



中國銀行
BANK OF CHINA

2023

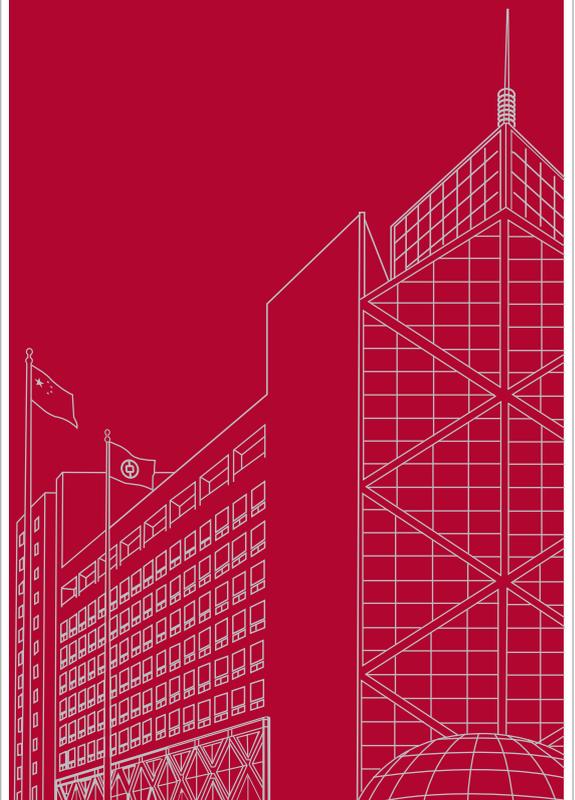
INTERIM REPORT

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



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 the 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 points
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 SAR and a wholly-owned subsidiary of BOCHK (Holdings)
BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong SAR, 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 SSE
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
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, 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 the SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
MOF	Ministry of Finance, PRC
NAFR	National Administration of Financial Regulation and its predecessors
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 SAR)
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 2023 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 2023. The number of directors who should attend the meeting is 13, with 11 directors attending the meeting in person. Vice Chairman, Executive Director Mr. LIU Jin 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. Independent Director Mr. E Weinan did not attend the meeting in person due to other important business engagements and appointed Independent Director Mr. JIANG Guohua as his authorised proxy to attend and vote on his behalf. 13 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 2023 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 GE Haijiao, Vice President ZHANG Yi, who is also responsible for the Bank's finance and accounting, and General Manager of the Financial Management Department DONG Zonglin, warrant the authenticity, accuracy and completeness of the financial statements in this report.

As considered and approved by the 2022 Annual General Meeting, the Bank distributed the 2022 cash dividend of RMB2.32 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 2023, amounting to approximately RMB68.298 billion (before tax) in total. The Bank did not distribute an interim dividend on ordinary shares for 2023, 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

GE Haijiao

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

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 SAR

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 the SSE for Publication of the Interim Report

www.sse.com.cn

Website of the HKEX for Publication 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 20USDPRF

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 2023	For the six-month period ended 30 June 2022 (after restatement)	For the six-month period ended 30 June 2022 (before restatement)	For the six-month period ended 30 June 2021
Results of operations					
Net interest income	1	233,992	223,380	223,993	208,773
Non-interest income	2	85,715	70,142	89,618	94,082
Operating income		319,707	293,522	313,611	302,855
Operating expenses		(104,300)	(89,777)	(108,912)	(102,357)
Impairment losses on assets	3	(60,581)	(52,725)	(52,810)	(52,945)
Operating profit		154,826	151,020	151,889	147,553
Profit before income tax		154,919	151,200	152,069	148,302
Profit for the period		127,688	123,555	124,303	118,547
Profit attributable to equity holders of the Bank		120,095	119,165	119,924	112,813
Net cash flows from operating activities		635,282	(135,438)	(126,740)	688,576
Basic earnings per share (RMB)		0.37	0.37	0.37	0.36
Key financial ratios					
Return on average total assets (%)	4	0.85	0.90	0.91	0.93
Return on average equity (%)	5	10.60	11.56	11.62	11.97
Net interest margin (%)	6	1.67	1.76	1.76	1.76
Non-interest income to operating income (%)	7	26.81	23.90	28.58	31.07
Cost to income ratio (calculated under regulations in the Chinese mainland, %)	8	25.77	26.34	25.08	24.06
Credit cost (%)	9	0.68	0.56	0.56	0.65
Statement of financial position					
Total assets		31,085,240	28,893,548	28,913,857	26,722,408
Loans, gross		19,264,684	17,552,761	17,554,322	15,712,574
Allowance for loan impairment losses	10	(465,108)	(437,241)	(437,241)	(390,541)
Investments	11	6,732,627	6,435,244	6,445,743	6,164,671
Total liabilities		28,423,477	26,330,247	26,346,286	24,371,855
Due to customers		22,449,314	20,201,825	20,201,825	18,142,887
Capital and reserves attributable to equity holders of the Bank		2,515,464	2,423,973	2,427,589	2,225,153
Share capital		294,388	294,388	294,388	294,388
Net assets per share (RMB)	12	7.19	6.98	6.99	6.47
Capital ratios					
Net common equity tier 1 capital	13	2,049,468	1,991,342	1,991,342	1,843,886
Net additional tier 1 capital		411,673	381,648	381,648	329,845
Net tier 2 capital		648,903	573,481	573,481	525,108
Common equity tier 1 capital adequacy ratio (%)		11.29	11.84	11.84	11.30
Tier 1 capital adequacy ratio (%)		13.56	14.11	14.11	13.32
Capital adequacy ratio (%)		17.13	17.52	17.52	16.53
Asset quality					
Credit-impaired loans to total loans (%)	14	1.28	1.32	1.32	1.33
Non-performing loans to total loans (%)	15	1.28	1.32	1.32	1.33
Allowance for loan impairment losses to non-performing loans (%)	16	188.39	188.73	188.73	187.05
Allowance for loan impairment losses to total loans (%)	17	2.42	2.50	2.50	2.49

Notes:

- 1 The Group has adopted International Financial Reporting Standard No.17 Insurance Contracts (“IFRS 17”) as issued by the International Accounting Standards Board (“IASB”) with the initial application date 1 January 2023, which resulted in restatement of the comparative figures for the previous period starting from 1 January 2022 in accordance with the provisions of IFRS 17. In this report, relevant comparative figures starting from 1 January 2022 have been restated accordingly. Comparative figures for other periods have not been restated.
- 2 Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on transfers of financial assets + other operating income.
- 3 Impairment losses on assets = Credit impairment losses + Impairment losses on other assets.
- 4 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.
- 5 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.
- 6 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).
- 7 Non-interest income to operating income = non-interest income ÷ operating income × 100%.
- 8 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.
- 9 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.
- 10 Allowance for loan impairment losses = allowance for loans at amortised cost + allowance for loans at fair value through other comprehensive income.
- 11 The 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.
- 12 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.
- 13 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.
- 14 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.
- 15 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.
- 16 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.
- 17 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%. 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 2023, amid a complex and challenging external environment, the Bank has faithfully implemented the decisions and plans of the CPC Central Committee, pressed ahead with reform, prioritised high-quality development, and devoted substantial efforts to serving the real economy, preventing and mitigating risks, and advancing reform and innovation. As a result, it made fresh progress in business development and improved its financial performance.

Improving development quality and efficiency while gaining ground in financial performance

The Bank continued to pursue growth while ensuring stability and worked consistently to improve its development quality and efficiency. Its assets and liabilities continuously grew, financial performance steadily improved, and key financial indicators were kept within a reasonable range. As at 30 June 2023, the Group's total assets stood at RMB31,085.240 billion, up 7.59% compared with the prior year-end. Total liabilities amounted to RMB28,423.477 billion, up 7.95% compared with the prior year-end. In the first half of 2023, the Group recorded operating income of RMB319.707 billion and a profit for the period of RMB127.688 billion, up 8.92% and 3.35% respectively compared with the same period of the prior year. Return on average total assets (ROA) was 0.85% and return on average equity (ROE) was 10.60%. Net interest margin was 1.67% and the cost to income ratio (calculated in accordance with regulations in the Chinese mainland) was 25.77%.

Proactively aligning with the strategies and priorities of the country and making new breakthroughs in serving high-quality development

Upholding the political and people-centred nature of financial work, the Bank focused on serving the real economy and strengthened support to the key areas and weak links of economy. It fully supported

the construction of a modern industrial system, increasing its loans to strategic emerging industries and medium and long-term loans to manufacturing sector by 45.46% and 22.56% respectively from the prior year-end. Its balance of green loans exceeded RMB2.62 trillion, up nearly 31.99% from the prior year-end. The Bank promoted the nation's major regional development strategies, with loan growth in key regions such as the Beijing-Tianjin-Hebei region, Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area outpacing the Bank's overall loan growth rate. It contributed to the development of inclusive finance and implemented rural revitalisation strategies. Its balance of inclusive loans to micro and small-sized enterprises¹ topped RMB1.55 trillion, up 40.35% compared with the same period of the prior year, while its balance of agriculture-related loans grew by 16.75% compared with the beginning of the year and the balance of rural infrastructure loans grew by 31.86% compared with the prior year-end. The Bank granted more than USD290.0 billion of credit facilities to projects in countries involved in the Belt and Road Initiative (BRI), contributing to new achievements in the high-quality development of BRI. It also maintained the largest market share in cross-border RMB settlement and clearing volumes, as well as in the number of RMB Cross-Border Interbank Payment System (CIPS) direct participants and indirect participants.

Further consolidating the customer base, making new progress in both quality and quantity

The Bank devoted full efforts to serving its customers and strived to improve the compatibility, comprehensiveness and convenience of its financial services. In this way, it enhanced both the quality and quantity of its customer base. Giving full play to finance's pivotal role in resource allocation, the Bank provided targeted and effective customer services to meet the diverse needs of different industries and customer groups, thereby continually elevating customer satisfaction. It guided relationship managers to uphold a "product neutral" approach and ensured

¹ 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 Quality of Financial Services for Micro and Small-sized Enterprises in 2023* (Yin Bao Jian Ban Fa [2023] No. 42).

comprehensive product promotion coverage. In terms of corporate banking, it attached equal importance to micro, small, medium and large-sized customers and promoted coordinated expansion of customer accounts. In personal banking, the Bank focused on activating new customers, nurturing regular customers and retaining existing customers so as to consolidate its customer base and accelerate the onboarding of new customers. To meet customer needs, it promoted product innovation, process optimisation and scenario integration in a coordinated manner while increasing financial support to the clothing, food, housing, transportation, shopping, recreation, education and health sectors, thus making its financial services more convenient. As at 30 June 2023, the number of active corporate and personal customers increased by 10.52% and 4.85% respectively year-on-year.

Reinforcing its characteristic advantages and driving new progress in globalised and integrated operations

The Bank strengthened its advantages in globalised operations and expanded its market share in domestic foreign-currency corporate deposits and loans, international trade settlement and overseas institutional deposits. The Bank ranked first in the market in terms of global underwriting volumes for HKD-denominated bonds. It further consolidated its leading position in featured businesses such as Panda bonds, offshore China bonds and Cross-Boundary Wealth Management Connect. It refined its professional capabilities in customer segmentation to sharpen its diversified competitive advantages. In the first half of the year, the Bank's comprehensive operation companies showed solid recovery momentum. BOC Wealth Management's asset management scale, BOC Fullerton Community Bank's deposit and loan scale, BOC Consumer Finance's loan scale and the insurance premium scale of BOCG Insurance, BOC Insurance and BOC-Samsung Life all grew in terms of market share.

Adhering to the guiding role of technology and making new progress in innovation and digital transformation

The Bank focused on key and core technologies, advanced digital transformation in all aspects and

supported the modernisation of the industrial system. It expedited the building of its enterprise-level architectures and successfully completed the nationwide implementation of new-generation debit card and credit card systems. It re-engineered and upgraded the Group's integrated anti-money laundering (AML) system, and rolled out a total of 23 related application components. The Bank further reinforced its technological foundations, introduced its new multi-centre basic platform in four initial locations, and migrated 23 thousand servers to a cloud-based system. It achieved promising early results in the application of its enterprise-level technological platform, with its distributed structure handling more than 2 billion transactions per day. The Bank continued to advance outlet transformation and data governance, establishing over 5,000 featured outlets for key businesses.

Strengthening comprehensive risk control and improving risk management capability

The Bank refined its risk management system, accelerated the building of intelligent risk control system, and integrated non-traditional risks into its comprehensive risk management system, such as internet and data security risks and employee and production safety risks. It effectively managed credit risk and intensified customer credit risk identification and potential risk resolution, thus steadily advancing the disposal of non-performing assets. As at 30 June 2023, the Group's non-performing loans (NPLs) totalled RMB246.882 billion, the NPL ratio was 1.28%, and the coverage ratio of allowance for loan impairment losses to NPLs was 188.39%. The Bank responded effectively to market fluctuations, improved its ability to monitor market dynamics, kept liquidity risk and market risk under overall control, and maintained major risk indicators at a stable level. It continually improved its operational risk management capabilities and consolidated the foundations of its AML and sanctions compliance management, fostering a strong compliance culture that supports robust business development. Steadily replenishing capital from external sources, the Bank successfully issued RMB30.0 billion of undated capital bonds and RMB60.0 billion of tier 2 capital bonds in the first half of 2023, further enhancing its capital strength.

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

In the first half of 2023, the global economy outperformed expectations although the economic outlook is now skewed towards downside risks. The gradual recovery of the global supply chain eased inflationary pressures in some economies. The US economy maintained moderate growth, albeit with clear divergence between the services and manufacturing sectors. Europe's economy remained in mild recession and faced a bleak outlook. Japan's economy saw signs of recovery, although uncertainties persist regarding its future trajectory. Exports from emerging economies declined, with some facing sovereign debt pressures.

International financial markets experienced a volatile adjustment period. Major economies continued to tighten their monetary policies, albeit at a slower pace. Market interest rates crept up, putting pressure on global liquidity. The US dollar index remained strong, while the currencies of some emerging economies faced greater depreciation pressures. Global stock markets witnessed divergent performance, amid sluggish growth and tight money supply. Government bond yields soared worldwide, with the inversion of long and short-end US treasury yields deepening further.

The Chinese government promoted high-quality economic development and put in place macro policies designed to ensure stability while seeking progress through coordinated efforts. Production demand steadily improved, employment and commodity prices were generally stable, and economic operations continued to recover. In the first half of 2023, China's gross domestic product (GDP) grew by 5.5% year-on-year, value-added of industrial enterprises above a designated size increased by 3.8% year-on-year, total retail sales of consumer goods (TRSCG) grew by

8.2% year-on-year, total fixed asset investments (TFAI) (excluding those by rural households) increased by 3.8% year-on-year, and total exports climbed by 3.7% year-on-year (in RMB terms), with a trade surplus of RMB2.82 trillion. The consumer price index (CPI) rose by 0.7% year-on-year.

The PBOC implemented a sound monetary policy in a targeted and effective manner and stood firm in contributing to the overall recovery of the economy. China's financial markets operated smoothly, liquidity was kept at an adequate and reasonable level, and RMB exchange rates remained generally stable at an adaptive and equilibrium level. As at 30 June 2023, the outstanding broad money supply (M2) grew by 11.3% year-on-year to RMB287.3 trillion. Outstanding RMB loans increased by 11.3% year-on-year to RMB230.6 trillion. Aggregate financing to the real economy (AFRE) increased by 9.0% year-on-year to RMB365.5 trillion. The Shanghai Stock Exchange Composite Index stood at 3,202, up 3.7% from the prior year-end. The central parity rate of RMB against USD was 7.2258, a depreciation of 3.6% compared with the prior year-end.

China's banking sector promoted the construction of the nation's new development pattern, supported high-quality economic development and boosted the overall recovery in economic operations. It stepped up support for key areas and weak links in the economy and increased loans to the manufacturing sector, micro and small-sized enterprises and private enterprises. It strongly supported technological innovation and green development, deployed more funds to strategic emerging industries such as new energy, AI and bio-manufacturing, and backed the nation's efforts to achieve self-reliance and self-improvement in science and technology. The banking sector demonstrated strong risk prevention capabilities, with major risk regulatory indicators

maintained within a reasonable range. As at 30 June 2023, the total assets of China's banking sector grew by 10.4% from the same period of the prior year to RMB406.2 trillion, while total liabilities increased by 10.8% to RMB373.6 trillion. Commercial banking institutions recorded a profit

for the period of RMB1.3 trillion, a year-on-year increase of 2.6%. As at 30 June 2023, outstanding NPLs stood at RMB3.2 trillion, the NPL ratio was 1.62%, the allowance for loan impairment losses to non-performing loans was 206.13%, and the capital adequacy ratio was 14.66%.

Income Statement Analysis

The Bank adhered to the principle of pursuing progress while ensuring stability, thus making steady progress in business performance. In the first half of 2023, the Group achieved a profit for the period of RMB127.688 billion, an increase of 3.35% compared with the same period of the prior year. It realised a profit attributable to equity holders of the Bank of RMB120.095 billion, an increase of 0.78% compared with the same period of the prior year. Return on average total assets (ROA) was 0.85% and return on average equity (ROE) was 10.60%.

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 2023	For the six-month period ended 30 June 2022	Change	Change (%)
Net interest income	233,992	223,380	10,612	4.75%
Non-interest income	85,715	70,142	15,573	22.20%
Including: net fee and commission income	46,376	44,446	1,930	4.34%
Operating income	319,707	293,522	26,185	8.92%
Operating expenses	(104,300)	(89,777)	(14,523)	16.18%
Impairment losses on assets	(60,581)	(52,725)	(7,856)	14.90%
Operating profit	154,826	151,020	3,806	2.52%
Profit before income tax	154,919	151,200	3,719	2.46%
Income tax expense	(27,231)	(27,645)	414	(1.50%)
Profit for the period	127,688	123,555	4,133	3.35%
Profit attributable to equity holders of the Bank	120,095	119,165	930	0.78%

Management Discussion and Analysis

Net Interest Income and Net Interest Margin

In the first half of 2023, the Group achieved net interest income of RMB233.992 billion, an increase of RMB10.612 billion or 4.75% compared with the same period of the prior year. Specifically, interest income grew by RMB88.608 billion or 21.18% to RMB507.001 billion, and interest expense stood at RMB273.009 billion, an increase of RMB77.996 billion or 40.00% compared with the same period of the prior year.

Interest Income

In the first half of 2023, interest income on loans was RMB367.920 billion, an increase of RMB55.995 billion or 17.95% compared with the same period of the prior year, which was primarily attributable to increases in loan scale and interest rates of foreign currency loans.

Interest income on investments amounted to RMB91.141 billion, an increase of RMB11.896 billion or 15.01% compared with the same period of the prior year, mainly attributable to increases in investment scale and the interest rate of foreign currency investments.

Interest income on balances with central banks and due from and placements with banks and other financial institutions was RMB47.940 billion, an increase of RMB20.717 billion or 76.10% compared with the same period of the prior year, mainly due to the interest rate rises.

Interest Expense

In the first half of 2023, interest expense on due to customers was RMB212.538 billion, an increase of RMB70.032 billion or 49.14% compared with the same period of the prior year, primarily attributable to higher interest rates on foreign currency deposits.

Interest expense on due to and placements from banks and other financial institutions was RMB38.637 billion, an increase of RMB8.110 billion or 26.57% compared with the same period of the prior year, mainly due to higher interest rates.

Interest expense on bonds issued was RMB21.834 billion, a decrease of RMB0.146 billion or 0.66% compared with the same period of the prior year, which was mainly due to lower interest rates.

Net Interest Margin

In the first half of 2023, the Group's net interest margin was 1.67%, a decrease of 9 basis points compared with the same period of the prior year. Specifically, the average interest rate of the Group's interest-earning assets increased by 32 basis points. This was mainly attributable to an increase in the interest rates of the Group's foreign currency assets owing to interest rate rises in overseas markets. In addition, the proportion of the average balance of RMB medium and long-term loans within its total RMB loans in the Chinese

mainland was 74.84%, up by 0.13 percentage points compared with the same period of the prior year. Conversely, the average interest rate of domestic RMB assets declined, due to a lower loan prime rate (LPR). The average interest rate of the Group's interest-bearing

liabilities increased by 47 basis points, primarily because rising foreign currency interest rates pushed up the interest rates of foreign currency liabilities. The Bank continued to strengthen funding cost control, realising a steady decrease in the interest rate of domestic RMB liabilities.

The average balances² 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 factor³, are summarised in the following table:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2023			For the six-month period ended 30 June 2022			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	18,302,776	367,920	4.05%	16,311,192	311,925	3.86%	38,122	17,873	55,995
Investments	5,918,385	91,141	3.11%	5,523,099	79,245	2.89%	5,665	6,231	11,896
Balances with central banks and due from and placements with banks and other financial institutions	4,100,461	47,940	2.36%	3,790,816	27,223	1.45%	2,226	18,491	20,717
Total	28,321,622	507,001	3.61%	25,625,107	418,393	3.29%	46,013	42,595	88,608
Interest-bearing liabilities									
Due to customers	20,959,921	212,538	2.04%	18,410,058	142,506	1.56%	19,725	50,307	70,032
Due to and placements from banks and other financial institutions	3,464,056	38,637	2.25%	3,850,595	30,527	1.60%	(3,067)	11,177	8,110
Bonds issued	1,435,650	21,834	3.07%	1,416,223	21,980	3.13%	302	(448)	(146)
Total	25,859,627	273,009	2.13%	23,676,876	195,013	1.66%	16,960	61,036	77,996
Net interest income		233,992			223,380		29,053	(18,441)	10,612
Net interest margin			1.67%			1.76%			(9) Bps

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.

² Average balances are average daily balances derived from the Group's management accounts (unreviewed).

³ 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 2023		For the six-month period ended 30 June 2022		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	8,731,317	3.59%	7,255,917	4.03%	1,475,400	(44) Bps
Personal loans	5,679,861	4.62%	5,509,110	4.89%	170,751	(27) Bps
Trade bills	509,917	1.54%	371,973	2.17%	137,944	(63) Bps
Total	14,921,095	3.91%	13,137,000	4.34%	1,784,095	(43) Bps
Including:						
Medium and long-term loans	11,167,136	4.25%	9,814,919	4.73%	1,352,217	(48) Bps
Short-term loans within 1 year and others	3,753,959	2.90%	3,322,081	3.17%	431,878	(27) Bps
Due to customers						
Corporate demand deposits	4,342,860	1.03%	3,881,743	0.90%	461,117	13 Bps
Corporate time deposits	3,226,817	2.64%	2,785,453	2.82%	441,364	(18) Bps
Personal demand deposits	2,800,185	0.24%	2,513,601	0.33%	286,584	(9) Bps
Personal time deposits	5,079,196	2.74%	4,034,755	2.99%	1,044,441	(25) Bps
Other	776,966	2.98%	767,121	3.16%	9,845	(18) Bps
Total	16,226,024	1.84%	13,982,673	1.91%	2,243,351	(7) Bps
Foreign currency businesses in the Chinese mainland	Unit: USD million, except percentages					
Loans	47,624	4.05%	55,964	1.21%	(8,340)	284 Bps
Due to customers						
Corporate demand deposits	57,329	1.66%	81,280	0.16%	(23,951)	150 Bps
Corporate time deposits	45,569	4.25%	39,442	0.60%	6,127	365 Bps
Personal demand deposits	24,272	0.02%	27,034	0.01%	(2,762)	1 Bp
Personal time deposits	17,540	1.33%	15,781	0.33%	1,759	100 Bps
Other	2,201	1.92%	3,194	1.52%	(993)	40 Bps
Total	146,911	2.16%	166,731	0.28%	(19,820)	188 Bps

Note: "Due to customers – Other" includes structured deposits.

Non-interest Income

In the first half of 2023, the Group reported non-interest income of RMB85.715 billion, an increase of RMB15.573 billion or 22.20% compared with the same period of the prior year. Non-interest income represented 26.81% of operating income.

Net Fee and Commission Income

The Group achieved net fee and commission income of RMB46.376 billion, an increase of RMB1.930 billion or 4.34% compared with the same period of the prior year. Net fee and commission income represented 14.51% of operating income. The Bank proactively seized opportunities arising from the economic recovery and rapidly expanded its business scale, realising growth in fees income from businesses such as bank card and consultancy and advisory business. Please refer to Note III.2 to the Condensed Consolidated Interim Financial Statements.

Other Non-interest Income

The Group realised other non-interest income of RMB39.339 billion, an increase of RMB13.643 billion or 53.09% compared with the same period of the prior year. This was primarily attributable to a rapid increase in net trading gain, due to fluctuations in market interest rates and exchange rates. Please refer to Notes III.3, 4, 5 to the Condensed Consolidated Interim Financial Statements.

Operating Expenses

In the first half of 2023, the Group's operating expenses amounted to RMB104.300 billion, an increase

of RMB14.523 billion or 16.18% 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 25.77%, a decrease of 0.57 percentage points compared with the same period of the prior year, remaining at a relatively low level. The Bank continued to operate its business in a prudent manner. It proactively optimised its cost structure, focused on refined management, allocated more resources to key areas and regions, and enhanced input and output efficiency. Please refer to Notes III.6, 7 to the Condensed Consolidated Interim Financial Statements.

Impairment Losses on Assets

In the first half of 2023, the Group's impairment losses on assets totalled RMB60.581 billion, an increase of RMB7.856 billion or 14.90% compared with the same period of the prior year. Specifically, impairment losses on loans and advances amounted to RMB61.997 billion, an increase of RMB16.421 billion or 36.03% compared with the same period of the prior year. The Bank continued to improve its comprehensive risk management system and maintained a proactive and forward-looking approach to risk management, ensuring relatively stable credit asset quality. At the same time, it rigorously implemented a prudent and solid risk provisioning policy to maintain 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 Statements for more information on loan quality and the allowance for loan impairment losses.

Management Discussion and Analysis

Financial Position Analysis

The Bank followed requirements on high-quality development, remained committed to the nation's 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 2023, the Group's total assets amounted to RMB31,085.240 billion, an increase of RMB2,191.692 billion or 7.59% compared with the prior year-end. The Group's total liabilities amounted to RMB28,423.477 billion, an increase of RMB2,093.230 billion or 7.95% 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 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Assets				
Loans and advances to customers, net	18,799,939	60.48%	17,116,005	59.24%
Investments	6,732,627	21.66%	6,435,244	22.27%
Balances with central banks	2,351,156	7.56%	2,313,859	8.01%
Due from and placements with banks and other financial institutions	2,027,567	6.52%	1,924,454	6.66%
Other assets	1,173,951	3.78%	1,103,986	3.82%
Total assets	31,085,240	100.00%	28,893,548	100.00%
Liabilities				
Due to customers	22,449,314	78.98%	20,201,825	76.72%
Due to and placements from banks and other financial institutions and due to central banks	3,571,051	12.56%	3,622,516	13.76%
Other borrowed funds	1,325,679	4.66%	1,565,840	5.95%
Other liabilities	1,077,433	3.80%	940,066	3.57%
Total liabilities	28,423,477	100.00%	26,330,247	100.00%

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

Loans and Advances to Customers

The Bank diligently fulfilled its responsibilities as a large state-owned bank and increased its credit support to the real economy, achieving solid growth in its lending business. It served nation's regional development strategies, reinforced its support for the building of a modern industrial system and the development of key areas such as inclusive finance, green finance, strategic emerging industries, manufacturing and rural revitalisation, while continually improving its credit structure. As at 30 June 2023, the Group's loans and advances to customers amounted to RMB19,264.684 billion, an increase of RMB1,711.923 billion or 9.75% compared with the prior year-end. Specifically, RMB loans and advances to customers totalled RMB15,831.376 billion, an increase of RMB1,488.406 billion or 10.38% compared with the prior year-end,

while its foreign currency loans amounted to USD475.146 billion, an increase of USD14.274 billion or 3.10% compared with the prior year-end.

The Bank continually improved its comprehensive risk management framework, closely monitored changes in the macroeconomic situation, effectively strengthened risk identification and control in key areas, and stepped up efforts to dispose of non-performing assets (NPAs), thus maintaining relatively stable asset quality. As at 30 June 2023, the balance of the Group's allowance for loan impairment losses amounted to RMB465.108 billion, an increase of RMB27.867 billion compared with the prior year-end. The balance of the Group's restructured NPLs amounted to RMB42.350 billion, an increase of RMB13.933 billion compared with the prior year-end.

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

Unit: RMB million, except percentages

Items	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Corporate loans				
Chinese mainland: RMB	9,922,523	51.51%	8,523,463	48.56%
Foreign currency	378,068	1.96%	295,121	1.68%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	2,390,163	12.41%	2,280,239	12.99%
Subtotal	12,690,754	65.88%	11,098,823	63.23%
Personal loans				
Chinese mainland: RMB	5,740,968	29.80%	5,681,110	32.36%
Foreign currency	1,297	0.01%	1,089	0.01%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	779,688	4.04%	724,771	4.13%
Subtotal	6,521,953	33.85%	6,406,970	36.50%
Accrued interest	51,977	0.27%	46,968	0.27%
Total loans	19,264,684	100.00%	17,552,761	100.00%

Management Discussion and Analysis

Investments

The Bank closely tracked domestic and overseas financial market dynamics in order to capture opportunities from market timing and adjusted portfolio dynamically. As at 30 June 2023, the Group held investments of RMB6,732.627 billion, an increase of RMB297.383 billion or 4.62% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB5,110.852 billion, an increase of RMB104.674 billion or 2.09% compared with the prior year-end, while foreign currency investments totalled USD224.442 billion, an increase of USD19.252 billion or 9.38% 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 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	594,563	8.83%	613,105	9.53%
Financial assets at fair value through other comprehensive income	2,853,171	42.38%	2,500,216	38.85%
Financial assets at amortised cost	3,284,893	48.79%	3,321,923	51.62%
Total	6,732,627	100.00%	6,435,244	100.00%

Investments by Currency

Unit: RMB million, except percentages

Items	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
RMB	5,110,852	75.91%	5,006,178	77.79%
USD	959,143	14.25%	832,757	12.94%
HKD	358,270	5.32%	295,346	4.59%
Other	304,362	4.52%	300,963	4.68%
Total	6,732,627	100.00%	6,435,244	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	16,427	3.48%	2029-01-08	–
Bond issued by policy banks in 2019	15,174	3.65%	2029-05-21	–
Bond issued by policy banks in 2022	13,270	2.82%	2027-06-17	–
Bond issued by policy banks in 2018	12,710	4.98%	2025-01-12	–
Bond issued by policy banks in 2018	11,657	4.88%	2028-02-09	–
Bond issued by policy banks in 2017	11,650	4.39%	2027-09-08	–
Bond issued by policy banks in 2022	10,975	2.50%	2027-08-24	–
Bond issued by policy banks in 2018	10,730	4.73%	2025-04-02	–
Bond issued by policy banks in 2019	10,125	3.75%	2029-01-25	–
Bond issued by policy banks in 2023	9,540	2.73%	2028-01-11	–

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

The Bank optimised the balance between deposit growth and cost control while continually enhancing its financial services offering, leading to a record high in the increase of domestic RMB deposits compared with the same period in history. It actively expanded its demand deposit base by focusing on key deposit products such as salary payment agency, cash management, quick payment service and social security cards. It also improved the quality of its deposit business by reducing the scale of high-cost deposits

such as structured deposits and negotiated deposits, resulting in a steady decrease in the funding cost of RMB deposits. As at 30 June 2023, the Group's due to customers amounted to RMB22,449.314 billion, an increase of RMB2,247.489 billion or 11.13% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB17,696.789 billion, an increase of RMB1,817.355 billion or 11.44% compared with the prior year-end, while its foreign currency due to customers stood at USD657.716 billion, an increase of USD37.093 billion or 5.98% compared with the prior year-end.

Management Discussion and Analysis

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

Unit: RMB million, except percentages

Items	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Corporate deposits				
Chinese mainland: RMB	8,461,118	37.69%	7,532,878	37.29%
Foreign currency	772,702	3.44%	628,443	3.11%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	2,154,044	9.60%	1,999,666	9.90%
Subtotal	11,387,864	50.73%	10,160,987	50.30%
Personal deposits				
Chinese mainland: RMB	8,624,305	38.42%	7,752,565	38.38%
Foreign currency	307,877	1.37%	305,619	1.51%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	1,451,248	6.46%	1,338,512	6.62%
Subtotal	10,383,430	46.25%	9,396,696	46.51%
Certificates of deposit and others	678,020	3.02%	644,142	3.19%
Total deposits	22,449,314	100.00%	20,201,825	100.00%

Note: "Certificates of deposit and others" includes accrued interest.

Equity

As at 30 June 2023, the Group's total equity stood at RMB2,661.763 billion, an increase of RMB98.462 billion or 3.84% compared with the prior year-end. This was primarily attributable to the following factors: (1) In the first half of 2023, the Group realised a profit for the period of RMB127.688 billion, of which profit attributable to equity holders of the Bank amounted to RMB120.095 billion. (2) The Bank pushed forward its external capital replenishment projects in a proactive

and prudent manner, successfully issuing RMB30.0 billion of undated capital bonds. (3) As per the 2022 dividend distribution plan approved at the Annual General Meeting, a cash dividend of RMB68.298 billion was paid out on ordinary shares. (4) The Bank paid a dividend on its preference shares of RMB5.162 billion and interest on undated capital bonds of RMB7.025 billion. Please refer to the "Condensed Consolidated Interim Statement of Changes in Equity" in the Condensed Consolidated Interim Financial Statements.

Cash Flow Analysis

As at 30 June 2023, the balance of the Group's cash and cash equivalents was RMB2,258.245 billion, an increase of RMB166.779 billion compared with the prior year-end.

In the first half of 2023, net cash flow from operating activities was an inflow of RMB635.282 billion, as compared to an outflow of RMB135.438 billion in the same period of the prior year. This was mainly attributable to an increase in due to customers.

Net cash flow from investing activities was an outflow of RMB258.776 billion, a net increase of RMB181.936 billion compared with the same period of the prior year. This was mainly attributable to a decrease in proceeds from the disposal and maturing of financial investments.

Net cash flow from financing activities was an outflow of RMB254.636 billion, as compared to an inflow of RMB77.116 billion in the same period of the prior year. This was mainly due to a decrease in proceeds from the issuance of bonds.

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 2023		For the six-month period ended 30 June 2022	
	Amount	% of total	Amount	% of total
Chinese mainland	258,293	80.27%	248,238	84.16%
Hong Kong (China), Macao (China) and Taiwan (China)	49,100	15.26%	35,382	12.00%
Other countries and regions	14,391	4.47%	11,335	3.84%
Elimination	(2,077)	–	(1,433)	–
Group	319,707	100.00%	293,522	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 2023		For the six-month period ended 30 June 2022	
	Amount	% of total	Amount	% of total
Commercial banking business	298,954	93.51%	279,788	95.32%
Including: Corporate banking	131,974	41.28%	107,870	36.75%
Personal banking	141,030	44.11%	117,287	39.96%
Treasury operations	25,950	8.12%	54,631	18.61%
Investment banking and insurance	13,615	4.26%	4,713	1.61%
Others and elimination	7,138	2.23%	9,021	3.07%
Group	319,707	100.00%	293,522	100.00%

Please refer to Note III.32 to the Condensed Consolidated Interim Financial Statements 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	As at	Change
	30 June 2023	31 December 2022	
Placements with and loans to banks and other financial institutions at fair value	17,241	12,333	4,908
Financial assets at fair value through profit or loss			
Debt securities	372,955	398,100	(25,145)
Equity instruments	106,541	112,582	(6,041)
Fund investments and other	115,067	102,423	12,644
Loans and advances to customers at fair value	576,872	587,256	(10,384)
Financial assets at fair value through other comprehensive income			
Debt securities	2,823,715	2,473,380	350,335
Equity instruments and other	29,456	26,836	2,620
Derivative financial assets	197,427	152,033	45,394
Derivative financial liabilities	(179,888)	(135,838)	(44,050)
Due to customers at fair value	(43,663)	(36,701)	(6,962)
Bonds issued at fair value	(2,149)	(2,080)	(69)
Financial liabilities held for trading	(48,365)	(53,868)	5,503

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 Statements 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 Interim Financial Information for detailed information.

Management Discussion and Analysis

Business Review

During the reporting period, the Bank earnestly put national strategies and plans into action and pushed forward the implementation of the 14th Five-Year Plan, thus ensuring sound strategic execution. It thoroughly, fully and accurately applied the nation's new development philosophy in all of its endeavours and took decisive steps to deepen supply-side structural reform in the financial sector. It facilitated positive interplay within the domestic economy and between the domestic and international economic circulations, and made constant efforts to contribute to the high-quality development of the real economy. Embracing the digital era, the Bank deepened the adoption of various technologies such as big data, artificial intelligence, and blockchain to expedite its digital transformation. Adhering strictly to bottom-line thinking in risk management, the Bank built stronger lines of defence against risks and addressed risk-related challenges, thereby reinforcing robust implementation in comprehensive risk management.

Commercial Banking in the Chinese Mainland

The Bank's commercial banking business in the Chinese mainland supported the nation's strategic development priorities in line with its original aspiration and mission of serving the country and the public through finance. Focusing on key areas, key businesses and key projects, the Bank achieved remarkable results in promoting high-quality development while serving the real economy. In the first half of 2023, the Group's commercial banking business in the Chinese mainland recorded an operating income of RMB251.849 billion, an increase of RMB9.976 billion or 4.12% 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 2023		For the six-month period ended 30 June 2022	
	Amount	% of total	Amount	% of total
Corporate banking business	108,681	43.15%	95,836	39.62%
Personal banking business	126,179	50.10%	111,429	46.07%
Treasury operations	17,804	7.07%	35,712	14.76%
Others	(815)	(0.32%)	(1,104)	(0.45%)
Total	251,849	100.00%	241,873	100.00%

Corporate Banking

The Bank upheld its responsibility to serve the real economy and pushed forward the transformation of its corporate financial services. It prioritised credit support for key areas such as technology innovation, green finance, inclusive finance, rural revitalisation, strategic emerging industries and manufacturing. It also proactively contributed to the systematic development of advanced manufacturing and digital economy-related industries. In addition, the Bank accelerated progress towards the coordinated development of the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, the Hainan Free Trade Port and other key regions, utilising its financial resources to support major regional strategies. The Bank implemented differentiated precision marketing and services based on the refined classification of customer groups, and consolidated its development foundations. It provided integrated service solutions covering the entire product suite of “investment, loans, bonds, equity, insurance and leasing” to meet customers’ diverse financing needs. In the first half of 2023, the Group’s corporate banking business in the Chinese mainland recorded an operating income of RMB108.681 billion, an increase of RMB12.845 billion or 13.40% compared with the same period of the prior year.

Corporate Deposits

The Bank adhered to scientific classification and adopting precise measures, focused on building a comprehensive and tiered marketing management system to optimise the balance between deposit growth and cost control through scientific classification and targeted policy. Centred on customers’ diverse financial needs, it further enhanced its cross-industry services, comprehensive marketing awareness and all-round service capabilities. The Bank proactively integrated into the domestic and international “dual circulation” pattern by connecting its business product channels for domestic settlement and international settlement, increasing business volumes in payments and settlements, and enhancing fund retention capacity. The Bank highlighted the strategic positioning of its administrative institution business, and pressed ahead with the building of a smart government services ecosystem. It strengthened the “Head Office-to-headquarters” connection, enhanced the financial service capability for related market entities, and consolidated the customer base. As at 30 June 2023, RMB corporate deposits of the Group’s commercial banking business in the Chinese mainland totalled RMB8,460.910 billion, an increase of RMB928.196 billion or 12.32% compared with the prior year-end, representing the highest increase in ten years. Its market share of daily average deposits also grew. Foreign currency corporate deposits amounted to USD106.937 billion, an increase of USD16.703 billion or 18.51% compared with the prior year-end, securing the Bank’s leading position in the industry.

Management Discussion and Analysis

Corporate Loans

The Bank actively fulfilled its responsibilities, thoroughly implemented national development strategies and improved the quality and efficiency of its service to the real economy. Serving the innovation-driven development strategy, it shifted its service focus from traditional industries to new industries, new business forms and new business models, and increased credit support for strategic emerging industries, in a bid to support the establishment of modern industrial system. To serve the nation's major regional strategies, the Bank supported the building of key regions including the Beijing-Tianjin-Hebei region, the Yangtze River Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Yellow River basin, the Chengdu-Chongqing region and Hainan, providing new impetus to the high-quality development of China's regional economies. It supported the national strategy to expand domestic demand, advanced supply-side structural reform, strengthened its inclusive finance services, accelerated the creation of scenario-based ecosystems, and achieved breakthroughs in online products. It also contributed to the national rural revitalisation strategy by providing support for agricultural modernisation and consolidating its achievements in poverty alleviation. To serve the nation's ecological conservation strategy, it further boosted the expansion of green credit and improved related products and services, which in turn supported the sustainable development of the economy and society and helped build the Bank's brand reputation for green finance. The Bank contributed to the mutually beneficial opening-up of the Chinese economy by providing solid financial services support

to the BRI countries and Chinese enterprises' "Going Global" efforts, as well as by strengthening overseas economic and trade cooperation. As at 30 June 2023, RMB corporate loans of the Bank's operations in the Chinese mainland totalled RMB9,873.195 billion, an increase of RMB1,397.524 billion or 16.49% compared with the prior year-end. Foreign currency corporate loans totalled USD52.322 billion, an increase of USD9.948 billion or 23.48% compared with the prior year-end, maintaining the Bank's leading position among peers.

Financial Institutions Business

The Bank continued to strengthen its integrated financial services platform and deepen cooperation with various types of financial institutions, retaining a leading position in terms of financial institution customer coverage. By the end of the first half of 2023, it has kept correspondent relationships with nearly 1,200 institutions around the world and has opened 1,438 cross-border RMB clearing accounts for correspondent banks from 112 countries and regions, establishing itself as a leader among domestic banks. The Bank promoted the RMB Cross-Border Interbank Payment System (CIPS) and has formed indirect participant partnerships with 626 domestic and overseas financial institutions, capturing the largest market share among peers. Its custodian service for Qualified Foreign Investors (QFI) and its agency service for overseas central banks and other sovereign institutions led the industry in terms of both customer base and business scale. It also ranked first in the amount under custody of bonds invested by overseas institutions in the China interbank bond market (CIBM). The Bank facilitated the official

launch of Swap Connect by serving as the sole major participating bank for central counterparty clearing and completed several initial participations across the Group on the first day of launch. It successfully launched an e-CNY programme for spot commodity clearing at Shanghai Clearing House, becoming one of the first spot commodity clearing members to provide digital currency clearing. As the main foreign exchange settlement bank under Hong Kong Stock Connect and the sole clearing bank under Shanghai Stock Connect and Shenzhen Stock Connect, the Bank supported the official launch of the optimised trading calendar of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, thus further enhancing stock market connectivity mechanisms between the Chinese mainland and Hong Kong. The Bank also provided one-stop comprehensive financial services to the Asian Infrastructure Investment Bank (AIIB), BRICS New Development Bank (NDB) and other multilateral development institutions. Serving as lead underwriter, it assisted both the AIIB and BRICS NDB with the issuance of Panda bonds. As at 30 June 2023, the Bank maintained 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

The Bank fully implemented national development strategies and proactively integrated into digitalised development wave, promoting high-quality development of transaction banking business. It stepped up efforts to stabilise scale and optimise structure of foreign trade. It enhanced both financial

and non-financial support to help Chinese enterprises attract overseas business, maintained a leading market position in terms of international trade settlement, cross-border RMB settlement, cross-border guarantee and cross-border cash pooling business for domestic institutions, and achieved steady growth in import and export trade finance. It stepped up efforts in product and service innovation to support new foreign trade patterns, achieving rapid growth in settlement volume. Collaborating at the highest level with partners, the Bank constantly sought to build financial bridges to enable foreign economic and trade cooperation. It provided high-quality services to the 3rd China International Consumer Products Expo (CICPE) and the 133rd China Import and Export Fair (Canton Fair), and fully supported preparations for the China International Import Expo (CIIE), China International Fair for Trade in Services (CIFTIS) and China International Fair for Investment and Trade (CIFIT). It accelerated the digital transformation of its transaction banking business and effectively improved its online penetration capabilities. Utilising its Next-generation Commercial Bill System, the Bank reconstructed business processes for services such as electronic bill acceptance, issuance, endorsement, discounting and payment, etc., across their entire lifecycle, thus implementing a new type of full-scope processing for sub-contractable bills. To enhance scenario-based services for corporate banking, the Bank iterated and upgraded its “BOC Corporate e-Manager” service and developed a one-stop “non-financial + financial” service platform based on high-frequency scenarios in the daily operation and management of enterprises. It also formulated and published the Bank of China Global Digital Financial Service Solutions for Corporate Treasury Business to support the building of treasury management systems for central state-owned enterprises (SOEs).

Management Discussion and Analysis

Inclusive Finance

The Bank continued to meet the specific financial needs of micro and small-sized enterprises, thus actively contributing to economic and social development. It focused on stabilising employment, ensuring people's wellbeing and providing high-quality services to the real economy. The Bank deepened long-acting mechanisms for stabilising and expanding employment, and provided RMB120.0 billion of special-purpose loans to help 27 thousand micro and small-sized enterprises stabilise and expand employment, benefiting 1.40 million workers. It enhanced financial services for self-employed individuals and new urban residents, introducing special service plans to help new urban residents start businesses or find jobs. The Bank shored up its strategies, focused on key links and provided high-quality services in key areas. It supported the growth needs of sci-tech micro and small-sized enterprises, provided lifecycle services to specialised and sophisticated enterprises involved in producing new and unique products, and boosted China's pursuit of self-reliance in science and technology. It provided scenario-based batch services based on "circles, chains and groups", enhancing its ability to stabilise, strengthen and reinforce the industrial and supply chains. Through the "Micro and Small Foreign Trade Services" campaign, the Bank gave full play to its advantages in cross-border matchmaking to ensure smooth economic circulation and stable foreign trade. The Bank continually improved products and expanded service scenarios to promote high-quality digital inclusive finance. It promoted better connection and application of external data, launched online inclusive finance products such as "E-Renewal Loan" and

franchise merchant loans, and continued to improve the functions of its existing products and services. It developed a comprehensive service ecosystem for inclusive finance based on the "BOC Inclusive Finance" APP. Utilising technological empowerment, the Bank developed an intelligent operation platform for inclusive finance business to enhance its service quality and efficiency. As at the end of June 2023, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises reached RMB1,550.906 billion, an increase of 40.35% compared with the same period of the prior year and an increase of 26.27% compared with the prior year-end, outpacing the growth rate of the Bank's total loans. It served nearly 0.9 million micro and small-sized business customers, up from 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 2023 was 3.64%, and the asset quality of such loans remained stable and manageable.

Pension Business

The Bank actively supported national strategies to address China's aging population. With a focus on constructing the national elderly care security system, the Bank advanced the strategic layout of its pension business, developed and improved pension products and services for the elderly, offered a series of products including enterprise annuities and occupational annuities, and fully supported the development of the silver economy. As at 30 June 2023, pension funds held in trust by the Bank reached RMB191.684 billion, an increase of RMB21.441 billion or 12.59% compared with the prior year-end. Enterprise annuity individual

accounts held by the Bank reached 3.9962 million, an increase of 97.5 thousand or 2.50% compared with the prior year-end. Pension assets under custody amounted to RMB972.828 billion, an increase of RMB66.226 billion or 7.30% compared with the prior year-end. The Bank provided enterprise annuity services for more than 17.6 thousand institutional clients.

Digital Transformation of Corporate Banking

The Bank further empowered its management, made solid efforts to popularise its global service platform of corporate banking customers, and continued to improve its platform functions. It focused on improving its differentiated management model for corporate customers and enhancing its penetrating and refined management capabilities, improving its customer service ability. In addition, it improved its big data mining capabilities and conducted precision marketing based on customer personas. By utilising digital tools to expand, acquire and activate customers, the Bank continued to consolidate its customer base.

Personal Banking

The Bank aimed to provide high-quality services for customers. Focusing on customer needs, it continued to integrate products and services, deeply promoted digital transformation, and spared no effort to become a leading bank for delivering full-stack personal financial services. In the first half of 2023, the Bank's personal banking business in the Chinese mainland realised an operating income of RMB126.179 billion, an increase of RMB14.750 billion or 13.24% compared with the same period of the prior year.

Account Management Business

Bearing in mind the people-centeredness of financial work, the Bank piloted debit cards for new citizens while also providing them with inclusive, high-quality account management services. It improved its personal pension business system by upgrading system functions across the entire lifecycle of account opening, deposit and withdrawal, and product purchase, providing customers with all-round high-quality personal pension services.

Wealth Finance Business

Adhering to its customer-centric service philosophy, the Bank achieved steady development in its wealth management business by striving to enhance customers' sense of happiness and prosperity, thus strengthening its brand reputation. As at 30 June 2023, the Group's financial assets under management for personal customers approached RMB14 trillion, with steady growth in both the number of medium and high-end customers and the size of related financial assets under management. The Bank built a diversified wealth management product shelf, offered selected high-quality products from "Market-wide + Group-wide", and steadily expanded partnerships with wealth management companies. As at 30 June 2023, the Bank had established cooperation with 10 wealth management companies and further increased its market share among peers in terms of the balance of wealth management products for personal customers. Developing a full journey companion service model, the Bank accelerated its transformation towards services

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that meet customers' needs before, during and after their investments. The Bank optimised "BOC Investment Strategy", a global investment strategy information service system, covering major asset categories, which offers daily, weekly, monthly, quarterly and annual reports. The Bank improved services such as "wealth classroom", product performance review, and optimised its "Fortune" mobile banking community. It strengthened investor education and provided more supplementary services for customers holding investments. As at 30 June 2023, 41 cooperating financial institutions covering funds, insurance, brokerage firms and wealth management were operating in the "Fortune" community. The Bank has established 8,235 wealth management centres and 1,016 prestigious wealth management centres in the Chinese mainland.

Consumer Finance Business

The Bank continued to expand its consumer finance business and improved the quality and efficiency of its financial services to the real economy. By making timely adjustments and refinements to its housing credit policies, it provided differentiated housing credit services and supported the steady and healthy development of the real estate market. For non-housing consumer loans, it stepped up efforts to promote online migration and explored cooperation opportunities based on consumer finance scenarios, aiming to offer more accessible and convenient consumer finance services and thus stimulate consumption and domestic demand. Focusing on large-amount consumption scenarios, the Bank exerted the advantage of its featured auto instalment loans and promoted cross-selling between the corporate and retail sectors in

order to support a recovery in automobile consumption, while sparing no effort to consolidate its business foundations in key consumer service areas. It integrated its "BOC E-instalment" product into strategic scenarios, developed its customer group service plan for teachers, launched a financial service plan for new urban residents, and supported various consumption upgrade needs of resident households. The Bank also proactively implemented the interest exemption and deferred repayment policy for government-sponsored student loans, expanding the scope of services for students by promoting the integrated development of student loans granted from where the campus located and student-origin-based loans. As at 30 June 2023, the balance of personal RMB loans of the Group's commercial banking business in the Chinese mainland was RMB5,740.968 billion, an increase of RMB59.858 billion or 1.05% compared with the prior year-end.

Private Banking Business

By adhering to the principle of "private banking driven by the Group's strengths", the Bank integrated various capabilities within the Group to improve its private banking product and service systems and created sustainable lifecycle wealth management solutions covering multiple scenarios. It improved its investment strategy information service system and created tailored solutions based on individual customer needs and specific product features, thus supporting customers throughout their investment journey. The Bank accelerated growth in its family trust business, achieving an increase of 52.59% in family trust clients from the end of last year. It continued to improve its

“Entrepreneur Office” services and delivered agile product and service innovations covering entrepreneur clients’ needs, including the implementation of innovative cases such as employee share ownership plans (ESOPs) and enterprise-established charitable trusts. Moreover, the Bank enhanced its overseas private banking services and consolidated its strengths in integrated global services. It accelerated the training and development of private banking professional teams centred on private advisors and investment consultants, and now established 175 private banking centres in the Chinese mainland. As at 30 June 2023, the Group had 172.9 thousand private banking customers with RMB2.69 trillion of financial assets under management. In the first half of 2023, the Bank’s private banking business received various awards including the “Best Private Bank – National (Gold Award)”, “Best Private Bank – UHNW (Gold Award)”, and “Best Private Bank – Investment Services and Research (Gold Award)” from *Asian Private Banker*, the “Best Private Bank for International Network” from *Asiamoney* and the “Jinzhen Award | Best Domestic Private Bank – Customer Service” from *Wealth Management*.

Personal Foreign Exchange Business

The Bank continually improved its personal foreign exchange services, accelerated product and service innovation and promoted the construction and upgrading of currency exchange systems. It also successfully achieved the digital transformation of traditional service processes. The Bank’s self-service foreign exchange machines support e-CNY exchange and offer foreign exchange services in eight languages covering 21 currencies and 169 denominations. In

addition, its foreign exchange cash reservation service is available in major cities in the Chinese mainland and via multiple channels such as mobile banking, WeChat banking and online banking. As at 30 June 2023, the Bank continued to lead its domestic peers in terms of personal cross-border business income, volumes of personal foreign currency exchange against RMB, and foreign currency personal deposits. It also remained the leading position among domestic peers in terms of personal deposit-withdrawal currency coverage, offering 25 currencies, and personal foreign currency cash exchange coverage, offering 39 currencies.

Bank Card Business

The Bank enhanced its comprehensive service capabilities and effectively tapped into its development potential. It established an integrated online and offline service model for social security, optimising physical social security card services while vigorously promoting electronic social security cards. As at 30 June 2023, it had issued a total of 120.5098 million physical and 22.8215 million electronic social security cards. To help improve the quality and efficiency of railway passenger transportation, the Bank expanded the application of offline scan-to-ride services for Railway e-Cards. As at 30 June 2023, this service had been successfully rolled out to 80 railway lines, covering key regions such as the Beijing-Tianjin-Hebei region, Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area, facilitating over 20 million journeys. Responding to the national rural revitalisation strategy, the Bank promoted debit cards themed on rural revitalisation with a total number of 2.22 million debit cards issued as at 30 June 2023. To meet the differentiated needs of various

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customer groups, the Bank introduced a series of digital cards targeting business travel, fashion, sports and other sectors, enhancing its capability to acquire and activate more customers through vertical markets. The Bank adopted a new development pattern for scenario-based instalment business, focusing on large-amount automobile consumption and providing auto financial services for nearly 10 thousand auto dealers. At the same time, the Bank expanded its footprint in the field of new energy vehicle consumption instalment business, achieving steady growth in auto instalment loans. Using mobile payment as a key driver of customer consumption, the Bank launched the “gifts for quick payment” campaign and collaborated with mainstream payment institutions to roll out card-binding and “discount upon purchase” marketing activities. During peak consumption periods such as public holidays and e-commerce shopping festivals, it introduced exclusive “discount upon purchase” offers on e-commerce platforms to facilitate the recovery of consumption. Moreover, recognising the fundamental purpose of consumption, the Bank focused on consumption related to people’s livelihood by meeting customers’ real consumption needs through joint “discount upon purchase” programmes with large shopping malls, catering, tourism, transportation and petrol stations. As at 30 June 2023, the Bank had issued a total of 660.4291 million debit cards and 142.3786 million credit cards. In the first half of 2023, credit card transaction volume amounted to RMB690.228 billion and the total instalment volume of credit cards stood at RMB165.842 billion.

Digital Transformation of Personal Banking

The Bank continued to advance the digital transformation of its personal banking business to support high-quality development. It enhanced its

customer tagging system and upgraded data analysis tools to improve digitally-driven precision marketing. The Bank also promoted online and intelligent wealth management, added investor education and market insights to product pages, launched fund screening tools such as fund metrics and popular sectors, established product evaluation models for funds and other products, and constructed a multi-dimensional product tagging system. It continued to improve the mobile banking customer experience by streamlining the registration and login process and optimising cross-border remittance, security authentication and other basic functions. By upgrading the “Lucky Virtual Travel” simulation game, the Bank guided customers from light-touch gaming tasks to financial missions, enhancing customer engagement. In the first half of 2023, the volume of the Bank’s mobile banking transactions reached RMB31.72 trillion, up 38.27% compared with the same period of the prior year. The number of monthly active mobile banking customers stood at 81.71 million in June.

Financial Markets Business

The Bank closely tracked global financial market dynamics as well as the development direction of the real economy. It stepped up efforts to ensure prudent and compliant operations and continuously adjusted its business structure, thus achieving high-quality development in its financial markets business and consolidating its leading position in the sector.

Securities Investment Business

Regarding RMB bond investment, the Bank strengthened its professional forecasting and analysis of macroeconomic and financial market

trends and focused on achieving a balance between safety, liquidity and profitability, recording positive portfolio performance. It improved active portfolio management, dynamically optimised its investment structure and continued to enhance its capacity to serve the real economy. It supported China's major regional strategies and local economic development, promoted infrastructure construction and maintained its investment in local government bonds. The Bank pushed forward the green transition and high-quality development of China's economy, steadily increasing investments in green bonds and retaining its position as a leading investor in green debt financing instruments. It actively implemented the nation's rural revitalisation strategy by continuously increasing bond investment in the field of rural revitalisation.

Regarding foreign currency securities investment, the Bank seized market opportunities amid rising interest rates and strived to improve portfolio yields. It took active measures to mitigate the adverse impact of the inverted US treasury yield curve, continually optimised its investment structure in terms of products and currencies, and dynamically adjusted its portfolio structure in terms of duration. It also acted decisively to prevent risks, manage market risk and credit risk, and refine the risk structure of its investment portfolios.

Trading Business

The Bank actively fulfilled its responsibilities as a core market-maker and enhanced its comprehensive customer service capabilities to support national strategies and systematically optimise its financial markets business. It sharpened its advantages in financial markets, outperforming the market in terms of volume of foreign currency exchange against RMB,

providing 40 currency pairs available for exchange and leading the domestic market in terms of the total number of tradable foreign currencies. The Bank was recognised as "Best RMB Foreign Exchange Market Maker", "Best Foreign Currency Pair Market Maker" and "Excellent Currency Trading Institution along the Belt and Road" in interbank foreign exchange market rankings. In addition, it maintained the leading position in market-making rankings for precious metals on the Shanghai Gold Exchange and Shanghai Futures Exchange. The Bank's derivatives business for new benchmark interest rates developed steadily, receiving the accolade of "Bond Market Leading Institution of the Year" from China Central Depository & Clearing Co., Ltd. To serve the real economy, the Bank actively promoted the concept of FX risk neutrality and offered comprehensive financial market trading solutions by using of financial market trading instruments to help enterprises enhance their exchange rate risk management. New service models for micro, small and medium-sized enterprises were launched to help them prevent FX risk in extreme circumstances, and inclusive finance hedging services were steadily improved in terms of quality and efficiency. Furthermore, the Bank provided high-quality market-making quotation services for green bonds, with the volume of green bond transactions rising year-on-year. Seizing opportunities arising from the two-way opening up of financial markets, the Bank expanded its overseas institutional investor customer base and promoted quotation services for domestic bonds and derivatives, based on a multi-tier service system integrating trading, sales and research. It successfully launched cross-border "Swap Connect" business, maintained consistent market leadership in cash bond trading with overseas institutions, and won the "Northbound Top Market Maker" award under Bond Connect. To effectively

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guard against risks, the Bank further improved its risk control and management capabilities in order to conduct more forward-looking, proactive and professional analysis of financial markets. In response to market volatilities and risk events in the first half of 2023, it improved its risk screening, risk control system and risk management mechanisms, taking steps to respond to risks quickly and effectively and thus ensure smooth business operations.

Investment Banking Business

The Bank centered on diversified financing needs of customers, fully leveraged the advantages of its globalised operations and diversified business platform to offer clients comprehensive, professional and customised “onshore + offshore” and “financing + intelligence” integrated financial services plans. These plans included financial products and services such as bond underwriting and distribution, asset-backed securitisation (ABS) and professional financial advisory services, and so on. To support the development of China’s multi-layered capital markets and facilitate direct financing for customers, the Bank underwrote bonds in the China interbank market of a total amount of RMB681.106 billion in the first half of the year. Its sales volume of National Association of Financial Market Institutional Investors (NAFMII) credit bonds continued to rank first among peers. The Bank actively promoted its asset-backed securitisation (ABS) underwriting business, maintaining a leading market share in the China interbank bond market. It also pushed forward its credit asset-backed securitisation business, issuing five NPL-based credit asset-backed securitisations with a total issuance volume of RMB3.445 billion during the first half of the year. Furthermore, the Bank promoted the issuance of green bonds by both financial and

non-financial institutions, underwriting a total volume of RMB229.040 billion of green bonds and ranking first in the China interbank market. It further sharpened its competitive advantages in cross-border underwriting business, maintaining 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 strived to strengthen its cooperation with the comprehensive operation companies, supported clients’ needs for mergers and acquisitions, equity financing, project financing, debt restructuring, asset divestitures, cross-border investment and financing, market analysis, policy interpretation, etc., and optimised its professional financial advisory service system.

Asset Management Business

The Asset Management Business Committee of the Bank is responsible for the overall management and top-level design of the Group’s asset management business, while the newly established Asset Management Department promotes the implementation and coordinated development of the Group’s asset management business strategy. During the first half of the year, the Bank captured market opportunities brought about by the nation’s new development stage, in particular continuous growth in personal wealth and the development of “third pillar” private pensions within the retirement system. To achieve this, it strengthened resource integration within the Group, promoted digital transformation, enriched its product lines, enhanced personnel training and bolstered risk penetration management with the goal of systematically advancing the high-quality development of its asset management business and improving customer service efficiency and effectiveness. Actively

responding to development trends in the international asset management market, the Bank facilitated the deepening of financial reforms and the two-way opening-up of the financial sector, push forwarded the construction of overseas asset management platforms, and built up the Bank of China Asset Management (Global) brand. Through the coordinated development of asset management institutions within the Group, it provided individual and institutional investors with a wide range of asset classes, diverse investment strategies and complete investment cycles across both domestic and foreign currency products. As at the end of June 2023, the Bank's AUM stood at RMB3.02 trillion.

Custody Business

The Bank continued to enhance its core operational competitiveness and promote the high-quality development of custody business. It deepened its involvement in pension insurance custody business, establishing seven new pension FOFs in the first half of 2023 and ranking first among Chinese peers. The Bank actively participated in the innovative development of mutual funds and successfully served as custodian for the first hybrid valuation method fund in the market as well as the largest state-owned enterprise reform-themed fund of the year. It responded positively to the transformation and development of the trust industry, achieving rapid growth in the scale of its asset servicing trust property custody business. In addition, the Bank developed innovative service capabilities and supported the optimisation of the Hong Kong Stock Connect trading calendar as well as the full implementation of registration-based IPO system reform. The Bank was recognised as "Best Private Fund Administrator" by *The Asset* in 2022, becoming the first Chinese banking institution to receive this award. As at 30 June 2023, total assets of the Group's custody business reached RMB16.48 trillion.

Digital Transformation of Financial Markets

The Bank continuously enhanced its online service capabilities to offer more convenient customer transactions and proactively advanced key technology projects to accelerate the digital transformation of its financial markets business. In addition, it made steady progress in building its quantitative trading platform, improved its quantitative trading infrastructure, enriched its automated trading strategies and strengthened trading capacity.

Village Bank

BOC Fullerton Community Bank actively implemented the development concept of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". It remained committed to providing modern financial services to county-level micro and small-sized enterprises, individual merchants, wage earners and farmers, developing inclusive finance, and facilitating rural revitalisation. As at 30 June 2023, BOC Fullerton Community Bank controlled 134 village banks with 189 sub-branches in 22 provinces (including municipalities directly under the Central Government), of which 90 banks with legal person status were located in the mid-west region.

It continually improved its product and service system to further, steadily expanding its business scale. As at 30 June 2023, the balances of total deposits and loans of these banks stood at RMB71.778 billion and RMB77.950 billion respectively. The NPL ratio was 2.11%, and the ratio of allowance for loan impairment losses to NPLs was 191.15%. During the first half of 2023, BOC Fullerton Community Bank achieved a profit of RMB158 million.

Management Discussion and Analysis

Globalised Operation

As the most globalised Chinese bank, BOC continued to advance its globalisation agenda and enhance its global services. It actively supported China's new development pattern and high-standard opening up, boosting the domestic economy and facilitating the positive interplay between domestic and international economic flows.

The Bank persistently explored development opportunities to promote the steady and orderly development of all its businesses and further increase its market influence. The Bank helped foster the beneficial interactions between domestic and international markets and resources, promoted trade and investment cooperation, and improved its ability to create value by aligning its own growth with the local economic and social development of the countries and regions in which it operates. In the course of developing its globalised operations, it strengthened its risk management, compliance and safety capabilities, thus ensuring business continuity. In addition, the Bank has been an active contributor to bilateral and multilateral international financial organisations in the formulation of international standards and rules, and used its presence at high-level international conferences to increase China's financial influence. As at 30 June 2023, the Bank's overseas commercial banking business realised customer deposits and loans of USD544.308 billion and USD442.337 billion respectively, an increase of 4.78% and 2.65% compared with the prior year-end. In the first half of 2023, the Bank's overseas commercial banking business achieved a profit before income tax of USD4.536 billion, an increase of 23.09% compared with the same period of the prior year, contributing to 20.22% of the Group's total profit before income tax.

To meet the financial services needs of its global clients, the Bank continued to optimise its global network. As at 30 June 2023, the Bank had established 532 overseas institutions covering 63 countries and regions outside the Chinese Mainland, including 43 BRI partner countries. In June 2023, the Bank of China Representative Office in Papua New Guinea was officially open for business.

The Bank continued to enhance the regionalised management and integrated development of its overseas operations, making steady progress in establishing overseas regional headquarters and implementing mechanisms for improved synergy between institutions in the region. BOCHK strengthened management of its Southeast Asian branches and subsidiaries. Bank of China (Europe) S.A. also made progress in regionalised management and integrated operations; and the launch of the BOC EU Shared Service Centre further improved the quality and efficiency of financial services in the region. In addition, the mechanism for regional synergistic development has been carried out in Latin America, South Asia, and the South Pacific, improving synergy between institutions and enhancing competitiveness in these regions.

The Bank continued to categorise its branches and subsidiaries outside the Chinese mainland based on their distinctive local conditions to invigorate their development. The Bank also reviewed and revised its market-by-market differential development strategies to further strengthen the foundation of safe development, enhance the synergistic services of the Group. In this way, the Bank enhanced its capabilities to support the global development of its customers, and provide high-quality financial services for their "Bringing In" and "Going Global" efforts.

Corporate Banking

The Bank gave full play to its advantages in globalised and integrated operations, kept a close eye on changes in global markets, 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, and facilitate the establishment of a “dual circulation” new development pattern, thus making positive contributions to both China’s economic development and the global economic recovery.

The Bank maximised the advantages of its global institution network and fostered comprehensive cooperation with various types of financial institutions in areas such as clearing, settlement, lending, investment, custody, treasury operations and comprehensive capital market services. As a result, it further expanded its customer base and enhanced its international influence. Responding in a more agile and forward-looking manner to market fluctuations, the Bank provided market advice to overseas institutional customers and promoted the investment value of RMB to medium and long-term investors around the world, resulting in 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 deepened peer communication and cooperation mechanisms to continually strengthen its participation in ESG-related fields worldwide. The Bank pushed forward the establishment of an integrated service mechanism, promoting business linkage and expansion between domestic and overseas corporate banking. In addition, focusing on bilateral trade and customers, the Bank explored business opportunities in bilateral trade and investment and prioritised support to “Bringing In” and “Going Global” customers within its global

development. It achieved steady growth in overseas international settlement and trade finance business, further improved its global strategic synergies and enhanced the quality and efficiency of its customer services. Following the cross-border trade and investment facilitation reform, the Bank leveraged its advantages in global cash management products to provide cross-border centralised fund management services for multinational enterprises, maintaining its leading market share.

Personal Banking

With a focus on meeting local and cross-border financial service needs and leveraging its advantages in globalised operations, the Bank enhanced its service system, optimised product and service functions, and provided customers with account, savings, settlement and electronic channel-based services. It delivered wealth management and private banking services in Hong Kong (China), Macao (China) and Singapore. As at 30 June 2023, the Bank’s personal banking presence covered over 30 countries and regions, serving over six million customers.

Focusing on key areas, the Bank improved its account opening and cross-boundary wealth management offering via its “Greater Bay Area Account Opening” and “Cross-boundary Wealth Management Connect” services for customers in the Greater Bay Area. As at 30 June 2023, the Bank had opened a total of 295.5 thousand accounts via “Greater Bay Area Account Opening”. The total number of subscribers to Northbound and Southbound services under “Wealth Management Connect” amounted to over 40.2 thousand, maintaining a leading share in the market. To meet the needs of overseas customers for personal loans and bank card services, the Bank’s overseas commercial banking operations focused on compliance and pushed forward the sound development of its

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personal loan business, continuously improving its refined management capabilities and recording positive growth in the scale of overseas personal loans in the first half of 2023. The Bank took advantage of cross-border business opportunities to enhance its services for key customer segments and key areas. Catering to the needs of overseas students, cross-border e-commerce customers and cross-border tourists, the Bank aimed to provide convenient credit card service and designed differentiated products, such as Canadian Dollar MasterCard and cross-border Zhenxuan card, while upgrading cardholders' rights and interests for multi-currency credit cards. To boost cross-border tourism business, the Bank launched the "reward points for overseas credit card consumption" campaign and "discount upon purchase" campaigns with leading overseas merchants, increased marketing and publicity for domestic and overseas scenarios and cross-border campaigns via e-commerce platforms and further improve its market influence.

Financial Markets Business

Giving full play to the traditional advantages of international network layout, the Bank adhered to a global vision, proactively responded to changes in the international financial market, provided solid services in overseas financial market, striving to build a high-value international brand in financial markets business.

The Bank made significant strides towards integrating the global management of its investment business. It strengthened international market analysis and strategy research, promoted the bond investment business of its overseas institutions, improving the level of liquidity management and asset returns, proactively managed portfolio duration and continuously strengthened risk prevention and control. Leveraging the globalised and integrated operations of its trading business, the Bank provided 5 × 24 round-the-clock quotation services

to customers worldwide through its operations in Hong Kong (China), London and New York. In line with national strategies, it expanded product coverage at its Hong Kong Offshore RMB Trading Centre and provided RMB market-making and quotation services and RMB futures business in Singapore, South Korea and other countries and regions, thus facilitating RMB internationalisation. Each overseas institution continued to develop its local market by utilising its unique resources and enhancing coordinated regional development, thus steadily improving the comprehensive financial service capabilities offered to customers. The London Trading Centre strengthened its business support for the Bank's branches in Europe and Africa, improving quotation efficiency by enabling branches to use its electronic transaction platform. In the first half of 2023, the Bank underwrote RMB16.785 billion of Panda bonds, ranking first among peers with a market share of 23.67%, and USD1.039 billion of offshore China bonds, ranking first among peers with a market share of 7.15%. It also placed first among Chinese institutions in underwriting Asia (ex-Japan) G3 currency bonds, with an underwriting amount of USD1.674 billion and a market share of 2.36% during the period. Aligned with the national strategy of high-level opening-up, the Bank actively cultivated markets for domestic and overseas cross-border business. Assets under cross-border custody exceeded RMB660.0 billion, making the Bank a leader among its domestic peers. The Bank also held a leading position among Chinese peers in terms of innovative Global Depository Receipt (GDR) custody business.

Clearing Business

The Bank actively contributed to RMB internationalisation and strongly promoted cross-border RMB use, further consolidating its leading edge in international payments. As at 30 June 2023, the Bank's institutions accounted for 13 of the world's

31 authorised RMB clearing banks, continuing to lead its peers. It helped to expand global coverage of the RMB Cross-Border Interbank Payment System (CIPS), with the Group ranking first in the market in terms of the number of CIPS direct participants and indirect participants. In the first half of 2023, the Group's cross-border RMB clearing transactions totalled RMB370.88 trillion, an increase of 0.94% compared with the same period of the prior year, remaining at the forefront of the global market.

Accelerating its Digital Transformation

The Bank accelerated its digital transformation by enhancing its online service channels, to effectively improve customer experience, thus empowering its development in global businesses.

It enriched its online service channels, as to provide customers with efficient and convenient access. Continuing to popularise overseas corporate online banking, the Bank expanded its clearing channels, improved salary payment services, provided differentiated user experience to overseas institutions while consolidating its leading position among Chinese peers in overseas corporate online banking services. As at 30 June 2023, the Bank offered overseas corporate online banking services in 54 countries and regions, as well as in 14 languages including Chinese, English, Korean, Japanese, German, French, Russian, etc. Leading convenient services with mobile banking, the Bank piloted various functions such as QR code and online account opening via mobile banking in its Southeast Asian institutions.

BOCHK

As a banking group listed in Hong Kong and controlled by the Bank, BOCHK upheld the strategy of ensuring stability while pursuing progress, and enhanced its capacity to drive forward robust development. Aiming for high-quality and sustainable development,

it remained committed to its three major markets of Hong Kong, the Guangdong-Hong Kong-Macao Greater Bay Area and Southeast Asia, constantly enhancing regional development, bolstering digital empowerment and optimising service integration. As at 30 June 2023, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD3,771.181 billion and net assets reached HKD334.514 billion. In the first half of 2023, its profit for the period was HKD18.082 billion.

BOCHK remained committed to enhancing the integration of green finance and sustainable development into its business and operations to create win-win situations. In line with market and customer trends towards low-carbon transition, BOCHK enriched its green finance products and enhanced its related services to encourage green and low-carbon living. To facilitate customers' access to new green investment opportunities, it launched the "BOCHK Greater Bay Area Climate Transition ETF", the first exchange-traded fund in the Hong Kong market to track an ESG index with investments in the Guangdong-Hong Kong-Macao Greater Bay Area. It also added an income sustainable strategy fund and a sustainable equity fund to its platform. It further promoted its Green Mortgage Plan to encourage homebuying clients to choose green buildings. Meanwhile, it provided innovative and bespoke financial service solutions to corporate clients to assist them in adopting sustainable business models and accomplishing green development targets. In addition, BOCHK enhanced innovation in its offshore RMB-denominated green finance products and services and successfully executed its first green RMB reverse repo transaction. Committed to achieving its carbon neutrality targets, BOCHK carried out low-carbon and energy-efficient practices in its operations in an orderly manner.

BOCHK deeply cultivated its core market of Hong Kong and consolidated its business foundations and client base to cement competitive advantages.

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BOCHK developed integrated business platforms and collaborative mechanisms to improve its integrated financial service capabilities, with the aim of fulfilling customers' all-round business needs through professional services. As a result, it outperformed local market averages in terms of total customer deposit and loan growth as well as asset quality. BOCHK strengthened its support to key projects, expanded its supply chain finance business and maintained its leading market share as an arranger bank in the Hong Kong-Macao syndicated loan market. It further developed key businesses such as trade financing, as well as payment and settlement services, and secured market leadership in the cash pooling business. BOCHK seized opportunities to continually expand the breadth and depth of its wealth management business and reinforce its leading edge in core wealth management products. To further expand the base of high-end and younger customers, it offered more exclusive products and complementary services for high-end customers while actively promoting a targeted brand for the younger customer segment through the use of innovative service channels and products. BOCHK proactively capitalised on opportunities arising from the border reopening, achieving growth in consumer finance businesses such as credit cards, BoC Pay and BoC Bill. It strengthened financial support for SME customers and promoted the development of inclusive finance by expanding the use of transactional data in the credit approval process for SMEs, with a view to alleviating SMEs' financing pain points and encouraging the resumption of business activities in Hong Kong.

BOCHK strengthened business development in cross-border finance and gave full play to its offshore market advantages to promote RMB internationalisation. Seizing new business opportunities from financial services policy development in the Guangdong-Hong Kong-Macao Greater Bay Area, BOCHK strengthened internal and external collaboration to explore key industries' and target customers' cross-border financing needs within the context of in-depth integration in the Greater Bay Area. It rolled out a

series of cross-border financial service solutions to help corporate customers capture development opportunities in the region. Through its new "BOCHK Cross-Border GO" brand, BOCHK made every effort to provide one-stop cross-border financial services to customers travelling around the globe. In addition, it optimised the product and service suite of "Bank of China Cross-Border Wealth Management Connect". As a result, the aggregate number of accounts opened and the amount of funds remitted or transferred under both Northbound and Southbound services ranked among the top tier in Hong Kong. It continuously improved its RMB service capabilities and steadily pushed forward the opening up of the financial sector. Meanwhile, it facilitated the enhancement of cross-border financial infrastructure so as to widen mutual access, including supporting Northbound trading of Swap Connect, "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect". In alignment with the "HKD-RMB Dual Counter Model" launched by Hong Kong Exchanges and Clearing Limited, BOCHK introduced a dual counter securities trading service on its mobile banking platform, with BOCHK itself being designated as one of the dual counter listed securities under the model. It innovated and popularised RMB products and cultivated the offshore RMB market. To promote RMB usage, BOCHK actively facilitated the expansion of the Cross-border Interbank Payment System (CIPS), with Bank of China (Thai) Public Company Limited being granted a direct participating bank qualification.

BOCHK deepened its regional management to enhance the regional brand and improve the quality and efficiency of its Southeast Asian businesses. BOCHK continued to focus on integrated regional development, acting as a regional headquarters and adopting the organic combination of market-by-market strategies as its template for a differentiated management approach across its regional entities. This aimed to enhance the competitiveness of each of its Southeast Asian institutions. Seizing opportunities arising from economic

and trade ties within the Asia-Pacific region, BOCHK leveraged its synergies to focus on the development of BRI countries and “Going Global” projects as well as large corporate customers in the region. It enriched its structured financing products in Southeast Asia with a view to seeking business opportunities for high-quality syndicated loan projects in the Asia-Pacific region. BOCHK remained committed to promoting the regional development of green finance, with BOCHK Manila Branch and BOCHK Phnom Penh Branch respectively launching the Group’s first bilateral green loan and first social responsibility loan in Southeast Asia. Deepening digital empowerment, BOCHK used its multi-functional mobile banking platform to enhance local customers’ online payment experience and steadily advance the development of a scenario-based personal banking financial service ecosystem. It enriched the service quality of its intelligent Global Transaction Banking (iGTB) platform, with Bank of China (Thai) Public Company Limited and Bank of China (Malaysia) Berhad each launching an iGTB regional e-commerce service. In addition, BOCHK continuously refined its regional risk management mechanism by regularly monitoring and optimising the structure and quality of its credit portfolio, so as to ensure synergy between regional business development and risk management while enhancing its risk management capabilities in market risk, interest rate risk and liquidity risk.

BOCHK continued to reinforce its technological foundations with the aim of becoming a full-scale digital bank and enhancing customer experience. BOCHK comprehensively promoted digital transformation to ensure continuous and effective business operations. It utilised data, business intelligence and ecological approaches to inform product design and service operation, with the aim of facilitating high-quality and seamless customer experiences through omni-channel services. BOCHK consolidated its open banking ecosystems by drawing on different customer segments and ecologies, to provide customers with diversified e-payment channels

for convenient day-to-day spending and travel. It promoted product and service integration through the research and development of high-quality financial products and services. BOCHK also expanded the use of intelligent technology to automate and integrate its operations with the aim of enhancing operational efficiency across all aspects of its businesses. It refined its policies and systems, optimised agile methodologies, nurtured digital-savvy talent and fostered an innovative culture, thus 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 major domestic commercial bank in China to develop comprehensive operations, the Bank engages in such fields as investment banking, asset management, insurance, direct investment, leasing, consumer finance and financial technology. Adhering to the principle of compliant operations, overall planning and coordination and tailored policies, constantly highlighting the main business and exiting areas that deviate from core responsibilities, the Bank promoted high-quality development of comprehensive operation companies with focus on three tasks of serving the real economy, preventing and controlling financial risks and furthering financial reforms.

In the first half of 2023, the synergistic mechanisms between the Bank and its comprehensive operation companies were further optimised. The functions of the Bank’s comprehensive operation and synergy offices were defined, and Group-level communication between the Bank and its comprehensive operation companies was strengthened. Through business competition, the Bank effectively promoted the vibrant and synergistic development of both itself and its comprehensive

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operation companies, with a focus on serving key areas supported by national strategies. In addition, it optimised both the Group-wide management and control mechanism and performance evaluation mechanism of its comprehensive operations, as well as enhancing its penetration management capabilities. Furthermore, the Bank refined its corporate governance structure, promoted the management mechanism of serving their full-time directors and supervisors, and stepped up efforts to assist directors and supervisors in the performance of their duties and relevant decision-making and improved the quality and efficiency of its corporate governance.

Investment Banking Business

BOCI

The Bank is engaged in investment banking business through BOCI. As at 30 June 2023, BOCI had an issued share capital of HKD3.539 billion, total assets of HKD71.483 billion and net assets of HKD21.582 billion. In the first half of 2023, BOCI realised a profit for the period of HKD746 million.

BOCI proactively integrated itself into the new development pattern of domestic and international dual circulation, to promote the high-quality development of wealth management and asset management. It assisted the listing of five IPOs on the Main Board of the Hong Kong Stock Exchange (HKEX), raising total funds of over HKD2.856 billion. BOCI continued to promote cooperation between Chinese and Arab States' enterprises, supporting the dual circulation development strategy. It underwrote sustainability bonds totalling USD1.645 billion in aggregate, helping the Bank to maintain a leading position among Hong Kong peers in terms of total underwriting volume. Furthermore, acting as the sole ESG rating advisor, it assisted the client in successfully obtaining its first-ever low-risk ESG rating from Sustainalytics, setting an industry benchmark. BOCI expanded its equity

investment and private equity fund management business and successfully obtained listing approval for an equity investment project. It enhanced its private banking service capabilities by expanding its trust management services, managing 44 trusts with trust assets exceeding HKD5.0 billion. BOCI implemented the Group's wealth finance strategy, optimised its wealth management services and accelerated the transformation of its traditional brokerage business towards wealth management. It continued to advance its digital transformation and improved its mobile securities services. In addition, BOCI enhanced its asset management capabilities. BOCI-Prudential Asset Management Limited, a subsidiary of BOCI, ranked fifth and second respectively in the Hong Kong Mandatory Provident Fund (MPF) and Macao Pension Fund markets. Sixteen of BOCI's eligible funds have been authorised to be offered under the "Cross-boundary Wealth Management Connect" services in Hong Kong, and BOCI cooperated with BOCHK to launch the Greater Bay Area Climate Transition ETF, which was listed on the HKEX. It continued to facilitate the internationalisation of the onshore commodity futures market and assisted with the low-carbon transformation of energy enterprises.

BOCI China

The Bank is engaged in securities-related business in the Chinese mainland through BOCI China. As at 30 June 2023, the registered capital of BOCI China was RMB2.778 billion.

BOCI China promoted business transformation through technological empowerment with a focus on the wealth management needs of individual clients. It constructed a customer-centric product system, refined its comprehensive service process for wealth management and improved the service capability of its investment advisors. Deepening its synergistic advantages in areas such as "investment banking + commercial banking", "investment banking + investment" and "domestic + overseas", BOCI China shifted its investment

banking business focus towards transaction-driven comprehensive financial services with a targeted focus on key client groups and key industries. It supported the national strategy of self-reliance in advanced science and technology as well as the green development strategy, serving as the sole lead underwriter of China's most heavily over-subscribed technological innovation bond, as well as the country's first incubation-themed technological innovation corporate bond to be rated AA+. Meanwhile, its asset management business continued to shift its focus towards active management services and further improved its customer service capabilities. In addition, the brand reputation of BOCI China's research products was further enhanced.

(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 2023, BOCIM's registered capital amounted to RMB100 million, its total assets stood at RMB6.383 billion and net assets totalled RMB5.396 billion. In the first half of 2023, BOCIM realised a profit for the period of RMB391 million.

BOCIM steadily expanded its asset management business, maintained sound internal control and risk management and continually improved its brand and market reputation. By focusing on investment research and fund products design, it implemented the necessary business planning to realise BOC's strategic aims. BOCIM launched five funds during the first half of this year, and its pension fund-of-funds were included in the list of the national individual pension funds. As at 30 June 2023, BOCIM's AUM reached RMB561.226 billion. Specifically, its publicly-offered funds reached

RMB455.231 billion and its publicly-offered funds excluding money market funds reached RMB267.945 billion.

BOC Wealth Management

The Bank is engaged in wealth management business in the Chinese mainland through BOC Wealth Management. BOC Wealth Management provides 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 2023, BOC Wealth Management recorded registered capital of RMB10.000 billion, total assets of RMB16.694 billion and net assets of RMB15.895 billion. In the first half of 2023, BOC Wealth Management realised a profit for the period of RMB919 million.

BOC Wealth Management promoted high-quality development in the wealth management business. As at 30 June 2023, its AUM reached RMB1,609.771 billion. It established an investment research system based on the real economy and increased investment in advanced equipment, new energy and other advanced manufacturing areas, thus promoting economic recovery. To support national strategies for technology and green development, BOC Wealth Management refined the structure of its technology and green-themed products and channelled more capital into key areas of policy priority, thus contributing to the consolidation and refinement of China's industrial system. It also strengthened its advantages in cross-border business, refined its foreign currency and cross-border wealth management product system and maintained a leading position in the market in terms of product diversity and scale. BOC Wealth Management also supported the national strategy for actively responding to the aging population. It facilitated the development of the third pillar of China's pension insurance system (i.e. private pensions), and became one of the first wealth management companies to

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launch a personal pension business, introducing five personal pension wealth management products during the period. It innovated products of its “public welfare + wealth management”, and supported China Education Development Foundation to establish the “Special Training Plan for On-site Engineers Scholarship”. It served the national rural revitalisation strategy, rolling out themed wealth management products in a bid to develop new financial service models. It continued to expand its sales channels in order to consolidate its customer base, realising product sales through external institutions and sales channels. In addition, it strengthened its comprehensive risk management system, promoted technological empowerment in business development and risk management, and firmly adopted bottom line thinking, thereby preventing and defusing risks.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at 30 June 2023, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD12.003 billion and net assets of HKD4.422 billion. In the first half of 2023, BOCG Insurance recorded written premiums of HKD1.739 billion and a profit for the period of HKD172 million.

BOCG Insurance actively served national strategies and focused on addressing key issues, identifying gaps and preventing risks. Following the principle of seeking progress while ensuring stability and enhancing its capacity to drive forward robust development, it emphasised quality and adhered to industry best practices so as to achieve sustainable and featured development. BOCG Insurance made efforts to adjust its structure, improve quality of development and increase profitability, thus achieving sound progress in the market share. It embarked on a comprehensive

digital transformation in order to promote digital empowerment, achieving leadership in the Hong Kong market, introduced and trialled the IFRS 17 system. Firmly adopting bottom line thinking, BOCG Insurance implemented comprehensive risk management and maintained an appropriate balance between growth and security. At the same time, it deepened Group-wide coordination and cross-border collaboration, rolling out Hong Kong’s first cross-border vehicle insurance product under the “Northbound Travel for Hong Kong Vehicles” Scheme. BOCG Insurance actively performed its social responsibilities. It accelerated product innovation, strengthened support for small and medium-sized enterprises, and facilitated the development of the real economy. Adhering to the principle of high-quality development, it enriched its ESG polices, refined its management structure and achieved sustainable growth.

BOC Life

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at 30 June 2023, BOC Life’s issued share capital was HKD3.538 billion. Its total assets amounted to HKD182.676 billion and net assets amounted to HKD5.718 billion. In the first half of 2023, its profit for the period was HKD604 million.

BOC Life strengthened business collaboration with BOCHK and expanded its tied agent workforce to build a product sales chain with higher business value. It remained committed to product innovation and launched the “Star Legacy Private Wealth Whole Life Plan” to provide customers with one-stop insurance solutions covering life insurance protection, wealth appreciation and wealth inheritance. BOC Life seized opportunities to gain first-mover advantage from the border reopening between Hong Kong and the Chinese mainland by launching a series of business projects. It also actively participated in preparatory work for establishing insurance service centres in the Guangdong-Hong Kong-Macao Greater Bay Area

to promote connectivity of insurance markets in the region.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at 30 June 2023, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB15.150 billion and net assets of RMB5.242 billion. In the first half of 2023, it realised written premiums of RMB3.606 billion and a profit for the period of RMB151 million.

BOC Insurance gave full play to its role in insurance risk management, economic compensation and social governance, actively served key national strategies and supported the development of the real economy. In the first half of 2023, it provided new insurance coverage of RMB16.70 trillion, processed over 670.4 thousand claims, and paid out over RMB1.503 billion on insurance indemnities. To support the implementation of the Group's development strategy, BOC Insurance proactively integrated itself into the building of key business scenarios and reinforced bank-insurance collaboration, adding value to the Group's comprehensive financial services offering through its insurance products and services. It strengthened technological empowerment and focused on digital transformation, aiming to shift towards an online, intelligent and platform-based business model. As part of its efforts to establish a sound ESG governance and management system, BOC Insurance formulated a three-year green insurance development plan and green finance development measures, strengthened ESG information disclosure and publicity, and promoted the transformation and upgrading of its governance framework. It also developed its comprehensive risk management system and enhanced its solvency and

risk management capabilities. By improving its long-acting internal control and compliance management mechanisms, it intensified AML and sanctions compliance management and put in place more prudent and rigorous risk control. BOC Insurance maintained an "A-" credit rating and "stable" outlook from Standard & Poor's for the ninth 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 2023, BOC-Samsung Life's registered capital stood at RMB2.467 billion, total assets amounted to RMB79.365 billion and net assets amounted to RMB1.769 billion. In the first half of 2023, BOC-Samsung Life recorded written premiums and premium deposits of RMB15.919 billion and a profit of RMB83 million.

BOC-Samsung Life maintained its focus on value with an emphasis on long-term savings and risk protection business. It proactively integrated itself into the Group's wealth management system and promoted premium trust services for private banking customers. It increased the supply of protection products such as whole life insurance, accident insurance and medical insurance, and launched featured products such as "BOC Zhen'ai Jiachuan Whole Life Insurance", "An'ning Comprehensive Accident Insurance", "Lucky Star Comprehensive Accident Insurance (internet exclusive)", and "Anxinbao Health Insurance". In line with the principle that finance should serve the real economy, BOC-Samsung Life invested RMB4.705 billion in inclusive finance, FinTech and green finance. In addition, it utilised technology to enhance its operations and services, introducing a series of smart services such as intelligent audio-video recording, intelligent outbound call, intelligent claim settlement and online claim payment, thus effectively improving the customer experience.

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Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment's business scope includes private equity investment, fund investment and management, real estate investment and management and special situation investment. As at 30 June 2023, BOCG Investment recorded issued share capital of HKD34.052 billion, total assets of HKD141.205 billion and net assets of HKD75.434 billion. In the first half of 2023, it recorded a profit for the period of HKD657 million.

BOCG Investment vigorously supported national strategies and accelerated transformation and development. It steadfastly supported the development of real economy, with focus on investing in "specialised, refined, featured and innovative" small and medium-sized enterprises. It persisted in "taking root in Hong Kong, serving Hong Kong and developing Hong Kong", while closely monitoring development opportunities arising from Hong Kong's Northern Metropolis, actively promoting the development of the Guangdong-Hong Kong-Macao Greater Bay Area. It also explored investment opportunities in Southeast Asia and increased efforts to identify new "Bringing In" and "Going Global" projects. It reinforced synergy and coordination within the Group, including exploring the "three-in-one" collaborative business model of "commercial banking, investment banking and investment" to provide lifecycle financial services to enterprises.

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 2023, the registered

capital of BOC Asset Investment was RMB14.500 billion, with total assets and net assets standing at RMB88.544 billion and RMB22.310 billion respectively. In the first half of 2023, it realised a profit for the period of RMB1.801 billion.

Committed to the national strategy of expanding domestic demand and deepening supply-side structural reform, BOC Asset Investment conducted debt-for-equity swap business in support of the high-quality development of the real economy. In the first half of 2023, BOC Asset Investment launched several debt-to-equity swap projects in the fields of new energy vehicles, new types of energy storage, energy conservation and environmental protection, etc., and set up debt-to-equity swap funds, in order to reduce enterprises' leverage ratios in the model of "debt-for equity swap +" and meet their diverse financial needs. As at 30 June 2023, the Bank's cumulative market-oriented debt-for-equity swap business reached RMB220.902 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 2023, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD22.918 billion and net assets of USD5.358 billion. In the first half of 2023, it recorded a net profit after tax for the period of USD262 million, its best performance since 2020. This reversed the loss recorded in the same period last year, which was affected by the write down to zero of the value of aircraft formerly leased to airlines in Russia.

BOC Aviation continued to implement its proactive business strategy and steadily promoted its standing in the aircraft leasing industry and achieved sustainable growth. Actively supporting the BRI, it had leased 60% of its aircraft to relevant countries and regions as at 30 June 2023. Continuing to closely track customer demand, the Company took delivery of 15 new aircraft, as it expanded its owned fleet. These aircraft were all delivered on long-term leases. During the first half of 2023, BOC Aviation signed 45 leases for aircraft while focusing on high-quality development goals and steadily expanding its business and its fleet is currently on lease to a total of 91 customers in 42 countries and regions. The Company consistently sought to optimise its asset structure and improve its sustainable development. It sold three owned aircraft and one owned engine during the first half of 2023, leaving it with an average owned fleet age of 4.7 years (weighted by net book value) as at 30 June 2023, one of the youngest aircraft portfolios in the aircraft leasing industry.

(Please refer to BOC Aviation's interim report 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. As at 30 June 2023, BOCL recorded registered capital of RMB10.800 billion, total assets of RMB47.343 billion and net assets of RMB10.501 billion.

BOCL focused on the nation's strategic regions and key industries, upheld the philosophy of specialised and differentiated operations with unique features, highlighted the featured characteristics of financial

leasing, and refined and strengthened its leasing brand. As at 30 June 2023, BOCL had conducted a total of RMB73.594 billion of financial leasing business, with the proportion of green leasing within its total leasing business reaching 38.1%. The Company's leasing business included smart transportation, renewable energy, advanced manufacturing, water recycling, energy conservation and environmental protection, representing practical steps to improve the quality and efficiency of its services to the real economy.

Consumer Finance

BOC Consumer Finance

The Bank is engaged in consumer loan business in the Chinese mainland through BOC Consumer Finance. As at 30 June 2023, BOC Consumer Finance's registered capital stood at RMB1.514 billion, total assets amounted to RMB67.001 billion and net assets were RMB8.785 billion. In the first half of 2023, it recorded a profit for the period of RMB282 million.

BOC Consumer Finance pursued high-quality development, adhered to compliance-oriented management and accelerated digital transformation. It innovated services and strengthened business management for new urban residents, rural revitalisation, consumer protection and other fields, continued to improve customer experience and market competitiveness, and achieved steady and sustained business growth. As at 30 June 2023, it registered a loan balance of RMB66.282 billion, an increase of 7.25% compared with the prior year-end. The balance of online loans accounted for 55.10% of all loans, an increase of 2.86 percentage points compared with the prior year-end.

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Financial Technology

BOC Financial Technology

The Bank is engaged in financial technology innovation, software development, platform operation and technical consulting services through BOC Financial Technology. As at 30 June 2023, the registered capital of BOC Financial Technology was RMB600 million, with total assets and net assets standing at RMB962 million and RMB695 million respectively.

BOC Financial Technology supported the Group's digital transformation with high-quality services, deeply engaged in key projects such as the OASIS project and data governance, pushed for the development of the Group's next-generation independent and controllable systems for integrated AML, risk, audit, etc., and continued to promote product optimisation in credit, data and other businesses. It focused on asset management, insurance, consumption and other key sectors to empower the Group's comprehensive operation, established industry-leading asset management technology platforms, and launched the IFRS 17 end-to-end solutions to independent intellectual property rights, further strengthening the services and support for customers. Taking root in scenario-based non-finance business, the Bank launched "smart business treasurer", "BOC Corporate e-Manager" and other digital products for enterprise operation to help improve the operational efficiency of enterprises. Driving the development of science and technology through innovation, BOC Financial Technology gained

a leading edge in emerging fields such as AI ethics research and privacy computing, thus constantly enhancing the market influence of the Group's "finance + technology" brand.

Service Channels

Focusing on customer experience, the Bank embraced digital transformation as the key driver of the development and upgrading of its service channels, 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

Committed to empowering its business with technology, the Bank reinforced efforts to expand its online channels and upgrade its mobile banking services, thus maintaining rapid growth in online business. As at 30 June 2023, its e-channel transaction volume reached RMB184.81 trillion, an increase of 10.46% compared with the same period of the prior year. Among this, the volume of the Bank's mobile banking transactions reached RMB31.72 trillion, up 38.27% compared with the same period of the prior year. The number of monthly active mobile banking customers stood at 81.71 million, making mobile banking the online channel with the largest number of active customers.

Unit: million customers, except percentages

Items	As at	As at	Change (%)
	30 June 2023	31 December 2022	
Number of corporate online banking customers	7.8984	7.2301	9.24%
Number of personal online banking customers	199.0597	199.2816	(0.11%)
Number of mobile banking customers	264.1686	254.4137	3.83%

For corporate banking customers, the Bank constructed a comprehensive Group-wide financial e-portal by accelerating its digital transformation. It diversified the functions of its corporate online banking channels, launched brand new functions such as remittance from/to FT accounts, remittance from/to NRA accounts, certificates of deposit (CDs) transfer, "Bank-Derivatives Link", B2B payment using Digital Currency Electronic Payment (DCEP) and escrow accounts for stock-pledging. In terms of corporate mobile banking, the Bank upgraded its cross-border mobile banking service by introducing the three service areas of "cross-border products hub", "cross-border tool box" and "cross-border bulletin board", successfully integrating cross-border services including the collection, settlement and payment of foreign exchange, supporting letters of credit, guarantee, inclusive finance loans, wealth management and other auxiliary services such as foreign exchange quotation and currency calculators. The Bank also continued to refine the corporate banking services provided through its official WeChat account, introducing new functions such as account change notification.

For personal banking customers, the Bank constantly improved its mobile banking service capabilities. In wealth management, it launched new investment tools including data-based fund selection, automatic investment plans (AIP) and an index section, and provided investor education and market insights. In terms of cross-border services, the Bank newly supported multiple currencies sales for overseas Chinese employees online remuneration exchange and optimised the cross-border remittance process. It upgraded its "Lucky" brand, and the "Lucky Virtual Travel" was developed with a strong feature of culture and tourism background, promoting user conversion. As at 30 June 2023, the cumulative user of "Lucky Virtual Travel" exceeded 17 million. The Bank continued to upgrade the overseas versions of its mobile banking platform, offering specialised functions with regional features to improve customer experience. For example, the "E-transfer" e-mail transfer function was provided in Canada, outward remittance to other

domestic banks was added in Japan, eGIRO service was introduced in Singapore, and self-service registration function was added in Australia. As of 30 June 2023, the Group's overseas mobile banking services covered 30 countries and regions, providing up to 17 categories of services and were available in 12 languages. In addition, the Bank further enhanced the digital risk control capacity of its online channels. In the first half of 2023, its "Cyber Defence" smart risk control and prevention system monitored 4,295 million transactions through online channels in real time, up by 9.69% compared with the same period of the prior year. The Bank continued to carry out anti-phishing monitoring, identifying and closing 570 phishing websites and APP download links in the first half of the year. The game "Lucky Virtual Travel", available through mobile banking, won the "6th (2023) Digital Finance Innovation Competition – Full Glory Award" from www.cebnet.com.cn.

Offline Channels

The Bank continually optimised the outlets layout and utilised digital tools to stimulate high-quality development momentum, so as to improve service capability of grass-roots outlets and promote the outlets transformation.

The Bank introduced smart screens in lobbies to support the coordinated publication and full-process digital management of marketing and promotional information at outlets, building a digital lobby-based marketing and promotional system that is green, tidy, safe and efficient. Meanwhile, it promoted the deployment of tablet-version smart counters in rural areas, effectively expanding financial services coverage and enhancing its off-site service capabilities. It improved its differentiated outlet management system. Based on local situations, it constructed featured outlets focused on technology finance, green finance, inclusive finance and cross-border finance, etc. It also refined featured outlets' products, services, business models and software/hardware resource allocation so as to stimulate outlets' vitality through featured businesses.

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As at 30 June 2023, the Bank's commercial banking institutions in the Chinese mainland (including Head Office, tier-1 branches, tier-2 branches and outlets) totalled 10,304. The number of other institutions in the Chinese mainland totalled 632, and the number of its institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions totalled 532.

Information Technology Development

Based on the Group's comprehensive digital transformation strategy, the Bank consolidated its FinTech foundations, enriched its FinTech innovation ecosystem and promoted the close integration of the digital economy and the real economy to make its financial services more accessible, convenient and accurate.

The Bank made significant progress towards taking its OASIS project to the new stage. It successfully completed the nationwide promotion of new-generation debit card and credit card systems, thus enhancing two basic financial products. It also rebuilt the bottom framework and upgraded the service capabilities of its digital banking system, and provided customers with a new digital banking experience that is more intelligent, secure and attuned to their needs. It re-engineered and upgraded the Group's integrated AML system so as to refine business processes using component-oriented design philosophy and enable more targeted risk management using data, allowing for more effective and efficient in-process management of money laundering risk. The Bank also made continuous efforts to improve its technology platform, and significantly improved its capabilities in business response, document approval and forwarding, distributed accounting verification and transaction authorisation. In addition, it offered round-the-clock online and offline services, enhanced its capacity to support "flash sale" and other payment scenarios, and enabled stable operations across billions of cards, hundreds of millions of daily average transactions, 20,000+ peak transactions per second (TPS), millions

of in-process financial monitoring and ongoing mass-scale big-data analysis. As a result, the Bank further consolidated its digitalised technology base and provided stronger support to its business development and smooth operations.

FinTech innovation generated new growth drivers. The Bank stepped up efforts to apply new technologies across various scenarios. It continued to expand the application of blockchain in payment settlement, fund supervision, bond issuance, data sharing and trade finance. Based on edge computing technology, the Bank facilitated the intelligent security guard in outlets. It also accelerated the building of enterprise-level technology platforms related to Internet of Things (IoT), privacy computing and artificial intelligence, and constantly enriched the application scenarios of enterprise-level components. Through the open competition mechanism selecting leaders and corporate research, the Bank enriched the reserves of emerging technologies such as large models, the Metaverse and quantum computing. In the first half of 2023, 1,510 patents were applied and 376 were newly granted. The Bank maintained the leading position in the industry in terms of the number of blockchain patent applications.

New progress was achieved in the digitalisation of key areas. The Bank incorporated intelligent recommendations, dynamic themes and other technical applications into its mobile banking, and improved the front-end experience for wealth management, consumer finance and key customer group services. It launched a new version of corporate online banking system featuring refined functions including preliminary contracting, fee and tax payment, "Rong Yi Xin" and e-CNY B2B payment. The business treasurer system provided globalised, intelligent, customised and scenario-based financial solutions. "BOC Corporate e-Manager", a cloud-based platform was established to integrate enterprise management and financial services.

Risk Management

The Bank continued to improve its risk management system in line with the Group's strategies. It refined its risk management structure, optimised mechanisms and processes, expanded risk management tools, consolidated its foundations and strengthened its comprehensive risk management system to ensure the sustainable and robust operation of the Group. Thoroughly adhering to regulatory requirements, it enhanced rectification and accountability, closely followed up the development of domestic new capital regulation and made preparations for the implementation of Basel III, so as to ensure compliance in operations. A closed-loop risk management system was established and refined. The Bank continued to investigate major potential risks and defend the bottom line that no systemic financial risk should occur. It actively improved the risk management system of its comprehensive operation companies and continuously enhanced the effectiveness of consolidated management and control at the Group level. Furthermore, the Bank introduced risk data governance in an orderly manner and accelerated the digital transformation of its risk management, achieving rapid progress in developing an intelligent risk control system and enhancing its ability to identify, warn, detect and dispose of risks at an earlier stage.

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.

Focusing on national strategies and strictly adhering to regulatory requirements, the Bank continuously optimised its credit structure by fully taking into

account the market environment and its business characteristics. It further developed its industrial policy system, revised industry guidelines for credit granting and improved the management of its asset portfolios. Committed to aligning financial supply to the real economy, the Bank improved the accuracy of its capital investment and offered effective services to support key areas and weak links of the economy, with a focus on the modern industrial system, infrastructure construction investment projects, the virtuous cycle of "technology – industry – finance", green credit, energy industry, people's livelihood consumption, new urbanisation, rural revitalisation and other priority areas.

The Bank strengthened its unified credit granting management and further centralised its comprehensive credit risk management. It continuously improved the long-acting credit management mechanism, optimised the control mechanism of credit concentration risk and enhanced the "full-coverage and penetrating" asset quality screening and monitoring system. Furthermore, it improved the screening and monitoring of key risk areas and the effectiveness of potential risk identification, early warning, control and mitigation. The Bank also enhanced the supervision of risk analysis and asset quality management in key regions and strengthened window guidance, inspection and post-assessment across its business lines. In addition, it constantly identified, measured and monitored large exposures in line with related large-exposure management requirements.

In corporate banking, the Bank optimised the industry structure of its credit portfolio through refined limit management, controlling the orientation and structure of loans. It enhanced credit management of energy-intensive industries with high emissions. It also promoted the steady and healthy development of the

Management Discussion and Analysis

real estate market by meeting the sector's reasonable financing needs, promoting a smooth transition towards a new industrial development model, and preventing and mitigating the risks of local government debt. In personal banking, the Bank acted in accordance with regulatory requirements and business development needs arising from new situations, and facilitated the steady development of its personal credit business.

The Bank stepped up efforts to mitigate NPAs, consolidated its asset quality and prevented and resolved financial risks. It adopted the refined management of NPA projects, conducting differentiated strategies and making breakthroughs in key areas so as to improve the quality and efficiency of NPA disposal. The Bank expanded its NPA disposal channels and carried out the securitisation of non-performing bank card and personal credit 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-balance sheet 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 asset quality.

As at 30 June 2023, the Group's NPLs⁴ totalled RMB246.882 billion, an increase of RMB15.205 billion compared with the prior year-end. The NPL ratio was 1.28%, a decrease of 0.04 percentage points compared with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB465.108 billion, an increase of RMB27.867 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 188.39%, a decrease of 0.34 percentage points compared with the prior year-end.

⁴ 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 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Group				
Pass	18,729,634	97.49%	17,038,462	97.33%
Special-mention	236,191	1.23%	235,654	1.35%
Substandard	123,868	0.64%	104,331	0.60%
Doubtful	75,289	0.39%	60,569	0.35%
Loss	47,725	0.25%	66,777	0.37%
Total	19,212,707	100.00%	17,505,793	100.00%
NPLs	246,882	1.28%	231,677	1.32%
Chinese mainland				
Pass	15,647,043	97.53%	14,112,677	97.32%
Special-mention	187,325	1.17%	185,702	1.28%
Substandard	103,165	0.64%	85,155	0.59%
Doubtful	60,466	0.38%	53,216	0.37%
Loss	44,857	0.28%	64,033	0.44%
Total	16,042,856	100.00%	14,500,783	100.00%
NPLs	208,488	1.30%	202,404	1.40%

Migration Ratio

Unit: %

Items	For the six-month period ended 30 June 2023		
	(annualised)	2022	2021
Pass	1.15	1.03	0.81
Special-mention	39.44	20.63	27.85
Substandard	47.67	31.80	66.11
Doubtful	33.37	10.43	22.76

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Distribution of Loans and NPLs by Industry

Unit: RMB million, except percentages

Items	As at 30 June 2023				As at 31 December 2022			
	Loans	% of total	NPLs	NPL ratio	Loans	% of total	NPLs	NPL ratio
Chinese mainland								
Corporate Loans								
Commerce and services	2,418,177	12.59%	40,111	1.66%	1,974,498	11.28%	33,486	1.70%
Manufacturing	2,171,416	11.30%	36,948	1.70%	1,808,808	10.33%	34,275	1.89%
Transportation, storage and postal services	1,871,049	9.74%	12,124	0.65%	1,744,422	9.96%	10,959	0.63%
Real estate	846,173	4.40%	43,200	5.11%	773,828	4.42%	55,966	7.23%
Production and supply of electricity, heating, gas and water	895,788	4.66%	13,651	1.52%	738,758	4.22%	13,119	1.78%
Financial services	761,418	3.96%	163	0.02%	659,443	3.77%	20	0.00%
Water conservancy, environment and public utility administration	436,344	2.27%	4,806	1.10%	361,108	2.06%	1,947	0.54%
Construction	411,111	2.14%	3,726	0.91%	328,921	1.88%	2,838	0.86%
Mining	195,627	1.02%	4,800	2.45%	167,351	0.96%	4,802	2.87%
Public utilities	224,609	1.17%	4,588	2.04%	206,004	1.18%	3,539	1.72%
Others	68,879	0.36%	1,459	2.12%	55,443	0.31%	1,375	2.48%
Total	10,300,591	53.61%	165,576	1.61%	8,818,584	50.37%	162,326	1.84%
Personal loans	5,742,265	29.89%	42,912	0.75%	5,682,199	32.46%	40,078	0.71%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	3,169,851	16.50%	38,394	1.21%	3,005,010	17.17%	29,273	0.97%
Total of the Group	19,212,707	100.00%	246,882	1.28%	17,505,793	100.00%	231,677	1.32%

The Bank continued to optimise its credit structure and stepped up its efforts to support the real economy. As at 30 June 2023, loans to the manufacturing sector totalled RMB2,171.416 billion, an increase of RMB362.608 billion or 20.05% compared with the prior year-end. Loans to enterprises engaged in the production and supply of electricity, heating, gas and water totalled RMB895.788 billion, an increase of RMB157.030 billion or 21.26% compared with the prior year-end. Loans to the water conservancy, environment and public utility administration sectors totalled RMB436.344 billion, an increase of RMB75.236 billion or 20.83% 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 2023, the Group's Stage 1 loans totalled RMB18,632.372 billion, accounting for 97.00% of total loans; Stage 2 loans totalled RMB330.122 billion, accounting for 1.72% of total loans; and Stage 3 loans totalled RMB246.289 billion, accounting for 1.28% of total loans. In the first half of 2023, the Group's impairment losses on loans and advances stood at RMB61.997 billion, an increase of RMB16.421 billion compared with the same period of the prior year. The credit cost was 0.68%, up 0.12 percentage points compared with the same period of the prior year. Please refer to Notes III.16 and IV.1 to the Condensed Consolidated Interim Financial Statements 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.

Indicators	Regulatory standard	Unit: %		
		As at 30 June 2023	As at 31 December 2022	As at 31 December 2021
Loan concentration ratio of the largest single borrower	≤10	2.0	2.2	2.3
Loan concentration ratio of the ten largest borrowers	≤50	13.1	12.7	12.8

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 2023.

Unit: RMB million, except percentages

	Industry	Related parties or not	Outstanding loans	% of total loans
Customer A	Transportation, storage and postal services	No	62,776	0.33%
Customer B	Financial services	No	58,544	0.30%
Customer C	Commerce and services	No	48,476	0.25%
Customer D	Transportation, storage and postal services	No	39,045	0.20%
Customer E	Financial services	No	37,785	0.20%
Customer F	Transportation, storage and postal services	No	35,960	0.19%
Customer G	Transportation, storage and postal services	No	35,339	0.18%
Customer H	Manufacturing	No	32,552	0.17%
Customer I	Production and supply of electricity, heating, gas and water	No	29,200	0.15%
Customer J	Financial services	No	28,185	0.15%

Market Risk Management

In response to changes in the market environment, the Bank took prudent steps to manage market risk and its spillover effects, and made necessary adjustments ahead of schedule under new regulations, including changes to its market risk measurement system and management mechanism, promoting continuous improvement in its market risk management system and management quality and efficiency.

To proactively cope with a complex external environment, the Bank improved its closed-loop risk management mechanism and took prudent measures to prevent and mitigate the spillover effects of emergency events on market risk and other risks. It enhanced market risk management and guidance for overseas institutions, creating stronger management foundations in terms of systems, data and models and thus effectively preventing and mitigating risks and challenges. The Bank also promoted digital transformation in market risk management and

initiated an independent and controllable market risk management programme. For more information regarding market risk, please refer to Note IV.2 to the Condensed Consolidated Interim Financial Statements.

The Bank continued to strengthen risk control of its securities investment activities, bolstering early warning of domestic bond market default risks and reinforcing the tracking of the Chinese offshore USD bond market. It enhanced its post-investment monitoring and early-warning capabilities, continuously consolidating the asset quality of its bond investment business. In addition, it further strengthened the Group-wide coordinated management of the risks arising from asset management business.

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 comprehensively considering factors such as the Bank’s risk appetite and risk profile as well as macroeconomic and market conditions, so as to achieve a reasonable balance between risk and return and thus maximise shareholder value.

The Bank closely monitored changes in the domestic and international economic situation, market fluctuations and banking industry risk events. It conducted risk inspections and stress tests, made timely adjustments to the structure of its assets and liabilities, optimised its internal and external pricing strategy, implemented risk hedging and strengthened branch management, thus controlling the Bank’s IRRBB at a reasonable level.

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

to ensuring that liquidity demand is met in a timely manner and at a reasonable cost.

In the first half of 2023, inflation levels in developed economies peaked and fell but remained persistently high, while risk events in the US and European banking industries triggered intense fluctuations in financial markets. Together, these factors posed multiple challenges to the Bank’s liquidity risk management. Adhering to the principal of 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. The Bank closely monitored overseas emergency liquidity stress events, conducted monthly analysis of liquidity risk, controlled currency and duration mismatches in its portfolios and maintained sufficient liquidity. It enhanced liquidity risk management at the Bank and Group level, including branches, subsidiaries and business lines. It devised thorough liquidity risk management policies and contingency plans, periodically re-examined liquidity risk limits, further 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. The Bank also continually improved its liquidity stress-testing scheme. In addition to the quarterly routine stress tests, the Bank carried out special stress tests in response to the changes in the macro environment. These tests indicated that the Bank had adequate payment ability to cope with distressed scenarios.

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As at the end of June 2023, the Group's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio and loan-to-deposit ratio are 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 2023	As at 31 December 2022	As at 31 December 2021
Liquidity ratio	RMB	≥25	48.3	49.0	49.6
	Foreign currency	≥25	70.4	72.6	69.9
Loan-to-deposit ratio ⁵	RMB and foreign currency		81.7	82.9	82.5

Reputational Risk Management

The Bank earnestly implemented regulatory requirements on reputational risk management, continued to enhance its reputational risk management system and mechanisms, 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, 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 expanded reputational risk management training so as to enhance employees' awareness and foster a strong 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 risk warning and prevention, thus improving the Group's level of operational compliance.

The Bank established and implemented 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 risks and controls. They undertake self-directed risk control and management functions in the course of their business operations, including formulating and implementing policies, conducting business examination, reporting control deficiencies and organising rectifications.

⁵ Loan-to-deposit ratio is calculated on the basis of domestic legal person in accordance with the requirements of the NAFR.

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 actively organised Bank-wide usage 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. Taking a problem-centred approach and adhering to the risk-oriented principle, it made great efforts to improve the forward-looking nature of its work. 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. The audit department attached equal importance to problem identification and rectification supervision. It further improved its rectification supervision mechanism and process for audit findings, optimised rectification supervision methods, continuously supervised rectification implementation and promoted the application of audit results and the improvement of rectification quality and efficiency. It established and promoted a coordination and connection mechanism with other supervisory bodies, and improved the capabilities of the first and second lines of defence to prevent problems.

The Bank further improved its mechanism for internal control over case prevention, consolidated the liabilities of primary responsible parties and adopted 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, established a notification mechanism for warning and education activities on a regular basis, raised employees' compliance awareness and fostered an internal control compliance culture.

The Bank continued to adopt 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 reasonable delegation of work, well-defined responsibilities and clear reporting lines.

The Bank established and implemented a sound financial accounting policy framework in accordance with relevant accounting laws and regulations. As such, the level of standardisation and refinement of its financial accounting management was improved. Since 2023, the Bank also endeavoured to establish a long-term mechanism for basic accounting work. The Bank launched a three-year campaign to improve basic accounting work, strengthen the quality management of accounting information, and promote the high-quality development of accounting work.

In the first half of 2023, the Bank successfully prevented 62 external cases involving RMB163.5682 million.

Management Discussion and Analysis

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) and Loss Data Collection (LDC), etc., carried out the identification, assessment and monitoring of operational risks, further standardised its operational risk reporting mechanism, and improved its risk management measures, in order to improve the implementation of the new capital rules for operational risk steadily and solidly. 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 and carried out business continuity drills, thus improving 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 AML and sanctions compliance management 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 reinforced its robust long-acting 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 mechanism

and conducted various forms of compliance training to enhance all employees' compliance awareness and abilities.

The Bank continuously enhanced the management of its connected transactions and internal transactions. It actively promoted the implementation of new regulatory rules on connected transactions, improved its connected transactions management mechanism, strengthened the management of connected parties, reinforced the data governance of connected transactions and consolidated the foundations of its connected transaction management. The Bank strengthened the monitoring of connected transactions and internal transactions to strictly control their risks. It also stepped up efforts to optimise its systems and improve the level of technological empowerment.

Country Risk Management

The Bank incorporates country risk into its comprehensive risk management system in strict accordance with regulatory requirements related to country risk. 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 2023, the Bank continued to strengthen country risk management in strict accordance with regulatory requirements and based on its business development needs. It re-examined country risk ratings and limit, strengthened country risk monitoring, enhance its country risk management system and improved country risk analysis and reporting. The Bank actively implemented the provisioning of country risk allowances and enhanced its ability to mitigate country risk. As at 30 June 2023, Country risk exposures were mainly concentrated in countries and regions with low and relatively low country risk, and the Group's overall country risk was controlled at a reasonable level.

Management Discussion and Analysis

Capital Adequacy Ratios

As at 30 June 2023, 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
	2023	2022	2023	2022
Net common equity tier 1 capital	2,049,468	1,991,342	1,702,547	1,667,405
Net tier 1 capital	2,461,141	2,372,990	2,102,054	2,036,912
Net capital	3,110,044	2,946,471	2,734,248	2,590,185
Total risk-weighted assets	18,150,747	16,818,275	15,818,435	14,659,455
Common equity tier 1 capital adequacy ratio	11.29%	11.84%	10.76%	11.37%
Tier 1 capital adequacy ratio	13.56%	14.11%	13.29%	13.89%
Capital adequacy ratio	17.13%	17.52%	17.29%	17.67%

The capital adequacy ratio met the additional regulatory requirements for systemically important banks. Please refer to Note IV.5 to the Condensed Consolidated Interim Financial Statements and Supplementary Information II.5 to the Interim Financial Information for more detailed information about capital measurement.

Leverage Ratio

As at 30 June 2023, 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 2023	As at 31 December 2022
Net tier 1 capital	2,461,141	2,372,990
Adjusted on-and off-balance sheet exposures	33,295,393	31,001,982
Leverage ratio	7.39%	7.65%

The leverage ratio met the additional regulatory requirements for systemically important banks. Please refer to Supplementary Information II.6 to the Interim Financial Information for more detailed information about leverage ratio measurement.

Outlook

In the second half of 2023, China's economy will continue to face a complex and challenging external environment. However, China's economy has tremendous resilience and potential for development, and its long-term sound fundamentals remain unchanged. As positive factors which promote overall economic development accumulate, China's economy will continue to recover.

Upholding the political and people-centred nature of financial work, the Bank will implement the decisions and plans of the CPC Central Committee, seek progress while ensuring stability, enhance its capacity to drive forward robust development, seize growth opportunities, and work to resolve the obstacles it encounters in the course of its development. In doing so, the Bank hopes to foster synergy between its own high-quality development and that of the nation, opening up new business horizons.

First, the Bank will focus on serving the real economy and fulfil its responsibilities as a major state-owned bank. The Bank will support the building of a modern industrial system and reinforce its backing for tech enterprises, manufacturers, micro and small-sized enterprises, industrial chains and supply chains, key green transition projects, and private enterprises. It will serve coordinated regional development, focus on key regions and cities, and provide high-standard and high-quality support in terms of resources, scale and policies. It will implement the national strategy of rural revitalisation and the high-quality development of population, and offer financial support to help people pursue a better life.

Second, the Bank will consolidate its business development foundations and enhance market competitiveness. The Bank will accelerate breakthroughs in customer growth, expanding its customer base while refining customer management. Targeting key customer groups in salary payment and capital markets, etc., it will leverage its cash management platforms and supply chain products to expand the sources of its funds, promote fund retention, stabilise low-cost funds and optimise the balance between deposit growth and cost control. It will continue to increase its loan proportion in key areas such as green finance loans, medium and long-term loans to the manufacturing sector, and loans to strategic emerging sectors; accelerate the development of personal consumer loans and credit card instalment business, and effectively increase the quality, service efficiency and coverage of financial supply.

Third, the Bank will consolidate its featured business advantages and foster development synergies across the Group. Taking a market-oriented approach, the Bank will identify breakthrough opportunities in products, customers and channels so as to sharpen the competitive advantages of its featured businesses and develop a suite of service solutions with distinctive BOC characteristics. It will continue to optimise the distribution of its overseas network, further tap into overseas markets, reinforce its leading footprint in globalised operations and better serve national development goals. The Bank will refine its shareholding structure, improve capital allocation efficiency, enhance development vitality, build competitive brand advantages, consolidate its comprehensive coordination mechanism and increase the value contribution of its comprehensive operation companies.

Management Discussion and Analysis

Fourth, the Bank will drive digital transformation and stimulate vitality in technological innovation.

The Bank will advance the building of enterprise-level architectures, put into operation technological platforms for privacy computing and the IoT, and establish the underlying support infrastructure for enabling “access to the Bank’s global resources and services at any point of contact”. It will fully realise the potential value of data, implement data-driven applications in specific scenarios, realise full data sharing and leverage the value of its data assets. It will accelerate innovation in mechanisms, products, processes and risk control models and establish an agile R&D process to support the rapid incubation of new products and scenarios. The Bank will further promote smart operations and improve output capacity and efficiency through data-intensive and intelligent platforms.

Fifth, the Bank will enhance risk prevention and control, strengthening the foundation for robust operations.

The Bank will push forward the building of a comprehensive risk management system to prevent risks systematically. It will implement risk identification, optimise its emergency response mechanism and conduct emergency drills to ensure the timely and effective handling of risk events. The Bank will take a more proactive approach to credit risk management, screen and eliminate risks in key areas, and address potential risks in a forward-looking and appropriate manner. It will continue to improve the effectiveness of its AML and sanction compliance management and enhance its long-acting compliance mechanism across the Bank. To enhance its emergency response capabilities, the Bank will increase the sensitivity of its market risk and liquidity risk management, strictly control risk exposures and conduct drills for extreme risk event scenarios.

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 and Policy

The Bank fully implements the concept of green development and continuously improves its green finance governance capabilities. In the first half of 2023, the Board of Directors and its Strategic Development Committee reviewed and approved the *Report on Green Finance Development for 2022 of Bank of China* while the Board and its Corporate Culture and Consumer Protection Committee reviewed and approved the *Corporate Social Responsibility Report of Bank of China for 2022 (Environmental, Social and Governance)*. The Green Finance Committee, which sits under the Senior Management considered and approved proposals such as the *Green Finance (TCFD) Report of Bank of China for 2022*, received reports on the Bank's green finance performance and major milestones and an inventory of the operational environment information. The professional team, meanwhile, carried out the Group's green finance work and actively promoted the practical development of green finance.

The Bank aims to contribute to the national goal of "peak carbon emissions and carbon neutrality". It continually improved its "1+1+N" green finance policy system and formulated a policy support package covering 13 areas such as performance assessment, incentive reinforcement, economic capital optimisation,

differentiated authorisation and allocation of personnel costs. These form the pillars of its green finance policy system. In the first half of 2023, the Bank published the *Guiding Opinions of Bank of China on Further Promoting the Development of Institutions Located in Pilot Zones for Green Financial Reform and Innovation (Version 2023)*, which encourages institutions related to pilot zones to innovate green financial products and services in keeping with regional industries' characteristics and green development plans. It also released the *Work Plan for Green Finance of Bank of China for 2023*, which outlines 45 work measures across nine aspects, including top-level design, business development, customers' ESG risk management, green operation, cooperation and exchange, and information disclosure. Furthermore, the Bank formulated the *Industry Guidelines on Credit Granting of Bank of China Limited (Version 2023)* and the *Management Programme for Industry Asset Portfolio of Bank of China Limited (Version 2023)*. These designate green and low-carbon industries such as new energy automobiles, wind power, new forms of energy storage, ecological protection and environmental governance as positive growth industries, and enhance the Bank's support measures for proactively guiding credit investment to these industries. Several credit policies for green-related sectors, such as environmental governance and wind power equipment, were also formulated or revised to provide detailed guidance regarding customer and project criteria, risk identification and prevention, and credit management strategies.

Green Finance Performance

The Bank has actively implemented its green development strategy and diligently followed the *Green Finance Guidelines for Banks and Insurers* to foster the healthy and rapid development of green finance. **Green credit grew at pace.** As at 30 June 2023, the Bank's domestic green credit balance⁶ reached

6 According to NAFR standards.

Environmental and Social Responsibilities

RMB2.6228 trillion, a year-on-year increase of 51.22%. It actively participated in benchmark green projects of international significance, ranking first among Chinese banks in Bloomberg's "Global Sustainability-Linked Loans" list, and acted as the global co-lead bank for the largest single wind power project in Central Asia.

The Bank secured a leading position in green bond markets. For the first half of 2023, the Bank, as an issuer, had issued USD500 million of green bonds in overseas markets and RMB30 billion of green bonds in domestic markets, ranking top among its peers. The New York Branch successfully issued the largest volume of green bonds among Chinese financial institutions in the Americas. In terms of green bond underwriting, the Bank, as an underwriter, ranked first in China's interbank market by underwriting RMB229.04 billion of domestic green bonds, and topped Bloomberg's "Offshore Chinese Green Bonds" rankings by underwriting USD17.2 billion of overseas green bonds. As an investor, the Bank ranked first in the National Association of Financial Market Institutional Investors (NAFMII)'s "List of Investors in Green Debt Financing Instruments".

The Bank's green integrated services experienced rapid growth. As at 30 June 2023, the balance of BOCL's green leasing assets reached RMB18.650 billion, accounting for 38.1% of total leasing assets. BOC Wealth Management now boasts 51 green finance-themed products with a total scale of RMB43.789 billion. BOC Asset Investment's proprietary investment in green financial projects stands at RMB3.2 billion.

The Bank has continuously strived to build the "BOC Green+" global brand, introducing dozens of green financial products and services across five categories, encompassing loans, trade finance, bonds, consumption, deposits and integrated services. In the first half of 2023, it successfully launched China's first "Carbon Emission Reduction Linked" wind power merger and acquisition loan; led the development of China's first "Bamboo Industry Transformation and

Upgrading and Carbon Sink Capacity Enhancement Project" syndicated loan; provided support for China's first Environmental Oriented Development (EOD) project for comprehensive marine environment management, namely the "Dongtou Bays • Sea Garden" EOD project in Wenzhou, Zhejiang Province; and served as the exclusive lead underwriter for the first national non-financial corporate debt financing instrument linked to local carbon market transactions. In addition, the "BOCHK Greater Bay Area Climate Transition ETF" was listed on the main board of the Hong Kong Stock Exchange.

The Bank actively supports the green and low-carbon transformation of carbon-intensive industries. It researched and developed a carbon accounting methodology suitable for its asset portfolio, and initiated pilot calculations for the carbon footprint management of asset portfolio that involve carbon-intensive industries. While ensuring energy and supply chain security for the industrial chain, the Bank steadily reduces the carbon intensity of its asset portfolio to align with the national goal of "peak carbon emissions and carbon neutrality", with the ultimate aim of achieving carbon neutrality in its asset portfolio.

Customers' Environmental (Climate), Social and Governance (ESG) Risk Management

The Bank strengthened the standardisation and management of customers' ESG risks in terms of risk identification, measurement, assessment, monitoring and reporting, and control and mitigation.

A statement on environmental and social risk management has been included within the Group's risk appetite statement, and the results of the Bank's environmental and social risk monitoring are regularly reported to the Board of Directors. The *Management Policy for Environmental (Climate), Social, and Governance Risks Associated with Customers* allocates

management responsibilities and duties among the three lines of defence. Binding requirements for environmental and social risk management have been incorporated into more than 90 industry credit policies, covering such sectors as agriculture, forestry, animal husbandry and fishery, mining and metallurgy, oil, gas and chemical, construction and real estate, transportation and logistics.

The Bank actively conducted climate risk stress tests and analysed the impact of physical risks caused by extreme weather events (floods, typhoons, rising sea levels, etc.) as well as the transitional risks of key industries for key regional or industrial portfolio. The results indicated that relevant risks were overall controllable. In the first half of 2023, BOC (UK) proactively advanced climate risk stress tests based on local regulatory requirements. The Singapore Branch completed a climate risk stress test for the power sector, while the Paris Branch and the Singapore Innovation and R&D Base conducted an exploratory study of sensitivity analysis on biodiversity and financial institutions' response strategies.

The Bank regularly conducted internal control compliance inspections and green credit data verification, as well as completing a special audit of green finance for 2022. It also strengthened stakeholder communication by establishing effective mechanisms for timely and adequate communication with government departments, environmental organisations, communities, the general public, media and investors, among others.

(For more details, please refer to the Green Finance (TCFD) Report of Bank of China Limited for 2022 published on the Bank's website)

Green Operations

The Bank remained committed to the principle of green operations and strengthened its energy conservation and resources consumption reduction

efforts. It improved efficiency and actively reduced the use of resources such as water, electricity, paper and fuel in its business activities. Having become China's first large state-owned bank to calculate its operational carbon emissions, in the first half of 2023, it continued to track its group-wide environmental information for 2022 while expanding the scope of calculation to include items such as water and paper usage, waste, and green buildings. To promote green and low-carbon development, the Shenzhen Branch released the *2022 Report on Annual Environmental Information Disclosure* and the *Carbon Neutral Plan and Three-Year Action Plan*. The Huzhou Branch established a "Carbon Neutral" green smart outlet. BOCHK took orderly steps towards its own operational carbon neutrality plan, with the goal of achieving carbon neutrality by 2030 or earlier. It successfully met four major targets for paper purchases, electricity consumption, carbon emissions and water consumption as scheduled. In addition, institutions such as the Head Office, BOCHK, the London Branch and Shanghai Branch actively implemented energy-saving renovations to their office premises.

Capacity Building

The Bank placed significant emphasis on enhancing its green finance capacity. It established a comprehensive green finance talent training system for the 14th Five-Year Plan period, covering approximately 10 thousand individuals across three levels and six broad themes. The selection and screening process for the first batch of green finance leading talent, elite talent and other talent at various levels has been successfully completed, with the aim of building a strong green finance talent team. The Bank also introduced an online green finance training system consisting of eight modules and offering more than 100 courses, attracting over 850 thousand views from employees. The Bank has driven constant improvements in employees' competence and performance in green finance through a variety of

Environmental and Social Responsibilities

measures, such as organising the national finals of the “Bank of China Green Finance Labour Competition”, with a view to creating a strong green finance culture. By commending outstanding achievements, individuals and teams in green finance-related work, the Bank motivates all employees to strive for excellence in this field. It also organised various activities to incentivise green finance management and product and service innovation. In line with the *Evaluation Standards for Green Finance Exemplary Institutions* and the *Programme for Building Green Finance Specialty Outlets*, several branches were selected as model institutions and 239 green financial outlets were established. Furthermore, the Bank strongly urged all its institutions in the Chinese mainland to enhance their competitiveness across various fields of green finance. Employees were encouraged to observe the *Initiative on Green Actions for Employees of Bank of China* and *Guide on Green Actions of Bank of China* so as to promote the green development concept within the organisation. To keep customers informed about the latest industry trends, the Bank proactively launched publications themed on green finance and ESG topics.

Global Green Governance

The Bank has accelerated its integration into global green governance frameworks by signing or supporting more than 10 initiatives and mechanisms related to green finance and ESG issues. These include the United Nations Principles for Responsible Banking (PRB) and the Task Force on Climate-related Financial Disclosures (TCFD). In this way, the Bank actively contributes to the global response to climate change. In the first half of 2023, the Bank helped to communicate the PRB framework and related training, and produced the Group’s first green finance report (TCFD). It actively fulfilled its duties as co-chair of the Green Financial Product Innovation Taskforce of the Green Investment Principle (GIP) for the Belt and Road Initiative. The Bank joined the Green Finance Working Group of the

International Finance Forum (IFF), becoming the first and only Chinese commercial bank to do so, through which it explored and promoted climate investment and financing practices. It participated in the Sino-British Green Finance Working Group and the Sustainable Markets Initiative (SMI) China Council, engaging in discussions to promote cooperation programmes in green finance between China and the UK. In a bid to become a leading player in green finance standards, the Bank actively contributed to the formulation of several green and sustainability-related standards as well as cutting-edge topical research organised by relevant ministries and commissions, regulators and industry associations.

Social Responsibilities

Promoting Rural Revitalisation in All Aspects

Following China’s rural revitalisation strategy, the Bank worked diligently to accelerate the country’s transformation into an agricultural powerhouse, expedite the modernisation of agriculture and rural areas and drive rural revitalisation in all aspects with high-quality financial service. Focusing on key areas such as ensuring the stable production and supply of grains and major agricultural products, providing support for agricultural technology and equipment, and developing modern protected agriculture and agricultural sectors with local characteristics, the Bank constantly explored new modes of financial services to aid rural revitalisation and improved the quality and efficiency of its financial services for agriculture, rural areas and farmers. As at 30 June 2023, the balance of agriculture-related loans amounted to RMB2,412.7 billion, while inclusive agriculture-related loans reached RMB321.5 billion. The Bank’s outlets covered 1,188 counties (municipal districts above prefecture level are not included), including 876 outlets dedicated to rural revitalisation. BOC Fullerton Community Bank boasted 134 village and township

banks with 189 sub-branches, operating in county-level rural areas of 22 provinces and municipalities nationwide, making it the largest domestic village bank group in terms of the total number of institutions.

Consolidating and Expanding Achievements in Poverty Alleviation

Leveraging its strengths, the Bank provided paired assistance to the four counties of Xunyi, Chunhua, Yongshou and Changwu in Xianyang, Shaanxi Province (commonly known as the “four northern counties in Xianyang”), consolidating and expanding its achievements in poverty alleviation and comprehensively driving rural revitalisation in these areas. In the first half of 2023, the Bank had invested RMB38.00 million in anti-poverty grant funding to the four counties; launched more than 20 assistance projects related to industry, infrastructure, education and healthcare; provided 16 thousand training sessions to primary-level officials, rural revitalisation leaders and professional and technical personnel from the four counties, and purchased and sold RMB72.70 million worth of agricultural products from poverty-stricken areas nationwide. Applying its deep experience in serving major exhibitions and conferences, the Bank set up the “Bank of China Paired Assistance Exhibition Section” at the 3rd China International Consumer Products Expo. This displayed over 40 featured agricultural products from areas receiving paired assistance, thus increasing their visibility, enhancing the value of their agricultural brands, and providing further growth impetus to steadily rising local household incomes. In addition, the Bank donated “anti-returning to poverty” insurance to the four northern counties in Xianyang, providing coverage to 649.6 thousand local rural residents.

Further Contributing to Public Welfare

Relying on the Bank of China Philanthropy⁷ Platform and BOC Charity Foundation, the Bank continuously explored the “Finance + Public Welfare + Internet” mode to encourage people from all walks of life to actively participate in public welfare and charitable endeavours. Collaborating with the China Population Welfare Foundation, the Bank of China Philanthropy Platform launched an employee donation campaign, “2023 Central State Organisations Assist Mothers in Difficulties”, rallying employees to contribute to the initiative. In addition, the Bank engaged in the “Ethnic Unity Messenger Trip to Inland China” activity together with the Central Committee of the Communist Youth League and China Youth Development Foundation. It also organised a points donation campaign, “Leading the Future and Promoting Revitalisation – Empowering Common Growth”, in collaboration with the China Children and Teenagers’ Fund, and popularised public welfare projects through its branches. As at 30 June 2023, the Bank of China Philanthropy platform had engaged with 275 social organisations, launched 614 online charitable donation activities and raised RMB136 million from 1,657.6 thousand donations. Furthermore, the Bank continued to grant government-sponsored student loans while also exempting interest and allowing for the deferred repayment of principal. As at 30 June 2023, the Bank had granted RMB25.7 billion in government-sponsored student loans, supporting over 1.8 million students from financially disadvantaged families to complete their studies. In May 2023, the Bank was invited to serve as exclusive sponsor of the Ministry of Education’s “Employment Promotion Week”. During the event, the Bank publicised its ten initiatives aimed at helping job candidates find employment and introduced

⁷ “Bank of China Philanthropy” is an online fund-raising information platform for charitable organisations selected by the Ministry of Civil Affairs of the PRC.

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various corporate and private financial products, such as “Inclusive Loan • Entrepreneurship Guarantee Loan”, Start-up Loan and Intelligent Swift Loan, that provide tailored services to college graduates and entrepreneurs. In June 2023, the Bank actively participated in organising the Ministry of Education’s online job fair, “Ambitious Sailing”, a convenient and efficient way for college graduates to seek employment and a cost-effective channel for small and middle-sized enterprises to recruit.

Supporting Inclusive Finance through Various Initiatives

With a focus on key areas and weak links, the Bank made concerted efforts to enhance its services for micro and small-sized businesses while continuing to expand its inclusive finance business in terms of scale and coverage. It beefed up financial support for “specialised, refined, featured and innovative” enterprises throughout their life cycles, facilitated innovation in financial services related to intellectual property rights (IPR), and supported the development of China’s independent capability in advanced technology. To bolster mechanisms for stabilising and increasing jobs, the Bank strengthened its collaboration with local human resources and social security authorities. The Bank had granted more than RMB120.0 billion of special loans for employment stabilisation and expansion to 27 thousand micro and small-sized businesses, contributing to stabilising and expanding over 1.40 million positions to help secure people’s livelihood. It developed innovative green and inclusive products, such as “Inclusive Carbon Loan” and “Inclusive Carbon E Loan”, to support the green transition of the economy and society. As at 30 June 2023, the balance of inclusive and green credit increased by 26.27% from the beginning of the year, surpassing the growth rate of other loans granted by the Bank. Moreover, the Bank strengthened its services for customer groups, such as self-employed individuals and new citizens, providing tailored

solutions to meet diverse financial needs and offering support for new citizens engaged in entrepreneurship or employment. As at 30 June 2023, the balance of inclusive loans to micro and small-sized enterprises totalled RMB1,550.9 billion, up 40.35% year-on-year. The related customer base expanded to nearly 900 thousand, an increase of 29% year-on-year.

Intensifying Efforts in Anti-Corruption and Building a Clean Bank

The Bank remained committed to preventing integrity risk and maintained a firm anti-corruption stance, resolutely punishing all discovered instances of corruption. It implemented a robust monitoring and restraint mechanism for key areas such as credit management, non-performing loan disposal and centralised procurement, and further maintained its high handed anti-corruption posture. Deepening the building of a long-effect anti-corruption mechanism and upholding the principle of ensuring officials dare not, cannot and will not be corrupt, special prevention and control measures were promoted across the Bank, efforts to investigate and punish violations were stepped up, power restriction mechanisms were improved, and the Bank continued to strengthen its culture of strict governance. Maintaining its excellent ethical culture of “loftiness, cleanness and determination”, the Bank formulated implementation measures and extensively cultivated a culture of integrity. Warning education was continuously conducted, including special warning education conferences, and the Bank compiled and published typical cases of both positive and negative behaviour. Together, these steps aimed to reinforce the ideological foundation of all staff members to resist corruption and prevent degeneration.

The Bank attaches great importance to integrity building and anti-corruption supervision in its overseas institutions, and improved the leading mechanisms for

integrity risk prevention and control and anti-corruption governance of overseas institutions. Overseas institutions enhanced their anti-corruption efforts and risk prevention and control measures in line with the specific conditions in their respective countries and regions. Education and supervision were enhanced to promote a strong culture of integrity and compliance in the Bank's overseas institutions. Moreover, the Bank improved and strengthened the integrity supervision system for its overseas institutions, devoted more effort to supervision and punishment measures, and encouraged the implementation of clean banking requirements.

Regarding whistleblowing, the Bank strictly complied with national regulations and ensured the confidentiality of each whistleblower's name (or their institution), employer, address and other personal information, as well as the content of the whistleblowing. All investigations were conducted without revealing the identity of the whistleblowers. In cases where publicising or reporting on a whistleblowing accusation involved the disclosure of a whistleblower's personal information such as his/her name and unit, the Bank first obtained the consent of the whistleblower.

Vigorously Promoting Consumer Protection

Being customer-centric, the Bank prioritised the rights of financial consumers and improved its consumer protection mechanisms. It integrated the philosophy of consumer protection into all business areas, further optimised its business processes and carefully listened to customers so as to improve customer experience and satisfaction. In the first half of 2023, it stepped up efforts to manage complaints, receiving 138 thousand customer complaints and successfully addressing 100% of them. The Bank organised nearly 46 thousand activities to promote financial knowledge, including engaging with education and publicity campaigns such

as the "3·15" consumer rights protection campaign, "Protecting Personal Wealth, Promoting Financial Knowledge Popularisation", etc., attracting over 550 million interactions. Well received across society, these efforts enhanced consumers' understanding of financial products and services and raised awareness about risk prevention, ultimately leading to improved financial literacy among the people.

Vigorously Implementing Regulatory Policies.

The Administrative Measures on Consumer Protection of Banking and Insurance Institutions officially came into effect on 1 March 2023. In response to these new regulatory requirements, the Bank revised its framework documents on consumer protection to provide stronger normative guidance on key aspects and significant behaviours, and optimised consumer protection mechanisms across its three lines of defence. At the same time, it conducted special actions across the Bank, formulating 15 tasks covering five areas. These initiatives aimed to promote the implementation of regulatory requirements by institutions at all levels, thus enhancing the Bank's ability to treat consumers in a fair, just and honest manner throughout the entire business process and pushing forward the high-quality development of the Group.

Maintaining Sound Customer-Bank Relationships.

The Bank places great value on customers' voices and takes effective protection of financial consumers' legitimate rights and interests as the foothold and starting point for all work. This underpins all its efforts to provide high-quality, fair, efficient and safe financial products and services to customers in a timely manner. In terms of service provision, the Bank prioritised customer benefit and convenience by reducing fees, offering concessions and enhancing its digital service capacity. It also sought to enrich and empower customers through product innovation by enhancing product supply, promoting inclusive wealth finance and boosting residents' property income. Risk prevention

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efforts prioritised customer safety and protection by monitoring various business types and key risk areas, thus safeguarding consumers' wealth and property security. The Bank's approach to complaints resolution followed the principle of treating both symptoms and root causes. In order to make targeted improvements to the quality and efficiency of its complaint management, the Bank focused on key aspects such as the number of complaints, handling efficiency, information accuracy, and the implementation of diversified resolution mechanisms. It paid special attention to areas where customer complaints are concentrated, in order to further strengthen complaints tracing and rectification and enhance dispute resolution capacity at the primary level.

Conducting Diverse Education and Publicity Campaigns.

The Bank continued to educate consumers and popularise financial knowledge, helping to build a healthy financial ecosystem based on rational consumption and rights protection in accordance with the law. It kept on helping deliver centralised education and publicity activities, further enhancing the Bank's brand reputation for consumer protection and jointly contributing to better national financial literacy. It continued to carry out regular education and publicity campaigns while exploring innovative approaches to its work. The Bank produced posters about consumer protection in conjunction with traditional holidays and the 24 solar terms of the traditional Chinese calendar, launched the "Case Study on Risks" activity through its official website and WeChat official account, collected news materials on consumer protection,

held an education and publicity creativity contest, and provided continuous content updates regarding financial knowledge education and publicity across various channels. Focusing on key populations such as the elderly, people with disabilities, young people and new citizens, the Bank promoted financial knowledge education in communities, schools and nursing homes, etc., carrying out a wide range of special educational and promotional activities that meet consumers' needs and preferences.

Properly Protecting Customer Information.

Closely following laws, regulations and regulatory requirements, the Bank made continuous improvements to its organisational structure for protecting consumers' personal information and conducted personal information protection impact assessments (PIPIA), and so on. It sorted out and optimised the format and clauses contained in various customer agreements and expedited the building and upgrading of relevant systems to enhance the management of personal information protection. In its routine operations, the Bank reinforced requirements for the lifecycle management of personal customer information, improved internal management rules, and implemented whole-process tiered and classified management and control to ensure the security of consumers' personal information. Special training and warning education on personal customer information protection was continuously carried out and typical cases and risk reminders were regularly circulated throughout the Bank in a bid to enhance employees' compliance awareness and capacity.

Changes in Shares and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Shares

Unit: Share

	As at 1 January 2023		Increase/decrease during the reporting period					As at 30 June 2023	
	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 2023, 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 2023, 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 2023 was 655,571, including 485,281 A-Share Holders and 170,290 H-Share Holders.

The top ten ordinary shareholders as at 30 June 2023 are set forth below:

Unit: Share

No.	Name of ordinary shareholder	Increase/decrease 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	(15,264,270)	81,743,792,613	27.77%	-	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	172,314,154	1,583,255,483	0.54%	-	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.	-	333,000,000	0.11%	-	None	Other	A
8	Huaxia Life Insurance Co., Ltd. – Self-owned Fund	117,192,210	155,280,810	0.05%	-	None	Domestic non-state-owned legal person	A
9	China Merchants Bank Co., Ltd. – SSE Dividend Traded Open-ended Index Securities Investment Fund	4,369,080	108,639,073	0.04%	-	None	Other	A
10	Everbright Securities Company Limited	(493,569)	107,095,631	0.04%	-	None	State-owned legal person	A

Changes in Shares and Shareholdings of Shareholders

Notes:

- 1 The number of shares held by H-Share Holders was recorded in the register of members kept at the H-Share Registrar of the Bank.
- 2 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 maintained accounts with it as at 30 June 2023.
- 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 Bank's A Shares it held as a nominee holder who holds securities on behalf of others, including the number of SSE-listed securities acquired by Hong Kong SAR 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 2023, 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%
BlackRock, Inc.	Interest of controlled corporations	4,931,516,494	H	–	5.90%	1.68%
		45,076,000 (S)	H	–	0.05%	0.02%

Notes:

- 1 BlackRock, Inc. held a long position of 4,931,516,494 H Shares and a short position of 45,076,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the short position of 45,076,000 H Shares, 25,674,000 H Shares were held through derivatives.
- 2 (S) denotes short position.
- 3 Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 30 June 2023, 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 2023 was 67, including 66 domestic preference shareholders and 1 offshore preference shareholder.

The top ten preference shareholders as at 30 June 2023 are set forth below:

Unit: Share

No.	Name of preference shareholder	Increase/ decrease 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	–	136,065,000	11.36%	None	Other	Domestic Preference Shares
4	CCB Trust Co., Ltd. – “Qian Yuan – Ri Xin Yue Yi” Open-ended Wealth Management Single Fund Trust	–	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

Notes:

- The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintained accounts with Euroclear and Clearstream as at 30 June 2023, held 197,865,300 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.
- 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.

Changes in Shares and Shareholdings of Shareholders

Profit Distribution of Preference Shares

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

Exercising Redemption Rights of Preference Shares

During the reporting period, there was no redemption of the preference shares of the Bank.

Other Information regarding Preference Shares

During the reporting period, there was no 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
GE Haijiao	Chairman	JIANG Guohua	Independent Director
LIU Jin	Vice Chairman and President	Martin Cheung Kong LIAO	Independent Director
LIN Jingzhen	Executive Director and Executive Vice President	CHUI Sai Peng Jose	Independent Director
ZHANG Yong	Non-executive Director	Jean-Louis EKRA	Independent Director
ZHANG Jiangang	Non-executive Director	E Weinan	Independent Director
HUANG Binghua	Non-executive Director	Giovanni TRIA	Independent Director
LIU Hui	Non-executive Director		

Notes:

- The information listed in the above table pertains to the incumbent directors.
- Mr. CHEN Jianbo ceased to serve as Non-executive Director, 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 17 April 2023 due to reason of age.
- Mr. GE Haijiao began to serve as Chairman, Executive Director, and Chair and member of the Strategic Development Committee of the Board of Directors of the Bank as of 25 April 2023.
- Mr. ZHANG Yong began to serve as Non-executive Director, member of the Strategic Development Committee, member of the Audit Committee and member of the Risk Policy Committee of the Board of Directors of the Bank as of 9 June 2023, and Chair of the Risk Policy Committee of the Board of Directors of the Bank as of 7 August 2023.
- Mr. HUANG Binghua ceased to serve as member of the Audit Committee of the Board of Directors of the Bank as of 9 June 2023.
- Ms. XIAO Lihong ceased to serve as Non-executive Director, Chair and member of the Risk Policy Committee and member of the Strategic Development Committee of the Board of Directors of the Bank as of 30 June 2023 due to expiration of the term of office.
- Ms. WANG Xiaoya ceased to serve as Non-executive 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 30 June 2023 due to expiration of the term of office.

Directors, Supervisors, Senior Management Members and Staff

- 8 Mr. LIU Hui began to serve as Non-executive Director, member of the Strategic Development Committee and member of the Risk Policy Committee of the Board of Directors of the Bank as of 24 August 2023.
- 9 The Shareholders' Meeting of the Bank reviewed and approved the proposal regarding the election of Mr. SHI Yongyan as Non-executive Director of the Bank. Such appointment is subject to the approval by relevant regulatory authorities.
- 10 Incumbent Non-executive Directors Mr. ZHANG Yong, Mr. ZHANG Jiangang, Mr. HUANG Binghua and Mr. LIU Hui were recommended by Central Huijin Investment Ltd., a shareholder of the Bank.
- 11 Please refer to the Bank's 2022 annual report for changes of the Bank's directors prior to 30 March 2023.
- 12 During the reporting period, 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

Notes:

- 1 The information listed in the above table pertains to the incumbent supervisors.
- 2 Mr. LENG Jie ceased to serve as Employee Supervisor and member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 31 January 2023 due to reason of age.
- 3 Mr. CHU Yiyun ceased to serve as an independent director of Huan Xu Electronics Co., Ltd. as of 24 April 2023.
- 4 During the reporting period, 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	LIU Jiandong	Chief Risk Officer
LIN Jingzhen	Executive Director and Executive Vice President	ZHAO Rong	Chief Business and Management Officer
ZHANG Yi	Executive Vice President	ZHUO Chengwen	Chief Audit Officer
ZHANG Xiaodong	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 Mr. WANG Zhiheng ceased to serve as Executive Vice President of the Bank as of 13 January 2023 due to a change of job.
- 3 Mr. CHEN Huaiyu ceased to serve as Executive Vice President of the Bank as of 3 February 2023 due to a change of job.
- 4 Mr. ZHANG Xiaodong began to serve as Executive Vice President of the Bank as of 2 March 2023.
- 5 Mr. WANG Wei ceased to serve as Executive Vice President of the Bank as of 21 March 2023 due to reason of age.
- 6 Mr. ZHANG Yi began to serve as Executive Vice President of the Bank as of 28 March 2023.
- 7 The Board of Directors of the Bank considered and approved the proposal regarding the appointment of Mr. CAI Zhao as Executive Vice President of the Bank. This appointment is subject to the approval by relevant regulatory authorities.
- 8 During the reporting period, 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 2023, the Bank had a total of 11,468 institutions worldwide, including 10,936 institutions in the Chinese mainland and 532 institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. Its commercial banking business in the Chinese mainland comprised 10,304 institutions, including 38 tier-1 and direct branches, 373 tier-2 branches and 9,892 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		Organisations		Employees	
	Total assets	% of total	Number of organisations	% of total	Number of employees	% of total
Northern China	8,897,436	27.11%	2,151	18.76%	62,460	20.53%
Northeastern China	1,012,806	3.09%	897	7.82%	23,001	7.56%
Eastern China	7,766,718	23.66%	3,464	30.21%	91,265	29.99%
Central and Southern China	5,274,181	16.07%	2,730	23.80%	65,383	21.49%
Western China	2,381,100	7.25%	1,694	14.77%	37,262	12.25%
Hong Kong (China), Macao (China) and Taiwan (China)	5,199,497	15.84%	406	3.54%	18,734	6.16%
Other countries and regions	2,289,733	6.98%	126	1.10%	6,140	2.02%
Elimination	(1,736,231)					
Total	31,085,240	100.00%	11,468	100.00%	304,245	100.00%

Note: The proportion of geographic assets was calculated based on data before intra-group elimination.

Human Resources Development and Management

As at 30 June 2023, the Bank had 304,245 employees. There were 279,371 employees in the Chinese mainland, of which 264,962 worked in the Bank's commercial banking business in the Chinese mainland. The Bank had 24,874 employees in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. As at 30 June 2023, the Bank bore costs for a total of 4,524 retirees.

The Bank spared no effort to build a stronger talent team through a variety of forms such as post practice, project exercise, specialised training and post rotation, in a bid to improve the quality and efficiency of talent cultivation, better serve the overall development of the country and promote high-quality development. It also implemented the national employment-first strategy, and launched spring campus recruitment in 2023, with the aim of contributing its share to maintaining stable employment. In order to improve professional qualification management, the Bank accelerated the online migration, refined the certification process, increased certification efficiency and improved employees' professional competence. In addition, it further strengthened the management of expatriate employees and local employees of overseas institutions, continued to deliver a programme for the cultivation of minority-language personnel, and worked to build a globalised and comprehensive talent team.

In the first half of 2023, the Bank fully implemented the latest national strategies. It offered in-depth rotation training, themed learning sessions for officials at various levels, as well as on-the-job training. These efforts were aimed at building a high-calibre financial talent team ready to shoulder the responsibility of advancing the great cause of China's rejuvenation. To better implement the Group's strategies, the Bank fully considered the unique advantages and development priorities of its businesses, devising various training sessions for its globalised and comprehensive operations in a bid to nurture interdisciplinary financial talent with an international vision. Insisting that employees should obtain qualifications before taking up new positions, it intensified professional qualification training, assessment and certification. Through all these measures, the Bank gradually completed the construction of a large-scale, standardised and flexible professional qualification training system. In line with its corporate social responsibilities, the Bank also incorporated ESG-related concepts into employee training at all levels. In addition, staff training covered areas such as professional ethics, anti-corruption, integrity and self-discipline, and consumer protection, etc., guaranteeing a strong compliance foundation for the Bank's various business activities. In the first half of 2023, the Bank organised departments of all business lines to formulate consumer protection training plans and integrated such content into the daily business training. The Bank carried out policy interpretation and knowledge test of *Administrative Measures for the Protection of Consumer Rights and Interests by Banking and Insurance Institutions* for all employees, with a cumulative total of more than 225 thousand attendees. This effectively enhanced the staff's awareness of and ability to protect consumers, and strengthened the execution of consumer protection work. To advance the digital transformation of its training, the Bank improved the functions and management of its online training platform, making online training courses more targeted, effective and light-touch. In the first half of 2023, nearly 90% of the Bank's employees participated in online or offline training, with an average learning time of 33.02 hours.

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, continued to follow up with and implement regulatory requirements regarding capital market, actively re-examined and self-inspected its corporate governance policies, and comprehensively and systematically re-examined the Articles of Association and rules of procedures of each special committee.

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 21 April 2023, the Bank held its 2023 First Extraordinary General Meeting on-site in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved three proposals, including the election of Mr. GE Haijiao to be appointed as Executive Director of the Bank, the fixed asset investment budget for 2023 and the 2022 remuneration distribution plan for external supervisors. All the proposals were ordinary resolutions.

On 30 June 2023, the Bank held its 2022 Annual General Meeting on-site in Beijing and Hong Kong via video link. A-Share Holders could also cast votes online. This meeting considered and approved nine proposals, including the 2022 work report of the Board of Directors, the 2022 work report of the Board of Supervisors, the 2022 annual financial report, the 2022 profit distribution plan, the appointment of the Bank's external auditor for 2023, the election of Mr. SHI Yongyan as Non-executive Director of the Bank, the election of Mr. LIU Hui as Non-executive Director of the Bank, the bond issuance plan and the issuance of capital instruments. The meeting also heard the report on the connected transactions for 2022, the duty report of Independent Directors for 2022, 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 2022. The proposals regarding the bond issuance plan and the issuance of capital instruments 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 meeting and communicated with shareholders on issues of concern. The Bank published announcements on the resolutions and legal opinions of the aforementioned shareholders' meeting pursuant to the regulatory requirements in a timely manner. For details, please refer to the Bank's announcements published on the websites of the SSE, the HKEX and the Bank on 21 April 2023 and 30 June 2023.

Directors and the Board of Directors

Currently, the Board of Directors comprises thirteen members. Besides the Chairman, there are two executive directors, four 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 2022 Annual Report of the Bank.

During the reporting period, the Bank convened five on-site meetings of the Board of Directors, and one meeting of the Board of Directors via written resolution. At these meetings, the Board of Directors mainly considered and approved proposals regarding the 2022 work report of the Board of Directors, the 2022 profit distribution plan, the 2022 internal control self-assessment report, the 2022 corporate social responsibility report (ESG), the 2022 annual report, the 2022 capital adequacy ratio report, the 2023 first quarter report and the bond issuance plan, 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 Committee and the Connected Transactions Control Committee.

Corporate Governance

The work performance of each special committee during the reporting period was as follows:

Special Committees	Work Performance
Strategic Development Committee	The committee held four on-site meetings, at which it mainly reviewed proposals on business plan and financial budget of Bank of China for 2023, fixed asset investment budget of Bank of China for 2023, 2022 profit distribution plan, dividend distribution plan for domestic preference shares, issuance of capital instruments, bond issuance plan, the 2023 operation plan of the SME Services Department, the report on green finance development, among others. In addition, it heard the report on development plan implementation for 2022, the report on the IT strategy implementation and IT risk management.
Corporate Culture and Consumer Protection Committee	The committee held two on-site meetings, at which it mainly reviewed the 2022 work report and the work plan on consumer protection for 2023 of Bank of China, the 2022 corporate social responsibility report of Bank of China (ESG), and the management measures for consumer protection of Bank of China Limited (2023 Version). It heard reports on complaints in the banking industry received in the second half of 2022 and complaints management in 2022, among others.
Audit Committee	The committee held three on-site meetings, at which it mainly reviewed and approved the 2023 work plan and financial budget for internal audit, and reviewed the re-appointment of external auditors for 2023 and their fees, the 2022 financial report, the 2023 first quarter financial report, the 2022 internal control work report, the 2022 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 2022, the 2022 report on overseas supervision information, the report on the prevention and control of cases incurred by external figures in 2022, the reports on progress in internal control audit and compliance with the principle of independence of PricewaterhouseCoopers in 2022, the 2023 audit plan, the agreed-upon procedures and self-assessment report for the first quarter of 2023, and the report on asset quality in the first quarter of 2023, among others.
Risk Policy Committee	The committee held four on-site meetings and one meeting via written resolution, at which it mainly reviewed the business continuity management strategy (version 2023), measures for reputational risk management, proposal on country risk limits for 2023, application for the trading book market risk limits (Level A) in 2023, internal capital adequacy assessment process (ICAAP) report for 2023, 2022 derivatives report, report on anti-money laundering duties in 2022, among others. The committee also regularly reviewed the Risk Reports of the Group.
Personnel and Remuneration Committee	The committee held four on-site meetings and one meeting via written resolution, at which it mainly reviewed proposals on the nomination of Mr. GE Haijiao as a candidate for Executive Director of the Bank, the election of Mr. GE Haijiao as Chairman of the Bank, the appointment of Mr. GE Haijiao as a member of special committees of the Board of Directors, the nomination of Mr. SHI Yongyan and Mr. LIU Hui as candidates for Non-executive Directors of the Bank, the appointment of Mr. ZHANG Xiaodong and Mr. ZHANG Yi as Executive Vice Presidents of the Bank, and the change of 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 the proposal on the report on the connected transactions in 2022 and the report on the implementation of new regulations on connected transactions, among others.

Supervisors and the Board of Supervisors

The Board of Supervisors currently comprises six members, with one shareholder supervisor (who serves as Chairwoman of the Board of Supervisors), two 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 2022 Annual Report of the Bank.

During the reporting period, the Board of Supervisors performed its supervisory duties in accordance with the law. It followed national decisions and plans regarding economic and financial work as well as regulatory requirements. Focusing on the central tasks of the Bank, the Board of Supervisors intensified its supervision efforts and employed new supervision methods, further improving the quality and efficiency of supervision. It carried out duty performance supervision in an orderly manner, by attending meetings of the Board of Directors and its special committees, meetings of the Executive Committee and special meetings of the Senior Management as non-voting attendees and analysing important documents, so as to stay informed and supervised the duty performance of directors and senior management members while putting forward relevant concerns and suggestions. It also conducted on-site and written duty performance interviews with directors and senior management members; issued and followed up important opinions and suggestions; completed the 2022 duty performance assessment of the Board of Directors, the Senior Management and its members based on daily supervision information, and reported to regulators. The Board of Supervisors earnestly carried out strategic and financial supervision; focused on the Bank's implementation of national strategies and its own 14th Five-Year Plan; sent reminders to relevant departments to further strengthen financial supervision and audit in line with the latest requirements of the central government, and carefully reviewed the

regular reports of the Bank. It continuously deepened supervision of risk management and internal control; strengthened risk analysis of key areas; sent a letter of supervisory opinion to the departments of the first, second and third lines of defence suggesting improvements to the effectiveness of risk management and internal control in the Bank's credit business, and issued timely risk reminders to relevant departments in response to changes in the international economic situation and fluctuations in global financial markets. The Board of Supervisors carried out supervisory surveys of key areas such as serving the country's domestic demand expansion policy, consolidating the Bank's globalised advantages, and enhancing financial market risk management. It also implemented the opinions and suggestions of the Senior Management and relevant departments regarding its own work, and pushed forward the improvement of its supervisory results.

During the reporting period, the Board of Supervisors held two on-site meetings and one meeting via written resolution, at which it reviewed and approved 19 proposals, including the 2022 annual report, the 2023 first quarter financial report, the profit distribution plan for 2022, the social responsibility report for 2022 (ESG), the internal control assessment report for 2022, the work report of the Board of Supervisors for 2022, the 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 2022, the performance assessment results and remuneration distribution plan for external supervisors, and the 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. The Duty Performance and Due Diligence Supervision Committee held two on-site meetings and one meeting via written resolution,

Corporate Governance

while the Finance and Internal Control Supervision Committee held two on-site meetings, at which the two committees carried out preliminary discussions on relevant issues, put forward suggestions and submitted them to the Board of Supervisors as reference for decision-making.

During the reporting period, External Supervisors Mr. JIA Xiangsen, Mr. HUI Ping and Mr. CHU Yiyun performed their supervisory duties in strict accordance with the provisions of the Articles of Association of the Bank. They attended in person all meetings of the Board of Supervisors and its special committees during the reporting period, carefully reviewed important documents, and participated in the study and decision-making of important matters of the Board of Supervisors. They attended the 2023 First Extraordinary General Meeting and the 2022 Annual General Meeting and were present as non-voting attendees at meetings of the Board of Directors, Strategic Development Committee, Corporate Culture and Consumer Protection Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee. They also led key supervisory surveys of the Board of Supervisors and put forward independent opinions, 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 focusing on the primary task of high-quality development, the Senior Management made every effort to serve the real economy, prevent and control financial risks, promote reform and innovation. According to the annual performance objectives approved by the Board of Directors, all the work was carried out smoothly and the Group realised steady operating results.

During the reporting period, the Senior Management of the Bank held 20 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, integrated operation, globalised development, product and service innovation, IT development, consumer rights protection, data governance, inclusive finance, green finance and risk management. 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, among others.

During the reporting period, the committees under the Senior Management (Executive Committee) remained unchanged. The Senior Management presided over the Asset and Liability Management Committee, Risk Management and Internal Control Committee (which governs the Anti-money Laundering Committee, Asset Disposal Committee, Credit Risk Management and Decision-making Committee and Related Party Transactions Management Office), Centralised Procurement Management Committee, Securities Investment and Management Committee, Asset Management Business Committee, Consumer Protection Committee, Green Finance Committee, Financial Digitalisation Committee, Technology Finance Committee and Cross-border 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, it 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 has been approved by the shareholders' meeting. The Bank distributed dividends on ordinary shares for 2022 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 on 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 2023, 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 2022 Annual General Meeting held on 30 June 2023 considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus

Significant Events

reserve of RMB21.431 billion; appropriation to general and regulatory reserves of RMB34.256 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, RMB2.32 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 2023, amounting to approximately RMB68.298 billion (before tax) in total. The dividend distribution plan has been accomplished. The Bank did not distribute an interim dividend on ordinary shares for 2023, nor did it implement any capitalisation of capital reserve into share capital.

At the Board meeting held on 28 October 2022, 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 6 March 2023. 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 28 April 2023, the dividend distribution plans for the Bank's Domestic Preference Shares (Third Tranche and Fourth Tranche) and the Offshore Preference Shares (Second 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 2023, 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 2023, with an

annual dividend rate of 4.35% (before tax). The Bank will distribute dividends on the Offshore Preference Shares (Second Tranche) on 4 March 2024. According to the Bank's issuance terms of the Offshore Preference Shares (Second Tranche), dividends on Offshore Preference Shares (Second Tranche) will be 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 for the Bank's Domestic Preference Shares (Third Tranche and Fourth Tranche) has been accomplished.

Please refer to the Condensed Consolidated Interim Financial Statements 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 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.31 to the Condensed Consolidated Interim Financial Statements.

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 the PBOC and the NAFR, 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 the 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 fulfil.

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 the CSRC due to potential violation of laws and regulations or subject to administrative punishment by the 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, which affected their 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, which affected their duty performance.

Significant Events

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, rights issues, 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 the SSE, the HKEX and the Bank, and the Notes to the Condensed Consolidated Interim Financial Statements.

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 the Bank.

Audit Committee

The Audit Committee of the Bank comprises five members, including Non-executive Directors Mr. ZHANG Yong and Mr. ZHANG Jiangang, Independent Directors Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO 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 Financial Information in accordance with *International Standard on Review Engagements 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 2023 to provide audit services on its financial statements and internal control pursuant to CAS, and engaged PricewaterhouseCoopers as its international auditor for 2023 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 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 2023, 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

For details, please refer to the section "Environmental and Social Responsibilities".

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 the SSE, the 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 186, 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 2023 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 to the condensed consolidated interim financial statements (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

Hong Kong, 30 August 2023

Interim Financial Information

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Condensed Consolidated Interim Income Statement

For the six month period ended 30 June 2023 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Six month period ended 30 June	
		2023 Unaudited	2022 Unaudited (Restated)
Interest income	III.1	507,001	418,393
Interest expense	III.1	(273,009)	(195,013)
Net interest income		233,992	223,380
Fee and commission income	III.2	52,847	49,812
Fee and commission expense	III.2	(6,471)	(5,366)
Net fee and commission income		46,376	44,446
Net trading gains	III.3	17,615	4,232
Net (losses)/gains on transfers of financial assets	III.4	(240)	574
Other operating income	III.5	21,964	20,890
Operating income		319,707	293,522
Operating expenses	III.6	(104,300)	(89,777)
Credit impairment losses	III.8	(60,563)	(47,203)
Impairment losses on other assets		(18)	(5,522)
Operating profit		154,826	151,020
Share of results of associates and joint ventures		93	180
Profit before income tax		154,919	151,200
Income tax expense	III.9	(27,231)	(27,645)
Profit for the period		127,688	123,555
Attributable to:			
Equity holders of the Bank		120,095	119,165
Non-controlling interests		7,593	4,390
		127,688	123,555
Earnings per share (in RMB)	III.10		
— Basic		0.37	0.37
— Diluted		0.37	0.37

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 2023 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Six month period ended 30 June	
		2023 Unaudited	2022 Unaudited (Restated)
Profit for the period		127,688	123,555
Other comprehensive income:	III.11		
Items that will not be reclassified to profit or loss			
— Actuarial gains on defined benefit plans		67	44
— Changes in fair value on equity instruments designated at fair value through other comprehensive income		1,750	(1,107)
— Other		(3)	1
Subtotal		1,814	(1,062)
Items that may be reclassified to profit or loss			
— Changes in fair value on debt instruments measured at fair value through other comprehensive income		10,068	(20,840)
— Allowance for credit losses on debt instruments measured at fair value through other comprehensive income		693	67
— Finance (expenses)/income from insurance contracts issued		(1,973)	2,875
— Exchange differences from the translation of foreign operations		14,725	15,717
— Other		193	622
Subtotal		23,706	(1,559)
Other comprehensive income for the period, net of tax		25,520	(2,621)
Total comprehensive income for the period		153,208	120,934
Total comprehensive income attributable to:			
Equity holders of the Bank		142,040	113,810
Non-controlling interests		11,168	7,124
		153,208	120,934

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

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2023 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	As at 30 June 2023 Unaudited	As at 31 December 2022 (Restated)
ASSETS			
Cash and due from banks and other financial institutions	III.12	774,375	815,063
Balances with central banks	III.13	2,351,156	2,313,859
Placements with and loans to banks and other financial institutions	III.14	1,312,303	1,174,097
Government certificates of indebtedness for bank notes issued		204,293	196,497
Precious metals		86,322	130,215
Derivative financial assets	III.15	197,427	152,033
Loans and advances to customers, net	III.16	18,799,939	17,116,005
Financial investments	III.17	6,732,627	6,435,244
— financial assets at fair value through profit or loss		594,563	613,105
— financial assets at fair value through other comprehensive income		2,853,171	2,500,216
— financial assets at amortised cost		3,284,893	3,321,923
Investments in associates and joint ventures		38,799	38,304
Property and equipment	III.18	231,611	226,776
Construction in progress	III.19	20,586	19,613
Investment properties	III.20	24,149	23,311
Deferred income tax assets	III.25	68,348	71,139
Other assets	III.21	243,305	181,392
Total assets		31,085,240	28,893,548

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

		As at 30 June 2023 Unaudited	As at 31 December 2022 (Restated)
LIABILITIES			
Due to banks and other financial institutions		2,248,224	2,240,323
Due to central banks		1,014,759	915,858
Bank notes in circulation		204,198	196,903
Placements from banks and other financial institutions		308,068	466,335
Financial liabilities held for trading	III.22	48,365	53,868
Derivative financial liabilities	III.15	179,888	135,838
Due to customers	III.23	22,449,314	20,201,825
Bonds issued	III.24	1,301,167	1,540,935
Other borrowings		24,512	24,905
Current tax liabilities		37,633	58,957
Retirement benefit obligations		1,697	1,842
Deferred income tax liabilities	III.25	7,367	6,804
Other liabilities	III.26	598,285	485,854
Total liabilities		28,423,477	26,330,247
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital		294,388	294,388
Other equity instruments	III.27	399,505	369,505
— Preference shares		119,550	119,550
— Perpetual bonds		279,955	249,955
Capital reserve		135,771	135,759
Other comprehensive income	III.11	27,327	5,505
Statutory reserves		235,575	235,362
General and regulatory reserves		338,267	337,465
Undistributed profits		1,084,631	1,045,989
		2,515,464	2,423,973
Non-controlling interests		146,299	139,328
Total equity		2,661,763	2,563,301
Total equity and liabilities		31,085,240	28,893,548

Approved and authorised for issue by the Board of Directors on 30 August 2023.

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

GE Haijiao
Director

LIU Jin
Director

Condensed Consolidated Interim Statement of Changes in Equity

For the six month period ended 30 June 2023 (Amounts in millions of Renminbi, unless otherwise stated)

Attributable to equity holders of the Bank										
Note	Other equity instruments			Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	Total
	Share capital	Preference shares	Perpetual bonds							
As at 1 January 2023	294,388	119,550	249,955	135,759	5,505	235,362	337,465	1,045,989	139,328	2,563,301
Total comprehensive income	III.11	-	-	-	21,945	-	-	120,095	11,168	153,208
Appropriation to statutory reserves		-	-	-	-	213	-	(213)	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	802	(802)	-	-
Dividends	III.28	-	-	-	-	-	-	(80,561)	(4,263)	(84,824)
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	62	62
Capital contribution by other equity instruments holders	III.27	-	-	30,000	(2)	-	-	-	-	29,998
Other comprehensive income transferred to retained earnings		-	-	-	(123)	-	-	123	-	-
Other		-	-	14	-	-	-	-	4	18
As at 30 June 2023 (Unaudited)		294,388	119,550	279,955	135,771	27,327	338,267	1,084,631	146,299	2,661,763

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

Attributable to equity holders of the Bank											
	Note	Other equity instruments			Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	Total
		Share capital	Preference Shares	Perpetual Bonds							
As at 31 December 2021 (Audited)		294,388	119,550	199,955	135,717	1,417	213,930	303,209	956,987	125,400	2,350,553
Impact of accounting policy changes	I.3	-	-	-	-	734	-	-	(2,498)	(311)	(2,075)
As at 1 January 2022 (Restated)		294,388	119,550	199,955	135,717	2,151	213,930	303,209	954,489	125,089	2,348,478
Total comprehensive income (Restated)	III.11	-	-	-	-	(5,355)	-	-	119,165	7,124	120,934
Appropriation to statutory reserves		-	-	-	-	-	218	-	(218)	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	-	1,264	(1,264)	-	-
Dividends		-	-	-	-	-	-	-	(74,719)	(3,264)	(77,983)
Capital contribution by non-controlling shareholders		-	-	-	(3)	-	-	-	-	127	124
Capital contribution by other equity instruments holders		-	-	49,989	-	-	-	-	-	-	49,989
Other comprehensive income transferred to retained earnings		-	-	-	-	664	-	-	(664)	-	-
Other		-	-	-	41	-	-	-	-	-	41
As at 30 June 2022 (Unaudited, Restated)		294,388	119,550	249,944	135,755	(2,540)	214,148	304,473	996,789	129,076	2,441,583
Total comprehensive income (Restated)		-	-	-	-	7,858	-	-	107,357	10,318	125,533
Appropriation to statutory reserves		-	-	-	-	-	21,214	-	(21,214)	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	-	32,992	(32,992)	-	-
Dividends		-	-	-	-	-	-	-	(3,760)	(2,440)	(6,200)
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	-	2,374	2,374
Other comprehensive income transferred to retained earnings		-	-	-	-	187	-	-	(187)	-	-
Other		-	-	11	4	-	-	-	(4)	-	11
As at 31 December 2022 (Restated)		294,388	119,550	249,955	135,759	5,505	235,362	337,465	1,045,989	139,328	2,563,301

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 2023 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Six month period ended 30 June	
		2023 Unaudited	2022 Unaudited (Restated)
Cash flows from operating activities			
Profit before income tax		154,919	151,200
Adjustments:			
Impairment losses on assets		60,581	52,725
Depreciation of property and equipment and right-of-use assets		11,235	10,954
Amortisation of intangible assets and other assets		3,784	3,246
Net gains on disposals of property and equipment, intangible assets and other long-term assets		(392)	(251)
Net gains on disposals of investments in subsidiaries, associates and joint ventures		–	(35)
Share of results of associates and joint ventures		(93)	(180)
Interest income arising from financial investments		(91,141)	(79,245)
Dividends arising from investment securities		(192)	(267)
Net gains on financial investments		662	377
Interest expense arising from bonds issued		21,834	21,980
Accreted interest on impaired loans		(486)	(397)
Interest expense arising from lease liabilities		337	334
Net changes in operating assets and liabilities:			
Net increase in balances with central banks		(110,328)	(44,625)
Net decrease in due from and placements with and loans to banks and other financial institutions		199,503	93,415
Net decrease/(increase) in precious metals		43,899	(27,852)
Net increase in loans and advances to customers		(1,742,063)	(1,258,276)
Net increase in other assets		(165,897)	(119,036)
Net increase/(decrease) in due to banks and other financial institutions		6,113	(19,718)
Net increase/(decrease) in due to central banks		93,635	(269,940)
Net decrease in placements from banks and other financial institutions		(159,159)	(126,713)
Net increase in due to customers		2,233,587	1,394,242
Net decrease in other borrowings		(393)	(747)
Net increase in other liabilities		125,215	122,462
Cash inflow/(outflow) from operating activities		685,160	(96,347)
Income tax paid		(49,878)	(39,091)
Net cash inflow/(outflow) from operating activities		635,282	(135,438)

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

	Note	Six month period ended 30 June	
		2023 Unaudited	2022 Unaudited (Restated)
Cash flows from investing activities			
Proceeds from disposals of property and equipment, intangible assets and other long-term assets		1,597	3,580
Proceeds from disposals of investments in subsidiaries, associates and joint ventures		–	162
Dividends received		170	442
Interest income received from financial investments		90,884	78,728
Proceeds from disposals/maturities of financial investments		1,623,329	1,754,816
Increase in investments in subsidiaries, associates and joint ventures		(228)	(1,455)
Purchase of property and equipment, intangible assets and other long-term assets		(12,617)	(8,140)
Purchase of financial investments		(1,961,911)	(1,904,973)
Net cash outflow from investing activities		(258,776)	(76,840)
Cash flows from financing activities			
Proceeds from issuance of bonds		289,147	540,964
Proceeds from issuance of other equity instruments		30,000	49,989
Proceeds from capital contribution by non-controlling shareholders		62	96
Repayments of debts issued		(552,571)	(498,676)
Cash payments for interest on bonds issued		(8,640)	(3,496)
Dividend and interest payments to other equity instrument holders		(11,086)	(9,214)
Dividend payments to non-controlling shareholders		(1,257)	(1,176)
Other net cash flows from financing activities		(291)	(1,371)
Net cash (outflow)/inflow from financing activities		(254,636)	77,116
Effect of exchange rate changes on cash and cash equivalents		44,909	41,845
Net increase/(decrease) in cash and cash equivalents		166,779	(93,317)
Cash and cash equivalents at beginning of the period		2,091,466	1,975,631
Cash and cash equivalents at end of the period	III.30	2,258,245	1,882,314

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

Notes to the Condensed Consolidated Interim Financial Statements

(Amounts in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

The unaudited interim financial information for the six month period ended 30 June 2023 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 2022.

Except as described below, the accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those used in the Group’s consolidated financial statements for the year ended 31 December 2022.

1 Standards and amendments effective in 2023 relevant to and adopted by the Group

On 1 January 2023, the Group has adopted the following International Financial Reporting Standards (“IFRSs”) and amendments issued by the International Accounting Standards Board (“IASB”), which were mandatorily effective for the current interim period.

IFRS 17 and Amendments	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (“OECD”) international tax reform. The Group has adopted the relief for deferred taxes under the amendments.

IFRS 17 and Amendments Insurance Contracts (“IFRS 17”) and its impact are described in Note I.3 and Note I.4. The adoption of the other standards and amendments does not have any material impact on the operation results, comprehensive income and financial position of the Group for the six month period ended 30 June 2023.

I BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

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 2023

		Effective for annual period beginning on or after
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

The description of above standard and amendment updates have been disclosed in the 2022 Group's consolidated financial statements. The adoption of the above standards and amendments will not expect to have material impact on the Group's consolidated financial statements.

3 Accounting policy changes

On 1 January 2023, the Group adopted the IFRS 17 Insurance Contracts. The adoption of IFRS 17 has resulted in changes in the Group's accounting policies for recognition and measurement of insurance contract liabilities and insurance business income and costs. The specific accounting policies affected by IFRS 17 are as follows:

Identification of Insurance Contracts

The insurance subsidiaries of the Group bear insurance risk through issuance of insurance contracts. The Group assesses whether each contract transfers significant insurance risk to determine whether it is within the scope of IFRS 17.

Insurance contracts subject to similar risks and managed together are grouped as a portfolio of insurance contracts. Each portfolio is further divided into groups of contracts mainly based on profitability, extent of loss or possibility of becoming onerous contract subsequent to initial recognition. Insurance contracts issued more than one year apart should not be included in the same group.

Notes to the Condensed Consolidated Interim Financial Statements

(Amounts in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

3 Accounting policy changes (Continued)

Recognition and measurement of insurance contracts

The Group considers a group of insurance contracts as the lowest unit of account. Insurance contracts are measured using general measurement model (“GMM”), variable fee approach (“VFA”) or premium allocation approach (“PAA”) as at the end of each reporting period.

For the GMM, the insurance contracts are measured with the following building block:

- present value of future cash flows that relate directly to the fulfilment of the contracts discounted at applicable current discount rates;
- risk adjustments for non-financial risks; and
- contractual service margin representing unearned profit of the contracts.

Contractual service margin is adjusted at the end of each reporting period for changes in fulfilment cash flows that relate to future service; and will be recognised in insurance revenue in subsequent periods to reflect the insurance services provided under “Other operating income”. The Group shall recognise a loss at initial recognition of a group of onerous insurance contracts or when the group of contracts becomes onerous on subsequent measurement under “Operating expenses” in the income statement.

Insurance related revenue are presented in “Other operating income”, whereas insurance service expenses and insurance finance income or expenses of certain portfolios of insurance contracts are presented in “Operating expenses”. Directly attributable insurance acquisition cash flows are amortised in both “Other operating income” and “Operating expenses” during the lifetime of insurance contracts.

Discount rates used to measure the insurance contracts by the Group are consistent with observable current market prices to reflect the time value of money and financial risks related to those cash flows. For certain portfolios of insurance contracts, the Group chooses to disaggregate the insurance finance income or expenses for the period, arising from the effect of the time value of money and financial risks, into “Operating expenses” and “Other comprehensive income”.

Apart from the GMM, the Group applies the VFA to insurance contracts with direct participation feature. Under the VFA, changes in the Group’s share in the underlying items are related to changes in future services to be provided, and related contractual service margin will be adjusted. In addition, the Group simplifies measurement of short-term insurance contracts within one year or other eligible insurance contracts using the PAA.

I BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

3 Accounting policy changes (Continued)

Transition

The property insurance subsidiaries mainly used the full retrospective approach, while the life insurance subsidiaries mainly used the fair value approach. The insurance subsidiaries also reclassified related financial assets by reassessing their business model and re-designated the relevant financial assets to avoid accounting mismatches on initial application date as at 1 January 2023. The Group restated the comparative figures as at 1 January 2022, 31 December 2022 and the six month period ended 30 June 2022.

4 Impact of accounting policy changes

The Group summarises the impact of the implementation of IFRS 17 on the main financial items of comparative period as follows:

	As at 31 December 2022 before adoption of IFRS 17	IFRS 17 implementation impact	As at 31 December 2022 and 1 January 2023 after adoption of IFRS 17
Total assets	28,913,857	(20,309)	28,893,548
Total liabilities	26,346,286	(16,039)	26,330,247
Capital and reserves attributable to equity holders of the Bank	2,427,589	(3,616)	2,423,973
Non-controlling interests	139,982	(654)	139,328

	Six month period ended 30 June 2022 before adoption of IFRS 17	IFRS 17 implementation impact	Six month period ended 30 June 2022 after adoption of IFRS 17
Operating income	313,611	(20,089)	293,522
Operating expenses and impairment losses on assets*	(161,722)	19,220	(142,502)
Profit for the period	124,303	(748)	123,555

* Impairment losses on assets includes Credit impairment losses and Impairment losses on other assets.

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I BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

4 Impact of accounting policy changes (Continued)

The Group has applied IFRS 9 from 1 January 2018 onwards. On the initial application of IFRS 17, the Group is allowed to reassess the classification of financial assets under IFRS 9 to reduce the accounting mismatches between financial assets and insurance contract liabilities. The Group reassessed classification of financial assets if they are connected with contracts within scope of IFRS 17 as at 1 January 2023 and restated comparative information from 1 January 2022.

For participating and investment-linked insurance contracts measured by the VFA under IFRS 17, the Group reclassifies the supporting debt instruments measured at amortised cost ("AC") and fair value through other comprehensive income ("FVOCI") to fair value through profit or loss ("FVTPL"). For those assets supporting insurance contracts measured by the GMM, there are also reclassifications of certain debt instruments measured at AC to FVOCI in accordance with IFRS 17. The following table shows the measurement category and carrying amount before and after the adoption of IFRS 17 as at 1 January 2023:

Classification as at 31 December 2022 before adoption of IFRS 17	Classification as at 31 December 2022 and 1 January 2023 after adoption of IFRS 17	Carrying amount as at 31 December 2022 before adoption of IFRS 17	Carrying amount as at 31 December 2022 and 1 January 2023 after adoption of IFRS 17
Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	4,120	4,120
Financial assets at amortised cost	Financial assets at fair value through profit or loss	42,494	37,025
Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	40,991	35,961

I BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

5 Comparative figures

The Group adopted the requirements of IFRS 17 retrospectively with comparatives restated from the transition date, 1 January 2022. The restated notes mainly includes: Note III.5 Other operating income, Note III.6 Operating expenses, Note III.11 Other comprehensive income, Note III.17 Financial investments, Note III.21 Other assets, Note III.26 Other liabilities, and Note III.32 Segment reporting, etc. In addition, certain comparative figures have been adjusted to conform with changes in disclosures in current year.

II CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The critical accounting estimates and judgements made by the Group in this reporting period are consistent with those used in the Group's consolidated financial statements for the year ended 31 December 2022.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS

1 Net interest income

	Six month period ended 30 June	
	2023	2022
Interest income		
Loans and advances to customers		
— Corporate loans and advances	223,030	168,667
— Personal loans	140,582	139,114
— Discounted bills	4,308	4,144
Financial investments		
— Financial assets at fair value through other comprehensive income	38,710	28,612
— Financial assets at amortised cost	52,431	50,633
Due from and placements with and loans to banks and other financial institutions and central banks	47,940	27,223
Subtotal	507,001	418,393
Interest expense		
Due to customers	(212,538)	(142,506)
Due to and placements from banks and other financial institutions	(38,068)	(30,258)
Bonds issued and other	(22,403)	(22,249)
Subtotal	(273,009)	(195,013)
Net interest income	233,992	223,380

Notes to the Condensed Consolidated Interim Financial Statements

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

2 Net fee and commission income

	Six month period ended 30 June	
	2023	2022
Agency commissions	13,401	14,119
Settlement and clearing fees	9,028	8,945
Bank card fees	7,074	6,061
Credit commitment fees	6,324	6,296
Consultancy and advisory fees	6,123	4,203
Custodian and other fiduciary service fees	4,325	3,474
Spread income from foreign exchange business	2,940	2,886
Other	3,632	3,828
Fee and commission income	52,847	49,812
Fee and commission expense	(6,471)	(5,366)
Net fee and commission income	46,376	44,446

3 Net trading gains

	Six month period ended 30 June	
	2023	2022
Net gains from foreign exchange and foreign exchange products	6,132	3,729
Net gains from interest rate products	9,718	370
Net gains/(losses) from fund investments and equity products	1,028	(426)
Net gains from commodity products	737	559
Total ⁽¹⁾	17,615	4,232

- (1) For the six month period ended 30 June 2023, included in "Net trading gains" above were gains of RMB343 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (Six month period ended 30 June 2022: losses of RMB999 million).

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

4 Net (losses)/gains on transfers of financial assets

	Six month period ended 30 June	
	2023	2022
Net losses on derecognition of financial assets at fair value through other comprehensive income	(556)	(391)
Net gains on derecognition of financial assets at amortised cost ⁽¹⁾	316	965
Total	(240)	574

(1) All the net gains on the derecognition of financial assets at amortised cost were resulted from disposals during the six month period ended 30 June 2023 and 30 June 2022.

5 Other operating income

	Six month period ended 30 June	
	2023	2022
Aircraft leasing income	6,517	5,701
Revenue from sales of precious metal products	6,811	4,970
Insurance revenue	4,212	4,024
Dividend income ⁽¹⁾	2,311	3,117
Gains on disposals of property and equipment, intangible assets and other assets	443	292
Changes in fair value of investment properties (Note III.20)	(48)	(36)
Other	1,718	2,822
Total	21,964	20,890

(1) For the six month period ended 30 June 2023, included in the "Dividend income" was RMB192 million (Six month period ended 30 June 2022: RMB267 million) related to equity instruments classified as financial assets at fair value through other comprehensive income.

Notes to the Condensed Consolidated Interim Financial Statements

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

6 Operating expenses

	Six month period ended 30 June	
	2023	2022
Staff costs (Note III.7)	50,173	47,486
General operating and administrative expenses ⁽¹⁾	19,766	18,093
Depreciation and amortisation	12,309	11,641
Cost of sales of precious metal products	6,600	4,749
Insurance service expenses	4,065	3,778
Insurance finance expenses/(income)	3,563	(3,062)
Taxes and surcharges	3,326	3,160
Other	4,498	3,932
Total⁽²⁾	104,300	89,777

(1) For the six month period ended 30 June 2023, 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 RMB580 million (Six month period ended 30 June 2022: RMB549 million).

(2) For the six month period ended 30 June 2023, included in the "Operating expenses" were premises and equipment-related expenses (mainly comprised property management and building maintenance expenses and taxes) of RMB5,998 million (Six month period ended 30 June 2022: RMB5,655 million).

7 Staff costs

	Six month period ended 30 June	
	2023	2022
Salary, bonus and subsidy	35,907	34,149
Staff welfare	1,616	1,264
Retirement benefits	20	11
Social insurance		
— Medical	1,847	1,736
— Pension	3,304	3,117
— Annuity	2,048	1,780
— Unemployment	114	103
— Injury at work	45	41
— Maternity insurance	57	54
Housing funds	2,597	2,461
Labour union fee and staff education fee	577	952
Reimbursement for cancellation of labour contract	11	7
Other	2,030	1,811
Total	50,173	47,486

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

8 Credit impairment losses

	Six month period ended 30 June	
	2023	2022
Loans and advances		
— Loans and advances at amortised cost	62,125	45,338
— Loans and advances at fair value through other comprehensive income	(128)	238
Subtotal	61,997	45,576
Financial investments		
— Financial assets at amortised cost	(204)	(97)
— Financial assets at fair value through other comprehensive income	1,009	(191)
Subtotal	805	(288)
Credit commitments	(1,047)	1,458
Other	(1,192)	457
Total	60,563	47,203

9 Income tax expense

	Six month period ended 30 June	
	2023	2022
Current income tax		
— Chinese mainland income tax	21,793	23,201
— Hong Kong (China) profits tax	2,843	2,469
— Macao (China), Taiwan (China) and other countries and regions taxation	3,343	1,955
Adjustments in respect of current income tax of prior years	(232)	2,736
Subtotal	27,747	30,361
Deferred income tax (Note III.25.3)	(516)	(2,716)
Total	27,231	27,645

Notes to the Condensed Consolidated Interim Financial Statements

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

9 Income tax expense (Continued)

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	
	2023	2022
Profit before income tax	154,919	151,200
Tax calculated at the basic Chinese mainland tax rate	38,730	37,800
Effect of different tax rates for Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	(2,656)	(1,172)
Supplementary PRC tax on overseas income	1,868	1,873
Income not subject to tax ⁽¹⁾	(19,079)	(16,703)
Items not deductible for tax purposes ⁽²⁾	9,489	3,734
Other	(1,121)	2,113
Income tax expense	27,231	27,645

(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 entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

10 Earnings per share

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 periods ended 30 June 2023 and 30 June 2022.

	Six month period ended 30 June	
	2023	2022
Profit attributable to equity holders of the Bank	120,095	119,165
Less: dividends/interest on preference shares/ perpetual bonds declared	(12,263)	(9,659)
Profit attributable to ordinary shareholders of the Bank	107,832	109,506
Weighted average number of ordinary shares in issue (in million shares)	294,388	294,388
Basic and diluted earnings per share (in RMB)	0.37	0.37

Notes to the Condensed Consolidated Interim Financial Statements

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

11 Other comprehensive income

	Six month period ended 30 June	
	2023	2022
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit plans	67	44
Changes in fair value on equity instruments designated at fair value through other comprehensive income	2,209	(1,389)
Less: related income tax impact	(459)	282
Other	(3)	1
Subtotal	1,814	(1,062)
Items that may be reclassified to profit or loss		
Changes in fair value on debt instruments measured at fair value through other comprehensive income	12,475	(27,286)
Less: related income tax impact	(2,822)	5,714
Amount transferred to the income statement	556	748
Less: related income tax impact	(141)	(16)
	10,068	(20,840)
Allowance for credit losses on debt instruments measured at fair value through other comprehensive income	914	62
Less: related income tax impact	(221)	5
	693	67
Finance (expenses)/income from insurance contracts issued	(2,079)	3,526
Less: related income tax impact	106	(651)
	(1,973)	2,875
Exchange differences from the translation of foreign operations	14,725	15,717
Other	193	622
Subtotal	23,706	(1,559)
Total	25,520	(2,621)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (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 31 December 2021	28,890	(30,239)	2,766	1,417
Impact of accounting policy changes (Note I.3)	747	31	(44)	734
As at 1 January 2022	29,637	(30,208)	2,722	2,151
Changes for the year ended 31 December 2022	(22,547)	22,505	3,396	3,354
As at 31 December 2022 and 1 January 2023	7,090	(7,703)	6,118	5,505
Changes for the period ended 30 June 2023	12,076	10,506	(760)	21,822
As at 30 June 2023	19,166	2,803	5,358	27,327

12 Cash and due from banks and other financial institutions

	As at 30 June 2023	As at 31 December 2022
Cash	59,111	64,706
Due from banks in Chinese mainland	536,913	573,718
Due from other financial institutions in Chinese mainland	16,980	11,880
Due from banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	159,255	161,004
Due from other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	1,180	2,897
Subtotal ⁽¹⁾	714,328	749,499
Accrued interest	2,112	2,492
Less: allowance for impairment losses ⁽¹⁾	(1,176)	(1,634)
Subtotal due from banks and other financial institutions	715,264	750,357
Total	774,375	815,063

(1) As at 30 June 2023 and 31 December 2022, 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").

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

13 Balances with central banks

	As at 30 June 2023	As at 31 December 2022
Mandatory reserves ⁽¹⁾	1,650,143	1,551,359
Surplus reserves and others ⁽²⁾	702,588	765,062
Subtotal	2,352,731	2,316,421
Accrued interest	939	1,080
Less: allowance for impairment losses	(2,514)	(3,642)
Total	2,351,156	2,313,859

(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 2023, mandatory reserve funds placed with the PBOC were calculated at 9.25% (31 December 2022: 9.5%) and 6.0% (31 December 2022: 6.0%) 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, the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

14 Placements with and loans to banks and other financial institutions

	As at 30 June 2023	As at 31 December 2022
Placements with and loans to:		
Banks in Chinese mainland	283,360	137,472
Other financial institutions in Chinese mainland	679,443	648,655
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	312,577	357,834
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	35,636	29,360
Subtotal ^{(1) (2) (3)}	1,311,016	1,173,321
Accrued interest	4,742	4,663
Less: allowance for impairment losses ⁽³⁾	(3,455)	(3,887)
Total	1,312,303	1,174,097

- (1) The Group designates certain placements with and loans to banks and other financial institutions as financial assets measured at fair value through profit or loss, to eliminate or significantly reduce accounting mismatches. As at 30 June 2023, the carrying amount of the above-mentioned financial assets of the Group was RMB17,241 million (31 December 2022: RMB12,333 million).
- (2) "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 2023	As at 31 December 2022
Debt securities		
— Governments	197,611	209,940
— Policy banks	202,428	86,703
— Financial institutions	24,337	22,084
— Corporates	828	10,374
Subtotal	425,204	329,101
Less: allowance for impairment losses	(323)	(588)
Total	424,881	328,513

- (3) As at 30 June 2023 and 31 December 2022, 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.

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (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 2023			As at 31 December 2022		
	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	7,893,494	125,672	(118,184)	6,088,697	94,304	(86,847)
Currency options	631,408	7,006	(7,508)	623,484	6,672	(5,967)
Currency futures	4,161	21	(51)	1,590	19	(10)
Subtotal	8,529,063	132,699	(125,743)	6,713,771	100,995	(92,824)
Interest rate derivatives						
Interest rate swaps	6,191,757	56,150	(46,833)	4,329,705	46,655	(38,621)
Interest rate options	17,933	325	(325)	22,037	349	(348)
Interest rate futures	80,703	14	(76)	89,445	72	(47)
Subtotal	6,290,393	56,489	(47,234)	4,441,187	47,076	(39,016)
Equity derivatives	8,454	133	(141)	9,085	269	(239)
Commodity derivatives and other	524,495	8,106	(6,770)	339,554	3,693	(3,759)
Total ⁽¹⁾	15,352,405	197,427	(179,888)	11,503,597	152,033	(135,838)

(1) Derivative financial instruments include those designated as hedging instruments by the Group.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

16 Loans and advances to customers

16.1 Analysis of loans and advances to customers by measurement category

	As at 30 June 2023	As at 31 December 2022
Measured at amortised cost		
— Corporate loans and advances	12,112,346	10,509,864
— Personal loans	6,521,953	6,406,970
— Discounted bills	1,536	1,703
Measured at fair value through other comprehensive income ⁽¹⁾		
— Corporate loans and advances	4,268	7,936
— Discounted bills	568,680	575,246
Subtotal	19,208,783	17,501,719
Measured at fair value through profit or loss ⁽²⁾		
— Corporate loans and advances	3,924	4,074
Total	19,212,707	17,505,793
Accrued interest	51,977	46,968
Total loans and advances	19,264,684	17,552,761
Less: allowance for loans at amortised cost	(464,745)	(436,756)
Loans and advances to customers, net	18,799,939	17,116,005

(1) As at 30 June 2023, the allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income of the Group amounted to RMB363 million (31 December 2022: RMB485 million) and was credited to other comprehensive income.

(2) During the six month period ended 30 June 2023 and the year ended 31 December 2022, 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.

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (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 2023			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	205,195	59,062	172,499	436,756
Transfers to Stage 1	4,174	(2,697)	(1,477)	–
Transfers to Stage 2	(2,526)	5,715	(3,189)	–
Transfers to Stage 3	(586)	(12,233)	12,819	–
Impairment (reversal)/losses of loans with stage transfers	(3,950)	21,359	30,437	47,846
Charge for the period ⁽ⁱ⁾	62,374	7,773	10,703	80,850
Reversal for the period ⁽ⁱⁱ⁾	(44,506)	(7,753)	(14,312)	(66,571)
Write-off and transfer out	–	–	(42,196)	(42,196)
Recovery of loans and advances written off	–	–	6,643	6,643
Foreign exchange and other movements	637	301	479	1,417
As at 30 June	220,812	71,527	172,406	464,745

	Year ended 31 December 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	6,481	(5,296)	(1,185)	–
Transfers to Stage 2	(2,234)	5,611	(3,377)	–
Transfers to Stage 3	(1,659)	(11,533)	13,192	–
Impairment (reversal)/losses of loans with stage transfers	(5,969)	18,943	41,851	54,825
Charge for the year ⁽ⁱ⁾	93,067	14,787	22,827	130,681
Reversal for the year ⁽ⁱⁱ⁾	(52,371)	(18,168)	(22,198)	(92,737)
Write-off and transfer out	(64)	–	(61,766)	(61,830)
Recovery of loans and advances written off	–	–	11,837	11,837
Foreign exchange and other movements	1,586	886	1,418	3,890
As at 31 December	205,195	59,062	172,499	436,756

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (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 2023			
	12-month ECL		Lifetime ECL	
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	479	6	–	485
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⁾	199	3	–	202
Reversal for the period ⁽ⁱⁱ⁾	(324)	(6)	–	(330)
Foreign exchange and other movements	6	–	–	6
As at 30 June	360	3	–	363

	Year ended 31 December 2022			
	12-month ECL		Lifetime ECL	
	Stage 1	Stage 2	Stage 3	Total
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 year ⁽ⁱ⁾	469	6	–	475
Reversal for the year ⁽ⁱⁱ⁾	(374)	(77)	–	(451)
Foreign exchange and other movements	10	–	–	10
As at 31 December	479	6	–	485

- (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.

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

17 Financial investments

	As at 30 June 2023	As at 31 December 2022
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	36,197	36,485
— Public sectors and quasi-governments	30	285
— Policy banks	32,573	29,576
— Financial institutions	163,860	169,626
— Corporate	18,801	52,368
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	24,956	16,094
— Public sectors and quasi-governments	1,095	118
— Financial institutions	24,998	28,893
— Corporate	18,140	16,642
	320,650	350,087
Equity instruments	106,541	112,582
Fund investments and other	115,067	102,423
Total financial assets held for trading and other financial assets at fair value through profit or loss	542,258	565,092
Financial assets designated as at fair value through profit or loss		
Debt securities ⁽¹⁾		
Issuers in Chinese mainland		
— Government	6,701	8,243
— Policy banks	2,091	53
— Financial institutions	14,494	8,929
— Corporate	1,526	296
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	10,512	21,158
— Public sectors and quasi-governments	501	470
— Financial institutions	6,837	4,183
— Corporate	9,643	4,681
Total financial assets designated as at fair value through profit or loss	52,305	48,013
Total financial assets at fair value through profit or loss	594,563	613,105

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

17 Financial investments (Continued)

	As at 30 June 2023	As at 31 December 2022
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	1,106,263	877,513
— Public sectors and quasi-governments	90,828	96,113
— Policy banks	448,740	430,466
— Financial institutions	170,176	181,203
— Corporate	162,792	176,983
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	530,033	472,316
— Public sectors and quasi-governments	53,123	29,677
— Financial institutions	156,817	107,267
— Corporate	104,943	101,842
	2,823,715	2,473,380
Equity instruments and other	29,456	26,836
Total financial assets at fair value through other comprehensive income ⁽²⁾	2,853,171	2,500,216
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government	2,393,624	2,469,861
— Public sectors and quasi-governments	74,723	73,194
— Policy banks	159,556	158,855
— Financial institutions	50,122	55,060
— Corporate	14,233	21,693
— China Orient ⁽³⁾	152,433	152,433
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	186,387	178,204
— Public sectors and quasi-governments	120,910	94,515
— Financial institutions	79,633	66,163
— Corporate	9,342	8,778
	3,240,963	3,278,756
Investment trusts, asset management plans and other	19,695	17,853
Accrued interest	33,837	35,201
Less: allowance for impairment losses	(9,602)	(9,887)
Total financial assets at amortised cost	3,284,893	3,321,923
Total financial investments⁽⁵⁾	6,732,627	6,435,244

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

17 Financial investments (Continued)

	As at 30 June 2023	As at 31 December 2022
Analysed as follows:		
Financial assets at fair value through profit or loss		
— Listed in Hong Kong, China	40,285	48,845
— Listed outside Hong Kong, China ⁽⁶⁾	328,485	345,329
— Unlisted	225,793	218,931
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong, China	150,981	146,360
— Listed outside Hong Kong, China ⁽⁶⁾	2,169,109	1,894,720
— Unlisted	503,625	432,300
Equity instruments and other		
— Listed in Hong Kong, China	5,218	4,628
— Listed outside Hong Kong, China ⁽⁶⁾	11,831	10,867
— Unlisted	12,407	11,341
Financial assets at amortised cost⁽⁴⁾		
— Listed in Hong Kong, China	21,034	18,738
— Listed outside Hong Kong, China ⁽⁶⁾	2,976,021	3,024,133
— Unlisted	287,838	279,052
Total	6,732,627	6,435,244
Listed in Hong Kong, China	217,518	218,571
Listed outside Hong Kong, China ⁽⁶⁾	5,485,446	5,275,049
Unlisted	1,029,663	941,624
Total	6,732,627	6,435,244

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (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 2023 amounted to RMB6,744 million (31 December 2022: RMB5,708 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 2023, 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 2023		As at 31 December 2022	
	Carrying value	Market value	Carrying value	Market value
Debt securities at amortised cost				
— Listed in Hong Kong, China	21,034	20,289	18,738	17,446
— Listed outside Hong Kong, China ⁽⁶⁾	2,976,021	3,048,314	3,024,133	3,070,548

- (5) As at 30 June 2023, RMB3,051 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 2022: RMB3,193 million) with an impairment allowance of RMB2,312 million (31 December 2022: RMB2,441 million); RMB19,313 million of debt securities was included under Stage 2 (31 December 2022: RMB5,584 million), with an impairment allowances of RMB820 million (31 December 2022: RMB171 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".

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

17 Financial investments (Continued)

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

	Six month period ended 30 June 2023			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	2,812	68	7,007	9,887
Transfers to Stage 2	(26)	26	–	–
Impairment losses due to stage transfers	–	6	–	6
Impairment reversal for the period	–	(22)	(188)	(210)
Foreign exchange and other movements	(164)	43	40	(81)
As at 30 June	2,622	121	6,859	9,602

	Year ended 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	2,126	2	7,550	9,678
Transfers to Stage 2	(25)	25	–	–
Transfers to Stage 3	(10)	(1)	11	–
Net charge for the year	–	43	264	307
Impairment losses/(reversal) during the year	757	–	(910)	(153)
Foreign exchange and other movements	(36)	(1)	92	55
As at 31 December	2,812	68	7,007	9,887

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

17 Financial investments (Continued)

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

	Six month period ended 30 June 2023			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	5,305	103	300	5,708
Transfers to Stage 1	2	(2)	–	–
Transfers to Stage 2	(132)	132	–	–
Impairment losses due to stage transfers	–	422	–	422
Impairment losses for the period	540	47	–	587
Foreign exchange and other movements	30	(3)	–	27
As at 30 June	5,745	699	300	6,744

	Year ended 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	5,771	4	500	6,275
Transfers to Stage 2	(40)	40	–	–
Impairment losses due to stage transfers	–	58	–	58
Impairment (reversal)/losses during the year	(434)	1	(200)	(633)
Foreign exchange and other movements	8	–	–	8
As at 31 December	5,305	103	300	5,708

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

18 Property and equipment

	Six month period ended 30 June 2023			
	Buildings	Equipment and motor vehicles	Aircraft	Total
Cost				
As at 1 January	128,609	76,543	166,450	371,602
Additions	29	1,390	4,773	6,192
Transfer from investment properties (Note III.20)	37	–	–	37
Construction in progress transfer in (Note III.19)	1,745	317	416	2,478
Deductions	(473)	(2,040)	(939)	(3,452)
Exchange differences	929	275	5,690	6,894
As at 30 June	130,876	76,485	176,390	383,751
Accumulated depreciation				
As at 1 January	(49,222)	(61,115)	(25,909)	(136,246)
Additions	(2,067)	(3,323)	(2,710)	(8,100)
Deductions	419	1,972	263	2,654
Transfer to investment properties (Note III.20)	13	–	–	13
Exchange differences	(289)	(229)	(987)	(1,505)
As at 30 June	(51,146)	(62,695)	(29,343)	(143,184)
Allowance for impairment losses				
As at 1 January	(727)	–	(7,853)	(8,580)
Additions	–	–	(23)	(23)
Deductions	2	–	–	2
Exchange differences	3	–	(358)	(355)
As at 30 June	(722)	–	(8,234)	(8,956)
Net book value				
As at 1 January	78,660	15,428	132,688	226,776
As at 30 June	79,008	13,790	138,813	231,611

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

18 Property and equipment (Continued)

	Year ended 31 December 2022			
	Buildings	Equipment and motor vehicles	Aircraft	Total
Cost				
As at 1 January	124,989	73,497	146,901	345,387
Additions	136	6,115	7,250	13,501
Transfer from investment properties (Note III.20)	406	–	–	406
Construction in progress transfer in (Note III.19)	2,690	520	9,054	12,264
Deductions	(1,613)	(4,188)	(10,046)	(15,847)
Exchange differences	2,001	599	13,291	15,891
As at 31 December	128,609	76,543	166,450	371,602
Accumulated depreciation				
As at 1 January	(45,518)	(58,364)	(20,022)	(123,904)
Additions	(4,056)	(6,290)	(5,289)	(15,635)
Deductions	887	4,030	1,367	6,284
Transfer to investment properties (Note III.20)	11	–	–	11
Exchange differences	(546)	(491)	(1,965)	(3,002)
As at 31 December	(49,222)	(61,115)	(25,909)	(136,246)
Allowance for impairment losses				
As at 1 January	(740)	–	(1,617)	(2,357)
Additions	–	–	(5,944)	(5,944)
Deductions	16	–	25	41
Exchange differences	(3)	–	(317)	(320)
As at 31 December	(727)	–	(7,853)	(8,580)
Net book value				
As at 1 January	78,731	15,133	125,262	219,126
As at 31 December	78,660	15,428	132,688	226,776

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

19 Construction in progress

	Six month period ended 30 June 2023	Year ended 31 December 2022
Cost		
As at 1 January	19,840	27,192
Additions	3,147	6,663
Transfer to property and equipment (Note III.18)	(2,478)	(12,264)
Deductions	(104)	(3,320)
Exchange differences	408	1,569
As at 30 June/31 December	20,813	19,840
Allowance for impairment losses		
As at 1 January	(227)	(227)
Additions	–	–
Deductions	–	–
Exchange differences	–	–
As at 30 June/31 December	(227)	(227)
Net book value		
As at 1 January	19,613	26,965
As at 30 June/31 December	20,586	19,613

20 Investment properties

	Six month period ended 30 June 2023	Year ended 31 December 2022
As at 1 January	23,311	19,554
Additions	115	2,995
Transfer to property and equipment, net (Note III.18)	(50)	(417)
Deductions	–	(58)
Fair value changes (Note III.5)	(48)	(7)
Exchange differences	821	1,244
As at 30 June/31 December	24,149	23,311

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

21 Other assets

	As at 30 June 2023	As at 31 December 2022
Accounts receivable and prepayments	102,962	48,252
Insurance contract assets	48,174	49,383
Right-of-use assets ⁽¹⁾	19,643	19,709
Intangible assets	19,610	19,036
Land use rights	5,626	5,770
Long-term deferred expense	3,335	3,425
Goodwill ⁽²⁾	2,728	2,651
Repossessed assets ⁽³⁾	2,005	2,153
Interest receivable	894	749
Other	38,328	30,264
Total	243,305	181,392

(1) Right-of-use assets

	Six month period ended 30 June 2023		
	Buildings	Motor vehicles and other	Total
Cost			
As at 1 January	38,826	397	39,223
Additions	3,282	36	3,318
Deductions	(3,732)	(14)	(3,746)
Exchange differences	449	1	450
As at 30 June	38,825	420	39,245
Accumulated depreciation			
As at 1 January	(19,320)	(194)	(19,514)
Additions	(3,205)	(65)	(3,270)
Deductions	3,314	13	3,327
Exchange differences	(144)	(1)	(145)
As at 30 June	(19,355)	(247)	(19,602)
Net book value			
As at 1 January	19,506	203	19,709
As at 30 June	19,470	173	19,643

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

21 Other assets (Continued)

(1) Right-of-use assets (Continued)

	Year ended 31 December 2022		
	Buildings	Motor vehicles and other	Total
Cost			
As at 1 January	36,447	232	36,679
Additions	6,952	193	7,145
Deductions	(5,118)	(31)	(5,149)
Exchange differences	545	3	548
As at 31 December	38,826	397	39,223
Accumulated depreciation			
As at 1 January	(16,265)	(93)	(16,358)
Additions	(6,669)	(130)	(6,799)
Deductions	3,804	31	3,835
Exchange differences	(190)	(2)	(192)
As at 31 December	(19,320)	(194)	(19,514)
Net book value			
As at 1 January	20,182	139	20,321
As at 31 December	19,506	203	19,709

(2) Goodwill

	Six month period ended 30 June 2023	Year ended 31 December 2022
As at 1 January	2,651	2,481
Addition through acquisition of subsidiaries	–	–
Decrease resulting from disposals of subsidiaries	–	–
Exchange differences	77	170
As at 30 June/31 December	2,728	2,651

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,740 million).

(3) Repossessed assets

As at 30 June 2023, the net book amount of repossessed assets was RMB2,005 million (31 December 2022: RMB2,153 million), mainly comprised properties. Related allowance for impairment was RMB864 million (31 December 2022: RMB886 million).

The total book value of the repossessed assets disposed of for the six month period ended 30 June 2023 amounted to RMB257 million (2022: RMB232 million). The Group plans to dispose of the repossessed assets held at 30 June 2023 by auction, bidding or transfer.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

22 Financial liabilities held for trading

As at 30 June 2023 and 31 December 2022, financial liabilities held for trading mainly included short position in debt securities.

23 Due to customers

	As at 30 June 2023	As at 31 December 2022
Demand deposits		
— Corporate deposits	5,779,012	5,370,057
— Personal deposits	3,772,742	3,757,373
Subtotal	9,551,754	9,127,430
Time deposits		
— Corporate deposits	5,250,525	4,462,328
— Personal deposits	6,326,827	5,384,034
Subtotal	11,577,352	9,846,362
Structured deposits ⁽¹⁾		
— Corporate deposits	358,327	328,602
— Personal deposits	283,861	255,289
Subtotal	642,188	583,891
Certificates of deposit	314,538	290,082
Other deposits	87,895	92,375
Subtotal due to customers	22,173,727	19,940,140
Accrued interest	275,587	261,685
Total ⁽²⁾	22,449,314	20,201,825

(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 mismatches. As at 30 June 2023, the carrying amount of these financial liabilities was RMB43,663 million (31 December 2022: RMB36,701 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 2023 and 31 December 2022 were not significant. For the six month period ended 30 June 2023 and the year ended 31 December 2022, 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 2023 of RMB555,790 million (31 December 2022: RMB471,382 million).

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

24 Bonds issued

	Issue date	Maturity date	Annual interest rate	As at 30 June 2023	As at 31 December 2022
Bonds issued at amortised cost					
Tier 2 capital bonds issued					
2014 US Dollar Debt Securities ⁽¹⁾	13 November 2014	13 November 2024	5.00%	21,647	20,862
2018 RMB Debt Securities First Tranche ⁽²⁾	3 September 2018	5 September 2028	4.86%	39,988	39,984
2018 RMB Debt Securities Second Tranche ⁽³⁾	9 October 2018	11 October 2028	4.84%	39,986	39,987
2019 RMB Debt Securities First Tranche 01 ⁽⁴⁾	20 September 2019	24 September 2029	3.98%	29,990	29,990
2019 RMB Debt Securities First Tranche 02 ⁽⁵⁾	20 September 2019	24 September 2034	4.34%	9,996	9,996
2019 RMB Debt Securities Second Tranche ⁽⁶⁾	20 November 2019	22 November 2029	4.01%	29,989	29,992
2020 RMB Debt Securities First Tranche 01 ⁽⁷⁾	17 September 2020	21 September 2030	4.20%	59,977	59,975
2020 RMB Debt Securities First Tranche 02 ⁽⁸⁾	17 September 2020	21 September 2035	4.47%	14,994	14,994
2021 RMB Debt Securities First Tranche 01 ⁽⁹⁾	17 March 2021	19 March 2031	4.15%	14,995	14,995
2021 RMB Debt Securities First Tranche 02 ⁽¹⁰⁾	17 March 2021	19 March 2036	4.38%	9,996	9,996
2021 RMB Debt Securities Second Tranche 01 ⁽¹¹⁾	12 November 2021	16 November 2031	3.60%	39,986	39,989
2021 RMB Debt Securities Second Tranche 02 ⁽¹²⁾	12 November 2021	16 November 2036	3.80%	9,996	9,997
2022 RMB Debt Securities First Tranche ⁽¹³⁾	20 January 2022	24 January 2032	3.25%	29,990	29,992
2022 RMB Debt Securities Second Tranche 01 ⁽¹⁴⁾	24 October 2022	26 October 2032	3.02%	44,992	44,993
2022 RMB Debt Securities Second Tranche 02 ⁽¹⁵⁾	24 October 2022	26 October 2037	3.34%	14,997	14,998
2023 RMB Debt Securities First Tranche 01 ⁽¹⁶⁾	20 March 2023	22 March 2033	3.49%	39,993	–
2023 RMB Debt Securities First Tranche 02 ⁽¹⁷⁾	20 March 2023	22 March 2038	3.61%	19,996	–
Subtotal ⁽¹⁸⁾				471,508	410,740
Other bonds issued ⁽¹⁹⁾					
US Dollar Debt Securities				190,136	195,391
RMB Debt Securities				209,764	190,939
Other				19,616	33,614
Subtotal				419,516	419,944
Negotiable certificates of deposit					
				393,049	699,468
Subtotal-bonds issued at amortised cost					
				1,284,073	1,530,152
Bonds issued at fair value through profit or loss⁽²⁰⁾					
				2,149	2,080
Subtotal-bonds issued					
				1,286,222	1,532,232
Accrued interest					
				14,945	8,703
Total bonds issued ⁽²¹⁾					
				1,301,167	1,540,935

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

24 Bonds issued (Continued)

- (1) 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%.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) 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.

Notes to the Condensed Consolidated Interim Financial Statements

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

24 Bonds issued (Continued)

- (12) 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.
- (13) 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.
- (14) The Bank issued tier 2 capital bonds in an amount of RMB45 billion on 24 October 2022. The bonds have a maturity of 10 years with a fixed coupon rate of 3.02%. 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 RMB15 billion on 24 October 2022. The bonds have a maturity of 15 years with a fixed coupon rate of 3.34%. 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 RMB40 billion on 20 March 2023. The bonds have a maturity of 10 years with a fixed coupon rate of 3.49%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (17) The Bank issued tier 2 capital bonds in an amount of RMB20 billion on 20 March 2023. The bonds have a maturity of 15 years with a fixed coupon rate of 3.61%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (18) The claims of the holders of tier 2 capital bonds will be subordinated to the claims of depositors and general creditors.
- (19) 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 2014 and 30 June 2023 by the Group with dates of maturity ranging from 1 July 2023 to 2033.
- (20) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from certain of 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 mismatches. As at 30 June 2023, the carrying amount of the above-mentioned bonds issued by the Group was RMB2,149 million (31 December 2022: RMB2,080 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 2023 and 31 December 2022 were not significant. For the six month period ended 30 June 2023 and the year ended 31 December 2022, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.
- (21) For the six month period ended 30 June 2023 and the year ended 31 December 2022, 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 STATEMENT ITEMS (Continued)

25 Deferred income taxes

25.1 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 2023		As at 31 December 2022	
	Temporary differences	Deferred tax assets/(liabilities)	Temporary differences	Deferred tax assets/(liabilities)
Deferred income tax assets	264,944	68,348	278,548	71,139
Deferred income tax liabilities	(58,846)	(7,367)	(53,467)	(6,804)
Net	206,098	60,981	225,081	64,335

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

	As at 30 June 2023		As at 31 December 2022	
	Temporary differences	Deferred tax assets/(liabilities)	Temporary differences	Deferred tax assets/(liabilities)
Deferred income tax assets				
Asset impairment allowances	311,112	77,500	306,972	76,005
Pension, retirement benefits and salary payables	27,563	6,864	32,054	7,992
Financial instruments at fair value through profit or loss and derivative financial instruments	152,293	37,694	106,246	26,171
Financial assets at fair value through other comprehensive income	20,758	4,459	21,919	4,868
Other temporary differences	69,616	15,997	52,382	11,906
Subtotal	581,342	142,514	519,573	126,942
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	(177,451)	(44,071)	(137,985)	(34,253)
Financial assets at fair value through other comprehensive income	(37,782)	(9,428)	(24,777)	(6,194)
Depreciation and amortisation	(48,307)	(5,473)	(46,251)	(5,378)
Revaluation of investment properties	(10,634)	(2,019)	(10,369)	(1,955)
Other temporary differences	(101,070)	(20,542)	(75,110)	(14,827)
Subtotal	(375,244)	(81,533)	(294,492)	(62,607)
Net	206,098	60,981	225,081	64,335

As at 30 June 2023, deferred tax liabilities relating to temporary differences of RMB217,781 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2022: RMB199,915 million).

Notes to the Condensed Consolidated Interim Financial Statements

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

25 Deferred income taxes (Continued)

25.3 Movements of the deferred income tax are as follows:

	Six month period ended 30 June 2023	Year ended 31 December 2022
As at 1 January	64,335	44,693
Credited to the income statement (Note III.9)	516	13,288
(Charged)/credited to other comprehensive income	(3,537)	6,343
Other	(333)	11
As at 30 June/31 December	60,981	64,335

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

	Six month period ended 30 June	
	2023	2022
Asset impairment allowances	1,495	2,533
Financial instruments at fair value through profit or loss and derivative financial instruments	1,705	743
Pension, retirement benefits and salary payables	(1,128)	(559)
Other temporary differences	(1,556)	(1)
Total	516	2,716

26 Other liabilities

	As at 30 June 2023	As at 31 December 2022
Insurance contract liabilities	249,359	222,939
Items in the process of clearance and settlement	92,391	67,875
Dividends payable	73,216	711
Salary and welfare payables	39,686	46,657
Provision		
— Allowance for credit commitments	30,763	31,602
— Allowance for litigation losses (Note III.29.1)	1,240	1,242
Lease liabilities	19,692	19,621
Deferred income	6,498	6,579
Other	85,440	88,628
Total	598,285	485,854

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

27 Other equity instruments

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

	As at 1 January 2023		Increase/(decrease)		As at 30 June 2023	
	Quantity (million shares)	Issue amount	Quantity (million shares)	Issue amount	Quantity (million shares)	Issue amount
Preference Shares						
Domestic Preference Shares (Third Tranche)	730.0	73,000	–	–	730.0	73,000
Domestic Preference Shares (Fourth Tranche)	270.0	27,000	–	–	270.0	27,000
Offshore Preference Shares (Second Tranche)	197.9	19,787	–	–	197.9	19,787
Subtotal ⁽¹⁾	1,197.9	119,787	–	–	1,197.9	119,787
Perpetual Bonds						
2019 Undated Capital Bonds (Series 1)		40,000		–		40,000
2020 Undated Capital Bonds (Series 1)		40,000		–		40,000
2020 Undated Capital Bonds (Series 2)		30,000		–		30,000
2020 Undated Capital Bonds (Series 3)		20,000		–		20,000
2021 Undated Capital Bonds (Series 1)		50,000		–		50,000
2021 Undated Capital Bonds (Series 2)		20,000		–		20,000
2022 Undated Capital Bonds (Series 1)		30,000		–		30,000
2022 Undated Capital Bonds (Series 2)		20,000		–		20,000
2023 Undated Capital Bonds (Series 1) ⁽²⁾		–		30,000		30,000
Subtotal ⁽³⁾		250,000		30,000		280,000
Total		369,787		30,000		399,787

As at 30 June 2023, the transaction costs of outstanding other equity instruments issued by the Bank were RMB110 million (31 December 2022: RMB108 million).

- (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 relevant regulatory authorities for its examination and approval decision. As at 30 June 2023, the above preference shares have not been converted to ordinary shares.

Funding raised from the issuance of the above preference shares was fully used to replenish the Bank's capital and to increase its capital adequacy ratio.

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

27 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 14 June 2023 and completed the issuance on 16 June 2023. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.27%, which is reset every 5 years.
- (3) The above perpetual 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 relevant regulatory authorities, the Bank may redeem these bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance. Upon the occurrence of a triggering event for the write-downs, with the consent of the relevant regulatory authorities 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 these 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 these bonds.

The above bonds bear non-cumulative interest and the Bank shall have the right to cancel distributions on these 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 these bonds.

Funding raised from the issuance of these bonds was fully used to replenish the Bank's capital and to increase its capital adequacy ratio.

28 Dividends

Dividends for Ordinary Shares

A cash dividend of RMB2.32 per ten ordinary shares (pre-tax) in respect of the profit for the year ended 31 December 2022 amounting to RMB68,298 million (pre-tax) was approved at the Annual General Meeting held on 30 June 2023 and was recorded in "Other liabilities" as at 30 June 2023. Such cash dividend was distributed on 17 July 2023 and 4 August 2023 after the appropriate withholding of individual and enterprise income taxes.

Dividends for Preference Shares

Dividend distributions of Domestic Preference Shares (Third Tranche and Fourth Tranche) and Offshore Preference Shares (Second Tranche) were approved by the Board of Directors of the Bank at the Board Meeting held on 28 April 2023. Dividend of Domestic Preference Shares (Third Tranche) amounting to RMB3,285 million (pre-tax) was distributed on 27 June 2023. Dividend of Domestic Preference Shares (Fourth Tranche) amounting to RMB1,174.5 million (pre-tax) which was distributed on 29 August 2023, and the dividend of Offshore Preference Shares (Second Tranche) amounting to USD101.5 million (after tax) which will be distributed on 4 March 2024 have been recorded in "Other liabilities" as at 30 June 2023.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

28 Dividends (Continued)

Interest on Perpetual Bonds

The Bank distributed interest on the 2019 Undated Capital Bonds (Series 1) amounting to RMB1,800 million on 29 January 2023.

The Bank distributed interest on the 2022 Undated Capital Bonds (Series 1) amounting to RMB1,095 million on 12 April 2023.

The Bank distributed interest on the 2022 Undated Capital Bonds (Series 2) amounting to RMB730 million on 28 April 2023.

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 1) amounting to RMB1,360 million on 4 May 2023.

The Bank distributed interest on the 2021 Undated Capital Bonds (Series 1) amounting to RMB2,040 million on 19 May 2023.

29 Contingent liabilities and commitments

29.1 Legal proceedings and arbitrations

As at 30 June 2023, 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 2023, the balance of the provisions was RMB1,240 million (31 December 2022: RMB1,242 million), as disclosed in Note III.26. Based upon the opinions of internal and external legal counsels, 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.

29.2 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 2023	As at 31 December 2022
Debt securities	1,108,201	1,084,236
Bills	759	281
Total	1,108,960	1,084,517

Notes to the Condensed Consolidated Interim Financial Statements

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

29 Contingent liabilities and commitments (Continued)

29.3 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 2023, the fair value of such collateral received from banks and other financial institutions accepted by the Group amounted to RMB57,155 million (31 December 2022: RMB130,147 million). As at 30 June 2023, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB426 million (31 December 2022: RMB761 million). These transactions are conducted under standard terms in the normal course of business.

29.4 Capital commitments

	As at 30 June 2023	As at 31 December 2022
Property and equipment		
— Contracted but not provided for	84,461	82,420
— Authorised but not contracted for	2,194	2,124
Intangible assets		
— Contracted but not provided for	4,459	3,455
— Authorised but not contracted for	88	264
Investment properties and others		
— Contracted but not provided for	32	504
Total	91,234	88,767

29.5 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 2023, the outstanding principal value of the treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB46,906 million (31 December 2022: RMB45,563 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 STATEMENT ITEMS (Continued)

29 Contingent liabilities and commitments (Continued)

29.6 Credit commitments

	As at 30 June 2023	As at 31 December 2022
Loan commitments ⁽¹⁾		
— with an original maturity of less than 1 year	381,811	394,771
— with an original maturity of 1 year or above	2,766,842	2,430,689
Undrawn credit card limits	1,053,169	1,067,259
Letters of guarantee issued ⁽²⁾		
— Financing letters of guarantee	47,336	48,176
— Non-financing letters of guarantee	1,149,388	1,140,893
Bank bill acceptance	555,691	574,425
Letters of credit issued		
— Sight letters of credit	98,811	90,646
— Usance letters of credit	49,799	56,048
Accepted bills of exchange under letters of credit	73,173	79,362
Other	279,902	275,670
Total⁽³⁾	6,455,922	6,157,939

(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 2023, the unconditionally revocable loan commitments of the Group amounted to RMB443,735 million (31 December 2022: RMB380,483 million).

(2) 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 2023	As at 31 December 2022
Credit commitments	1,337,075	1,325,999

29.7 Underwriting obligations

As at 30 June 2023, there was no firm commitment in underwriting securities of the Group (31 December 2022: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

30 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 2023	As at 30 June 2022
Cash and due from banks and other financial institutions	669,219	562,476
Balances with central banks	684,476	609,456
Placements with and loans to banks and other financial institutions	771,359	613,061
Financial investments	133,191	97,321
Total	2,258,245	1,882,314

31 Related party transactions

31.1 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 STATEMENT ITEMS (Continued)

31 Related party transactions (Continued)

31.2 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 2023	As at 31 December 2022
Investment in debt securities	18,619	20,783
Placements with Huijin	19,300	14,000
Due to Huijin	(3,040)	(8,001)

Transaction amounts

	Six month period ended 30 June	
	2023	2022
Interest income	466	524
Interest expense	(37)	(283)

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

31 Related party transactions (Continued)

31.2 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 2023	As at 31 December 2022
Due from banks and other financial institutions	179,729	173,096
Placements with and loans to banks and other financial institutions	228,826	211,275
Financial investments	525,742	522,111
Derivative financial assets	17,094	10,347
Loans and advances to customers	83,965	80,993
Due to customers, banks and other financial institutions	(524,902)	(356,333)
Placements from banks and other financial institutions	(87,243)	(201,668)
Derivative financial liabilities	(15,564)	(10,118)
Credit commitments	45,699	50,353

Transaction amounts

	Six month period ended 30 June	
	2023	2022
Interest income	11,651	7,971
Interest expense	(6,414)	(4,278)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

31 Related party transactions (Continued)

31.3 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 placing and taking.

31.4 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 2023	As at 31 December 2022
Loans and advances to customers	25,713	21,342
Due to customers, banks and other financial institutions	(23,308)	(24,557)
Credit commitments	26,823	27,450

Transaction amounts

	Six month period ended 30 June	
	2023	2022
Interest income	392	356
Interest expense	(220)	(232)

Notes to the Condensed Consolidated Interim Financial Statements

(Amounts in millions of Renminbi, unless otherwise stated)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

31 Related party transactions (Continued)

31.5 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 2023 and the year ended 31 December 2022.

31.6 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 2023 and the year ended 31 December 2022, there were no material transactions and balances with key management personnel on an individual basis.

31.7 Transactions with Connected Natural Persons

As at 30 June 2023, the Bank's balance of loans to the connected natural persons as defined in the regulations issued by the National Administration of Financial Regulation ("NAFR") and Shanghai Stock Exchange totalled RMB252 million (31 December 2022: RMB271 million) and RMB10 million (31 December 2022: RMB11 million), respectively.

31.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

Transaction balances

	As at 30 June 2023	As at 31 December 2022
Due from banks and other financial institutions	26,270	38,874
Placements with and loans to banks and other financial institutions and loans and advances to customers	298,670	318,632
Due to banks and other financial institutions	(172,325)	(255,912)
Placements from banks and other financial institutions	(83,929)	(56,167)

Transaction amounts

	Six month period ended 30 June	
	2023	2022
Interest income	3,346	1,869
Interest expense	(2,340)	(721)

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

32 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 Luxembourg.

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 Statements

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

32 Segment reporting (Continued)

As at and for the six month period ended 30 June 2023

	Hong Kong (China), Macao (China) and Taiwan (China)				Other countries and regions	Elimination	Total
	Chinese mainland	BOCHK Group	Other	Subtotal			
Interest income	411,570	47,776	25,447	73,223	48,141	(25,933)	507,001
Interest expense	(211,501)	(29,789)	(21,098)	(50,887)	(37,607)	26,986	(273,009)
Net interest income	200,069	17,987	4,349	22,336	10,534	1,053	233,992
Fee and commission income	43,165	5,665	3,097	8,762	3,687	(2,767)	52,847
Fee and commission expense	(4,668)	(1,312)	(627)	(1,939)	(1,223)	1,359	(6,471)
Net fee and commission income	38,497	4,353	2,470	6,823	2,464	(1,408)	46,376
Net trading gains	8,073	7,652	1,848	9,500	1,342	(1,300)	17,615
Net gains/(losses) on transfers of financial assets	284	(711)	174	(537)	13	-	(240)
Other operating income ⁽¹⁾	11,370	1,099	9,879	10,978	38	(422)	21,964
Operating income	258,293	30,380	18,720	49,100	14,391	(2,077)	319,707
Operating expenses ⁽¹⁾	(82,232)	(9,494)	(9,670)	(19,164)	(4,103)	1,199	(104,300)
Impairment losses on assets	(55,442)	(1,018)	(920)	(1,938)	(3,201)	-	(60,581)
Operating profit	120,619	19,868	8,130	27,998	7,087	(878)	154,826
Share of results of associates and joint ventures	58	(102)	137	35	-	-	93
Profit before income tax	120,677	19,766	8,267	28,033	7,087	(878)	154,919
Income tax expense							(27,231)
Profit for the period							127,688
Segment assets	25,247,652	3,425,749	1,757,679	5,183,428	2,289,733	(1,674,372)	31,046,441
Investments in associates and joint ventures	22,730	284	15,785	16,069	-	-	38,799
Total assets	25,270,382	3,426,033	1,773,464	5,199,497	2,289,733	(1,674,372)	31,085,240
Include: non-current assets ⁽²⁾	113,869	28,439	184,845	213,284	9,080	(4,970)	331,263
Segment liabilities	23,164,084	3,136,676	1,589,673	4,726,349	2,206,009	(1,672,965)	28,423,477
Other segment items:							
Inter-segment net interest income/(expense)	619	(470)	5,127	4,657	(6,329)	1,053	-
Inter-segment net fee and commission income/(expense)	855	90	553	643	(90)	(1,408)	-
Capital expenditure	4,964	767	7,301	8,068	127	-	13,159
Depreciation and amortisation	10,798	885	3,366	4,251	404	(434)	15,019
Credit commitments	5,454,944	322,398	167,320	489,718	676,594	(165,334)	6,455,922

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

32 Segment reporting (Continued)

As at 31 December 2022 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	17,782	11,623	29,405	13,279	(7,105)	418,393
Interest expense	(182,807)	(5,486)	(8,599)	(14,085)	(5,226)	7,105	(195,013)
Net interest income	200,007	12,296	3,024	15,320	8,053	-	223,380
Fee and commission income	41,318	5,524	2,873	8,397	3,107	(3,010)	49,812
Fee and commission expense	(4,991)	(1,023)	(313)	(1,336)	(960)	1,921	(5,366)
Net fee and commission income	36,327	4,501	2,560	7,061	2,147	(1,089)	44,446
Net trading gains	256	1,225	1,682	2,907	1,070	(1)	4,232
Net gains/(losses) on transfers of financial assets	1,967	(1,685)	299	(1,386)	(7)	-	574
Other operating income ⁽¹⁾	9,681	1,062	10,418	11,480	72	(343)	20,890
Operating income	248,238	17,399	17,983	35,382	11,335	(1,433)	293,522
Operating expenses ⁽¹⁾	(76,789)	(1,966)	(8,550)	(10,516)	(3,577)	1,105	(89,777)
Impairment losses on assets	(43,244)	(1,416)	(6,491)	(7,907)	(1,574)	-	(52,725)
Operating profit	128,205	14,017	2,942	16,959	6,184	(328)	151,020
Share of results of associates and joint ventures	273	(129)	36	(93)	-	-	180
Profit before income tax	128,478	13,888	2,978	16,866	6,184	(328)	151,200
Income tax expense							(27,645)
Profit for the period							123,555
Segment assets	23,354,353	3,245,020	1,689,219	4,934,239	2,347,203	(1,780,551)	28,855,244
Investments in associates and joint ventures	22,676	378	15,250	15,628	-	-	38,304
Total assets	23,377,029	3,245,398	1,704,469	4,949,867	2,347,203	(1,780,551)	28,893,548
Include: non-current assets ⁽²⁾	116,769	27,865	175,520	203,385	8,973	(4,815)	324,312
Segment liabilities	21,329,365	2,978,906	1,530,377	4,509,283	2,271,615	(1,780,016)	26,330,247
Other segment items:							
Inter-segment net interest (expense)/income	(261)	(223)	1,429	1,206	(945)	-	-
Inter-segment net fee and commission income/(expense)	473	123	496	619	(3)	(1,089)	-
Capital expenditure	2,938	611	4,461	5,072	95	-	8,105
Depreciation and amortisation	10,102	858	3,200	4,058	395	(355)	14,200
Credit commitments	5,228,480	311,866	162,902	474,768	622,064	(167,373)	6,157,939

- (1) Other operating income includes insurance premium income earned, and operating expenses include insurance service expenses.
- (2) Non-current assets include property and equipment, investment properties, right-of-use assets, intangible assets and other long-term assets.

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

32 Segment reporting (Continued)

As at and for the six month period ended 30 June 2023

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	245,782	210,727	128,420	1,537	1,881	3,604	(84,950)	507,001
Interest expense	(138,194)	(93,470)	(121,403)	(157)	(92)	(4,643)	84,950	(273,009)
Net interest income/(expense)	107,588	117,257	7,017	1,380	1,789	(1,039)	-	233,992
Fee and commission income	22,845	20,825	7,557	3,203	-	895	(2,478)	52,847
Fee and commission expense	(749)	(4,411)	(720)	(702)	-	(106)	217	(6,471)
Net fee and commission income	22,096	16,414	6,837	2,501	-	789	(2,261)	46,376
Net trading gains/(losses)	1,725	374	12,595	(152)	2,373	698	2	17,615
Net gains/(losses) on transfers of financial assets	356	3	(667)	3	64	1	-	(240)
Other operating income	209	6,982	168	101	5,556	10,979	(2,031)	21,964
Operating income	131,974	141,030	25,950	3,833	9,782	11,428	(4,290)	319,707
Operating expenses	(36,343)	(44,767)	(10,839)	(1,496)	(8,203)	(5,427)	2,775	(104,300)
Impairment losses on assets	(45,025)	(14,956)	973	(11)	(1)	(1,653)	92	(60,581)
Operating profit	50,606	81,307	16,084	2,326	1,578	4,348	(1,423)	154,826
Share of results of associates and joint ventures	-	-	-	193	-	(76)	(24)	93
Profit before income tax	50,606	81,307	16,084	2,519	1,578	4,272	(1,447)	154,919
Income tax expense								(27,231)
Profit for the period								127,688
Segment assets	13,276,910	6,478,965	10,329,751	81,139	268,446	710,731	(99,501)	31,046,441
Investments in associates and joint ventures	-	-	-	7,170	1	31,759	(131)	38,799
Total assets	13,276,910	6,478,965	10,329,751	88,309	268,447	742,490	(99,632)	31,085,240
Segment liabilities	13,963,305	10,634,792	3,261,668	47,249	253,677	359,458	(96,672)	28,423,477
Other segment items:								
Inter-segment net interest income/(expense)	14,684	69,031	(83,652)	372	7	(442)	-	-
Inter-segment net fee and commission income/(expense)	234	2,023	31	(201)	-	174	(2,261)	-
Capital expenditure	1,492	1,683	79	30	60	9,815	-	13,159
Depreciation and amortisation	5,109	5,443	1,549	219	26	3,242	(569)	15,019
Credit commitments	5,033,766	1,422,156	-	-	-	-	-	6,455,922

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

32 Segment reporting (Continued)

As at 31 December 2022 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	1,539	2,525	(39,623)	418,393
Interest expense	(93,254)	(72,559)	(65,194)	(60)	(41)	(3,528)	39,623	(195,013)
Net interest income/(expense)	87,451	97,981	36,882	571	1,498	(1,003)	-	223,380
Fee and commission income	18,940	17,159	10,325	4,168	-	923	(1,703)	49,812
Fee and commission expense	(622)	(3,341)	(644)	(973)	-	(62)	276	(5,366)
Net fee and commission income	18,318	13,818	9,681	3,195	-	861	(1,427)	44,446
Net trading gains/(losses)	1,043	329	8,510	(59)	(6,314)	718	5	4,232
Net gains/(losses) on transfers of financial assets	908	56	(681)	5	282	5	(1)	574
Other operating income	150	5,103	239	194	5,341	11,697	(1,834)	20,890
Operating income	107,870	117,287	54,631	3,906	807	12,278	(3,257)	293,522
Operating expenses	(32,977)	(41,053)	(10,985)	(1,160)	(1,207)	(4,965)	2,570	(89,777)
Impairment losses on assets	(33,626)	(12,832)	(38)	(253)	(3)	(5,870)	(103)	(52,725)
Operating profit	41,267	63,402	43,608	2,493	(403)	1,443	(790)	151,020
Share of results of associates and joint ventures	-	-	-	168	-	37	(25)	180
Profit before income tax	41,267	63,402	43,608	2,661	(403)	1,480	(815)	151,200
Income tax expense								(27,645)
Profit for the period								123,555
Segment assets	11,734,117	6,391,485	9,819,400	83,439	244,501	676,302	(94,000)	28,855,244
Investments in associates and joint ventures	-	-	-	7,011	1	31,424	(132)	38,304
Total assets	11,734,117	6,391,485	9,819,400	90,450	244,502	707,726	(94,132)	28,893,548
Segment liabilities	12,620,363	9,683,712	3,506,365	51,422	229,733	331,585	(92,933)	26,330,247
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)	-	233	(1,427)	-
Capital expenditure	909	1,022	52	35	32	6,055	-	8,105
Depreciation and amortisation	4,601	5,390	1,404	194	63	3,066	(518)	14,200
Credit commitments	4,779,988	1,377,951	-	-	-	-	-	6,157,939

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

33 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. Under this type of repurchase agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities upon maturity of the contract. If the value of securities increases or decreases, the Group may in certain circumstances require counterparties or be required by counterparties to pay additional cash collateral. 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 2023		As at 31 December 2022	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	15,820	15,553	1,354	1,325

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.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

33 Transfers of financial assets (Continued)

Credit asset transfers (Continued)

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 such securitisation transactions was RMB473 million as at 30 June 2023 (31 December 2022: RMB452 million), which also approximates the Group's maximum exposure to loss.

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. For the six month period ended 30 June 2023, there was no credit asset transfer transaction which resulted in new continuing involvement through acquiring tranches by the Group (Six month period ended 30 June 2022, the carrying amount at the time of transfer of the original credit assets, which the Group determined that it had continuing involvement through acquiring certain tranches, was RMB13,074 million) and the carrying amount of assets in relation to continuing involvement that the Group continues to recognise in the statement of financial position was RMB20,994 million as at 30 June 2023 (31 December 2022: RMB21,005 million).

34 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.

34.1 Unconsolidated structured entities

Structured entities sponsored and managed 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 2023, after considering the impact of relevant joint activities over structured entities within the Group, the balance of wealth management products sponsored and managed by the Group amounted to RMB1,609,771 million (31 December 2022: RMB1,760,322 million), and funds and asset management plans amounted to RMB749,202 million (31 December 2022: RMB661,931 million).

For the six month period ended 30 June 2023, the above-mentioned commission, custodian fees and management fees amounted to RMB3,862 million (Six month period ended 30 June 2022: RMB4,881 million).

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III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

34 Interests in the structured entities (Continued)

34.1 Unconsolidated structured entities (Continued)

Structured entities sponsored and managed by the Group (Continued)

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 any financing to these products. 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 2023, the Group did not provide any such financing (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). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 30 June 2023 and 31 December 2022, the Group did not have any outstanding financing balance and there was no exposure to these wealth management products.

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB3,445 million for the six month period ended 30 June 2023 (Six month period ended 30 June 2022: RMB341 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.33.

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 2023					
Fund investments	88,957	–	–	88,957	88,957
Investment trusts and asset management plans	2,246	1,508	14,879	18,633	18,633
Asset-backed securitisations	1,479	38,597	87,858	127,934	127,934
As at 31 December 2022					
Fund investments	81,478	–	–	81,478	81,478
Investment trusts and asset management plans	2,090	1,470	13,005	16,565	16,565
Asset-backed securitisations	6,126	37,962	73,165	117,253	117,253

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT ITEMS (Continued)

34 Interests in the structured entities (Continued)

34.2 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.

35 Events after the financial reporting date

Redemption Arrangement of 2018 RMB Tier 2 Capital Bonds First Tranche

According to the relevant terms and conditions in the prospectus for the issuance of the 2018 RMB Tier 2 Capital Bonds First Tranche, the bonds are subject to the redemption option of the issuer. The Bank issued a redemption announcement on 4 August 2023. The redemption date is 5 September 2023, and the redemption amount is RMB40 billion.

Notes to the Condensed Consolidated Interim Financial Statements

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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 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Chinese mainland	16,042,856	83.50%	14,500,783	82.83%
Hong Kong (China), Macao (China) and Taiwan (China)	2,070,113	10.77%	1,936,288	11.07%
Other countries and regions	1,099,738	5.73%	1,068,722	6.10%
Total	19,212,707	100.00%	17,505,793	100.00%

Chinese mainland

	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Northern China	2,312,265	14.41%	2,038,727	14.07%
Northeastern China	608,052	3.79%	583,632	4.02%
Eastern China	6,553,933	40.85%	5,905,293	40.72%
Central and Southern China	4,520,080	28.18%	4,087,906	28.19%
Western China	2,048,526	12.77%	1,885,225	13.00%
Total	16,042,856	100.00%	14,500,783	100.00%

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

	Hong Kong (China), Macao (China) and Taiwan (China)			Other countries and regions	Total
	Chinese mainland				
As at 30 June 2023					
Corporate loans and advances					
— Trade bills	1,483,762	90,341	121,621	1,695,724	
— Other	8,816,829	1,270,044	908,157	10,995,030	
Personal loans	5,742,265	709,728	69,960	6,521,953	
Total	16,042,856	2,070,113	1,099,738	19,212,707	
As at 31 December 2022					
Corporate loans and advances					
— Trade bills	1,318,237	81,885	113,743	1,513,865	
— Other	7,500,347	1,198,699	885,912	9,584,958	
Personal loans	5,682,199	655,704	69,067	6,406,970	
Total	14,500,783	1,936,288	1,068,722	17,505,793	

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 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	2,951,851	15.37%	2,476,528	14.15%
Manufacturing	2,541,676	13.23%	2,177,432	12.44%
Transportation, storage and postal services	2,003,312	10.43%	1,898,333	10.84%
Real estate	1,462,893	7.61%	1,359,650	7.77%
Production and supply of electricity, heating, gas and water	1,132,539	5.89%	952,035	5.44%
Financial services	987,986	5.14%	851,117	4.86%
Construction	453,825	2.36%	369,618	2.11%
Water, environment and public utility management	446,884	2.33%	370,531	2.12%
Mining	307,882	1.60%	283,411	1.62%
Public utilities	239,777	1.25%	218,706	1.25%
Other	162,129	0.84%	141,462	0.80%
Subtotal	12,690,754	66.05%	11,098,823	63.40%
Personal loans				
Mortgages	4,856,454	25.28%	4,916,707	28.09%
Credit cards	526,383	2.74%	520,390	2.97%
Other	1,139,116	5.93%	969,873	5.54%
Subtotal	6,521,953	33.95%	6,406,970	36.60%
Total	19,212,707	100.00%	17,505,793	100.00%

Notes to the Condensed Consolidated Interim Financial Statements

(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 (Continued)

Chinese mainland

	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	2,418,177	15.07%	1,974,498	13.62%
Manufacturing	2,171,416	13.54%	1,808,808	12.47%
Transportation, storage and postal services	1,871,049	11.66%	1,744,422	12.03%
Real estate	846,173	5.27%	773,828	5.34%
Production and supply of electricity, heating, gas and water	895,788	5.58%	738,758	5.09%
Financial services	761,418	4.75%	659,443	4.55%
Construction	411,111	2.56%	328,921	2.27%
Water, environment and public utility management	436,344	2.72%	361,108	2.49%
Mining	195,627	1.22%	167,351	1.15%
Public utilities	224,609	1.40%	206,004	1.42%
Other	68,879	0.44%	55,443	0.38%
Subtotal	10,300,591	64.21%	8,818,584	60.81%
Personal loans				
Mortgages	4,246,724	26.47%	4,338,946	29.93%
Credit cards	514,794	3.21%	508,755	3.51%
Other	980,747	6.11%	834,498	5.75%
Subtotal	5,742,265	35.79%	5,682,199	39.19%
Total	16,042,856	100.00%	14,500,783	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)

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

Group

	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Unsecured loans	6,926,985	36.05%	5,970,296	34.10%
Guaranteed loans	2,459,100	12.80%	2,161,091	12.35%
Collateralised and other secured loans	9,826,622	51.15%	9,374,406	53.55%
Total	19,212,707	100.00%	17,505,793	100.00%

Chinese mainland

	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Unsecured loans	5,522,028	34.42%	4,644,358	32.03%
Guaranteed loans	2,070,909	12.91%	1,773,165	12.23%
Collateralised and other secured loans	8,449,919	52.67%	8,083,260	55.74%
Total	16,042,856	100.00%	14,500,783	100.00%

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

Group

	As at 30 June 2023			As at 31 December 2022		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	208,488	84.45%	1.30%	202,404	87.36%	1.40%
Hong Kong(China), Macao (China) and Taiwan (China)	21,063	8.53%	1.02%	15,572	6.73%	0.80%
Other countries and regions	17,331	7.02%	1.58%	13,701	5.91%	1.28%
Total	246,882	100.00%	1.28%	231,677	100.00%	1.32%

Notes to the Condensed Consolidated Interim Financial Statements

(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)

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

Chinese mainland

	As at 30 June 2023			As at 31 December 2022		
	Amount	% of total	Impaired	Amount	% of total	Impaired
			loan ratio			loan ratio
Northern China	37,391	17.93%	1.62%	37,895	18.72%	1.86%
Northeastern China	14,221	6.82%	2.34%	13,239	6.54%	2.27%
Eastern China	63,303	30.37%	0.97%	55,168	27.26%	0.93%
Central and Southern China	61,987	29.73%	1.37%	72,733	35.93%	1.78%
Western China	31,586	15.15%	1.54%	23,369	11.55%	1.24%
Total	208,488	100.00%	1.30%	202,404	100.00%	1.40%

(ii) Impaired loans and advances by customer type

Group

	As at 30 June 2023			As at 31 December 2022		
	Amount	% of total	Impaired	Amount	% of total	Impaired
			loan ratio			loan ratio
Corporate loans and advances	202,194	81.90%	1.59%	190,190	82.09%	1.71%
Personal loans	44,688	18.10%	0.69%	41,487	17.91%	0.65%
Total	246,882	100.00%	1.28%	231,677	100.00%	1.32%

Chinese mainland

	As at 30 June 2023			As at 31 December 2022		
	Amount	% of total	Impaired	Amount	% of total	Impaired
			loan ratio			loan ratio
Corporate loans and advances	165,576	79.42%	1.61%	162,326	80.20%	1.84%
Personal loans	42,912	20.58%	0.75%	40,078	19.80%	0.71%
Total	208,488	100.00%	1.30%	202,404	100.00%	1.40%

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 2023			As at 31 December 2022		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Commerce and services	40,111	16.25%	1.66%	33,486	14.45%	1.70%
Manufacturing	36,948	14.97%	1.70%	34,275	14.79%	1.89%
Transportation, storage and postal services	12,124	4.91%	0.65%	10,959	4.73%	0.63%
Real estate	43,200	17.50%	5.11%	55,966	24.16%	7.23%
Production and supply of electricity, heating, gas and water	13,651	5.53%	1.52%	13,119	5.66%	1.78%
Financial services	163	0.07%	0.02%	20	0.01%	0.00%
Construction	3,726	1.51%	0.91%	2,838	1.22%	0.86%
Water, environment and public utility management	4,806	1.95%	1.10%	1,947	0.84%	0.54%
Mining	4,800	1.94%	2.45%	4,802	2.07%	2.87%
Public utilities	4,588	1.86%	2.04%	3,539	1.54%	1.72%
Other	1,459	0.58%	2.12%	1,375	0.59%	2.48%
Subtotal	165,576	67.07%	1.61%	162,326	70.06%	1.84%
Personal loans						
Mortgages	20,687	8.38%	0.49%	20,386	8.80%	0.47%
Credit cards	9,949	4.03%	1.93%	10,302	4.45%	2.02%
Other	12,276	4.97%	1.25%	9,390	4.05%	1.13%
Subtotal	42,912	17.38%	0.75%	40,078	17.30%	0.71%
Total for Chinese mainland	208,488	84.45%	1.30%	202,404	87.36%	1.40%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	38,394	15.55%	1.21%	29,273	12.64%	0.97%
Total	246,882	100.00%	1.28%	231,677	100.00%	1.32%

Notes to the Condensed Consolidated Interim Financial Statements

(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)*

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

	Impaired loans	Allowance for impairment losses	Net
As at 30 June 2023			
Chinese mainland	208,488	(153,589)	54,899
Hong Kong (China), Macao (China) and Taiwan (China)	21,063	(11,038)	10,025
Other countries and regions	17,331	(7,779)	9,552
Total	246,882	(172,406)	74,476
As at 31 December 2022			
Chinese mainland	202,404	(158,209)	44,195
Hong Kong (China), Macao (China) and Taiwan (China)	15,572	(8,544)	7,028
Other countries and regions	13,701	(5,746)	7,955
Total	231,677	(172,499)	59,178

(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 2023 and 31 December 2022.

As at 30 June 2023 and 31 December 2022, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were not material.

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 2023	As at 31 December 2022
Chinese mainland	155,135	165,313
Hong Kong (China), Macao (China) and Taiwan (China)	24,892	20,781
Other countries and regions	7,351	6,007
Subtotal	187,378	192,101
Percentage	0.98%	1.10%
Less: total loans and advances to customers which have been overdue for less than 3 months	(67,523)	(68,707)
Total loans and advances to customers which have been overdue for more than 3 months	119,855	123,394

(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		Total
	Stage 1	Stage 2	Stage 3		
As at 30 June 2023					
Pass	18,632,372	93,931	–		18,726,303
Special-mention	–	236,191	–		236,191
Substandard	–	–	123,275		123,275
Doubtful	–	–	75,289		75,289
Loss	–	–	47,725		47,725
Total	18,632,372	330,122	246,289		19,208,783
As at 31 December 2022					
Pass	16,986,984	48,271	–		17,035,255
Special-mention	–	235,360	–		235,360
Substandard	–	–	103,710		103,710
Doubtful	–	–	60,561		60,561
Loss	–	–	66,833		66,833
Total	16,986,984	283,631	231,104		17,501,719

As at 30 June 2023 and 31 December 2022, 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.

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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	Higher than A (inclusive)	Lower than A	Total
As at 30 June 2023				
Issuers in Chinese mainland				
— Government	18,239	3,512,470	–	3,530,709
— Public sectors and quasi-governments	147,989	15,639	–	163,628
— Policy banks	–	635,834	–	635,834
— Financial institutions	26,187	242,774	126,189	395,150
— Corporate	85,441	78,233	30,456	194,130
— China Orient	152,433	–	–	152,433
Subtotal	430,289	4,484,950	156,645	5,071,884
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	62,995	672,589	13,004	748,588
— Public sectors and quasi-governments	76,858	98,211	139	175,208
— Financial institutions	7,012	214,716	43,827	265,555
— Corporate	11,282	90,665	38,303	140,250
Subtotal	158,147	1,076,181	95,273	1,329,601
Total	588,436	5,561,131	251,918	6,401,485
As at 31 December 2022				
Issuers in Chinese mainland				
— Government	16,625	3,365,615	–	3,382,240
— Public sectors and quasi-governments	156,707	11,475	–	168,182
— Policy banks	–	609,586	–	609,586
— Financial institutions	42,228	199,074	170,209	411,511
— Corporate	113,009	88,879	45,789	247,677
— China Orient	152,433	–	–	152,433
Subtotal	481,002	4,274,629	215,998	4,971,629
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	75,521	593,655	15,353	684,529
— Public sectors and quasi-governments	58,632	65,581	425	124,638
— Financial institutions	5,380	146,742	52,251	204,373
— Corporate	11,285	82,636	36,401	130,322
Subtotal	150,818	888,614	104,430	1,143,862
Total	631,820	5,163,243	320,428	6,115,491

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 Measurement of expected credit losses (“ECL”)

The Group conducted assessment of ECL with reference to forward-looking information and uses a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrowers’ creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group uses judgements, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards which include:

- Segmentation of financial instruments based on credit risk characteristics for losses
- Criteria for determining significant increases in credit risk
- Definition of default and credit-impaired financial assets
- Parameters for measuring ECL
- Forward-looking information

The critical assumptions and estimation techniques used by the Group in the ECL measurement are consistent with those used in the end of 2022.

(1) *Segmentation of financial instruments based on credit risk characteristics for losses*

When measuring ECL on a collective basis, the Group classifies its credit risk exposures into corporate business, interbank business, personal loans, credit cards, and bond business exposures according to its business type, and into domestic and overseas business exposures according to its business regions. When further subdividing the credit risk exposures, the Group obtains sufficient information and segments them according to credit risk characteristics such as product types, customer types, customer risk factors, usage of funds, etc. and then calculate ECL for exposures with shared risk characteristics on a collective basis to ensure its statistical reliability.

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IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 Measurement of expected credit losses ("ECL") (Continued)

(2) *Criteria for determining significant increases in credit risk*

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on the historical data, external credit risk rating, and forward-looking information. Based on an individual financial instrument or a group of financial instruments with shared credit risk characteristics, the Group compares the risk of default of financial instruments at the financial reporting date with that at the date of initial recognition in order to determine the changes of default risk in the expected lifetime of financial instruments.

(3) *Definition of default and credit-impaired financial assets*

The Group considers a financial instrument as defaulted when it is credit-impaired. The standard adopted by the Group in determining whether a financial asset is credit-impaired is consistent with the internal credit risk management objectives, taking into account quantitative and qualitative criteria.

(4) *Parameters for measuring ECL*

According to whether the credit risk has significantly increased and whether the asset is credit-impaired, the Group measures the impairment allowance for different assets with ECL of the next 12 months or throughout the entire lifetime. The key parameters in ECL measurement include probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral) and forward-looking information in order to establish the models for estimating PD, LGD and EAD in accordance with the requirement of IFRS 9.

The Group regularly conducts parameter update of the ECL models.

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 Measurement of expected credit losses (“ECL”) (Continued)

(5) Forward-looking information

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 2023, 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 economic environment, environmental and climate change impact, and industry-specific risks.

The Group identifies key macroeconomic indicators that affect the credit risk and ECL of various business types, such as country or region local GDP, Completion Index of Fixed Assets Investment, Producer Price Index, Home Price Index, Consumer Price Index etc. based on the statistical analysis of historical data.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applies experts’ judgement in this analysis, and according to the result, the Group predicts these economic indicators regularly for respective regions and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

The Group conducts statistical analysis using experts’ judgement to determine multiple economic scenarios and their respective weightings. In addition to the baseline scenario, optimistic scenario and pessimistic scenario, the Group also considers situation under stress. As at 30 June 2023, the baseline scenario has the highest weighting with the remaining individual scenarios having a weighting of lower than 30%. The Group measures its credit loss allowance based on probability weighted ECL under different scenarios.

The Group updated relevant forward-looking parameters used in the models measuring ECL based on changes in macroeconomic environment during the period. Amongst these parameters, the range of core ones adopted by Chinese mainland in assessing its ECL as of 30 June 2023 under the baseline scenario, the optimistic scenario and the pessimistic scenario is as follows:

Indicator	Range
Growth Rate of China’s GDP in 2023	4.2%-7.8%

As at 30 June 2023, the ECL reflected the Group’s credit risk and the expectations for macroeconomic development of management.

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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 2023	As at 31 December 2022
Risk-weighted assets for default risk		
Currency derivatives	93,330	72,520
Interest rate derivatives	5,413	4,371
Equity derivatives	479	979
Commodity derivatives and other	6,453	6,576
	105,675	84,446
Risk-weighted assets for CVA	90,775	65,373
Risk-weighted assets for CCPs	6,172	6,418
Total	202,622	156,237

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.21.

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.

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 2023 and 30 June 2022:

Unit: USD million

	Six month period ended 30 June					
	2023			2022		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	13.22	18.36	9.23	19.19	27.08	10.90
Foreign exchange risk	32.86	38.92	18.49	41.89	49.40	34.51
Volatility risk	0.61	1.15	0.23	1.24	3.18	0.55
Commodity risk	0.23	0.74	0.01	2.73	7.17	0.18
Total of the Bank's trading VaR	28.22	32.77	20.82	52.24	62.61	45.62

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

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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					
	2023			2022		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	5.24	6.71	4.08	3.94	8.10	2.07
Foreign exchange risk	3.76	6.18	2.46	3.19	5.12	1.90
Equity risk	0.51	1.00	0.04	0.12	0.32	0.03
Commodity risk	0.64	1.72	0.00	0.63	1.57	0.01
Total BOCHK (Holdings)'s trading VaR	5.92	7.93	4.55	4.89	7.87	2.79
BOCI's trading VaR⁽ⁱ⁾						
Equity derivatives unit	0.68	1.37	0.17	0.73	1.62	0.17
Fixed income unit	0.88	1.22	0.67	1.10	1.77	0.55
Global commodity unit	0.27	0.48	0.19	0.22	0.47	0.12
Total BOCI's trading VaR	1.83	2.60	1.19	2.04	3.14	0.99

- (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.

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 2023						
	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	Total
Assets							
Cash and due from banks and other financial institutions	522,371	156,492	30,928	2,816	–	61,768	774,375
Balances with central banks	2,222,944	7,489	683	1,684	–	118,356	2,351,156
Placements with and loans to banks and other financial institutions	715,041	216,612	334,260	42,092	–	4,298	1,312,303
Derivative financial assets	–	–	–	–	–	197,427	197,427
Loans and advances to customers, net	3,599,753	3,454,781	10,680,415	630,821	224,523	209,646	18,799,939
Financial investments							
— financial assets at fair value through profit or loss	46,408	84,741	99,414	54,708	87,727	221,565	594,563
— financial assets at fair value through other comprehensive income	296,124	291,534	507,453	1,244,453	435,401	78,206	2,853,171
— financial assets at amortised cost	100,217	528,899	720,386	632,593	1,262,555	40,243	3,284,893
Other	11,625	–	–	–	–	905,788	917,413
Total assets	7,514,483	4,740,548	12,373,539	2,609,167	2,010,206	1,837,297	31,085,240
Liabilities							
Due to banks and other financial institutions	1,382,111	311,399	510,178	19,099	–	25,437	2,248,224
Due to central banks	141,994	169,219	691,156	532	–	11,858	1,014,759
Placements from banks and other financial institutions	159,077	68,777	78,402	–	–	1,812	308,068
Derivative financial liabilities	–	–	–	–	–	179,888	179,888
Due to customers	11,622,016	1,944,799	4,160,857	4,193,605	20,159	507,878	22,449,314
Bonds issued	19,239	228,741	339,971	596,546	101,722	14,948	1,301,167
Other*	33,579	25,532	18,348	11,251	4,125	829,222	922,057
Total liabilities	13,358,016	2,748,467	5,798,912	4,821,033	126,006	1,571,043	28,423,477
Total interest repricing gap	(5,843,533)	1,992,081	6,574,627	(2,211,866)	1,884,200	266,254	2,661,763

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(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2022						
	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	Total
Assets							
Cash and due from banks and other							
financial institutions	607,128	85,237	53,197	2,807	–	66,694	815,063
Balances with central banks	2,002,856	3,659	334	1,338	–	305,672	2,313,859
Placements with and loans to banks and other financial institutions	588,242	172,515	366,365	41,308	–	5,667	1,174,097
Derivative financial assets	–	–	–	–	–	152,033	152,033
Loans and advances to customers, net	4,395,084	3,039,534	8,718,158	558,851	233,591	170,787	17,116,005
Financial investments							
— financial assets at fair value through profit or loss	12,384	47,904	124,630	113,445	98,214	216,528	613,105
— financial assets at fair value through other comprehensive income	161,933	225,600	372,099	1,123,622	587,091	29,871	2,500,216
— financial assets at amortised cost	75,269	291,359	421,142	1,191,303	1,340,950	1,900	3,321,923
Other	1,624	–	–	–	–	885,623	887,247
Total assets	7,844,520	3,865,808	10,055,925	3,032,674	2,259,846	1,834,775	28,893,548
Liabilities							
Due to banks and other financial institutions	1,433,130	172,894	582,163	13,739	–	38,397	2,240,323
Due to central banks	212,008	68,973	623,756	4,470	–	6,651	915,858
Placements from banks and other financial institutions	335,141	56,409	73,391	–	–	1,394	466,335
Derivative financial liabilities	–	–	–	–	–	135,838	135,838
Due to customers	10,932,242	1,721,468	3,648,223	3,396,894	823	502,175	20,201,825
Bonds issued	30,933	297,804	567,345	557,037	79,111	8,705	1,540,935
Other*	24,108	14,559	23,599	29,899	6,420	730,548	829,133
Total liabilities	12,967,562	2,332,107	5,518,477	4,002,039	86,354	1,423,708	26,330,247
Total interest repricing gap	(5,123,042)	1,533,701	4,537,448	(969,365)	2,173,492	411,067	2,563,301

* Other includes insurance contract liabilities, which are measured in accordance with IFRS 17 Insurance Contracts as described in Note I.3.

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 2023 and 31 December 2022. 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 2023							Total
	RMB	USD	HKD	EURO	JPY	GBP	Other	
Assets								
Cash and due from banks and other financial institutions	428,252	246,095	23,312	35,009	10,188	4,587	26,932	774,375
Balances with central banks	1,865,448	237,196	28,263	85,261	42,669	31,676	60,643	2,351,156
Placements with and loans to banks and other financial institutions	826,423	371,276	25,637	6,918	2,025	1,124	78,900	1,312,303
Derivative financial assets	103,488	44,923	4,309	4,854	12,468	14,671	12,714	197,427
Loans and advances to customers, net	15,412,461	1,139,928	1,443,227	300,774	12,213	103,239	388,097	18,799,939
Financial investments								
— financial assets at fair value through profit or loss	387,799	103,587	84,624	17,891	451	29	182	594,563
— financial assets at fair value through other comprehensive income	1,865,903	515,943	240,371	40,851	72,749	3,971	113,383	2,853,171
— financial assets at amortised cost	2,857,150	339,613	33,275	12,326	—	3,504	39,025	3,284,893
Other	365,947	179,742	248,722	3,339	1,290	2,244	116,129	917,413
Total assets	24,112,871	3,178,303	2,131,740	507,223	154,053	165,045	836,005	31,085,240
Liabilities								
Due to banks and other financial institutions	1,700,912	334,196	41,281	34,076	36,042	7,921	93,796	2,248,224
Due to central banks	927,779	50,062	25,452	8,253	—	1,099	2,114	1,014,759
Placements from banks and other financial institutions	95,070	162,957	22,173	18,680	3,256	2,141	3,791	308,068
Derivative financial liabilities	98,710	39,684	5,672	3,391	5,047	14,511	12,873	179,888
Due to customers	17,696,789	2,270,957	1,494,439	266,186	119,167	105,018	496,758	22,449,314
Bonds issued	1,066,302	215,177	2,697	9,759	400	2,661	4,171	1,301,167
Other	415,845	111,820	344,533	4,442	858	9,641	34,918	922,057
Total liabilities	22,001,407	3,184,853	1,936,247	344,787	164,770	142,992	648,421	28,423,477
Net on-balance sheet position	2,111,464	(6,550)	195,493	162,436	(10,717)	22,053	187,584	2,661,763
Net off-balance sheet position	120,779	67,296	84,476	(150,370)	19,452	(21,160)	(111,974)	8,499
Credit commitments	4,914,613	894,979	258,747	183,908	8,184	64,434	131,057	6,455,922

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IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2022							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and								
other financial institutions	477,597	207,623	22,075	65,273	11,106	7,622	23,767	815,063
Balances with central banks	1,737,083	296,306	30,073	99,011	22,904	55,090	73,392	2,313,859
Placements with and loans to banks and								
other financial institutions	734,047	342,698	27,930	12,478	313	609	56,022	1,174,097
Derivative financial assets	61,922	50,154	5,487	3,947	4,363	12,612	13,548	152,033
Loans and advances to customers, net	13,946,960	1,151,760	1,232,302	274,598	12,765	103,135	394,485	17,116,005
Financial investments								
— financial assets at fair value through profit or loss	406,513	103,051	72,243	30,753	471	27	47	613,105
— financial assets at fair value through other comprehensive income	1,658,273	431,838	190,417	25,557	82,002	3,273	108,856	2,500,216
— financial assets at amortised cost	2,941,392	297,868	32,686	10,614	2,101	2,627	34,635	3,321,923
Other	324,674	168,803	238,655	1,726	1,322	1,274	150,793	887,247
Total assets	22,288,461	3,050,101	1,851,868	523,957	137,347	186,269	855,545	28,893,548
Liabilities								
Due to banks and other financial institutions	1,532,330	438,382	35,698	38,597	20,304	14,547	160,465	2,240,323
Due to central banks	836,061	42,280	18,293	13,503	—	—	5,721	915,858
Placements from banks and								
other financial institutions	244,813	176,616	13,449	20,864	733	6,774	3,086	466,335
Derivative financial liabilities	57,399	41,587	5,193	2,451	4,230	12,137	12,841	135,838
Due to customers	15,879,434	2,028,393	1,360,104	279,291	74,585	68,771	511,247	20,201,825
Bonds issued	1,287,690	219,528	2,584	24,498	417	2,435	3,783	1,540,935
Other	354,364	109,251	326,137	3,074	607	8,038	27,662	829,133
Total liabilities	20,192,091	3,056,037	1,761,458	382,278	100,876	112,702	724,805	26,330,247
Net on-balance sheet position	2,096,370	(5,936)	90,410	141,679	36,471	73,567	130,740	2,563,301
Net off-balance sheet position	97,664	52,426	187,224	(132,610)	(37,279)	(69,976)	(84,133)	13,316
Credit commitments	4,678,365	870,947	248,335	169,853	8,139	53,986	128,314	6,157,939

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 2023							
	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	–	306,627	277,501	156,492	30,733	3,022	–	774,375
Balances with central banks	1,651,435	652,731	25,041	8,957	11,305	1,687	–	2,351,156
Placements with and loans to banks and other financial institutions	1,141	–	676,204	209,597	344,314	76,573	4,474	1,312,303
Derivative financial assets	–	14,184	29,681	30,726	63,532	44,405	14,899	197,427
Loans and advances to customers, net	69,556	325,758	677,143	1,128,670	4,421,941	5,529,643	6,647,228	18,799,939
Financial investments								
— financial assets at fair value through profit or loss	220,419	–	25,347	43,302	78,490	64,502	162,503	594,563
— financial assets at fair value through other comprehensive income	48,094	–	197,424	205,165	375,487	1,195,281	831,720	2,853,171
— financial assets at amortised cost	394	–	41,660	112,273	401,390	1,276,003	1,453,173	3,284,893
Other	330,355	331,144	41,980	13,104	27,191	81,467	92,172	917,413
Total assets	2,321,394	1,630,444	1,991,981	1,908,286	5,754,383	8,272,583	9,206,169	31,085,240
Liabilities								
Due to banks and other financial institutions	–	1,277,409	129,212	308,367	509,243	23,993	–	2,248,224
Due to central banks	–	92,085	50,261	172,300	699,581	532	–	1,014,759
Placements from banks and other financial institutions	–	–	150,676	67,490	88,295	1,455	152	308,068
Derivative financial liabilities	–	9,793	29,879	31,536	57,920	38,917	11,843	179,888
Due to customers	–	9,721,184	2,132,979	1,858,800	4,378,542	4,337,246	20,563	22,449,314
Bonds issued	–	–	8,813	223,829	354,347	612,456	101,722	1,301,167
Other	1,209	313,997	149,005	29,361	109,420	111,456	207,609	922,057
Total liabilities	1,209	11,414,468	2,650,825	2,691,683	6,197,348	5,126,055	341,889	28,423,477
Net liquidity gap	2,320,185	(9,784,024)	(658,844)	(783,397)	(442,965)	3,146,528	8,864,280	2,661,763

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(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 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	–	331,760	342,056	85,238	53,202	2,807	–	815,063
Balances with central banks	1,558,207	705,042	41,961	3,561	3,750	1,338	–	2,313,859
Placements with and loans to banks and other financial institutions	1,021	–	558,600	166,308	379,767	64,289	4,112	1,174,097
Derivative financial assets	–	12,946	23,843	25,807	35,944	38,330	15,163	152,033
Loans and advances to customers, net	56,170	286,819	645,085	977,680	3,798,603	4,939,625	6,412,023	17,116,005
Financial investments								
— financial assets at fair value through profit or loss	217,298	–	10,463	43,639	103,930	63,704	174,071	613,105
— financial assets at fair value through other comprehensive income	25,621	–	130,701	209,712	372,822	1,159,645	601,715	2,500,216
— financial assets at amortised cost	501	–	59,418	137,208	409,332	1,360,225	1,355,239	3,321,923
Other	361,294	333,464	19,641	11,162	21,035	87,015	53,636	887,247
Total assets	2,220,112	1,670,031	1,831,768	1,660,315	5,178,385	7,716,978	8,615,959	28,893,548
Liabilities								
Due to banks and other financial institutions	–	1,386,565	95,609	172,592	561,760	23,797	–	2,240,323
Due to central banks	–	85,516	128,656	70,089	627,119	4,478	–	915,858
Placements from banks and other financial institutions	–	–	325,381	53,022	86,377	1,404	151	466,335
Derivative financial liabilities	–	8,784	20,740	26,685	34,904	33,494	11,231	135,838
Due to customers	–	9,319,736	1,848,444	1,748,246	3,758,947	3,525,575	877	20,201,825
Bonds issued	–	–	14,993	279,100	593,878	573,853	79,111	1,540,935
Other	1,241	320,233	57,222	22,722	142,761	139,056	145,898	829,133
Total liabilities	1,241	11,120,834	2,491,045	2,372,456	5,805,746	4,301,657	237,268	26,330,247
Net liquidity gap	2,218,871	(9,450,803)	(659,277)	(712,141)	(627,361)	3,415,321	8,378,691	2,563,301

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, 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. As at 30 June 2023, the Group’s main unobservable inputs included liquidity discounts, discount rates, expected dividend and terminal growth rate. 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, and valuations by external valuation agencies. The Group has established internal control procedures to control the Group’s exposure to such financial instruments.

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IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

	As at 30 June 2023			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Due from and placements with banks and other financial institutions at fair value	–	17,241	–	17,241
Derivative financial assets	4,809	192,618	–	197,427
Loans and advances to customers at fair value	–	576,089	783	576,872
Financial assets at fair value through profit or loss				
— Debt securities	22,160	347,804	2,991	372,955
— Equity instruments	21,295	1,011	84,235	106,541
— Fund investments and other	31,219	17,601	66,247	115,067
Financial assets at fair value through other comprehensive income				
— Debt securities	355,533	2,468,182	–	2,823,715
— Equity instruments and other	6,904	10,333	12,219	29,456
Financial liabilities measured at fair value				
Due to customers at fair value	–	(43,663)	–	(43,663)
Bonds issued at fair value	–	(2,149)	–	(2,149)
Financial liabilities held for trading	(234)	(48,131)	–	(48,365)
Derivative financial liabilities	(4,969)	(174,919)	–	(179,888)
	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Due from and placements with banks and other financial institutions at fair value	–	12,333	–	12,333
Derivative financial assets	8,331	143,702	–	152,033
Loans and advances to customers at fair value	–	586,513	743	587,256
Financial assets at fair value through profit or loss				
— Debt securities	34,691	358,382	5,027	398,100
— Equity instruments	24,460	3,485	84,637	112,582
— Fund investments and other	27,308	12,945	62,170	102,423
Financial assets at fair value through other comprehensive income				
— Debt securities	319,791	2,152,932	657	2,473,380
— Equity instruments and other	6,972	8,869	10,995	26,836
Financial liabilities measured at fair value				
Due to customers at fair value	–	(36,701)	–	(36,701)
Bonds issued at fair value	–	(2,080)	–	(2,080)
Financial liabilities held for trading	(436)	(53,432)	–	(53,868)
Derivative financial liabilities	(8,136)	(127,702)	–	(135,838)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 items

	Loans and advances to customers at fair value	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
As at 1 January 2023	743	5,027	84,637	62,170	657	10,995
Total gains and losses						
— (loss)/profit	-	(672)	188	2,507	-	-
— other comprehensive income	-	-	-	-	-	463
Sales	-	(41)	(4,147)	(4,906)	-	(30)
Purchases	-	-	3,557	6,277	-	738
Settlements	-	-	-	-	-	-
Transfers out of Level 3, net	-	(1,375)	-	-	(678)	-
Other changes	40	52	-	199	21	53
As at 30 June 2023	783	2,991	84,235	66,247	-	12,219
Total (losses)/gains for the period included in the consolidated income statement for assets/liabilities held as at 30 June 2023	-	(672)	264	2,507	-	-

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IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 items (Continued)

	Loans and advances to customers at fair value	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	-	28,761	74,300	46,131	906	8,655	(2)
Total gains and losses							
— profit	-	408	570	7,090	-	-	-
— other comprehensive income	-	-	-	-	(185)	4,790	-
Sales	-	(1,854)	(5,731)	(11,794)	-	(2,631)	-
Purchases	-	93	15,847	20,348	-	21	-
Settlements	-	-	-	-	-	-	-
Issues	-	-	-	-	-	-	-
Transfers in/(out) of Level 3, net	743	(22,686)	(362)	-	(148)	-	2
Other changes	-	305	13	395	84	160	-
As at 31 December 2022	743	5,027	84,637	62,170	657	10,995	-
Total gains for the period included in the consolidated income statement for assets/liabilities held as at 31 December 2022	-	460	669	7,095	-	-	-

Total gains or losses arising from financial instruments measured at fair value under Level 3 for the six month period ended 30 June 2023 and the year ended 31 December 2022 were presented in “Net trading gains”, “Net gains on transfers of financial assets”, “Impairment losses on assets” or “Other comprehensive income” 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					
	2023			2022		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the period	(76)	2,099	2,023	51	4,943	4,994

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 2023.

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.

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 “Balances with central banks”, “Due from banks and other financial institutions”, “Placements with and loans to banks and other financial institutions”, “Government certificates of indebtedness for bank notes issued”, “Due to central banks”, “Due to banks and other financial institutions”, “Bank notes in circulation”, “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 2023		As at 31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities at amortised cost ⁽¹⁾	3,270,013	3,334,705	3,311,371	3,347,787
Financial liabilities				
Bonds issued ⁽²⁾	1,299,018	1,297,074	1,538,855	1,527,751

(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 values are 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, and expected future default rates. 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.

Notes to the Condensed Consolidated Interim Financial Statements

(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 (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 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities at amortised cost	175,360	2,962,866	609	3,138,835
Financial liabilities				
Bonds issued	–	1,297,074	–	1,297,074

	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities at amortised cost	172,193	2,979,690	483	3,152,366
Financial liabilities				
Bonds issued	–	1,527,751	–	1,527,751

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.

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 NAFR, for supervisory purposes. The required information is filed with the NAFR 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 NAFR, 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 NAFR, 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 directly issued qualifying tier 2 capital instruments and related premium, excess loan loss provisions 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 at the regulatory capital.

Notes to the Condensed Consolidated Interim Financial Statements

(Amounts in millions of Renminbi, unless otherwise stated)

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 2023	As at 31 December 2022
Common equity tier 1 capital adequacy ratio	11.29%	11.84%
Tier 1 capital adequacy ratio	13.56%	14.11%
Capital adequacy ratio	17.13%	17.52%
Composition of the Group's capital base		
Common equity tier 1 capital	2,078,689	2,019,934
Common shares	294,388	294,388
Capital reserve	134,375	134,358
Surplus reserve	234,057	233,847
General reserve	338,078	337,276
Undistributed profits	1,017,836	979,627
Eligible portion of minority interests	37,670	37,168
Other ⁽²⁾	22,285	3,270
Regulatory deductions	(29,221)	(28,592)
Of which:		
Goodwill	(182)	(182)
Other intangible assets (except for land use rights)	(18,999)	(18,416)
Direct or indirect investments in own shares	-	-
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(10,012)	(9,950)
Net common equity tier 1 capital	2,049,468	1,991,342
Additional tier 1 capital	411,673	381,648
Preference shares and related premium	119,550	119,550
Additional capital instruments and related premium	279,955	249,955
Eligible portion of minority interests	12,168	12,143
Net tier 1 capital	2,461,141	2,372,990
Tier 2 capital	648,903	573,481
Directly issued qualifying tier 2 capital instruments and related premium	458,519	398,223
Excess loan loss provisions	180,076	165,099
Eligible portion of minority interests	10,308	10,159
Net capital	3,110,044	2,946,471
Risk-weighted assets	18,150,747	16,818,275

(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 NAFR.

(2) This mainly represented 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 2023 and 30 June 2022 or total equity as at 30 June 2023 and 31 December 2022 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 2023	As at 31 December 2022
RMB current assets to RMB current liabilities	48.35%	48.98%
Foreign currency current assets to foreign currency current liabilities	70.36%	72.61%

The liquidity ratios are calculated in accordance with the relevant provisions of the NAFR.

Liquidity coverage ratio

According to the *Disclosure Rules on Liquidity Coverage Ratio of Commercial Banks* issued by the NAFR, 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 NAFR, 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 2023, the Group measured 91-day LCR on this basis with average ratio⁽³⁾ standing at 130.99%, representing an decrease of 4.18 percentage points over the previous quarter, which was primarily due to the decrease in the high-quality liquid assets ("HQLA").

	2023		2022	
	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December	Quarter ended 30 September
Average value of LCR	130.99%	135.17%	133.54%	127.90%

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)

The Group's liquidity coverage ratio (Continued)

The Group's average values⁽³⁾ of consolidated LCR individual line items in the second quarter of 2023 are as follows:

No.		Total unweighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		4,653,954
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	10,515,634	755,138
3	Stable deposits	5,786,312	282,206
4	Less stable deposits	4,729,322	472,932
5	Unsecured wholesale funding, of which:	10,936,637	4,119,510
6	Operational deposits (excluding those generated from correspondent banking activities)	5,645,219	1,390,387
7	Non-operational deposits (all counterparties)	5,222,498	2,660,203
8	Unsecured debts	68,920	68,920
9	Secured funding		1,826
10	Additional requirements, of which:	3,737,429	2,413,790
11	Outflows related to derivative exposures and other collateral requirements	2,293,308	2,293,308
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	1,444,121	120,482
14	Other contractual funding obligations	84,426	84,426
15	Other contingent funding obligations	3,881,490	115,463
16	Total cash outflows		7,490,153
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	535,103	477,154
18	Inflows from fully performing exposures	1,757,770	1,111,899
19	Other cash inflows	2,393,309	2,345,057
20	Total cash inflows	4,686,182	3,934,110
			Total adjusted value
21	Total HQLA		4,653,954
22	Total net cash outflows		3,556,043
23	Liquidity coverage ratio		130.99%

- (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 NAFR.
- (2) When calculating the consolidated LCR, BOCG Investment, BOCG Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the requirements of the NAFR.
- (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.

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 NAFR, 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 NAFR, 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 2023, the Group's NSFR was 123.88% on a consolidated basis⁽²⁾, representing a decrease of 1.1 percentage point over the previous quarter. As at 31 March 2023, the Group's NSFR was 124.98%, representing an increase of 2.51 percentage points over the previous quarter. The Group's NSFR remained stable, and met the regulatory requirement.

	2023		2022	
	As at 30 June	As at 31 March	As at 31 December	As at 30 September
Ending value of NSFR ⁽³⁾	123.88%	124.98%	122.47%	122.19%

(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 NAFR.

(3) NSFR are the ending values of 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)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the second quarter of 2023 are as follows:

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6-12 months	≥1 year	
Available Stable Funding (ASF) Item						
1	Capital	2,501,099	–	–	458,519	2,959,618
2	Regulatory capital	2,501,099	–	–	458,519	2,959,618
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers	4,721,307	6,784,365	142,205	7,770	10,793,482
5	Stable deposits	2,326,423	3,697,169	28,854	1,201	5,751,025
6	Less stable deposits	2,394,884	3,087,196	113,351	6,569	5,042,457
7	Wholesale funding	6,219,584	7,586,260	785,452	565,990	6,610,555
8	Operational deposits	5,763,782	145,416	–	–	2,954,599
9	Other wholesale funding	455,802	7,440,844	785,452	565,990	3,655,956
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	112,425	272,330	4,707	480,352	291,089
12	NSFR derivative liabilities	–	–	–	191,617	–
13	All other liabilities and equity not included in the above categories	112,425	272,330	4,707	288,735	291,089
14	Total ASF					20,654,744
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					813,777
16	Deposits held at other financial institutions for operational purposes	163,569	1,719	–	–	82,644
17	Loans and securities	105,345	5,816,484	3,229,098	12,425,757	14,253,237
18	Loans to financial institutions secured by Level 1 assets	–	30,584	–	–	3,058
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	67,314	1,914,730	380,122	86,535	573,902
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs)	–	3,293,432	2,622,118	7,256,346	9,006,943
21	Of which: With a risk weight of less than or equal to 35%	–	270,007	15,512	42,137	64,240
22	Residential mortgages	–	100,542	101,427	4,588,086	3,928,332
23	Of which: With a risk weight of less than or equal to 35%	–	7,051	7,206	362,628	242,837
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	38,031	477,196	125,431	494,790	741,002
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	616,544	72,560	17,482	682,251	1,172,254
27	Physical traded commodities, including gold	99,257	–	–	–	84,369
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–	–	–	614	522
29	NSFR derivative assets	–	–	–	213,990	22,373
30	NSFR derivative liabilities with additional requirements	–	–	–	38,323*	38,323
31	All other assets not included in the above categories	517,287	72,560	17,482	467,647	1,026,667
32	Off-balance sheet items	–	–	–	8,654,114	351,704
33	Total RSF					16,673,616
34	NSFR					123.88%

* 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 2023 are as follows:

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6-12 months	≥1 year	
Available Stable Funding (ASF) Item						
1	Capital	2,463,282	-	-	458,089	2,921,371
2	Regulatory capital	2,463,282	-	-	458,089	2,921,371
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	4,846,341	6,443,968	158,447	8,649	10,609,065
5	Stable deposits	2,369,300	3,529,773	31,620	1,375	5,635,535
6	Less stable deposits	2,477,041	2,914,195	126,827	7,274	4,973,530
7	Wholesale funding	6,142,422	6,894,781	1,331,947	521,073	6,626,856
8	Operational deposits	5,700,505	154,727	-	-	2,927,616
9	Other wholesale funding	441,917	6,740,054	1,331,947	521,073	3,699,240
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	94,320	214,255	4,831	440,860	325,410
12	NSFR derivative liabilities	-	-	-	117,865	-
13	All other liabilities and equity not included in the above categories	94,320	214,255	4,831	322,995	325,410
14	Total ASF					20,482,702
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					919,956
16	Deposits held at other financial institutions for operational purposes	151,268	164	-	-	75,716
17	Loans and securities	109,212	5,737,268	3,075,007	12,185,197	13,928,131
18	Loans to financial institutions secured by Level 1 assets	-	103,378	-	-	10,338
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	69,832	1,925,613	388,615	142,779	636,403
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs)	-	3,231,131	2,429,638	6,890,351	8,582,713
21	Of which: With a risk weight of less than or equal to 35%	-	249,911	20,611	40,432	65,991
22	Residential mortgages	-	100,689	101,703	4,650,308	3,986,293
23	Of which: With a risk weight of less than or equal to 35%	-	6,644	6,898	338,325	226,682
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	39,380	376,457	155,051	501,759	712,384
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets	589,473	90,806	16,019	565,302	1,120,489
27	Physical traded commodities, including gold	98,495				83,721
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				777	661
29	NSFR derivative assets				131,636	13,771
30	NSFR derivative liabilities with additional requirements				23,573*	23,573
31	All other assets not included in the above categories	490,978	90,806	16,019	432,889	998,763
32	Off-balance sheet items				8,437,665	343,844
33	Total RSF					16,388,136
34	NSFR					124.98%

* 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".

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

2 Currency concentrations

The following information is computed in accordance with the provisions of the NAFR.

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
As at 30 June 2023				
Spot assets	4,168,657	2,187,950	1,992,137	8,348,744
Spot liabilities	(4,259,673)	(2,249,775)	(1,744,416)	(8,253,864)
Forward purchases	6,843,882	1,077,848	2,070,369	9,992,099
Forward sales	(6,742,434)	(1,003,682)	(2,335,363)	(10,081,479)
Net option position*	(2,031)	(1,553)	52	(3,532)
Net long/(short) position	8,401	10,788	(17,221)	1,968
Structural position	82,167	256,408	109,521	448,096
As at 31 December 2022				
Spot assets	4,075,337	1,921,225	2,074,061	8,070,623
Spot liabilities	(4,156,836)	(2,066,616)	(1,788,038)	(8,011,490)
Forward purchases	4,984,777	709,067	1,587,271	7,281,115
Forward sales	(4,872,408)	(531,717)	(1,915,953)	(7,320,078)
Net options position*	(20,178)	(609)	(1,617)	(22,404)
Net long/(short) position	10,692	31,350	(44,276)	(2,234)
Structural position	70,835	235,383	96,771	402,989

* The net option position is calculated in accordance with the relevant provisions of the NAFR.

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”, “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 2023				
Asia Pacific				
Chinese mainland	876,483	337,299	780,020	1,993,802
Hong Kong (China)	40,066	21,790	482,134	543,990
Other Asia Pacific locations	110,722	124,599	489,417	724,738
Subtotal	1,027,271	483,688	1,751,571	3,262,530
North and South America	151,003	338,200	300,328	789,531
Europe and other	114,200	153,711	324,747	592,658
Total	1,292,474	975,599	2,376,646	4,644,719
As at 31 December 2022				
Asia Pacific				
Chinese mainland	858,598	314,342	636,605	1,809,545
Hong Kong (China)	78,291	10,082	452,878	541,251
Other Asia Pacific locations	114,505	135,315	457,730	707,550
Subtotal	1,051,394	459,739	1,547,213	3,058,346
North and South America	160,843	310,436	279,970	751,249
Europe and other	139,451	131,077	298,746	569,274
Total	1,351,688	901,252	2,125,929	4,378,869

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

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 2023	As at 31 December 2022
Total loans and advances to customers which have been overdue		
within 3 months	67,523	68,707
between 3 and 6 months	32,273	24,965
between 6 and 12 months	37,357	26,960
over 12 months	50,225	71,469
Total	187,378	192,101
Percentage		
within 3 months	0.35%	0.39%
between 3 and 6 months	0.17%	0.15%
between 6 and 12 months	0.20%	0.15%
over 12 months	0.26%	0.41%
Total	0.98%	1.10%

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 2023 and 31 December 2022 was not considered material.

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 NAFR, 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 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022
Net common equity tier 1 capital	2,049,468	1,991,342	1,702,547	1,667,405
Net tier 1 capital	2,461,141	2,372,990	2,102,054	2,036,912
Net capital	3,110,044	2,946,471	2,734,248	2,590,185
Common equity tier 1 capital adequacy ratio	11.29%	11.84%	10.76%	11.37%
Tier 1 capital adequacy ratio	13.56%	14.11%	13.29%	13.89%
Capital adequacy ratio	17.13%	17.52%	17.29%	17.67%

5.3 Risk-weighted assets

The Group's risk-weighted assets are as follows:

	As at 30 June 2023	As at 31 December 2022
Credit risk-weighted assets	17,052,432	15,736,821
Market risk-weighted assets	92,068	75,207
Operational risk-weighted assets	1,006,247	1,006,247
Risk-weighted assets increment required to reach capital floor	–	–
Total risk-weighted assets	18,150,747	16,818,275

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

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 2023			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by				
Internal Ratings-based Approach	15,353,114	1,450,557	39,311	16,842,982
Of which: Corporate exposures	10,066,324	1,312,506	39,311	11,418,141
Retail exposures	5,286,790	138,051	–	5,424,841
Exposures not covered by				
Internal Ratings-based Approach	15,253,961	776,484	299,547	16,329,992
Of which: Asset securitisation	57,841	443	–	58,284
Total	30,607,075	2,227,041	338,858	33,172,974

	As at 31 December 2022			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by				
Internal Ratings-based Approach	13,990,906	1,434,987	32,926	15,458,819
Of which: Corporate exposures	8,690,800	1,297,077	32,926	10,020,803
Retail exposures	5,300,106	137,910	–	5,438,016
Exposures not covered by				
Internal Ratings-based Approach	14,426,232	762,161	308,187	15,496,580
Of which: Asset securitisation	65,310	297	–	65,607
Total	28,417,138	2,197,148	341,113	30,955,399

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

5.5 Capital requirements on market risk

The Group's capital requirements on market risk are as follows:

	Capital requirements	
	As at 30 June 2023	As at 31 December 2022
Covered by Internal Model Approach	5,202	4,018
Not covered by Internal Model Approach	2,163	1,999
Interest rate risk	1,334	1,145
Equity risk	608	611
Foreign exchange risk	–	–
Commodity risk	211	233
Option risk	10	10
Total	7,365	6,017

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 2023			
	Average	Maximum	Minimum	End
VaR	580	816	281	281
Stressed VaR	1,184	1,932	809	1,010

	Year ended 31 December 2022			
	Average	Maximum	Minimum	End
VaR	502	2,357	176	476
Stressed VaR	1,067	2,361	277	1,647

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(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

5.7 Operational risk management

During the reporting period, the Group used the Standardised Approach to measure the consolidated operational risk capital requirement, which amounted to RMB80,500 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 2023	As at 31 December 2022
Items		
+25 basis points	(5,321)	(3,270)
-25 basis points	5,321	3,270

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital

	As at 30 June 2023	As at 31 December 2022	Code
Common equity tier 1 capital			
1 Paid-in capital	294,388	294,388	j
2 Retained earnings	1,589,971	1,550,750	
2a Surplus reserve	234,057	233,847	r
2b General reserve	338,078	337,276	s
2c Undistributed profits	1,017,836	979,627	t
3 Accumulated other comprehensive income (and other reserves)	156,660	137,628	
3a Capital reserve	134,375	134,358	m
3b Currency translation differences	(3,975)	(11,125)	q
3c Others	26,260	14,395	o-q
4 Amount attributable to common equity tier 1 capital in the transitional period	-	-	
5 Eligible portion of minority interests	37,670	37,168	u
6 Common equity tier 1 capital before regulatory adjustment	2,078,689	2,019,934	
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)	(18,999)	(18,416)	g-f
10 Net deferred tax assets incurred due to operating losses, relying on the bank's future profitability to be realised	-	-	
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 Unrealised 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 Collateralised 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 2023	As at 31 December 2022	Code
23 Of which: Amount deductible out of significant minority investments in financial institutions	-	-	
24 Of which: Amount deductible out of collateralised 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	(10,012)	(9,950)	-e
26b Gap of common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	-	-	
26c Total of other items deductible out of common equity tier 1 capital	(28)	(44)	
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	(29,221)	(28,592)	
29 Net common equity tier 1 capital	2,049,468	1,991,342	
Additional tier 1 capital			
30 Additional tier 1 capital instruments and related premiums	399,505	369,505	
31 Of which: Equity part	399,505	369,505	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	12,168	12,143	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	411,673	381,648	
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	411,673	381,648	
45 Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)	2,461,141	2,372,990	

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2023	As at 31 December 2022	Code
Tier 2 capital			
46 Directly issued qualifying tier 2 capital instruments and related premium	458,519	398,223	
47 Of which: Part of instruments non-attributable to tier 2 capital after the transitional period	-	-	i
48 Eligible portion of minority interests	10,308	10,159	
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	180,076	165,099	-b-d
51 Tier 2 capital before regulatory adjustment	648,903	573,481	
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 financial institutions with controlling interests but outside the scope of regulatory consolidation	-	-	
56c Other deductions from tier 2 capital	-	-	
57 Total regulatory adjustment of tier 2 capital	-	-	
58 Net tier 2 capital	648,903	573,481	
59 Total net capital (net tier 1 capital + net tier 2 capital)	3,110,044	2,946,471	
60 Total risk-weighted assets	18,150,747	16,818,275	

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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 2023	As at 31 December 2022	Code
Capital adequacy ratio and reserve capital requirement			
61 Common equity tier 1 capital adequacy ratio	11.29%	11.84%	
62 Tier 1 capital adequacy ratio	13.56%	14.11%	
63 Capital adequacy ratio	17.13%	17.52%	
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	6.29%	6.84%	
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)	123,990	145,166	
73 Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	6,517	6,472	
74 Collateralised 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)	65,735	68,643	
Limit of excess loan loss provisions attributable to tier 2 capital			
76 Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	89,974	81,508	-a
77 Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	43,477	42,734	-b
78 Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	152,515	130,328	-c
79 Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	136,599	122,365	-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	–	–	i
85 Amount non-attributable to tier 2 capital of the current period derived from the transitional period arrangement	–	–	

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 2: Financial and regulatory consolidated balance sheet

	As at 30 June 2023		As at 31 December 2022	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
ASSETS				
Cash and balances with central banks	2,410,267	2,410,266	2,378,565	2,378,565
Due from banks and other financial institutions	715,264	706,777	750,357	743,440
Precious metals	86,322	86,322	130,215	130,215
Placements with and loans to banks and other financial institutions	887,422	886,293	845,584	842,789
Derivative financial assets	197,427	197,155	152,033	151,716
Reverse repurchase transactions	424,881	424,792	328,513	327,820
Loans and advances to customers	18,799,939	18,823,340	17,116,005	17,113,170
Financial investments	6,732,627	6,447,435	6,435,244	6,176,226
— financial assets at fair value through profit or loss	594,563	405,371	613,105	441,992
— financial assets at fair value through other comprehensive income	2,853,171	2,793,535	2,500,216	2,438,839
— financial assets at amortised cost	3,284,893	3,248,529	3,321,923	3,295,395
Long term equity investment	38,799	68,946	38,304	68,761
Investment properties	24,149	13,958	23,311	13,508
Property and equipment	231,611	84,653	226,776	86,005
Construction in progress	20,586	4,904	19,613	6,510
Right-of-use assets	19,643	22,285	19,709	22,190
Intangible assets	25,236	23,751	24,806	23,307
Goodwill	2,728	182	2,651	182
Deferred income tax assets	68,348	65,735	71,139	68,643
Other assets	399,991	340,289	330,723	271,943
Total assets	31,085,240	30,607,083	28,893,548	28,424,990

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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 2: Financial and regulatory consolidated balance sheet (Continued)

	As at 30 June 2023		As at 31 December 2022	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
LIABILITIES				
Due to central banks	1,014,759	1,014,759	915,858	915,858
Due to banks and other financial institutions	2,248,224	2,248,224	2,240,323	2,240,323
Placements from banks and other financial institutions	290,149	275,391	328,441	314,083
Financial liabilities held for trading	48,365	48,365	53,868	53,868
Derivative financial liabilities	179,888	179,666	135,838	135,723
Repurchase transactions	17,919	17,432	137,894	137,107
Due to customers	22,449,314	22,451,119	20,201,825	20,203,422
Employee benefits payable	41,383	40,209	48,499	46,935
Current tax liabilities	37,633	37,960	58,957	58,925
Provisions	32,003	32,003	32,844	32,844
Lease liabilities	19,692	22,828	19,621	22,596
Bonds issued	1,301,167	1,205,036	1,540,935	1,451,024
Deferred income tax liabilities	7,367	834	6,804	705
Other liabilities	735,614	458,414	608,540	331,127
Total liabilities	28,423,477	28,032,240	26,330,247	25,944,540
EQUITY				
Share capital	294,388	294,388	294,388	294,388
Other equity instruments	399,505	399,505	369,505	369,505
Of which: Preference shares	119,550	119,550	119,550	119,550
Undated capital bonds	279,955	279,955	249,955	249,955
Capital reserve	135,771	134,375	135,759	134,358
Less: Treasury shares	–	–	–	–
Other comprehensive income	27,327	22,285	5,505	3,270
Surplus reserve	235,575	234,057	235,362	233,847
General reserve	338,267	338,078	337,465	337,276
Undistributed profits	1,084,631	1,017,836	1,045,989	979,627
Capital and reserves attributable to equity holders of the Bank	2,515,464	2,440,524	2,423,973	2,352,271
Non-controlling interests	146,299	134,319	139,328	128,179
Total equity	2,661,763	2,574,843	2,563,301	2,480,450
Total equity and liabilities	31,085,240	30,607,083	28,893,548	28,424,990

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 2023	As at 31 December 2022	Code
ASSETS			
Cash and balances with central banks	2,410,266	2,378,565	
Due from banks and other financial institutions	706,777	743,440	
Precious metals	86,322	130,215	
Placements with and loans to banks and other financial institutions	886,293	842,789	
Derivative financial assets	197,155	151,716	
Reverse repurchase transactions	424,792	327,820	
Loans and advances to customers	18,823,340	17,113,170	
Of which: Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	(89,974)	(81,508)	a
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	(43,477)	(42,734)	b
Of which: Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	(152,515)	(130,328)	c
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	(136,599)	(122,365)	d
Financial investments	6,447,435	6,176,226	
— financial assets at fair value through profit or loss	405,371	441,992	
— financial assets at fair value through other comprehensive income	2,793,535	2,438,839	
— financial assets at amortised cost	3,248,529	3,295,395	
Long term equity investment	68,946	68,761	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	10,012	9,950	e
Investment properties	13,958	13,508	
Property and equipment	84,653	86,005	
Construction in progress	4,904	6,510	
Right-of-use assets	22,285	22,190	
Intangible assets	23,751	23,307	f
Of which: Land use rights	4,752	4,891	g
Goodwill	182	182	h
Deferred income tax assets	65,735	68,643	
Other assets	340,289	271,943	
Total assets	30,607,083	28,424,990	

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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 3: Reconciliation and illustration of balance sheet items (Continued)

	As at 30 June 2023	As at 31 December 2022	Code
LIABILITIES			
Due to central banks	1,014,759	915,858	
Due to banks and other financial institutions	2,248,224	2,240,323	
Placements from banks and other financial institutions	275,391	314,083	
Financial liabilities held for trading	48,365	53,868	
Derivative financial liabilities	179,666	135,723	
Repurchase transactions	17,432	137,107	
Due to customers	22,451,119	20,203,422	
Employee benefits payable	40,209	46,935	
Current tax liabilities	37,960	58,925	
Provisions	32,003	32,844	
Lease liabilities	22,828	22,596	
Bonds issued	1,205,036	1,451,024	
Of which: Amount attributable to tier 2 capital of the current period derived from the transitional period arrangement	–	–	i
Deferred income tax liabilities	834	705	
Other liabilities	458,414	331,127	
Total liabilities	28,032,240	25,944,540	
EQUITY			
Share capital	294,388	294,388	j
Other equity instruments	399,505	369,505	
Of which: Preference shares	119,550	119,550	k
Undated capital bonds	279,955	249,955	l
Capital reserve	134,375	134,358	m
Less: Treasury shares	–	–	n
Other comprehensive income	22,285	3,270	o
Of which: Reserve relating to cash-flow hedge items not measured at fair value	–	–	p
Of which: Currency translation differences	(3,975)	(11,125)	q
Surplus reserve	234,057	233,847	r
General reserve	338,078	337,276	s
Undistributed profits	1,017,836	979,627	t
Capital and reserves attributable to equity holders of the Bank	2,440,524	2,352,271	
Non-controlling interests	134,319	128,179	
Of which: Amount attributable to common equity tier 1 capital	37,670	37,168	u
Of which: Amount attributable to additional tier 1 capital	12,168	12,143	v
Total equity	2,574,843	2,480,450	
Total equity and liabilities	30,607,083	28,424,990	

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 (Offshore)	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			
2	Identification code	601988.SH	3988.HK	360033.SH	4619.HK	2028014.B	2028048.B	2028053.B	2128019.B	2128045.B	2228023.B	2228029.B	242380008.B
3	Applicable law	PRC law	Hong Kong SAR (China) law	PRC law	Hong Kong SAR (China) law	PRC law	PRC 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	Additional tier 1 capital
	Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>												
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	Additional tier 1 capital
	Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>												
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			
	Applicable to bank/group level												
7	Instrument type	Common shares	Common shares	Preference shares	Preference shares	Undated capital bonds							
8	Amount attributable to last reporting day	282,419	145,603	72,979	19,381	39,990	29,994	19,995	49,989	19,995	30,000	20,000	30,000
9	Par value of instrument	210,766	83,622	73,000	19,787	40,000	30,000	20,000	50,000	20,000	30,000	20,000	30,000
10	Accounting treatment	Share capital and reserve	Share capital and 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	Other equity instrument
11	Initial issuing date	2006/6/29	2006/6/1	2019/6/24	2020/3/4	2019/1/25	2020/4/28	2020/1/13	2020/12/10	2021/1/25	2022/4/8	2022/4/26	2023/6/14
12	Term (term or perpetual)	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Of which:	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	No maturity date
14	Original maturity date	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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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	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	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 NAFR, 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 NAFR, 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 NAFR, 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 Distribution Payment Date thereafter	Subject to approval by the NAFR, 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 NAFR, 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 NAFR, 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 NAFR, 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 NAFR, 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 NAFR, 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 NAFR, 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 NAFR, 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 NAFR, 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 Distribution Payment Date thereafter	Subject to approval by the NAFR, the Bank has the right to redeem all or part of the Bonds in whole or in part on each Distribution Payment Date from and including 5 years after the issuance of the Bonds. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances: After the issuance, the Bonds will no longer qualify as Additional Tier 1 Capital of the Issuer as a result of an unforeseeable change or amendment in the relevant provisions of supervisory regulations	Subject to approval by the NAFR, the Bank has the right to redeem all or part of the Bonds in whole or in part on each Distribution Payment Date from and including 5 years after the issuance of the Bonds. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances: After the issuance, the Bonds will no longer qualify as Additional Tier 1 Capital of the Issuer as a result of an unforeseeable change or amendment in the relevant provisions of supervisory regulations	Subject to approval by the NAFR, the Bank has the right to redeem all or part of the Bonds in whole or in part on each Distribution Payment Date from and including 5 years after the issuance of the Bonds. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances: After the issuance, the Bonds will no longer qualify as Additional Tier 1 Capital of the Issuer as a result of an unforeseeable change or amendment in the relevant provisions of supervisory regulations	Subject to approval by the NAFR, the Bank has the right to redeem all or part of the Bonds in whole or in part on each Distribution Payment Date from and including 5 years after the issuance of the Bonds. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances: After the issuance, the Bonds will no longer qualify as Additional Tier 1 Capital of the Issuer as a result of an unforeseeable change or amendment in the relevant provisions of supervisory regulations	Subject to approval by the NAFR, the Bank has the right to redeem all or part of the Bonds in whole or in part on each Distribution Payment Date from and including 5 years after the issuance of the Bonds. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances: After the issuance, the Bonds will no longer qualify as Additional Tier 1 Capital of the Issuer as a result of an unforeseeable change or amendment in the relevant provisions of supervisory regulations	Subject to approval by the NAFR, the Bank has the right to redeem all or part of the Bonds in whole or in part on each Distribution Payment Date from and including 5 years after the issuance of the Bonds. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances: After the issuance, the Bonds will no longer qualify as Additional Tier 1 Capital of the Issuer as a result of an unforeseeable change or amendment in the relevant provisions of supervisory regulations

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					
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	Adjustable distribution rate
18	Of which: Coupon rate and relevant indicators	Not applicable	Not applicable	4.50% (dividend yield, before 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% (dividend yield, before 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	4.50% 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	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	Full discretion
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No	No	No	No
22	Of which: Cumulative or non-cumulative	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	Not applicable	Not applicable	Yes	Yes	Yes	No	No	No	No	No	No

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						
	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						
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	Whole/part	Whole/part	Whole/part	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 Preference Shares issuance, subject to RMB200 million for A Shares After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, reorganization, or issuance of new shares at a price lower than the market price (including any increase in 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 Preference Shares issuance, subject to RMB200 million for A Shares After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, reorganization, or issuance of new shares at a price lower than the market price (including any increase in 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 H Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, subject to HKD300 million for H Shares After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, reorganization, or issuance of new shares at a price lower than the market price (including any increase in 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.							

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						
Dividend or interest payment (Continued)													
27	Of which: Please specify the conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Yes	Yes	Yes	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						
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						
30	Of which: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	No	No	No	Yes						
31	Of which: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Yes						

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					
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					
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					
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 tier 2 capital bond	The lower priority behind the deposit, general debt, and tier 2 capital bond	The lower priority behind the deposit, general debt, and tier 2 capital bond	The lower priority behind the deposit, general debt, and tier 2 capital bond	The lower priority behind the deposit, general debt, and tier 2 capital bond	The lower priority behind the deposit, general debt, and tier 2 capital bond	The lower priority behind the deposit, general debt, and tier 2 capital bond	The lower priority behind the deposit, general debt, and tier 2 capital bond	The lower priority behind the deposit, general debt, and tier 2 capital bond
36	Does the instrument contain temporary ineligible 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	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	Bank of China Limited
2	Identification code	5828.HK	182806.B	182801.B	1938028.B	1938029.B	1938033.B	2028038.B	2028039.B	2128008.B	2128009.B	2128039.B	2128040.B
3	Applicable law	English law (Provisions relating to subordination shall be governed by PRC law)	PRC law										
4	Of which:	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	Tier 2 capital
	Applicable to transitional period rules specified by Capital Rules for Commercial Banks (Provisional)												
5	Of which:	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	Tier 2 capital
	Applicable to the rules after expiration of the transitional period specified by Capital Rules for Commercial Banks (Provisional)												
6	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	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	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	8,658	39,988	39,986	29,590	29,589	29,989	59,977	14,994	14,995	9,996	39,986	9,996
9	Par value of instrument	US\$2.0 billion	40,000	40,000	30,000	30,000	30,000	60,000	15,000	15,000	10,000	40,000	10,000
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	Bonds Issued
11	Initial issuing date	2014/1/13	2018/6/3	2018/10/9	2019/9/20	2019/9/20	2019/11/20	2020/9/17	2020/9/17	2021/8/17	2021/8/17	2021/8/17	2021/11/12
12	Term (term or perpetual)	Term	Term	Term	Term	Term	Term	Term	Term	Term	Term	Term	Term
13	Of which:	2028/9/5	2028/10/11	2028/9/24	2028/9/24	2028/9/24	2029/11/22	2030/9/21	2031/9/19	2031/8/19	2036/9/19	2036/11/16	2038/11/16
	Original maturity date												

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									
	Regulatory processing (Continued)										
14	Issuer's redemption (subject to regulatory approval)	Yes									
15	Of which: Redemption date (or base redemption date) and amount	Not applicable	Subject to approval by the NABR, the Bank has the right to redeem the bond after 5 years from the date of issuance (i.e. 2023/9/5)	Subject to approval by the NABR, the Bank has the right to redeem the bond after 5 years from the date of issuance (i.e. 2024/9/24)	Subject to approval by the NABR, the Bank has the right to redeem the bond after 10 years from the date of issuance (i.e. 2025/9/21)	Subject to approval by the NABR, the Bank has the right to redeem the bond after 10 years from the date of issuance (i.e. 2026/3/19)	Subject to approval by the NABR, the Bank has the right to redeem the bond after 10 years from the date of issuance (i.e. 2026/3/19)	Subject to approval by the NABR, the Bank has the right to redeem the bond after 10 years from the date of issuance (i.e. 2026/3/19)	Subject to approval by the NABR, the Bank has the right to redeem the bond after 10 years from the date of issuance (i.e. 2026/3/19)	Subject to approval by the NABR, the Bank has the right to redeem the bond after 10 years from the date of issuance (i.e. 2026/3/19)	Subject to approval by the NABR, the Bank has the right to redeem the bond after 10 years from the date of issuance (i.e. 2026/3/19)
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 been 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	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 been 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	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 been 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	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 been 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	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 been 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	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 been 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	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 been 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	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 been 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	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 been 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	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 been 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

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										
17	Dividend or interest payment Of which: Fixed or floating dividend or interest payment	Fixed										
18	Coupon rate and relevant indicators	5.00%	4.84%	3.98%	4.34%	4.01%	4.20%	4.47%	4.15%	4.38%	3.60%	3.80%
19	Existence of dividend brake mechanism	No										
20	Discretion to cancel dividend or interest payment	Not applicable										
21	Existence of redemption incentive mechanism	No										
22	Cumulative or noncumulative	Non-cumulative										
23	Conversion into shares	No										
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable										
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable										
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable										
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	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									
Dividend or interest payment (Continued)											
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable									
29	Of which: Please specify the instrument type after conversion, if allowed	Not applicable									
30	Write-down feature	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 MAFR 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 MAFR 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 MAFR 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 MAFR 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 MAFR 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 MAFR 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 MAFR 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 MAFR 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 MAFR 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 MAFR 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									
Dividend or interest payment (Continued)											
32	Of which: Please specify whole or in part, if write-down is allowed	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									
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable									
35	Hierarchy of claims (please specify instrument types enjoying higher priority)	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 ineligible attribute?	No									
37	Of which: If yes, please specify such attribute	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⁾:

	2023		2022	
	As at 30 June	As at 31 March	As at 31 December	As at 30 September
Net tier 1 capital	2,461,141	2,424,519	2,372,990	2,326,289
Adjusted on- and off-balance sheet exposures	33,295,393	32,512,144	31,001,982	30,606,909
Leverage ratio	7.39%	7.46%	7.65%	7.60%

No.	Items	As at 30 June 2023
1	Total consolidated assets	31,085,240
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(478,157)
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	184,330
5	Adjustments for securities financing transactions	162,579
6	Adjustments for off-balance sheet exposures	2,370,622
7	Other adjustments	(29,221)
8	Adjusted on- and off-balance sheet exposures	33,295,393

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

6 Leverage ratio (Continued)

No.	Items	As at 30 June 2023
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	29,985,136
2	Less: Tier 1 capital deductions	(29,221)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	29,955,915
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	197,155
5	Add-on amounts for potential future exposure associated with all derivative transactions	184,226
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	116
10	Less: Deductible amounts for written credit derivatives	(12)
11	Total derivative exposures	381,485
12	Accounting balance for securities financing transaction assets	424,792
13	Less: Deducted amounts for securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction assets	162,579
15	Agent transaction exposures	–
16	Balance of assets in securities financing transactions	587,371
17	Off-balance sheet items	7,071,361
18	Less: Adjustments for conversion to credit equivalent amounts	(4,700,739)
19	Adjusted off-balance sheet exposures	2,370,622
20	Net tier 1 capital	2,461,141
21	Adjusted on- and off-balance sheet exposures	33,295,393
22	Leverage ratio	7.39%

(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

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

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

Tel: (86) 10-6659 6688 Fax: (86) 10-6601 6871

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

www.boc.cn

