating profit	118,006	13,870	10,522	24,392	5,095	60	147,553
Share of results of associates and joint ventures	322	(111)	538	427	–	–	749
Profit before income tax	118,328	13,759	11,060	24,819	5,095	60	148,302
Income tax expense							(29,755)
Profit for the period							118,547
Segment assets	21,471,302	2,951,526	1,659,173	4,610,699	2,292,838	(1,688,200)	26,686,639
Investments in associates and joint ventures	20,544	598	14,627	15,225	–	–	35,769
Total assets	21,491,846	2,952,124	1,673,800	4,625,924	2,292,838	(1,688,200)	26,722,408
Include: non-current assets ⁽²⁾	117,571	26,383	169,999	196,382	9,021	(4,275)	318,699
Segment liabilities	19,607,634	2,709,070	1,521,145	4,230,215	2,222,113	(1,688,107)	24,371,855
Other segment items:							
Inter-segment net interest (expense)/income	(2,479)	533	2,390	2,923	(444)	–	–
Inter-segment net fee and commission (expense)/income	(142)	208	257	465	352	(675)	–
Capital expenditure	3,012	465	7,554	8,019	102	–	11,133
Depreciation and amortisation	10,085	915	3,140	4,055	438	(274)	14,304
Credit commitments	4,433,323	293,314	171,201	464,515	535,677	(212,361)	5,221,154

(1) Other operating income includes insurance premium income earned, and operating expenses include insurance benefits and claims.

(2) Non-current assets include property and equipment, investment properties, right-of-use assets, intangible assets and other long-term assets.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

31 Segment reporting (Continued)

As at and for the six month period ended 30 June 2022

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	180,705	170,540	102,076	631	2,157	2,525	(39,623)	419,011
Interest expense	(93,254)	(72,559)	(65,194)	(60)	(46)	(3,528)	39,623	(195,018)
Net interest income/(expense)	87,451	97,981	36,882	571	2,111	(1,003)	-	223,993
Fee and commission income	18,940	17,159	10,325	4,168	-	923	(1,598)	49,917
Fee and commission expense	(622)	(3,341)	(644)	(973)	(2,537)	(62)	1,407	(6,772)
Net fee and commission income/(expense)	18,318	13,818	9,681	3,195	(2,537)	861	(191)	43,145
Net trading gains/(losses)	1,043	329	8,510	(59)	(1,641)	718	44	8,944
Net gains/(losses) on transfers of financial assets	908	56	(681)	5	265	5	(1)	557
Other operating income	150	5,103	239	194	21,452	11,697	(1,863)	36,972
Operating income	107,870	117,287	54,631	3,906	19,650	12,278	(2,011)	313,611
Operating expenses	(32,977)	(41,053)	(10,985)	(1,160)	(19,782)	(4,965)	2,010	(108,912)
Impairment losses on assets	(33,626)	(12,832)	(38)	(253)	(88)	(5,870)	(103)	(52,810)
Operating profit	41,267	63,402	43,608	2,493	(220)	1,443	(104)	151,889
Share of results of associates and joint ventures	-	-	-	168	-	37	(25)	180
Profit before income tax	41,267	63,402	43,608	2,661	(220)	1,480	(129)	152,069
Income tax expense								(27,766)
Profit for the period								124,303
Segment assets	10,895,280	6,224,013	9,987,866	94,849	253,431	655,788	(95,821)	28,015,406
Investments in associates and joint ventures	-	-	-	6,922	-	30,576	(146)	37,352
Total assets	10,895,280	6,224,013	9,987,866	101,771	253,431	686,364	(95,967)	28,052,758
Segment liabilities	12,408,882	9,074,200	3,546,896	63,776	234,955	374,890	(95,593)	25,608,006
Other segment items:								
Inter-segment net interest income/(expense)	6,647	32,487	(39,018)	97	1	(214)	-	-
Inter-segment net fee and commission income/(expense)	298	1,104	35	(243)	(1,159)	156	(191)	-
Capital expenditure	909	1,022	52	35	32	6,055	-	8,105
Depreciation and amortisation	4,601	5,390	1,404	194	163	3,066	(460)	14,358
Credit commitments	4,193,727	1,321,606	-	-	-	-	-	5,515,333

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

31 Segment reporting (Continued)

As at 31 December 2021 and for the six month period ended 30 June 2021

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	168,982	152,919	93,559	643	1,873	2,045	(33,087)	386,934
Interest expense	(84,959)	(65,393)	(57,503)	(95)	(83)	(3,215)	33,087	(178,161)
Net interest income/(expense)	84,023	87,526	36,056	548	1,790	(1,170)	–	208,773
Fee and commission income	19,167	20,616	9,846	3,890	–	1,108	(1,715)	52,912
Fee and commission expense	(636)	(3,223)	(647)	(1,166)	(1,857)	(55)	1,485	(6,099)
Net fee and commission income/(expense)	18,531	17,393	9,199	2,724	(1,857)	1,053	(230)	46,813
Net trading gains	971	576	4,336	357	481	2,994	39	9,754
Net gains on transfers of financial assets	933	130	694	16	68	11	–	1,852
Other operating income	240	6,156	188	180	18,296	12,173	(1,570)	35,663
Operating income	104,698	111,781	50,473	3,825	18,778	15,061	(1,761)	302,855
Operating expenses	(30,546)	(39,906)	(9,063)	(1,641)	(17,973)	(5,035)	1,807	(102,357)
Impairment losses on assets	(37,801)	(7,511)	(5,253)	3	(76)	(2,307)	–	(52,945)
Operating profit	36,351	64,364	36,157	2,187	729	7,719	46	147,553
Share of results of associates and joint ventures	–	–	–	192	–	584	(27)	749
Profit before income tax	36,351	64,364	36,157	2,379	729	8,303	19	148,302
Income tax expense								(29,755)
Profit for the period								118,547
Segment assets	10,117,500	6,179,877	9,521,320	92,943	231,683	637,470	(94,154)	26,686,639
Investments in associates and joint ventures	–	–	–	5,779	–	30,130	(140)	35,769
Total assets	10,117,500	6,179,877	9,521,320	98,722	231,683	667,600	(94,294)	26,722,408
Segment liabilities	12,303,472	8,427,530	3,131,945	62,915	211,832	328,198	(94,037)	24,371,855
Other segment items:								
Inter-segment net interest income/(expense)	7,228	25,249	(32,382)	120	5	(220)	–	–
Inter-segment net fee and commission income/(expense)	316	1,007	25	(368)	(944)	194	(230)	–
Capital expenditure	912	1,041	48	57	75	9,000	–	11,133
Depreciation and amortisation	4,583	5,483	1,321	205	128	2,981	(397)	14,304
Credit commitments	3,956,835	1,264,319	–	–	–	–	–	5,221,154

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

32 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or re-pledge those securities in the absence of default by the Group, but have an obligation to return the securities upon maturity of the contract. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	As at 30 June 2022		As at 31 December 2021	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	634	626	6,655	6,398

Credit asset transfers

The Group enters into credit asset transfers in the normal course of business during which it transfers credit assets to special purpose entities which in turn issue asset-backed securities or fund shares to investors. The Group may acquire certain of these asset-backed securities and fund shares at the subordinated tranche level, and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB555 million as at 30 June 2022 (31 December 2021: RMB680 million), which also approximates the Group's maximum exposure to loss.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

32 Transfers of financial assets (Continued)

Credit asset transfers (Continued)

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised in the statement of financial position to the extent of the Group's continuing involvement. The carrying amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB13,074 million for the six month period ended 30 June 2022 (six month period ended 30 June 2021: RMB33,434 million) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB23,131 million as at 30 June 2022 (31 December 2021: RMB21,579 million).

33 Interests in the structured entities

The Group is principally involved with structured entities through financial investments, asset management and credit asset transfers. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

33.1 Unconsolidated structured entities

Structured entities sponsored by the Group

In conducting the asset management business, the Group established various structured entities to provide customers specialised investment opportunities within well-defined objectives and narrow range, including wealth management products, funds and asset management plans. The Group earned management fee, commission and custodian fee in return.

As at 30 June 2022, the balance of wealth management products sponsored by the Group amounted to RMB1,728,802 million (31 December 2021: RMB1,710,750 million). The balance of funds and asset management plans sponsored by the Group amounted to RMB721,008 million (31 December 2021: RMB739,464 million).

For the six month period ended 30 June 2022, the above-mentioned commission, custodian fees and management fees amounted to RMB4,881 million (six month period ended 30 June 2021: RMB6,079 million).

For the purpose of asset-liability management, wealth management products may require short-term financing from the Group and other banks. The Group is not contractually obliged to provide financing. The Group may enter into reverse repurchase and placement transactions with these wealth management products in accordance with market principles. For the six month period ended 30 June 2022, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB9,300 million (six month period ended 30 June 2021: RMB52,516 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 30 June 2022, the balance of the above transactions was RMB8,200 million (31 December 2021: RMB2,600 million). The maximum exposure to loss of those placements approximated to their carrying amount.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

33 Interests in the structured entities (Continued)

33.1 Unconsolidated structured entities (Continued)

Structured entities sponsored by the Group (Continued)

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB341 million for the six month period ended 30 June 2022 (six month period ended 30 June 2021: RMB182 million). For the description of the portion of asset-backed securities issued by the above structured entities and held by the Group, refer to Note III.32.

Structured entities sponsored by other financial institutions

The structured entities sponsored by other financial institutions in which the Group holds investments are set out below:

Structured entity type	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Maximum exposure to loss
As at 30 June 2022					
Fund investments	80,108	–	–	80,108	80,108
Investment trusts and asset management plans	2,201	2,222	8,667	13,090	13,090
Asset-backed securitisations	5,907	43,517	69,008	118,432	118,432
As at 31 December 2021					
Fund investments	68,914	–	–	68,914	68,914
Investment trusts and asset management plans	2,745	3,220	6,303	12,268	12,268
Asset-backed securitisations	11,357	45,880	67,844	125,081	125,081

33.2 Consolidated structured entities

The Group's consolidated structured entities mainly consist of open-end funds, private equity funds, trusts for asset-backed securities, and special-purpose companies. The Group controls these entities because the Group has power over, is exposed to, or has rights to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns. Except for providing financial guarantees for the companies established solely for financing purposes, the Group does not provide financial or other support to the other consolidated structured entities.

IV FINANCIAL RISK MANAGEMENT

1 Credit risk

1.1 Loans and advances

(1) Concentrations of risk for loans and advances to customers

(i) Analysis of loans and advances to customers by geographical area

Group

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Chinese mainland	14,016,435	82.88%	12,953,259	82.64%
Hong Kong (China), Macao (China) and Taiwan (China)	1,882,221	11.13%	1,752,527	11.18%
Other countries and regions	1,012,950	5.99%	969,208	6.18%
Total	16,911,606	100.00%	15,674,994	100.00%

Chinese mainland

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Northern China	2,003,951	14.30%	1,811,146	13.99%
Northeastern China	574,506	4.10%	548,436	4.23%
Eastern China	5,654,150	40.34%	5,158,395	39.82%
Central and Southern China	3,960,825	28.26%	3,708,815	28.63%
Western China	1,823,003	13.00%	1,726,467	13.33%
Total	14,016,435	100.00%	12,953,259	100.00%

(ii) Analysis of loans and advances to customers by customer type

	Chinese mainland	Hong Kong (China), Macao (China) and Taiwan (China)	Other countries and regions	Total
As at 30 June 2022				
Corporate loans and advances				
— Trade bills	1,199,810	107,736	138,654	1,446,200
— Other	7,234,042	1,172,124	809,786	9,215,952
Personal loans	5,582,583	602,361	64,510	6,249,454
Total	14,016,435	1,882,221	1,012,950	16,911,606
As at 31 December 2021				
Corporate loans and advances				
— Trade bills	1,021,482	94,900	139,539	1,255,921
— Other	6,469,397	1,087,192	768,734	8,325,323
Personal loans	5,462,380	570,435	60,935	6,093,750
Total	12,953,259	1,752,527	969,208	15,674,994

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iii) Analysis of loans and advances to customers by industry

Group

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	2,382,066	14.09%	2,043,199	13.04%
Manufacturing	2,155,239	12.74%	1,888,582	12.05%
Transportation, storage and postal services	1,822,805	10.78%	1,729,701	11.03%
Real estate	1,299,621	7.68%	1,212,336	7.73%
Production and supply of electricity, heating, gas and water	907,546	5.37%	836,651	5.34%
Financial services	754,958	4.46%	704,486	4.49%
Construction	366,109	2.17%	296,668	1.89%
Water, environment and public utility management	343,707	2.03%	302,591	1.93%
Mining	292,663	1.73%	268,158	1.71%
Public utilities	198,977	1.18%	170,548	1.09%
Other	138,461	0.82%	128,324	0.82%
Subtotal	10,662,152	63.05%	9,581,244	61.12%
Personal loans				
Mortgages	4,894,173	28.94%	4,826,412	30.79%
Credit cards	507,963	3.00%	507,107	3.24%
Other	847,318	5.01%	760,231	4.85%
Subtotal	6,249,454	36.95%	6,093,750	38.88%
Total	16,911,606	100.00%	15,674,994	100.00%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iii) Analysis of loans and advances to customers by industry (Continued)

Chinese mainland

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	1,884,391	13.45%	1,589,119	12.27%
Manufacturing	1,793,957	12.80%	1,549,639	11.96%
Transportation, storage and postal services	1,678,236	11.97%	1,578,645	12.19%
Real estate	734,769	5.24%	687,186	5.30%
Production and supply of electricity, heating, gas and water	705,072	5.03%	657,020	5.07%
Financial services	564,832	4.03%	500,380	3.86%
Construction	329,072	2.35%	266,775	2.06%
Water, environment and public utility management	336,245	2.40%	295,183	2.28%
Mining	166,993	1.19%	161,473	1.25%
Public utilities	186,441	1.33%	159,284	1.23%
Other	53,844	0.38%	46,175	0.36%
Subtotal	8,433,852	60.17%	7,490,879	57.83%
Personal loans				
Mortgages	4,351,721	31.05%	4,316,325	33.32%
Credit cards	498,152	3.55%	496,299	3.83%
Other	732,710	5.23%	649,756	5.02%
Subtotal	5,582,583	39.83%	5,462,380	42.17%
Total	14,016,435	100.00%	12,953,259	100.00%

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iv) Analysis of loans and advances to customers by collateral type

Group

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Unsecured loans	5,691,474	33.65%	5,008,610	31.95%
Guaranteed loans	2,090,395	12.36%	1,863,868	11.89%
Collateralised and other secured loans	9,129,737	53.99%	8,802,516	56.16%
Total	16,911,606	100.00%	15,674,994	100.00%

Chinese mainland

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Unsecured loans	4,365,193	31.14%	3,801,150	29.35%
Guaranteed loans	1,695,356	12.10%	1,487,175	11.48%
Collateralised and other secured loans	7,955,886	56.76%	7,664,934	59.17%
Total	14,016,435	100.00%	12,953,259	100.00%

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

Group

	As at 30 June 2022			As at 31 December 2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	204,169	89.85%	1.46%	193,030	92.45%	1.49%
Hong Kong(China), Macao (China) and Taiwan (China)	10,498	4.62%	0.56%	6,084	2.91%	0.35%
Other countries and regions	12,565	5.53%	1.24%	9,678	4.64%	1.00%
Total	227,232	100.00%	1.34%	208,792	100.00%	1.33%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers (Continued)

(i) Impaired loans and advances by geographical area (Continued)

Chinese mainland

	As at 30 June 2022			As at 31 December 2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	45,912	22.49%	2.29%	38,825	20.11%	2.14%
Northeastern China	13,609	6.66%	2.37%	13,939	7.22%	2.54%
Eastern China	57,084	27.96%	1.01%	51,633	26.75%	1.00%
Central and Southern China	69,718	34.15%	1.76%	73,624	38.14%	1.99%
Western China	17,846	8.74%	0.98%	15,009	7.78%	0.87%
Total	204,169	100.00%	1.46%	193,030	100.00%	1.49%

(ii) Impaired loans and advances by customer type

Group

	As at 30 June 2022			As at 31 December 2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	192,647	84.78%	1.81%	179,526	85.98%	1.87%
Personal loans	34,585	15.22%	0.55%	29,266	14.02%	0.48%
Total	227,232	100.00%	1.34%	208,792	100.00%	1.33%

Chinese mainland

	As at 30 June 2022			As at 31 December 2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	170,813	83.66%	2.03%	164,796	85.37%	2.20%
Personal loans	33,356	16.34%	0.60%	28,234	14.63%	0.52%
Total	204,169	100.00%	1.46%	193,030	100.00%	1.49%

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(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers (Continued)

(iii) Impaired loans and advances by geographical area and industry

	As at 30 June 2022			As at 31 December 2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Commerce and services	34,197	15.05%	1.81%	30,111	14.42%	1.89%
Manufacturing	48,589	21.38%	2.71%	55,341	26.50%	3.57%
Transportation, storage and postal services	18,259	8.03%	1.09%	18,073	8.66%	1.14%
Real estate	41,678	18.34%	5.67%	34,694	16.62%	5.05%
Production and supply of electricity, heating, gas and water	13,558	5.97%	1.92%	13,173	6.31%	2.00%
Financial services	211	0.09%	0.04%	201	0.10%	0.04%
Construction	2,968	1.31%	0.90%	3,406	1.63%	1.28%
Water, environment and public utility management	2,610	1.15%	0.78%	2,257	1.08%	0.76%
Mining	5,348	2.35%	3.20%	4,717	2.26%	2.92%
Public utilities	2,832	1.25%	1.52%	2,215	1.06%	1.39%
Other	563	0.25%	1.05%	608	0.29%	1.32%
Subtotal	170,813	75.17%	2.03%	164,796	78.93%	2.20%
Personal loans						
Mortgages	15,465	6.81%	0.36%	11,628	5.57%	0.27%
Credit cards	9,542	4.20%	1.92%	10,163	4.87%	2.05%
Other	8,349	3.67%	1.14%	6,443	3.08%	0.99%
Subtotal	33,356	14.68%	0.60%	28,234	13.52%	0.52%
Total for Chinese mainland	204,169	89.85%	1.46%	193,030	92.45%	1.49%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions						
	23,063	10.15%	0.80%	15,762	7.55%	0.58%
Total	227,232	100.00%	1.34%	208,792	100.00%	1.33%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(2) Analysis of impaired loans and advances to customers (Continued)

(iv) Impaired loans and advances and related allowance by geographical area

	Impaired loans	Allowance for impairment losses	Net
As at 30 June 2022			
Chinese mainland	204,169	(164,328)	39,841
Hong Kong (China), Macao (China) and Taiwan (China)	10,498	(5,451)	5,047
Other countries and regions	12,565	(5,383)	7,182
Total	227,232	(175,162)	52,070
As at 31 December 2021			
Chinese mainland	193,030	(162,182)	30,848
Hong Kong (China), Macao (China) and Taiwan (China)	6,084	(3,708)	2,376
Other countries and regions	9,678	(4,010)	5,668
Total	208,792	(169,900)	38,892

(3) Loans and advances rescheduled

Rescheduled loans refer to loans in which the Group has adjusted the repayment terms of the loan contract for which the borrower is in financial difficulty or unable to repay. The Group reschedules a non-performing loan only if the borrower has good prospects.

Rescheduled loans are subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "Special-mention" upon review if certain criteria are met. If the rescheduled loans fall overdue or if the borrowers are unable to demonstrate their repayment ability, these loans will be reclassified to "Doubtful" or below. All rescheduled loans within the surveillance period were determined to be impaired as at 30 June 2022 and 31 December 2021.

As at 30 June 2022 and 31 December 2021, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(4) Overdue loans and advances to customers

Analysis of overdue loans and advances by geographical area

	As at 30 June 2022	As at 31 December 2021
Chinese mainland	176,240	155,015
Hong Kong (China), Macao (China) and Taiwan (China)	13,075	7,851
Other countries and regions	5,531	4,871
Subtotal	194,846	167,737
Percentage	1.15%	1.07%
Less: total loans and advances to customers which have been overdue for less than 3 months	(62,085)	(44,014)
Total loans and advances to customers which have been overdue for more than 3 months	132,761	123,723

(5) Loans and advances three-staging classification

Loans and advances to customers by five-category loan classification and three-staging classification are analysed as follows:

	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2022				
Pass	16,428,474	33,476	–	16,461,950
Special-mention	–	218,776	–	218,776
Substandard	–	–	84,045	84,045
Doubtful	–	–	69,280	69,280
Loss	–	–	73,300	73,300
Total	16,428,474	252,252	226,625	16,907,351
As at 31 December 2021				
Pass	15,207,789	44,401	–	15,252,190
Special-mention	–	210,813	–	210,813
Substandard	–	–	61,184	61,184
Doubtful	–	–	60,718	60,718
Loss	–	–	86,284	86,284
Total	15,207,789	255,214	208,186	15,671,189

As at 30 June 2022 and 31 December 2021, loans and advances by five-category loan classification and stage classification did not include loans and advances to customers measured at fair value through profit or loss.

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities

The Group adopted a credit rating approach to manage the credit risk of the debt securities by referring to both internal and external credit rating. The carrying amounts (excluding accrued interest) of the debt investments analysed by external credit ratings at the financial reporting date are as follows:

	Unrated	A to AAA	Lower than A	Total
As at 30 June 2022				
Issuers in Chinese mainland				
— Government	6,454	3,311,890	–	3,318,344
— Public sectors and quasi-governments	157,950	9,209	–	167,159
— Policy banks	–	548,682	–	548,682
— Financial institutions	42,537	188,936	179,190	410,663
— Corporate	98,467	104,289	45,175	247,931
— China Orient	152,433	–	–	152,433
Subtotal	457,841	4,163,006	224,365	4,845,212
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	74,484	567,707	13,280	655,471
— Public sectors and quasi-governments	48,763	59,927	241	108,931
— Financial institutions	6,880	124,820	61,061	192,761
— Corporate	13,932	84,615	37,650	136,197
Subtotal	144,059	837,069	112,232	1,093,360
Total	601,900	5,000,075	336,597	5,938,572
As at 31 December 2021				
Issuers in Chinese mainland				
— Government	5,677	3,177,655	–	3,183,332
— Public sectors and quasi-governments	162,546	2,195	–	164,741
— Policy banks	–	532,783	–	532,783
— Financial institutions	100,964	230,803	173,810	505,577
— Corporate	113,771	108,844	46,730	269,345
— China Orient	152,433	–	–	152,433
Subtotal	535,391	4,052,280	220,540	4,808,211
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	69,390	562,376	14,455	646,221
— Public sectors and quasi-governments	47,621	52,336	115	100,072
— Financial institutions	13,744	97,887	47,109	158,740
— Corporate	17,275	90,712	39,222	147,209
Subtotal	148,030	803,311	100,901	1,052,242
Total	683,421	4,855,591	321,441	5,860,453

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(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 Measurement of expected credit losses ("ECL")

The Group conducted an assessment of ECL according to forward-looking information and used a number of models and assumptions in its measurement of ECL. In assessing the ECL as at 30 June 2022, the Group has taken into account the impact of changes in current economic environment to the ECL model, including: individual borrower's operating and financial conditions and degree of impact from the Covid-19 pandemic, environmental and climate change impact, and industry-specific risks impacted by Covid-19 pandemic.

The critical assumptions and estimation techniques used by the Group in the ECL measurement are consistent with those used in 2021. The Group identifies key macroeconomic indicators that affect the credit risk and ECL of various business types, such as country or region local GDP, Investment in fixed assets, Producer Price Index, Home price index, Consumer Price Index etc. based on the statistical analysis of historical data.

Among the above, the forecast values of the annualized core macroeconomic indicator used in the baseline scenario to evaluate expected credit losses on 30 June 2022 by Chinese Mainland are as follows:

Indicator	Range of value
2022 Annual Growth Rate of China's GDP	4.5%–5%

As at 30 June 2022, the ECL reflected the Group's credit risk and the expectations for macroeconomic development of management.

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.4 Derivatives

The risk-weighted assets for counterparty credit risk ("CCR") of derivatives of the Group are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Assets Measurement Rules for Counterparty Default Risks of Derivatives* and other relevant regulations under the advanced capital measurement approaches. For derivative transactions, risk-weighted assets for CCR include the risk-weighted assets for default risk, the risk-weighted assets for credit valuation adjustment ("CVA") and the risk-weighted assets for central counterparties ("CCPs").

The risk-weighted assets for CCR of derivatives are as follows:

	As at 30 June 2022	As at 31 December 2021
Risk-weighted assets for default risk		
Currency derivatives	88,130	63,151
Interest rate derivatives	5,299	8,683
Equity derivatives	414	553
Commodity derivatives and other	16,095	13,657
	109,938	86,044
Risk-weighted assets for CVA	74,544	62,415
Risk-weighted assets for CCPs	5,227	2,335
Total	189,709	150,794

1.5 Repossessed assets

The Group obtains assets by taking possession of collateral held as security. Detailed information of such repossessed assets of the Group is disclosed in Note III.20.

2 Market risk

2.1 Market risk measurement techniques and limits

(1) Trading book

For the purpose of market risk management in the trading book, the Group monitors trading book Value at Risk (VaR) limits, stress testing results and exposure limits and tracks each trading desk and dealer's observance of each limit on a daily basis.

VaR is used to estimate the largest potential loss arising from adverse market movements in a specific holding period and within a certain confidence level.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

VaR is performed separately by the Bank and its major subsidiaries that are exposed to market risk, Bank of China Hong Kong (Holdings) Limited ("BOCHK (Holdings)") and BOC International Holdings Limited ("BOCI"). The Bank, BOCHK (Holdings) and BOCI used a 99% level of confidence (therefore, statistical probability of 1% that actual losses could be greater than the VaR estimate) and a historical simulation model to calculate the VaR estimate. The holding period of the VaR calculations is one day. To enhance the Group's market risk management, the Group has established the market risk data mart, which enabled a group level trading book VaR calculation on a daily basis.

The accuracy and reliability of the VaR model is verified by daily back-testing of the VaR results in the trading book. The back-testing results are regularly reported to senior management.

The Group utilises stress testing as an effective supplement to the trading book VaR analysis. Stress testing scenarios are performed based on the characteristics of trading transactions to simulate and estimate losses in adverse and exceptional market conditions. To address changes in the financial markets, the Group enhances its market risk identification capabilities by continuously modifying and improving the trading book stress testing scenarios and measurement methodologies in order to capture the potential impact to transaction market prices stemming from changes in market prices and volatility.

The table below shows the VaR of the trading book by type of risk for the six month period ended 30 June 2022 and 30 June 2021:

Unit: USD million

	Six month period ended 30 June					
	2022			2021		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	19.19	27.08	10.90	15.10	18.03	11.24
Foreign exchange risk	41.89	49.40	34.51	28.13	41.51	9.75
Volatility risk	1.24	3.18	0.55	5.31	11.41	1.31
Commodity risk	2.73	7.17	0.18	5.25	10.77	0.82
Total of the Bank's trading VaR	52.24	62.61	45.62	35.45	48.83	19.49

The reporting of risk in relation to bullion is included in foreign exchange risk above.

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

Unit: USD million

	Six month period ended 30 June					
	2022			2021		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	3.94	8.10	2.07	1.78	3.40	0.80
Foreign exchange risk	3.19	5.12	1.90	3.18	5.29	1.77
Equity risk	0.12	0.32	0.03	0.13	0.29	0.05
Commodity risk	0.63	1.57	0.01	1.18	2.93	–
Total BOCHK (Holdings)'s trading VaR	4.89	7.87	2.79	3.65	6.15	2.44
BOCI's trading VaR⁽ⁱ⁾						
Equity derivatives unit	0.73	1.62	0.17	0.78	2.19	0.19
Fixed income unit	1.10	1.77	0.55	0.81	1.33	0.47
Global commodity unit	0.22	0.47	0.12	0.21	0.50	0.17
Total BOCI's trading VaR	2.04	3.14	0.99	1.81	3.58	0.97

- (i) BOCI monitors its trading VaR for equity derivatives unit, fixed income unit and global commodity unit separately, which include equity risk, interest rate risk, foreign exchange risk and commodity risk.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and within a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs were not added up to the total VaR as there was a diversification effect due to correlation amongst the risk factors.

(2) Banking book

Interest rate risk in the banking book ("IRRBB") refers to the risk of losses to a bank's economic value and to its overall earnings of banking book, arising from adverse movements in interest rates level or term structure. IRRBB mainly comes from repricing gaps between assets and liabilities in the banking book, and differences in changes in benchmarking interest rates for assets and liabilities. The Group assesses IRRBB primarily through an interest rate repricing gap analysis. Interest rate gap analysis is set out in Note IV.2.2 and also covers the trading book.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis

The tables below summarise the Group's exposure to interest rate risk. It includes the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	As at 30 June 2022						Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	
Assets							
Cash and due from banks and other financial institutions	507,122	53,349	80,105	2,646	–	62,970	706,192
Balances with central banks	1,974,586	2,647	338	1,322	–	163,505	2,142,398
Placements with and loans to banks and other financial institutions	612,634	146,214	372,679	50,748	–	3,799	1,186,074
Derivative financial assets	–	–	–	–	–	155,953	155,953
Loans and advances to customers, net	3,211,265	2,935,208	9,412,573	555,855	250,152	172,436	16,537,489
Financial investments							
— financial assets at fair value through profit or loss	15,557	36,476	117,876	116,905	52,393	200,802	540,009
— financial assets at fair value through other comprehensive income	210,134	182,280	341,471	1,049,185	567,074	29,441	2,379,585
— financial assets at amortised cost	92,867	247,536	324,761	1,241,198	1,419,502	2,613	3,328,477
Other	5,464	–	–	–	–	1,071,117	1,076,581
Total assets	6,629,629	3,603,710	10,649,803	3,017,859	2,289,121	1,862,636	28,052,758
Liabilities							
Due to banks and other financial institutions	1,709,482	366,016	536,819	17,232	46	35,728	2,665,323
Due to central banks	89,344	94,809	490,283	4,535	–	8,686	687,657
Placements from banks and other financial institutions	152,764	62,472	64,260	–	–	1,795	281,291
Derivative financial liabilities	–	–	–	–	–	128,807	128,807
Due to customers	10,968,016	1,495,487	3,506,904	3,085,220	42	492,558	19,548,227
Bonds issued	85,014	198,117	529,248	561,879	68,866	14,844	1,457,968
Other	10,410	4,942	16,733	32,813	5,278	768,557	838,733
Total liabilities	13,015,030	2,221,843	5,144,247	3,701,679	74,232	1,450,975	25,608,006
Total interest repricing gap	(6,385,401)	1,381,867	5,505,556	(683,820)	2,214,889	411,661	2,444,752

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2021						Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	
Assets							
Cash and due from banks and other financial institutions	370,446	66,997	141,347	4,187	–	61,839	644,816
Balances with central banks	1,994,874	5,249	582	630	–	227,391	2,228,726
Placements with and loans to banks and other financial institutions	758,329	164,425	283,939	47,392	–	3,328	1,257,413
Derivative financial assets	–	–	–	–	–	95,799	95,799
Loans and advances to customers, net	4,036,896	2,760,256	7,587,288	516,235	254,856	166,953	15,322,484
Financial investments							
— financial assets at fair value through profit or loss	26,362	28,697	93,136	50,591	167,964	194,892	561,642
— financial assets at fair value through other comprehensive income	161,329	308,986	351,443	1,023,935	510,635	33,502	2,389,830
— financial assets at amortised cost	203,421	42,429	380,675	1,313,316	1,270,988	2,370	3,213,199
Other	2,244	–	–	–	–	1,006,255	1,008,499
Total assets	7,553,901	3,377,039	8,838,410	2,956,286	2,204,443	1,792,329	26,722,408
Liabilities							
Due to banks and other financial institutions	1,767,330	256,822	570,038	14,176	258	74,115	2,682,739
Due to central banks	181,247	246,985	509,817	10,833	–	6,675	955,557
Placements from banks and other financial institutions	279,785	55,441	71,048	–	–	1,493	407,767
Derivative financial liabilities	–	–	–	–	–	89,151	89,151
Due to customers	10,253,710	1,451,583	2,941,491	2,978,127	32,521	485,455	18,142,887
Bonds issued	44,526	264,056	548,592	455,746	69,250	6,508	1,388,678
Other	6,067	4,728	8,187	34,226	5,838	646,030	705,076
Total liabilities	12,532,665	2,279,615	4,649,173	3,493,108	107,867	1,309,427	24,371,855
Total interest repricing gap	(4,978,764)	1,097,424	4,189,237	(536,822)	2,096,576	482,902	2,350,553

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for the six month period ended 30 June 2022

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IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2022 and 31 December 2021. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the tables are the carrying amounts of the assets and liabilities of the Group along with off-balance sheet positions and credit commitments in RMB equivalent, categorised by the original currencies. Derivative financial instruments are included in net off-balance sheet position using notional amounts.

	As at 30 June 2022							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	429,455	169,268	28,535	42,954	5,445	5,249	25,286	706,192
Balances with central banks	1,612,025	264,253	25,884	114,480	25,842	37,848	62,066	2,142,398
Placements with and loans to banks and other financial institutions	725,466	372,360	34,863	7,329	293	1,160	44,603	1,186,074
Derivative financial assets	51,909	57,982	3,055	4,208	14,762	11,502	12,535	155,953
Loans and advances to customers, net	13,406,539	1,293,097	1,149,796	224,764	9,807	83,036	370,450	16,537,489
Financial investments								
— financial assets at fair value through profit or loss	396,379	57,452	75,207	10,235	703	29	4	540,009
— financial assets at fair value through other comprehensive income	1,547,588	391,446	149,260	26,320	166,249	3,366	95,356	2,379,585
— financial assets at amortised cost	2,922,779	334,803	15,484	9,269	1,979	3,209	40,954	3,328,477
Other	328,531	176,861	242,700	2,009	1,158	1,837	323,485	1,076,581
Total assets	21,420,671	3,117,522	1,724,784	441,568	226,238	147,236	974,739	28,052,758
Liabilities								
Due to banks and other financial institutions	1,787,012	426,627	42,759	48,614	19,403	14,569	326,339	2,665,323
Due to central banks	631,834	31,082	6,756	12,360	—	116	5,509	687,657
Placements from banks and other financial institutions	66,469	172,697	13,735	18,419	4,914	2,230	2,827	281,291
Derivative financial liabilities	48,787	49,954	3,755	2,960	2,825	10,424	10,102	128,807
Due to customers	15,330,580	1,892,469	1,393,881	315,370	58,903	62,494	494,530	19,548,227
Bonds issued	1,209,224	213,704	2,493	22,482	391	2,355	7,319	1,457,968
Other	362,874	118,887	306,552	2,275	502	7,267	40,376	838,733
Total liabilities	19,436,780	2,905,420	1,769,931	422,480	86,938	99,455	887,002	25,608,006
Net on-balance sheet position	1,983,891	212,102	(45,147)	19,088	139,300	47,781	87,737	2,444,752
Net off-balance sheet position	87,096	(137,624)	298,678	(8,962)	(125,402)	(44,769)	(37,374)	31,643
Credit commitments	4,101,118	852,087	233,040	155,224	8,744	48,148	116,972	5,515,333

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2021							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	329,908	206,607	25,262	35,395	8,371	12,453	26,820	644,816
Balances with central banks	1,495,927	441,169	37,244	99,077	26,565	83,179	45,565	2,228,726
Placements with and loans to banks and other financial institutions	691,140	475,833	24,126	16,139	341	910	48,924	1,257,413
Derivative financial assets	46,853	23,782	2,533	2,594	3,017	6,908	10,112	95,799
Loans and advances to customers, net	12,418,293	1,219,684	1,060,054	213,634	9,455	69,951	331,413	15,322,484
Financial investments								
— financial assets at fair value through profit or loss	431,627	61,017	64,443	3,405	874	31	245	561,642
— financial assets at fair value through other comprehensive income	1,451,346	492,925	183,066	29,173	140,349	3,842	89,129	2,389,830
— financial assets at amortised cost	2,893,923	247,294	12,571	9,631	5,291	3,406	41,083	3,213,199
Other	311,401	174,209	220,831	2,728	1,091	2,188	296,051	1,008,499
Total assets	20,070,418	3,342,520	1,630,130	411,776	195,354	182,868	889,342	26,722,408
Liabilities								
Due to banks and other financial institutions	1,614,433	649,129	48,540	34,472	12,083	27,625	296,457	2,682,739
Due to central banks	880,695	36,232	19,606	13,329	—	86	5,609	955,557
Placements from banks and other financial institutions	151,620	220,939	11,267	14,686	4,987	2,066	2,202	407,767
Derivative financial liabilities	48,915	20,620	2,054	2,433	344	7,286	7,499	89,151
Due to customers	14,148,220	1,765,005	1,311,343	304,900	49,367	77,964	486,088	18,142,887
Bonds issued	1,135,020	205,952	3,833	28,889	—	3,486	11,498	1,388,678
Other	297,041	111,860	265,626	2,191	345	588	27,425	705,076
Total liabilities	18,275,944	3,009,737	1,662,269	400,900	67,126	119,101	836,778	24,371,855
Net on-balance sheet position	1,794,474	332,783	(32,139)	10,876	128,228	63,767	52,564	2,350,553
Net off-balance sheet position	161,015	(214,771)	264,127	1,674	(124,423)	(61,853)	(10,169)	15,600
Credit commitments	3,835,534	820,586	244,161	148,553	8,275	54,606	109,439	5,221,154

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period from the financial reporting date to the contractual maturity date.

	As at 30 June 2022							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	–	252,930	317,160	53,350	80,106	2,646	–	706,192
Balances with central banks	1,536,416	577,985	20,976	5,353	346	1,322	–	2,142,398
Placements with and loans to banks and other financial institutions	1,315	–	589,487	139,845	386,650	68,777	–	1,186,074
Derivative financial assets	–	12,512	25,629	28,522	55,179	24,826	9,285	155,953
Loans and advances to customers, net	56,113	299,775	652,807	1,055,853	4,067,678	4,539,247	5,866,016	16,537,489
Financial investments								
— financial assets at fair value through profit or loss	199,318	–	16,876	34,570	115,477	118,293	55,475	540,009
— financial assets at fair value through other comprehensive income	22,793	–	173,601	164,994	353,213	1,080,768	584,216	2,379,585
— financial assets at amortised cost	2,818	–	74,979	94,312	326,008	1,399,291	1,431,069	3,328,477
Other	361,657	522,190	41,279	7,230	23,426	85,416	35,383	1,076,581
Total assets	2,180,430	1,665,392	1,912,794	1,584,029	5,408,083	7,320,586	7,981,444	28,052,758
Liabilities								
Due to banks and other financial institutions	–	1,632,689	112,515	366,017	536,824	17,232	46	2,665,323
Due to central banks	–	67,978	21,492	84,964	500,492	12,731	–	687,657
Placements from banks and other financial institutions	–	–	151,083	61,600	67,103	1,351	154	281,291
Derivative financial liabilities	–	8,480	20,047	25,960	47,285	20,779	6,256	128,807
Due to customers	–	9,419,703	1,808,553	1,416,833	3,706,658	3,196,412	68	19,548,227
Bonds issued	–	–	67,508	175,182	563,335	583,077	68,866	1,457,968
Other	–	381,153	60,049	74,649	104,248	125,345	93,289	838,733
Total liabilities	–	11,510,003	2,241,247	2,205,205	5,525,945	3,956,927	168,679	25,608,006
Net liquidity gap	2,180,430	(9,844,611)	(328,453)	(621,176)	(117,862)	3,363,659	7,812,765	2,444,752

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 2021							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and								
other financial institutions	–	269,794	162,489	66,998	141,348	4,187	–	644,816
Balances with central banks	1,488,390	717,908	15,952	5,258	273	945	–	2,228,726
Placements with and loans to banks and								
other financial institutions	863	–	721,152	159,065	309,098	67,235	–	1,257,413
Derivative financial assets	–	9,765	12,558	15,998	27,189	24,500	5,789	95,799
Loans and advances to customers, net	36,911	236,595	648,963	968,575	3,176,279	4,236,421	6,018,740	15,322,484
Financial investments								
— financial assets at fair value through profit or loss	195,025	–	26,323	27,647	90,475	52,874	169,298	561,642
— financial assets at fair value through other comprehensive income	24,515	–	118,945	288,848	369,793	1,057,866	529,863	2,389,830
— financial assets at amortised cost	2,794	–	32,492	44,163	382,282	1,466,314	1,285,154	3,213,199
Other	362,964	479,476	24,765	10,745	19,233	78,603	32,713	1,008,499
Total assets	2,111,462	1,713,538	1,763,639	1,587,297	4,515,970	6,988,945	8,041,557	26,722,408
Liabilities								
Due to banks and other financial institutions	–	1,755,054	86,387	256,824	570,040	14,176	258	2,682,739
Due to central banks	–	60,448	110,267	247,523	515,964	21,355	–	955,557
Placements from banks and								
other financial institutions	–	–	274,022	58,425	72,598	2,566	156	407,767
Derivative financial liabilities	–	6,235	10,648	13,846	27,073	25,003	6,346	89,151
Due to customers	–	9,147,933	1,575,342	1,446,767	2,946,788	2,993,520	32,537	18,142,887
Bonds issued	–	–	26,122	237,121	572,062	483,716	69,657	1,388,678
Other	–	330,167	45,234	12,783	111,628	117,853	87,411	705,076
Total liabilities	–	11,299,837	2,128,022	2,273,289	4,816,153	3,658,189	196,365	24,371,855
Net liquidity gap	2,111,462	(9,586,299)	(364,383)	(685,992)	(300,183)	3,330,756	7,845,192	2,350,553

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value

4.1 Financial instruments measured at fair value

Financial instruments measured at fair value are classified into the following three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity securities listed on exchanges or debt instruments issued by certain governments and certain exchange-traded derivative contracts.
- Level 2: Valuation technique for which all inputs that have a significant effect on the recorded fair value other than quoted prices included within Level 1 are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter ("OTC") derivative contracts, debt securities for which quotations are available from pricing service providers, discounted bills, etc.
- Level 3: Valuation technique using inputs which have a significant effect on the recorded fair value for the asset or liability are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

The Group uses valuation techniques or counterparty quotations to determine the fair value when it is unable to obtain open market quotation in active markets.

The main parameters used in valuation techniques include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from the open market.

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity) and unlisted funds held by the Group, management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including the discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. The main unobservable inputs include liquidity discounts, discount rates and expected dividend. Management determines whether to make necessary adjustments to the fair value for the Group's Level 3 financial instruments by assessing the impact of changes in macro-economic factors, valuations by external valuation agencies and other inputs, including loss coverage ratios. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

	As at 30 June 2022			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Due from and placements with banks and other financial institutions at fair value	–	5,137	–	5,137
Derivative financial assets	5,902	150,051	–	155,953
Loans and advances to customers at fair value	–	489,876	–	489,876
Financial assets at fair value through profit or loss				
— Debt securities	12,242	313,816	1,500	327,558
— Equity instruments	25,408	2,656	74,743	102,807
— Fund investments and other	30,825	22,853	55,966	109,644
Financial assets at fair value through other comprehensive income				
— Debt securities	344,428	2,010,211	865	2,355,504
— Equity instruments and other	8,190	8,398	7,493	24,081
Financial liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(67)	–	(67)
Due to customers at fair value	–	(25,569)	–	(25,569)
Bonds issued at fair value	–	(2)	–	(2)
Short position in debt securities	(1,700)	(23,025)	–	(24,725)
Derivative financial liabilities	(5,541)	(123,266)	–	(128,807)
	As at 31 December 2021			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Derivative financial assets	2,373	93,426	–	95,799
Loans and advances to customers at fair value	–	355,600	–	355,600
Financial assets at fair value through profit or loss				
— Debt securities	8,904	321,437	26,121	356,462
— Equity instruments	25,618	2,350	74,300	102,268
— Fund investments and other	29,208	27,573	46,131	102,912
Financial assets at fair value through other comprehensive income				
— Debt securities	385,049	1,977,034	995	2,363,078
— Equity instruments and other	7,774	10,323	8,655	26,752
Financial liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(162)	–	(162)
Due to customers at fair value	–	(31,311)	–	(31,311)
Bonds issued at fair value	–	(315)	(2)	(317)
Short position in debt securities	(1,945)	(10,513)	–	(12,458)
Derivative financial liabilities	(1,961)	(87,190)	–	(89,151)

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 items

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		
	Debt Securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other	Bonds issued at fair value
As at 1 January 2022	26,121	74,300	46,131	995	8,655	(2)
Total gains and losses						
— profit	129	130	4,903	—	—	—
— other comprehensive income	—	—	—	(175)	(243)	—
Sales	(1,854)	(2,439)	(1,547)	—	(999)	—
Purchases	—	3,100	6,287	—	—	—
Settlements	—	—	—	—	—	—
Transfers out of Level 3, net	(22,927)	(356)	—	—	—	2
Other changes	31	8	192	45	80	—
As at 30 June 2022	1,500	74,743	55,966	865	7,493	—
Total gains for the period included in the income statement for assets/liabilities held as at 30 June 2022	181	26	4,904	—	—	—

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 items (Continued)

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		
	Debt securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other	Bonds issued at fair value
As at 1 January 2021	20,881	67,554	42,958	1,373	4,731	–
Total gains and losses						
— profit	413	493	2,954	–	–	–
— other comprehensive income	–	–	–	(57)	37	–
Sales	(355)	(4,576)	(7,489)	(283)	–	–
Purchases	5,202	15,029	7,920	–	3,944	–
Settlements	–	–	–	–	–	–
Issues	–	–	–	–	–	(2)
Transfers out of Level 3, net	–	(4,200)	–	–	–	–
Other changes	(20)	–	(212)	(38)	(57)	–
As at 31 December 2021	26,121	74,300	46,131	995	8,655	(2)
Total gains for the period included in the income statement for assets/liabilities held as at 31 December 2021	413	330	2,686	–	–	–

Total gains or losses arising from financial instruments measured at fair value under Level 3 for the six month period ended 30 June 2022 and the year ended 31 December 2021 were presented in “Net trading gains”, “Net gains on transfers of financial assets” or “Impairment losses on assets” depending on the nature or classification of the related financial instruments.

Gains or losses on Level 3 financial assets and liabilities included in the income statement comprise:

	Six month period ended 30 June					
	2022			2021		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the period	51	5,111	5,162	205	1,723	1,928

There were no significant transfers of the financial assets and liabilities measured at fair value between Level 1 and Level 2 during the six month period ended 30 June 2022.

A 10% increase in all significant unobservable inputs applied in the valuation technique including liquidity discounts, discount rates and expected dividend would not result in significant variation in fair valuation of Level 3 financial instruments.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.2 Financial instruments not measured at fair value

Financial assets and liabilities not presented at fair value in the statement of financial position mainly represent “Due from banks and other financial institutions”, “Balances with central banks”, “Government certificates of indebtedness for bank notes issued”, “Due to banks and other financial institutions”, “Due to central banks”, “Bank notes in circulation”, “Placements with and loans to banks and other financial institutions at amortised cost”, “Loans and advances to customers measured at amortised cost”, “Financial investments measured at amortised cost”, “Placements from banks and other financial institutions at amortised cost”, “Due to customers at amortised cost” and “Bonds issued at amortised cost”.

The tables below summarise the carrying amounts and fair values of “Debt securities at amortised cost” and “Bonds issued” not presented at fair value at the financial reporting date.

	As at 30 June 2022		As at 31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities at amortised cost ⁽¹⁾	3,319,805	3,360,015	3,206,895	3,262,525
Financial liabilities				
Bonds issued ⁽²⁾	1,457,966	1,457,197	1,388,361	1,395,242

(1) Debt securities at amortised cost

The China Orient Bond and Special Purpose Treasury Bond held by the Bank are non-transferable. As there are no observable market prices or yields reflecting arm's length transactions of a comparable size and tenor, the fair value is determined based on the stated interest rate of the instruments.

Fair values of other debt securities are based on market prices or broker/dealer price quotations. Where this information is not available, the Bank will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flow models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd..

(2) Bonds issued

The aggregate fair values are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.2 Financial instruments not measured at fair value (Continued)

The tables below summarise the fair values of three levels of “Debt securities at amortised cost” (excluding the China Orient Asset Management Corporation Bond and Special Purpose Treasury Bond), and “Bonds issued” not presented at fair value at the financial reporting date.

	As at 30 June 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities at amortised cost	128,261	3,033,105	2,766	3,164,132
Financial liabilities				
Bonds issued	–	1,457,197	–	1,457,197

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities at amortised cost	99,809	2,963,747	3,557	3,067,113
Financial liabilities				
Bonds issued	–	1,395,242	–	1,395,242

Other than the above, the difference between the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value in the condensed consolidated interim statement of financial position is insignificant. Fair value is measured using discounted cash flow model.

Notes to the Condensed Consolidated Interim Financial Information

for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management

The Group follows the principles below with regard to capital management:

- Adequate capital and sustainable development. Follow the lead of the strategic planning of the Group development; and maintain the high quality and adequacy of capital as to meet regulation requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business in the Group.
- Allocation optimisation and benefit augmentation. Allocate capital properly by prioritising the asset businesses with low capital occupancy and high comprehensive income, and steadily improve the efficiency and return of capital, to achieve the reciprocal matchup and dynamic equilibrium among risks, assets and returns.
- Refined management and capital level improvement. Optimise the capital management system by sufficiently identifying, calculating, monitoring, mitigating, and controlling various types of risks; incorporate capital restraints into the whole process of product pricing, resource allocation, structural adjustments, performance evaluation, etc., ensuring that the capital employed is commensurate with the related risks and the level of risk management.

Capital adequacy and regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis.

The Group's capital adequacy ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. With the approval of the CBIRC, the Group adopts the advanced capital measurement approaches, which include Foundation Internal Ratings-based Approach for corporate exposures, Internal Ratings-based Approach for retail exposures, Internal Models Approach for market risk and Standardised Approach for operational risk. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated adopting non-advanced approaches.

As a Systemically Important Bank, the Group's capital adequacy ratios are required to meet the lowest requirements of the CBIRC, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 9.00%, 10.00% and 12.00%, respectively.

The Group's regulatory capital is managed by its capital management related departments and consists of the following:

- Common equity tier 1 capital, including common shares, capital reserve, surplus reserve, general reserve, undistributed profits, eligible portion of minority interests and others;
- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests;
- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss allowances and eligible portion of minority interests.

Goodwill, other intangible assets (excluding land use rights), investments in common equity tier 1 capital of financial institutions with controlling interests but outside of the scope of regulatory consolidation and other deductible items are deducted from common equity tier 1 capital to derive the regulatory capital.

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio⁽¹⁾ calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations.

	As at 30 June 2022	As at 31 December 2021
Common equity tier 1 capital adequacy ratio	11.33%	11.30%
Tier 1 capital adequacy ratio	13.63%	13.32%
Capital adequacy ratio	16.99%	16.53%
Composition of the Group's capital base		
Common equity tier 1 capital	1,908,782	1,870,301
Common shares	294,388	294,388
Capital reserve	133,957	133,951
Surplus reserve	212,770	212,602
General reserve	304,321	303,084
Undistributed profits	930,809	888,419
Eligible portion of minority interests	35,225	33,669
Other ⁽²⁾	(2,688)	4,188
Regulatory deductions	(26,295)	(26,415)
Of which:		
Goodwill	(182)	(182)
Other intangible assets (except for land use rights)	(16,189)	(16,393)
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,867)	(9,785)
Net common equity tier 1 capital	1,882,487	1,843,886
Additional tier 1 capital	380,461	329,845
Preference shares and related premium	119,550	119,550
Additional capital instruments and related premium	249,944	199,955
Eligible portion of minority interests	10,967	10,340
Net tier 1 capital	2,262,948	2,173,731
Tier 2 capital	558,952	525,108
Tier 2 capital instruments issued and related premium	401,882	387,746
Excess loan loss provisions	147,482	128,114
Eligible portion of minority interests	9,588	9,248
Net capital	2,821,900	2,698,839
Risk-weighted assets	16,607,949	16,323,713

(1) When calculating the capital adequacy ratios, Bank of China Group Investment Limited ("BOCG Investment"), Bank of China Insurance Company Limited ("BOC Insurance"), Bank of China Group Insurance Company Limited ("BOCG Insurance") and Bank of China Group Life Assurance Company Limited ("BOCG Life") were excluded from the scope of consolidation in accordance with requirements of the CBIRC.

(2) This mainly represents exchange differences from the translation of foreign operations and gains/(losses) on financial assets at fair value through other comprehensive income.

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

I DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL STATEMENTS

There were no differences in the Group's operating results for the six month period ended 30 June 2022 and 30 June 2021 or total equity as at 30 June 2022 and 31 December 2021 presented in the Group's condensed consolidated interim financial statements prepared under IFRS and those prepared under CAS.

II UNREVIEWED SUPPLEMENTARY INFORMATION

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio

	As at 30 June 2022	As at 31 December 2021
RMB current assets to RMB current liabilities	52.53%	49.63%
Foreign currency current assets to foreign currency current liabilities	67.93%	69.90%

The liquidity ratios are calculated in accordance with the relevant provisions of the CBIRC.

Liquidity coverage ratio

According to the *Disclosure Rules on Liquidity Coverage Ratio of Commercial Banks* issued by the CBIRC, 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 the CBIRC, the minimum regulatory requirement of LCR is 100%.

The Group's liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis⁽²⁾. In the second quarter of 2022, the Group measured 91-day LCR on this basis with average ratio⁽³⁾ standing at 132.59%, representing an increase of 0.29 percentage point over the previous quarter, the Group's LCR remained stable.

	2022		2021	
	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December	Quarter ended 30 September
Average value of LCR	132.59%	132.30%	127.61%	124.62%

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's liquidity coverage ratio (Continued)

The Group's average values⁽³⁾ of consolidated LCR individual line items in the second quarter of 2022 are as follows:

No.	Total unweighted value	Total weighted value
High-quality liquid assets		
1 Total high-quality liquid assets (HQLA)		4,686,867
Cash outflows		
2 Retail deposits and deposits from small business customers, of which:	9,166,271	660,157
3 Stable deposits	4,987,963	242,326
4 Less stable deposits	4,178,308	417,831
5 Unsecured wholesale funding, of which:	10,525,144	3,956,907
6 Operational deposits (excluding those generated from correspondent banking activities)	5,848,138	1,435,657
7 Non-operational deposits (all counterparties)	4,605,967	2,450,211
8 Unsecured debts	71,039	71,039
9 Secured funding		1,458
10 Additional requirements, of which:	3,236,703	1,965,698
11 Outflows related to derivative exposures and other collateral requirements	1,848,258	1,848,258
12 Outflows related to loss of funding on debt products	–	–
13 Credit and liquidity facilities	1,388,445	117,440
14 Other contractual funding obligations	83,432	83,432
15 Other contingent funding obligations	3,546,694	107,356
16 Total cash outflows		6,775,008
Cash inflows		
17 Secured lending (including reverse repos and securities borrowing)	356,951	210,619
18 Inflows from fully performing exposures	1,644,687	1,000,855
19 Other cash inflows	2,195,878	2,030,216
20 Total cash inflows	4,197,516	3,241,690
		Total adjusted value
21 Total HQLA		4,683,403
22 Total net cash outflows		3,533,318
23 Liquidity coverage ratio		132.59%

- (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 consolidation in accordance with the requirements of the CBIRC.
- (3) The average of LCR and the averages of all related individual items are the day-end simple arithmetic averages of figures over each quarter.

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

Net stable funding ratio

In accordance with the *Disclosure Rules on Net Stable Funding Ratio of Commercial Banks*, the Group disclosed the information of net stable funding ratio ("NSFR")⁽¹⁾ as follows.

Regulatory requirements of net stable funding ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks* issued by the CBIRC, the minimum regulatory requirement of NSFR is 100%.

The Group's net stable funding ratio

As stipulated by the *Disclosure Rules on Net Stable Funding Ratio of Commercial Banks* issued by the CBIRC, banks approved to implement the advanced approaches of capital measurement in accordance with *Capital Rules for Commercial Banks (Provisional)* shall disclose the information of net stable funding ratio for the preceding two consecutive quarters at least semi-annually.

As at 30 June 2022, the Group's NSFR was 123.12% on a consolidated basis⁽²⁾, representing an increase of 0.80 percentage point over the previous quarter. As at 31 March 2022, the Group's NSFR was 122.32%, representing an increase of 0.11 percentage point over the previous quarter. The Group's NSFR remained stable, and met the regulatory requirement.

	2022		2021	
	As at 30 June	As at 31 March	As at 31 December	As at 30 September
Ending value of NSFR ⁽³⁾	123.12%	122.32%	122.21%	121.33%

(1) NSFR is introduced to ensure commercial banks have sufficient source of stable funding, in order to meet the demand for stable funding of all various types of assets and off-balance sheet risk exposures.

(2) When calculating the consolidated NSFR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the requirements of the CBIRC.

(3) NSFR are the ending values of each quarter.

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the second quarter of 2022 are as follows:

		Unweighted value				Weighted value
No.	Items	No maturity	<6 months	6–12 months	≥1 year	
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,718,713	2,718,713
2	Regulatory capital	–	–	–	2,700,713	2,700,713
3	Other capital instruments	–	–	–	18,000	18,000
4	Retail deposits and deposits from small business customers	4,593,437	5,300,940	106,757	3,494	9,266,104
5	Stable deposits	2,234,629	2,972,019	25,138	645	4,970,842
6	Less stable deposits	2,358,808	2,328,921	81,619	2,849	4,295,262
7	Wholesale funding	6,291,923	6,341,414	951,969	565,351	6,329,535
8	Operational deposits	5,844,947	230,901	–	–	3,037,924
9	Other wholesale funding	446,976	6,110,513	951,969	565,351	3,291,611
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	111,442	227,839	4,350	539,544	400,087
12	NSFR derivative liabilities				141,632	
13	All other liabilities and equity not included in the above categories	111,442	227,839	4,350	397,912	400,087
14	Total ASF					18,714,439

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(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the second quarter of 2022 are as follows (Continued):

No. Items		Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					730,889
16	Deposits held at other financial institutions for operational purposes	157,973	2,791	–	–	80,382
17	Loans and securities	38,757	4,999,636	2,882,683	11,191,966	12,752,966
18	Loans to financial institutions secured by Level 1 assets	–	190,268	–	–	19,027
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	38,757	1,400,369	466,577	76,532	525,690
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,986,510	2,144,772	5,949,433	7,532,803
21	With a risk weight of less than or equal to 35%	–	257,020	14,995	33,044	74,813
22	Residential mortgages of which:	–	98,682	99,538	4,634,882	3,975,759
23	With a risk weight of less than or equal to 35%	–	6,962	7,095	315,005	211,782
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	323,807	171,796	531,119	699,687
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	804,168	96,911	38,798	582,112	1,319,617
27	Physical traded commodities, including gold	305,496				259,672
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				627	533
29	NSFR derivative assets				169,491	27,859
30	NSFR derivative liabilities with additional requirements				28,326*	28,326
31	All other assets not included in the above categories	498,672	96,911	38,798	411,994	1,003,227
32	Off-balance sheet items				7,773,672	315,970
33	Total RSF					15,199,824
34	NSFR					123.12%

* Report derivative liabilities are before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No. 26 "Other assets".

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the first quarter of 2022 are as follows:

		Unweighted value				Weighted value
No.	Items	No maturity	<6 months	6–12 months	≥1 year	
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,674,875	2,674,875
2	Regulatory capital	–	–	–	2,656,875	2,656,875
3	Other capital instruments	–	–	–	18,000	18,000
4	Retail deposits and deposits from small business customers	4,536,436	5,155,622	74,438	1,652	9,046,280
5	Stable deposits	2,198,586	2,875,539	21,532	394	4,841,268
6	Less stable deposits	2,337,850	2,280,083	52,906	1,258	4,205,012
7	Wholesale funding	6,103,401	6,227,611	1,176,953	506,800	6,245,061
8	Operational deposits	5,651,410	210,482	–	–	2,930,946
9	Other wholesale funding	451,991	6,017,129	1,176,953	506,800	3,314,115
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	82,228	232,711	4,024	420,073	304,023
12	NSFR derivative liabilities				118,062	
13	All other liabilities and equity not included in the above categories	82,228	232,711	4,024	302,011	304,023
14	Total ASF					18,270,239

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(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the first quarter of 2022 are as follows (Continued):

No. Items		Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					815,383
16	Deposits held at other financial institutions for operational purposes	185,139	5,795	–	–	95,467
17	Loans and securities	42,664	4,799,860	2,669,401	11,012,646	12,422,859
18	Loans to financial institutions secured by Level 1 assets	–	221,844	–	–	22,184
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	42,664	1,305,651	362,443	84,928	468,398
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,853,241	2,062,668	5,742,291	7,251,351
21	With a risk weight of less than or equal to 35%	–	185,169	15,838	33,017	42,877
22	Residential mortgages of which:	–	98,640	99,242	4,637,830	3,981,677
23	With a risk weight of less than or equal to 35%	–	6,704	6,904	297,097	199,918
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	320,484	145,048	547,597	699,249
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	784,434	100,045	31,751	555,916	1,298,447
27	Physical traded commodities, including gold	308,896				262,562
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				500	425
29	NSFR derivative assets				130,856	12,794
30	NSFR derivative liabilities with additional requirements				23,612*	23,612
31	All other assets not included in the above categories	475,538	100,045	31,751	424,560	999,054
32	Off-balance sheet items				7,475,578	304,346
33	Total RSF					14,936,502
34	NSFR					122.32%

* Report derivative liabilities are before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No. 26 "Other assets".

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

2 Currency concentrations

The following information is computed in accordance with the provisions of the CBIRC.

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
As at 30 June 2022				
Spot assets	3,908,553	1,783,128	2,063,992	7,755,673
Spot liabilities	(3,763,367)	(2,068,843)	(1,859,729)	(7,691,939)
Forward purchases	5,209,835	693,399	1,819,245	7,722,479
Forward sales	(5,308,382)	(408,189)	(2,038,998)	(7,755,569)
Net option position*	(10,784)	(941)	4,546	(7,179)
Net long/(short) position	35,855	(1,446)	(10,944)	23,465
Structural position	63,673	241,959	84,018	389,650
As at 31 December 2021				
Spot assets	4,217,661	1,693,178	1,954,742	7,865,581
Spot liabilities	(3,957,140)	(1,956,893)	(1,781,566)	(7,695,599)
Forward purchases	4,431,956	740,015	1,322,061	6,494,032
Forward sales	(4,650,892)	(485,197)	(1,516,624)	(6,652,713)
Net options position*	853	(32)	(2,194)	(1,373)
Net long/(short) position	42,438	(8,929)	(23,581)	9,928
Structural position	72,622	228,897	87,567	389,086

* The net option position is calculated in accordance with the relevant provisions of the CBIRC.

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(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

3 International claims

The Group discloses international claims according to *Banking (Disclosure) Rules* (L.N. 160 of 2014). International claims are risk exposures generated from the countries or geographical areas where the counterparties take the ultimate risk while considering the transfer of the risk, exclude local claims on local residents in local currency. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a counterparty whose head office is located in another country.

International claims include "Balances with central banks", "Due from and placements with and loans to banks and other financial institutions", "Government certificates of indebtedness for bank notes issued", "Loans and advances to customers" and "Financial investments".

International claims have been disclosed by major countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers.

	Banks	Official sector	Non-bank private sector	Total
As at 30 June 2022				
Asia Pacific				
Chinese mainland	781,105	255,476	758,247	1,794,828
Hong Kong (China)	54,252	4,479	476,468	535,199
Other Asia Pacific locations	119,931	213,687	457,948	791,566
Subtotal	955,288	473,642	1,692,663	3,121,593
North and South America	110,760	245,908	287,038	643,706
Europe and other	268,707	100,919	234,638	604,264
Total	1,334,755	820,469	2,214,339	4,369,563
As at 31 December 2021				
Asia Pacific				
Chinese mainland	926,064	256,068	729,546	1,911,678
Hong Kong (China)	76,221	4,889	460,784	541,894
Other Asia Pacific locations	118,247	181,367	413,635	713,249
Subtotal	1,120,532	442,324	1,603,965	3,166,821
North and South America	116,742	240,651	278,585	635,978
Europe and other	238,323	86,339	303,990	628,652
Total	1,475,597	769,314	2,186,540	4,431,451

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

4 Overdue assets

For the purpose of the table below, the entire outstanding balance of “Loans and advances to customers” and “Placements with and loans to banks and other financial institutions” are considered overdue if either principal or interest payment is overdue.

4.1 Total amount of overdue loans and advances to customers

	As at 30 June 2022	As at 31 December 2021
Total loans and advances to customers which have been overdue		
within 3 months	62,085	44,014
between 3 and 6 months	27,563	20,298
between 6 and 12 months	29,698	50,993
over 12 months	75,500	52,432
Total	194,846	167,737
Percentage		
within 3 months	0.37%	0.28%
between 3 and 6 months	0.16%	0.13%
between 6 and 12 months	0.17%	0.33%
over 12 months	0.45%	0.33%
Total	1.15%	1.07%

4.2 Total amount of overdue placements with and loans to banks and other financial institutions

The total amount of overdue “Placements with and loans to banks and other financial institutions” as at 30 June 2022 and 31 December 2021 was not considered material.

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information

5.1 Scope of consolidation

When calculating the Group's consolidated (the "Group") capital adequacy ratios, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with requirements of the CBIRC, while other branches, subsidiaries and affiliates were included. For the Bank's unconsolidated (the "Bank") capital adequacy ratio calculations, only the branches were included, while the subsidiaries and affiliates were excluded.

5.2 Capital adequacy ratio

The Group and the Bank calculate the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* as follows:

	Group		Bank	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
Net common equity tier 1 capital	1,882,487	1,843,886	1,586,958	1,563,789
Net tier 1 capital	2,262,948	2,173,731	1,956,453	1,883,294
Net capital	2,821,900	2,698,839	2,499,824	2,391,365
Common equity tier 1 capital adequacy ratio	11.33%	11.30%	11.01%	11.06%
Tier 1 capital adequacy ratio	13.63%	13.32%	13.57%	13.32%
Capital adequacy ratio	16.99%	16.53%	17.34%	16.91%

5.3 Risk-weighted assets

The Group's risk-weighted assets are as follows:

	As at 30 June 2022	As at 31 December 2021
Credit risk-weighted assets	15,562,446	15,255,486
Market risk-weighted assets	82,440	105,164
Operational risk-weighted assets	963,063	963,063
Risk-weighted assets increment required to reach capital floor	—	—
Total risk-weighted assets	16,607,949	16,323,713

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

5.4 Credit risk exposures

The Group's credit risk exposures analysed by the calculation methods are as follows:

	As at 30 June 2022			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by Internal Ratings-based Approach	13,755,427	1,271,942	42,135	15,069,504
Of which: Corporate exposures	8,503,034	1,134,081	42,135	9,679,250
Retail exposures	5,252,393	137,861	–	5,390,254
Exposures not covered by Internal Ratings-based Approach	13,725,402	674,485	411,246	14,811,133
Of which: Asset securitisation	75,330	291	–	75,621
Total	27,480,829	1,946,427	453,381	29,880,637

	As at 31 December 2021			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by Internal Ratings-based Approach	12,826,166	1,192,388	31,912	14,050,466
Of which: Corporate exposures	7,635,979	1,055,501	31,912	8,723,392
Retail exposures	5,190,187	136,887	–	5,327,074
Exposures not covered by Internal Ratings-based Approach	13,267,808	626,765	478,881	14,373,454
Of which: Asset securitisation	76,791	285	–	77,076
Total	26,093,974	1,819,153	510,793	28,423,920

5.5 Capital requirements on market risk

The Group's capital requirements on market risk are as follows:

	Capital requirements	
	As at 30 June 2022	As at 31 December 2021
Covered by Internal Model Approach	4,420	5,810
Not covered by Internal Model Approach	2,175	2,603
Interest rate risk	1,417	1,635
Equity risk	189	224
Foreign exchange risk	–	–
Commodity risk	552	740
Option risk	17	4
Total	6,595	8,413

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(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

5.6 VaR

The VaR and stressed VaR of the Group covered by the Internal Model Approach are as follows:

	Six month period ended 30 June 2022			
	Average	Maximum	Minimum	End
VaR	649	963	399	473
Stressed VaR	1,244	2,022	580	646

	Year ended 31 December 2021			
	Average	Maximum	Minimum	End
VaR	819	1,711	380	809
Stressed VaR	1,185	1,756	743	1,748

5.7 Operational risk management

During the reporting period, the Group used the Standardised Approach to measure the consolidated operational risk capital requirement, which amounted to RMB77,045 million. Please refer to the section "Management Discussion and Analysis – Risk Management".

5.8 Interest rate risk in the banking book

The Group measures interest rate risk in the banking book mainly through the analysis of interest rate repricing gaps, on which the sensitivity analysis is based. The results are as follows.

Interest rate sensitivity analysis

	Effect on Net Interest Income	
	As at 30 June 2022	As at 31 December 2021
Items		
+25 basis points	(6,781)	(4,351)
- 25 basis points	6,781	4,351

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital

	As at 30 June 2022	As at 31 December 2021	Code
Common equity tier 1 capital			
1 Paid-in capital	294,388	294,388	j
2 Retained earnings	1,447,900	1,404,105	
2a Surplus reserve	212,770	212,602	r
2b General reserve	304,321	303,084	s
2c Undistributed profits	930,809	888,419	t
3 Accumulated other comprehensive income (and other reserves)	131,269	138,139	
3a Capital reserve	133,957	133,951	m
3b Currency translation differences	(20,317)	(27,330)	q
3c Others	17,629	31,518	o-q
4 Amount attributable to common equity tier 1 capital in the transitional period	–	–	
5 Eligible portion of minority interests	35,225	33,669	u
6 Common equity tier 1 capital before regulatory adjustment	1,908,782	1,870,301	
Common equity tier 1 capital: regulatory adjustment			
7 Prudential valuation adjustment	–	–	
8 Goodwill (net of deferred tax liabilities deduction)	(182)	(182)	-h
9 Other intangible assets (excluding land use rights) (net of deferred tax liabilities deduction)	(16,189)	(16,393)	g-f
10 Net deferred tax assets incurred due to operating losses, relying on the bank's future profitability to be realized	–	–	
11 Reserve relating to cash-flow hedge items not measured at fair value	–	–	-p
12 Shortfall of loan loss provisions	–	–	
13 Gains on sale of securitisation	–	–	
14 Unrealized gains and losses that have been resulted from changes in the fair value of liabilities due to changes in own credit risk	–	–	
15 Net pension assets with fixed yield (net of deferred tax liabilities deduction)	–	–	
16 Direct or indirect investments in own shares	–	–	n
17 Reciprocal cross holdings in common equity of banks or other financial institutions based on agreement	–	–	
18 Non-significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
19 Significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
20 Collateralized loan service rights	Not applicable	Not applicable	
21 Deductible amount of other net deferred tax assets relying on the bank's future profitability	–	–	
22 Deductible amount of the non-deducted part of common equity tier 1 capital of significant minority investments in financial institutions that are outside the scope of regulatory consolidation and other net deferred tax assets relying on the bank's future profitability in excess of 15% of common equity tier 1 capital	–	–	

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(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2022	As at 31 December 2021	Code
23 Of which: Amount deductible out of significant minority investments in financial institutions	-	-	
24 Of which: Amount deductible out of collateralized loan service rights	Not applicable	Not applicable	
25 Of which: Amount deductible out of other net deferred tax assets relying on the bank's future profitability	-	-	
26a Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,867)	(9,785)	-e
26b Gap of common equity tier 1 capital of controlled but unconsolidated financial institutions	-	-	
26c Total of other items deductible out of common equity tier 1 capital	(57)	(55)	
27 Non-deducted gap deductible out of additional tier 1 capital and tier 2 capital	-	-	
28 Total regulatory adjustment of common equity tier 1 capital	(26,295)	(26,415)	
29 Net common equity tier 1 capital	1,882,487	1,843,886	
Additional tier 1 capital			
30 Additional tier 1 capital instruments and related premiums	369,494	319,505	
31 Of which: Equity part	369,494	319,505	k+l
32 Of which: Liability part	-	-	
33 Instruments non-attributable to additional tier 1 capital after the transitional period	-	-	
34 Eligible portion of minority interests	10,967	10,340	v
35 Of which: Part of instruments non-attributable to additional tier 1 capital after the transitional period	-	-	
36 Additional tier 1 capital before regulatory adjustment	380,461	329,845	
Additional tier 1 capital: Regulatory adjustment			
37 Direct or indirect investments in additional tier 1 capital of own banks	-	-	
38 Additional tier 1 capital cross-held between banks or between the bank and other financial institutions based on agreement	-	-	
39 Non-significant minority investments in additional tier 1 capital of unconsolidated financial institutions (deductible part)	-	-	
40 Significant minority investments in additional tier 1 capital of financial institutions that are outside the scope of regulatory consolidation	-	-	
41a Investment in additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	-	-	
41b Gap of additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	-	-	
41c Other deductions from additional tier 1 capital	-	-	
42 Non-deducted gaps deductible from tier 2 capital	-	-	
43 Total regulatory adjustment of additional tier 1 capital	-	-	
44 Net additional tier 1 capital	380,461	329,845	
45 Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)	2,262,948	2,173,731	

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2022	As at 31 December 2021	Code
Tier 2 capital			
46 Tier 2 capital instruments issued and related premium	401,882	387,746	
47 Of which: Part of instruments non-attributable to tier 2 capital after the transitional period	–	16,456	i
48 Eligible portion of minority interests	9,588	9,248	
49 Of which: Part of minority interests non-attributable to tier 2 capital after the transitional period	–	–	
50 Excess loan loss provisions included in tier 2 capital	147,482	128,114	-b-d
51 Tier 2 capital before regulatory adjustment	558,952	525,108	
Tier 2 capital: Regulatory adjustment			
52 Tier 2 capital of the bank held directly or indirectly	–	–	
53 Tier 2 capital cross-held between banks or between the bank and other financial institutions based on agreement	–	–	
54 Non-significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
55 Significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	–	–	
56a Investment in tier 2 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	
56b Gap of tier 2 capital of controlled but unconsolidated financial institutions	–	–	
56c Other deductions from tier 2 capital	–	–	
57 Total regulatory adjustment of tier 2 capital	–	–	
58 Net tier 2 capital	558,952	525,108	
59 Total net capital (net tier 1 capital + net tier 2 capital)	2,821,900	2,698,839	
60 Total risk-weighted assets	16,607,949	16,323,713	

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2022	As at 31 December 2021	Code
Capital adequacy ratio and reserve capital requirement			
61 Common equity tier 1 capital adequacy ratio	11.33%	11.30%	
62 Tier 1 capital adequacy ratio	13.63%	13.32%	
63 Capital adequacy ratio	16.99%	16.53%	
64 Institution-specific capital requirement	4.00%	4.00%	
65 Of which: Capital reserve requirement	2.50%	2.50%	
66 Of which: Countercyclical reserve requirement	–	–	
67 Of which: Additional capital requirement of G-SIBs	1.50%	1.50%	
68 Ratio of common equity tier 1 capital meeting buffer area to risk-weighted assets	6.33%	6.30%	
Domestic minimum regulatory capital requirement			
69 Common equity tier 1 capital adequacy ratio	5.00%	5.00%	
70 Tier 1 capital adequacy ratio	6.00%	6.00%	
71 Capital adequacy ratio	8.00%	8.00%	
Non-deducted part of threshold deductibles			
72 Non-significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	131,623	148,221	
73 Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	6,725	7,160	
74 Collateralized loan service rights (net of deferred tax liabilities deduction)	Not applicable	Not applicable	
75 Other net deferred tax assets relying on the bank's future profitability (net of deferred tax liabilities deduction)	56,717	50,025	
Limit of excess loan loss provisions attributable to tier 2 capital			
76 Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	77,667	63,017	-a
77 Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	38,682	34,190	-b
78 Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	108,800	93,924	-c
79 Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	108,800	93,924	-d
Capital instruments meeting exit arrangement			
80 Amount attributable to common equity tier 1 capital of the current period derived from the transitional period arrangement	–	–	
81 Amount non-attributable to common equity tier 1 capital derived from the transitional period arrangement	–	–	
82 Amount attributable to additional tier 1 capital of the current period derived from the transitional period arrangement	–	–	
83 Amount non-attributable to additional tier 1 capital derived from the transitional period arrangement	–	–	
84 Amount attributable to tier 2 capital of the current period derived from the transitional period arrangement	–	16,456	i
85 Amount non-attributable to tier 2 capital of the current period derived from the transitional period arrangement	18,000	1,544	

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 2: Financial and regulatory consolidated balance sheet

	As at 30 June 2022		As at 31 December 2021	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
ASSETS				
Cash and balances with central banks	2,205,077	2,205,077	2,288,244	2,288,244
Due from banks and other financial institutions	643,513	637,456	585,298	578,877
Precious metals	304,124	304,124	276,258	276,258
Placements with and loans to banks and other financial institutions	788,875	787,892	752,185	749,155
Derivative financial assets	155,953	155,955	95,799	95,847
Reverse repurchase transactions	397,199	397,199	505,228	504,490
Loans and advances to customers	16,537,489	16,532,316	15,322,484	15,317,281
Financial investments	6,248,071	5,990,197	6,164,671	5,931,021
— financial assets at fair value through profit or loss	540,009	410,849	561,642	441,188
— financial assets at fair value through other comprehensive income	2,379,585	2,349,498	2,389,830	2,350,062
— financial assets at amortised cost	3,328,477	3,229,850	3,213,199	3,139,771
Long term equity investment	37,352	67,906	35,769	66,484
Investment properties	20,229	13,324	19,554	12,692
Property and equipment	243,100	90,064	246,091	93,458
Right-of-use assets	19,480	22,015	20,321	22,643
Intangible assets	22,663	21,207	23,052	21,589
Goodwill	2,580	182	2,481	182
Deferred income tax assets	58,203	56,717	51,172	50,025
Other assets	368,850	299,165	333,801	266,572
Total assets	28,052,758	27,580,796	26,722,408	26,274,818

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 2: Financial and regulatory consolidated balance sheet (Continued)

	As at 30 June 2022		As at 31 December 2021	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
LIABILITIES				
Due to central banks	687,657	687,657	955,557	955,557
Due to banks and other financial institutions	2,665,323	2,665,323	2,682,739	2,682,739
Placements from banks and other financial institutions	278,719	263,647	310,395	296,343
Financial liabilities held for trading	24,725	24,725	12,458	12,458
Derivative financial liabilities	128,807	128,460	89,151	88,498
Repurchase transactions	2,572	2,159	97,372	97,184
Due to customers	19,548,227	19,553,505	18,142,887	18,144,842
Employee benefits payable	38,109	36,746	41,780	40,190
Current tax liabilities	37,010	36,996	45,006	45,002
Provisions	28,038	28,038	26,343	26,343
Lease liabilities	19,563	22,707	19,619	22,848
Bonds issued	1,457,968	1,365,120	1,388,678	1,298,767
Deferred income tax liabilities	6,163	453	7,003	1,053
Other liabilities	685,125	403,920	552,867	293,126
Total liabilities	25,608,006	25,219,456	24,371,855	24,004,950
EQUITY				
Share capital	294,388	294,388	294,388	294,388
Other equity instruments	369,494	369,494	319,505	319,505
Of which: Preference shares	119,550	119,550	119,550	119,550
Undated capital bonds	249,944	249,944	199,955	199,955
Capital reserve	135,755	133,957	135,717	133,951
Other comprehensive income	(3,070)	(2,688)	1,417	4,188
Surplus reserve	214,148	212,770	213,930	212,602
General reserve	304,473	304,321	303,209	303,084
Undistributed profits	1,000,046	930,809	956,987	888,419
Capital and reserves attributable to equity holders of the Bank	2,315,234	2,243,051	2,225,153	2,156,137
Non-controlling interests	129,518	118,289	125,400	113,731
Total equity	2,444,752	2,361,340	2,350,553	2,269,868
Total equity and liabilities	28,052,758	27,580,796	26,722,408	26,274,818

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 3: Reconciliation and illustration of balance sheet items

	As at 30 June 2022	As at 31 December 2021	Code
ASSETS			
Cash and balances with central banks	2,205,077	2,288,244	
Due from banks and other financial institutions	637,456	578,877	
Precious metals	304,124	276,258	
Placements with and loans to banks and other financial institutions	787,892	749,155	
Derivative financial assets	155,955	95,847	
Reverse repurchase transactions	397,199	504,490	
Loans and advances to customers	16,532,316	15,317,281	
Of which: Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	(77,667)	(63,017)	a
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	(38,682)	(34,190)	b
Of which: Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	(108,800)	(93,924)	c
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	(108,800)	(93,924)	d
Financial investments	5,990,197	5,931,021	
— financial assets at fair value through profit or loss	410,849	441,188	
— financial assets at fair value through other comprehensive income	2,349,498	2,350,062	
— financial assets at amortised cost	3,229,850	3,139,771	
Long term equity investment	67,906	66,484	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,867	9,785	e
Investment properties	13,324	12,692	
Property and equipment	90,064	93,458	
Right-of-use assets	22,015	22,643	
Intangible assets	21,207	21,589	f
Of which: Land use rights	5,018	5,196	g
Goodwill	182	182	h
Deferred income tax assets	56,717	50,025	
Other assets	299,165	266,572	
Total assets	27,580,796	26,274,818	

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 3: Reconciliation and illustration of balance sheet items (Continued)

	As at 30 June 2022	As at 31 December 2021	Code
LIABILITIES			
Due to central banks	687,657	955,557	
Due to banks and other financial institutions	2,665,323	2,682,739	
Placements from banks and other financial institutions	263,647	296,343	
Financial liabilities held for trading	24,725	12,458	
Derivative financial liabilities	128,460	88,498	
Repurchase transactions	2,159	97,184	
Due to customers	19,553,505	18,144,842	
Employee benefits payable	36,746	40,190	
Current tax liabilities	36,996	45,002	
Provisions	28,038	26,343	
Lease liabilities	22,707	22,848	
Bonds issued	1,365,120	1,298,767	
Of which: Amount attributable to tier 2 capital of the current period derived from the transitional period arrangement	–	16,456	i
Deferred income tax liabilities	453	1,053	
Other liabilities	403,920	293,126	
Total liabilities	25,219,456	24,004,950	
EQUITY			
Share capital	294,388	294,388	j
Other equity instruments	369,494	319,505	
Of which: Preference shares	119,550	119,550	k
Undated capital bonds	249,944	199,955	l
Capital reserve	133,957	133,951	m
Less: Treasury shares	–	–	n
Other comprehensive income	(2,688)	4,188	o
Of which: Reserve relating to cash-flow hedge items not measured at fair value	–	–	p
Of which: Currency translation differences	(20,317)	(27,330)	q
Surplus reserve	212,770	212,602	r
General reserve	304,321	303,084	s
Undistributed profits	930,809	888,419	t
Capital and reserves attributable to equity holders of the Bank	2,243,051	2,156,137	
Non-controlling interests	118,289	113,731	
Of which: Amount attributable to common equity tier 1 capital	35,225	33,669	u
Of which: Amount attributable to additional tier 1 capital	10,967	10,340	v
Total equity	2,361,340	2,269,868	
Total equity and liabilities	27,580,796	26,274,818	

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	601988.SH	3988.HK	360033.SH	360035.SH	4619.HK	2028048.B	2028053.B	2128019.B	2128045.B	2228023.B	2228029.B
3	Applicable law	PRC law	Hong Kong SAR (China) law	PRC law	PRC law	Hong Kong SAR (China) law	PRC law	PRC law	PRC law	PRC law	PRC law	PRC law
Regulatory processing												
4	Of which:	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Applicable to the transitional period rules specified by Capital Rules for Commercial Banks (Provisional)												
5	Of which:	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Applicable to the transitional period rules specified by Capital Rules for Commercial Banks (Provisional)												
6	Of which:	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Common shares	Common shares	Preference shares	Preference shares	Preference shares	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
8	Amount attributable to regulatory capital (the last reporting day)	282,431	145,603	72,979	26,990	19,581	39,990	39,990	49,989	19,995	29,993	19,996
9	Par value of instrument	210,766	83,622	73,000	27,000	19,787	40,000	40,000	50,000	20,000	30,000	20,000
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument
11	Initial issuing date	2006/6/29	2006/6/1	2019/6/24	2019/8/26	2020/3/4	2020/4/28	2020/11/13	2021/5/17	2021/11/25	2022/4/8	2022/4/26
12	Term (term or perpetual)	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Regulatory processing (Continued)											
15	Of which: Redemption date (or have redemption date) and amount	Not applicable	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Offshore Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter
16	Of which: Subsequent redemption date (if any)	Not applicable	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Offshore Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
	Dividend or interest payment										
17	Of which: Fixed or floating dividend or interest payment	Floating	Floating	Adjustable dividend rate	Adjustable dividend rate	Adjustable dividend rate	Adjustable distribution rate	Adjustable distribution rate	Adjustable distribution rate	Adjustable distribution rate	Adjustable distribution rate
18	Coupon rate and relevant indicators	Not applicable	Not applicable	4.50% (dividend yield, before tax) for the first five years, is reset based on the benchmark rate plus a fixed spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	4.35% (dividend yield, before tax) for the first five years, is reset based on the benchmark rate plus a fixed spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	3.60% (dividend yield, after tax) for the first five years, is reset based on the benchmark rate plus a fixed spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	4.50% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable 5 years Chinese government notes plus a fixed spread, with a distribution rate adjustment period every 5 years after the payment date. The distribution rate is fixed during each adjustment period. Yes	4.55% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable 5 years Chinese government notes plus a fixed spread, with a distribution rate adjustment period every 5 years after the payment date. The distribution rate is fixed during each adjustment period. Yes	4.70% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable 5 years Chinese government notes plus a fixed spread, with a distribution rate adjustment period every 5 years after the payment date. The distribution rate is fixed during each adjustment period. Yes	4.08% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable 5 years Chinese government notes plus a fixed spread, with a distribution rate adjustment period every 5 years after the payment date. The distribution rate is fixed during each adjustment period. Yes	3.64% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable 5 years Chinese government notes plus a fixed spread, with a distribution rate adjustment period every 5 years after the payment date. The distribution rate is fixed during each adjustment period. Yes
19	Of which: Existence of dividend brake mechanism	Not applicable	Not applicable	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
20	Of which: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Conversion into shares	Not applicable	Not applicable	Yes	Yes	Yes	No	No	No	No	No

(Amounts in millions of Renminbi, unless otherwise stated)

5 Capital adequacy ratio supplementary information (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
24	Dividend or interest payment (Continued) Of which: Please specify the trigger condition for share conversion, if allowed	Common shares	Not applicable	1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares.	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares.	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET1 CAR drops to 5.125% or below, the Offshore Preference Shares shall be wholly or partly converted into H Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Offshore Preference Shares shall be converted into H Shares.	Not applicable	Not applicable	Not applicable	Not applicable	
		Not applicable	Not applicable	"Tier 2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	"Tier 2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	"Tier 2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	Not applicable	Not applicable	Not applicable	Not applicable	

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Dividend or interest payment (Continued)												
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Whole/part	Whole/part	Whole/part	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the issuance of the Preference Shares, equivalent to RMB3.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds, etc.), or rights issue for A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary shares	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the issuance of the Preference Shares, equivalent to RMB3.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds, etc.), or rights issue for A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary shares	The initial compulsory conversion price of the Offshore Preference Shares is the average trading price of H Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the issuance of the Preference Shares, equivalent to HKD3.31 per H Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds, etc.), or rights issue for H Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary shares	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Dividend or interest payment (Continued)												
27	Of which: Please specify Share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Yes	Yes	Yes	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	A common share	A common share	H common share	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Bank of China Limited	Bank of China Limited	Bank of China Limited	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Not applicable	Not applicable	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
31	Of which: Please specify the trigger point of write- down, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	1. An Additional Tier 1 capital trigger event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer's Common Equity Tier 1 capital adequacy ratio falls to 5.125% (or below) 2. A Tier 2 capital trigger event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	1. An Additional Tier 1 capital trigger event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	1. An Additional Tier 1 capital trigger event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	1. An Additional Tier 1 capital trigger event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	1. An Additional Tier 1 capital trigger event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	1. An Additional Tier 1 capital trigger event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Dividend or interest payment (Continued)												
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No	No	No	No	No	No	No
37	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	5303-HK	1728017.B	1728020.B	1828011.B	1918028.B	1918029.B	1928033.B	2028038.B	2028039.B	2128039.B	2128040.B
3	Applicable law	English law (Provisions relating to subordination shall be governed by PRC law)	PRC law	PRC law	PRC law	PRC law	PRC law	PRC law	PRC law	PRC law	PRC law	PRC law
Regulatory processing												
4	Of which: Applicable to transitional period rules specified by Capital Rules for Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after the expiration of the transitional period specified by Capital Rules for Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Of which: Applicable to bank/ group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	29,974	29,973	39,987	39,985	29,990	9,996	29,988	59,977	14,994	9,996	39,986
9	Par value of instrument	30,000	30,000	40,000	40,000	30,000	10,000	30,000	60,000	15,000	10,000	40,000
10	Accounting treatment	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued
11	Initial issuing date	2017/1/13	2017/9/26	2018/9/3	2018/10/9	2019/9/20	2019/9/20	2019/11/20	2020/9/17	2021/3/17	2021/11/12	2022/1/20
12	Term (term or perpetual)	Term	Term	Term	Term	Term	Term	Term	Term	Term	Term	Term
13	Of which: Original maturity date	2024/1/13	2027/9/28	2027/1/12	2028/9/5	2028/10/11	2029/9/24	2034/9/24	2039/9/21	2031/9/19	2036/11/16	2032/1/24

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)												
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/9/28)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/11/2)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/9/5)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/10/11)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2024/9/24)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 10 years from the date of issuance (i.e. 2024/9/24)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2024/10/22)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2025/9/21)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 10 years from the date of issuance (i.e. 2031/9/19)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2031/11/16)
16	Of which: Subsequent redemption date (if any)	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
17	Dividend or interest payment Of which: Fixed or floating dividend or interest payment	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	5.00%	4.45%	4.85%	4.84%	3.98%	4.34%	4.01%	4.20%	4.47%	4.15%	4.38%
19	Of which: Existence of dividend brake mechanism	No	No	No	No	No	No	No	No	No	No	No
20	Of which: Discretion to cancel dividend or interest payment	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Conversion into shares	No	No	No	No	No	No	No	No	No	No	No
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)												
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	Of which: Please specify the trigger point of write-down, if allowed	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the issuer would become non-viable or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the issuer would become non-viable or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the issuer would become non-viable or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the issuer would become non-viable or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the issuer would become non-viable or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the issuer would become non-viable or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the issuer would become non-viable or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the issuer would become non-viable or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the issuer would become non-viable or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the issuer would become non-viable or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the issuer would become non-viable or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)											
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No	No	No	No	No	No
37	Of which, if yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

6 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⁽¹⁾:

	2022		2021	
	As at 30 June	As at 31 March	As at 31 December	As at 30 September
Net tier 1 capital	2,262,948	2,219,921	2,173,731	2,111,813
Adjusted on- and off-balance sheet exposures	29,870,557	29,222,154	28,425,377	27,820,891
Leverage ratio	7.58%	7.60%	7.65%	7.59%

No.	Items	As at 30 June 2022
1	Total consolidated assets	28,052,758
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(471,962)
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	146,578
5	Adjustments for securities financing transactions	138,274
6	Adjustments for off-balance sheet exposures	2,031,204
7	Other adjustments	(26,295)
8	Adjusted on- and off-balance sheet exposures	29,870,557

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(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

6 Leverage ratio (Continued)

No.	Items	As at 30 June 2022
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	27,027,642
2	Less: Tier 1 capital deductions	(26,295)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	27,001,347
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	155,955
5	Add-on amounts for potential future exposure associated with all derivative transactions	146,549
6	Gross-up for derivative collateral provided where deducted from the balance sheet assets	–
7	Less: Deductions of receivable assets for cash variation margin provided in derivative transactions	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–
9	Adjusted effective notional amount of written credit derivatives	32
10	Less: Deductible amounts for written credit derivatives	(3)
11	Total derivative exposures	302,533
12	Accounting balance for securities financing transaction assets	397,199
13	Less: Deducted amounts for securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction assets	138,274
15	Agent transaction exposures	–
16	Balance of assets in securities financing transactions	535,473
17	Off-balance sheet items	6,031,121
18	Less: Adjustments for conversion to credit equivalent amounts	(3,999,917)
19	Adjusted off-balance sheet exposures	2,031,204
20	Net tier 1 capital	2,262,948
21	Adjusted on- and off-balance sheet exposures	29,870,557
22	Leverage ratio	7.58%

- (1) When calculating the consolidated leverage ratio, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

Bank of China Limited

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