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Official Partner of the Olympic Winter Games Beijing 2022

BUILD A FIRST-CLASS GLOBAL BANKING GROUP

2021

INTERIM REPORT

Bank of China Limited

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

Ordinary H-Share Stock Code: 3988

Offshore Preference Share Stock Code: 4619



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Definitions

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

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

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

Important Notice

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

The 2021 Interim Report and Interim Results Announcement of the Bank have been reviewed and approved on 30 August 2021 by the Board of Directors of the Bank. The number of directors who should attend the meeting is 15, with 14 directors attending the meeting in person. Independent Director Mr. CHUI Sai Peng Jose did not attend the meeting due to other important business engagements and appointed Independent Director Mr. Martin Cheung Kong LIAO as his authorised proxy to attend and vote on his behalf. 15 directors of the Bank exercised their voting rights at the meeting. The supervisors and senior management members of the Bank attended the meeting as non-voting attendees.

The 2021 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 the Chinese and international standards on review engagements, respectively.

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

As considered and approved by the 2020 Annual General Meeting, the Bank distributed the 2020 cash dividend of RMB1.97 per ten shares (before tax) to ordinary shareholders whose names appeared on the register of members of the Bank as at market close on 3 June 2021, amounting to approximately RMB57.994 billion (before tax) in total. The Bank did not distribute an interim dividend on ordinary shares for 2021, nor did it propose any capitalisation of capital reserve into share capital.

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

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

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

Corporate Information

Registered Name in Chinese

中國銀行股份有限公司 (“中國銀行”)

Registered Name in English

BANK OF CHINA LIMITED (“Bank of China”)

Legal Representative and Chairman

LIU Liange

Vice Chairman and President

LIU Jin

Secretary to the Board of Directors and Company Secretary

MEI Feiqi

Office Address:

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

Telephone: (86) 10-6659 2638

Facsimile: (86) 10-6659 4568

E-mail: ir@bankofchina.com

Listing Affairs Representative

YU Ke

Office Address:

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

Telephone: (86) 10-6659 2638

Facsimile: (86) 10-6659 4568

E-mail: ir@bankofchina.com

Registered Address

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

Office Address

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

Telephone: (86) 10-6659 6688

Facsimile: (86) 10-6601 6871

Website: www.boc.cn

Customer Service and Complaint Hotline:

(86) Area Code-95566

Place of Business in Hong Kong

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

Selected Newspapers for Information Disclosure (A Share)

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

Website of SSE for Disclosure of Interim Report

www.sse.com.cn

Website of HKEX for Disclosure of 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 (Third Tranche)

Shanghai Stock Exchange

Stock Name: 中行優3

Stock Code: 360033

Domestic Preference Share (Fourth Tranche)

Shanghai Stock Exchange

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 2021	For the six-month period ended 30 June 2020	For the six-month period ended 30 June 2019
Results of operations				
Net interest income	1	208,773	205,413	189,704
Non-interest income	2	94,082	81,570	86,984
Operating income		302,855	286,983	276,688
Operating expenses		(102,357)	(90,946)	(91,130)
Impairment losses on assets		(52,945)	(66,484)	(33,670)
Operating profit		147,553	129,553	151,888
Profit before income tax		148,302	129,616	152,558
Profit for the period		118,547	107,812	121,442
Profit attributable to equity holders of the Bank		112,813	100,917	114,048
Basic earnings per share (RMB)		0.36	0.32	0.38
Key financial ratios				
Return on average total assets (%)	3	0.93	0.92	1.12
Return on average equity (%)	4	11.97	11.10	14.56
Net interest margin (%)	5	1.76	1.87	1.89
Non-interest income to operating income (%)	6	31.07	28.42	31.44
Cost to income ratio (calculated under regulations in the Chinese mainland, %)	7	24.06	23.41	24.63
Credit cost (%)	8	0.65	0.90	0.59
		As at 30 June 2021	As at 31 December 2020	As at 31 December 2019
Statement of financial position				
Total assets		26,317,327	24,402,659	22,769,744
Loans, gross		15,416,400	14,216,477	13,068,785
Allowance for loan impairment losses	9	(369,168)	(368,619)	(325,923)
Investments	10	5,821,520	5,591,117	5,514,062
Total liabilities		24,086,979	22,239,822	20,793,048
Due to customers		18,227,771	16,879,171	15,817,548
Capital and reserves attributable to equity holders of the Bank		2,105,347	2,038,419	1,851,701
Share capital		294,388	294,388	294,388
Net assets per share (RMB)	11	6.13	5.98	5.61
Capital ratios				
Net common equity tier 1 capital	12	1,748,114	1,704,778	1,596,378
Net additional tier 1 capital		310,106	287,843	210,057
Net tier 2 capital		467,979	458,434	394,843
Common equity tier 1 capital adequacy ratio (%)		10.80	11.28	11.30
Tier 1 capital adequacy ratio (%)		12.72	13.19	12.79
Capital adequacy ratio (%)		15.61	16.22	15.59
Asset quality				
Credit-impaired loans to total loans (%)	13	1.30	1.46	1.37
Non-performing loans to total loans (%)	14	1.30	1.46	1.37
Allowance for loan impairment losses to non-performing loans (%)	15	184.26	177.84	182.86
Allowance for loan impairment losses to total loans (%)	16	2.74	2.96	2.97

Notes:

- 1 The Group has recognised income and expenses arising from credit card instalment business as interest income in the current period, instead of fees and commission income, hence the comparative figures were adjusted accordingly.
- 2 Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on transfers of financial asset + other operating income.
- 3 Return on average total assets = profit for the period $\div$ average total assets $\times$ 100%, annualised. Average total assets = (total assets at the beginning of reporting period + total assets at the end of reporting period) $\div$ 2.
- 4 Return on average equity = profit attributable to ordinary shareholders of the Bank $\div$ weighted average capital and reserves attributable to ordinary shareholders of the Bank $\times$ 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.
- 5 Net interest margin = net interest income $\div$ average balance of interest-earning assets $\times$ 100%, annualised. Average balance is average daily balance derived from the Group's management accounts (unreviewed).
- 6 Non-interest income to operating income = non-interest income $\div$ operating income $\times$ 100%.
- 7 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.
- 8 Credit cost = impairment losses on loans $\div$ average balance of loans $\times$ 100%, annualised. Average balance of loans = (balance of loans at the beginning of reporting period + balance of loans at the end of reporting period) $\div$ 2. Total loans are exclusive of accrued interest when being used to calculate credit cost.
- 9 Allowance for loan impairment losses = allowance for loans at amortised cost + allowance for loans at fair value through other comprehensive income.
- 10 The data on investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.
- 11 Net assets per share = (capital and reserves attributable to equity holders of the Bank at the end of reporting period – other equity instruments) $\div$ number of ordinary shares in issue at the end of reporting period.
- 12 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.
- 13 Credit-impaired loans to total loans = credit-impaired loans at the end of reporting period $\div$ total loans at the end of reporting period $\times$ 100%. Total loans are exclusive of accrued interest when being used to calculate credit-impaired loans to total loans.
- 14 Non-performing loans to total loans = non-performing loans at the end of reporting period $\div$ total loans at the end of reporting period $\times$ 100%. Total loans are exclusive of accrued interest when being used to calculate non-performing loans to total loans.
- 15 Allowance for loan impairment losses to non-performing loans = allowance for loan impairment losses at the end of reporting period $\div$ non-performing loans at the end of reporting period $\times$ 100%. Total loans are exclusive of accrued interest when being used to calculate allowance for loan impairment losses to non-performing loans.
- 16 Allowance for loan impairment losses to total loans = allowance for loan impairment losses at the end of reporting period $\div$ total loans at the end of reporting period $\times$ 100%. Calculation is based on the data of the Bank's institutions in the Chinese mainland. Total loans are exclusive of accrued interest when being used to calculate allowance for loan impairment losses to total loans.

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

In the first half of 2021, the global economy maintained its recovery even as the COVID-19 pandemic continued to spread around the world. However, divergences among different countries and regions become more pronounced, with the US and European economies rapidly gaining momentum, Japan mounting a sluggish recovery due to weak domestic demand, and emerging economies experiencing ongoing disparities in the pace of recovery.

Volatility in international financial markets increased. Major developed economies maintained accommodative monetary policies. The size of the US Federal Reserve's balance sheet reached a historic high. Some emerging economies began to raise interest rates. Overall, global liquidity remained ample. The USD Index weakened after an increase. Euro exchange rates moved in a V-shaped pattern. The currencies of major emerging economies recorded mixed performances. Global stock markets staged a bumpy upturn, bond market yields declined in a volatile manner after a rise, and commodity prices showed a dramatic rise.

China carried out COVID-19 prevention and control while pursuing economic and social development, and the economy maintained a stable recovery. In particular, production and demand continuously increased, employment and consumer prices remained generally stable, major macroeconomic indicators were kept within an appropriate range, and the Chinese economy remained on course for steady and sound development. In the first half of 2021, China's gross domestic product (GDP) grew by 12.7% year-on-year. Total retail sales of consumer goods (TRSCG) rose by 23.0% year-on-year, total fixed asset investments (TFAI) increased by 12.6% year-on-year, and total goods imports and exports

climbed by 27.1% year-on-year, with a trade surplus of RMB1.6 trillion. The consumer price index (CPI) rose by 0.5% year-on-year.

The People's Bank of China kept prudent monetary policy flexible and targeted and at a reasonable and appropriate level, and sustained the continuity, stability, and sustainability of the policies. Money supply and aggregate financing to the real economy (AFRE) grew moderately, maintaining the liquidity at a proper and adequate level. As at 30 June 2021, the outstanding broad money supply (M2) was RMB231.8 trillion, an increase of 8.6% year-on-year. The balance of RMB loans reached RMB185.5 trillion, an increase of 12.3% year-on-year. Outstanding AFRE was RMB301.56 trillion, an increase of 11.0% year-on-year. The RMB exchange rate fluctuated in both directions, and remained basically stable at an adaptive and equilibrium level. As at 30 June 2021, the central parity of the RMB against the USD was 6.4601, an appreciation of 1.0% compared with the prior year-end.

China's banking sector maintained stable operations and sound development momentum, improved the quality and effectiveness of serving the real economy, and injected more financial resources into key areas and weak links, such as the micro and small-sized business, rural revitalisation, manufacturing sector, scientific and technological innovation, and green and low carbon sectors. The banking sector also set up a long-term mechanism for forestalling and defusing financial risks, so as to firmly defend the bottom line that no systematic risk should occur. As at 30 June 2021, the total assets of China's banking sector grew by 5.1% from the prior year-end to RMB336 trillion, while total liabilities increased by 5.1% to RMB308 trillion. Commercial banking institutions recorded a profit for the period of RMB1.1 trillion, a year-on-year increase of 11.1%. Outstanding non-performing loans (NPLs) stood at RMB2.8 trillion as at 30 June 2021, with an NPL ratio of 1.76%.

Income Statement Analysis

The Bank grounded its work in the new stage of development, applied the new development philosophy, served to create the new development pattern, carried out COVID-19 prevention and control, and improved its business management. Its operational performance demonstrated resilience while gaining solid momentum. In the first half of 2021, the Group achieved a profit for the period of RMB118.547 billion, an increase of 9.96% compared with the same period of the prior year. It realised a profit attributable to equity holders of the Bank of RMB112.813 billion, an increase of 11.79% compared with the same period of the prior year. Return on average total assets (ROA) was 0.93% and return on average equity (ROE) was 11.97%.

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 2021	For the six-month period ended 30 June 2020	Change	Change (%)
Net interest income	208,773	205,413	3,360	1.64%
Non-interest income	94,082	81,570	12,512	15.34%
Including: net fee and commission income	46,813	41,824	4,989	11.93%
Operating income	302,855	286,983	15,872	5.53%
Operating expenses	(102,357)	(90,946)	(11,411)	12.55%
Impairment losses on assets	(52,945)	(66,484)	13,539	(20.36%)
Operating profit	147,553	129,553	18,000	13.89%
Profit before income tax	148,302	129,616	18,686	14.42%
Income tax expense	(29,755)	(21,804)	(7,951)	36.47%
Profit for the period	118,547	107,812	10,735	9.96%
Profit attributable to equity holders of the Bank	112,813	100,917	11,896	11.79%

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

Unit: RMB million

Items	For the three-month period ended					
	30 June 2021	31 March 2021	31 December 2020	30 September 2020	30 June 2020	31 March 2020
Operating income	144,989	157,866	137,345	143,319	138,440	148,543
Profit attributable to equity holders of the Bank	58,824	53,989	47,159	44,794	48,334	52,583
Net cash inflow/(outflow) from operating activities	108,072	580,504	23,184	(87,513)	(296,989)	434,346

Management Discussion and Analysis

Net Interest Income and Net Interest Margin

In the first half of 2021, the Group achieved net interest income of RMB208.773 billion, an increase of RMB3.360 billion or 1.64% compared with the same period of the prior year. Specifically, interest income grew by RMB2.486 billion or 0.65% to RMB386.934 billion, and interest expense stood at RMB178.161 billion, a decrease of RMB0.874 billion or 0.49% compared with the same period of the prior year.

Interest Income

In the first half of 2021, interest income on loans was RMB282.858 billion, an increase of RMB5.460 billion or 1.97% compared with the same period of the prior year, which was primarily attributable to an increase in loan scale.

Interest income on investments amounted to RMB75.417 billion, a decrease of RMB1.058 billion or 1.38% compared with the same period of the prior year, mainly due to a decrease in investment yield.

Interest income on balances with central banks and due from and placements with banks and other financial institutions was RMB28.659 billion, a decrease of RMB1.916 billion or 6.27% compared with the same period of the prior year, mainly due to a decrease in the yield of balances with central banks and due from and placements with banks and other financial institutions.

Interest Expense

In the first half of 2021, interest expense on due to customers was RMB130.550 billion, a decrease of

RMB2.416 billion or 1.82% compared with the same period of the prior year, principally due to a decrease in the interest rate of deposits.

Interest expense on due to and placements from banks and other financial institutions was RMB27.290 billion, a decrease of RMB1.660 billion or 5.73% compared with the same period of the prior year, primarily owing to a decrease in the interest rate of due to and placements from banks and other financial institutions.

Interest expense on bonds issued was RMB20.321 billion, an increase of RMB3.202 billion or 18.70% compared with the same period of the prior year, which was mainly attributable to an increase in the scale of bonds issued.

Net Interest Margin

In the first half of 2021, the Group's net interest margin was 1.76%, a decrease of 11 basis points compared with the same period of the prior year, mainly due to declining yields from RMB loans in the Chinese mainland. In an effort to mitigate downward pressures on asset returns, the Bank continuously optimised its asset and liability structure. On one hand, the Bank continued to improve its deposit structure and strived to control deposit costs at a reasonable level in order to optimise its volume growth and pricing. On the other hand, the Bank allocated more credit facilities to medium- and long-term loans. The proportion of the average balance of RMB medium- and long-term loans within the overall RMB loan business in the Chinese mainland increased by 1.77 percentage points compared with the same period of the prior year.

The average balances¹ 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 factor², are summarised in the following table:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2021			For the six-month period ended 30 June 2020			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	14,870,211	282,858	3.84%	13,619,894	277,398	4.10%	25,421	(19,961)	5,460
Investments	5,127,403	75,417	2.97%	4,839,648	76,475	3.18%	4,538	(5,596)	(1,058)
Balances with central banks and due from and placements with banks and other financial institutions	3,955,514	28,659	1.46%	3,617,373	30,575	1.70%	2,851	(4,767)	(1,916)
Total	23,953,128	386,934	3.26%	22,076,915	384,448	3.50%	32,810	(30,324)	2,486
Interest-bearing liabilities									
Due to customers	17,262,586	130,550	1.53%	16,050,374	132,966	1.67%	10,039	(12,455)	(2,416)
Due to and placements from banks and other financial institutions	3,578,637	27,290	1.54%	3,286,675	28,950	1.77%	2,563	(4,223)	(1,660)
Bonds issued	1,282,185	20,321	3.20%	1,046,030	17,119	3.29%	3,853	(651)	3,202
Total	22,123,408	178,161	1.62%	20,383,079	179,035	1.77%	16,455	(17,329)	(874)
Net interest income		208,773			205,413		16,355	(12,995)	3,360
Net interest margin			1.76%			1.87%			(11) 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.

¹ Average balances are average daily balances derived from the Group's management accounts (unreviewed).

² 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:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2021		For the six-month period ended 30 June 2020		Change	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
RMB businesses						
in the Chinese mainland						
Loans						
Corporate loans	6,370,006	4.10%	5,522,044	4.36%	847,962	(26) Bps
Personal loans	5,129,859	4.84%	4,565,758	4.92%	564,101	(8) Bps
Trade bills	283,806	2.80%	341,490	2.67%	(57,684)	13 Bps
Total	11,783,671	4.39%	10,429,292	4.55%	1,354,379	(16) Bps
Including:						
Medium- and long-term loans	8,835,641	4.74%	7,635,237	4.88%	1,200,404	(14) Bps
Short-term loans within 1 year and others	2,948,030	3.34%	2,794,055	3.65%	153,975	(31) Bps
Due to customers						
Corporate demand deposits	3,651,396	0.80%	3,353,501	0.72%	297,895	8 Bps
Corporate time deposits	2,593,370	2.85%	2,395,923	2.82%	197,447	3 Bps
Personal demand deposits	2,384,806	0.36%	2,248,516	0.42%	136,290	(6) Bps
Personal time deposits	3,593,779	3.09%	2,966,302	3.01%	627,477	8 Bps
Other	704,595	3.26%	913,483	3.49%	(208,888)	(23) Bps
Total	12,927,946	1.90%	11,877,725	1.87%	1,050,221	3 Bps
Foreign currency businesses						
in the Chinese mainland						
Unit: USD million, except percentages						
Loans						
	42,468	0.88%	40,545	2.09%	1,923	(121) Bps
Due to customers						
Corporate demand deposits	70,975	0.27%	42,265	0.51%	28,710	(24) Bps
Corporate time deposits	28,403	0.92%	35,964	2.09%	(7,561)	(117) Bps
Personal demand deposits	26,402	0.01%	25,068	0.03%	1,334	(2) Bps
Personal time deposits	16,812	0.44%	17,518	0.78%	(706)	(34) Bps
Other	2,472	1.79%	1,699	2.25%	773	(46) Bps
Total	145,064	0.39%	122,514	0.94%	22,550	(55) Bps

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

Non-interest Income

In the first half of 2021, the Group reported non-interest income of RMB94.082 billion, an increase of RMB12.512 billion or 15.34% compared with the same period of the prior year. Non-interest income represented 31.07% of operating income.

Net Fee and Commission Income

The Group earned net fee and commission income of RMB46.813 billion, an increase of RMB4.989 billion or 11.93% compared with the same period of the prior year. Net fee and commission income represented 15.46% of operating income. The Bank actively seized market opportunities and tapped into businesses with strong potential. As a result, it realised robust growth in income from its fund distribution, custody and online payment businesses. Please refer to Note III.2 to the Condensed Consolidated Interim Financial Information.

Other Non-interest Income

The Group realised other non-interest income of RMB47.269 billion, an increase of RMB7.523 billion or 18.93% compared with the same period of the prior year. This was primarily attributable to a year-on-year increase in net trading gains. Please refer to Notes III.3, 4, 5 to the Condensed Consolidated Interim Financial Information.

Operating Expenses

In the first half of 2021, the Group recorded operating expenses of RMB102.357 billion, an increase of

RMB11.411 billion or 12.55% compared with the same period of the prior year. The Group's cost to income ratio (calculated under regulations in the Chinese mainland) was 24.06%, continuously maintaining at a relatively low level. The Bank continued to operate its business in a prudent and frugal manner. It proactively optimised its cost structure, increased investment in technological innovation, allocated greater resources to key products, areas and regions, and made greater efforts to support key projects such as scenario construction, mobile finance, etc., so as to continuously improve input and output efficiency. Please refer to Notes III.6, 7 to the Condensed Consolidated Interim Financial Information.

Impairment Losses on Assets

In the first half of 2021, the Group's impairment losses on assets amounted to RMB52.945 billion, a decrease of RMB13.539 billion or 20.36% compared with the same period of the prior year. Specifically, the Group's impairment losses on loans and advances amounted to RMB47.750 billion, a decrease of RMB12.978 billion or 21.37% compared with the same period of the prior year. The Bank continued to improve its enterprise risk management (ERM) system and constantly adopted a proactive and forward-looking approach to risk management, ensuring relatively stable credit asset quality. At the same time, it stringently implemented a prudent and solid risk provisioning policy, thus maintaining an adequate risk resistance capability. Please refer to the section "Risk Management — Credit Risk Management" and Notes III.8, 16 and Note IV.1 to the Condensed Consolidated Interim Financial Information for more information on loan quality and the allowance for loan impairment losses.

Management Discussion and Analysis

Financial Position Analysis

The Bank closely monitored changes in its operating environment, enhanced its asset and liability management in a more coordinated manner and strengthened its forward-looking and predictive research capabilities. It dynamically adjusted its business strategies and continually improved its asset and liability structure, thus achieving steady growth in its various businesses. As at 30 June 2021, the Group's total assets amounted to RMB26,317.327 billion, an increase of RMB1,914.668 billion or 7.85% compared with the prior year-end. The Group's total liabilities amounted to RMB24,086.979 billion, an increase of RMB1,847.157 billion or 8.31% 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 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Assets				
Loans and advances to customers, net	15,047,714	57.18%	13,848,304	56.75%
Investments	5,821,520	22.12%	5,591,117	22.91%
Balances with central banks	2,254,697	8.57%	2,076,840	8.51%
Due from and placements with banks and other financial institutions	2,036,841	7.74%	1,663,640	6.82%
Other assets	1,156,555	4.39%	1,222,758	5.01%
Total assets	26,317,327	100.00%	24,402,659	100.00%
Liabilities				
Due to customers	18,227,771	75.67%	16,879,171	75.90%
Due to and placements from banks and other financial institutions and due to central banks	3,756,174	15.59%	3,216,763	14.46%
Other borrowed funds	1,325,825	5.50%	1,270,437	5.71%
Other liabilities	777,209	3.24%	873,451	3.93%
Total liabilities	24,086,979	100.00%	22,239,822	100.00%

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

Loans and Advances to Customers

The Bank decisively implemented national macroeconomic policies and increased support for development of the real economy. It proactively met the credit needs of key areas such as inclusive finance, green finance, strategic emerging industries, high-end manufacturing, and rural revitalisation. It continuously improved its credit structure and expanded its lending scale at a stable and moderate pace. As at 30 June 2021, the Group's loans and advances to customers amounted to RMB15,416.400 billion, an increase of RMB1,199.923 billion or 8.44% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB12,282.921 billion, an increase of RMB943.931 billion or 8.32% compared with the prior year-end, while its foreign currency

loans amounted to USD485.051 billion, an increase of USD44.050 billion or 9.99% compared with the prior year-end.

The Bank continuously improved its comprehensive risk management structure, closely monitored changes in the macro-economic situation, effectively strengthened risk identification and controls in key areas, and stepped up efforts to recover and resolve non-performing assets (NPAs), thus maintaining relatively stable asset quality. As at 30 June 2021, the balance of the Group's allowance for loan impairment losses amounted to RMB369.168 billion, an increase of RMB549 million compared with the prior year-end. The balance of the Group's restructured loans amounted to RMB18.940 billion, a decrease of RMB2.752 billion compared with the prior year-end.

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

Unit: RMB million, except percentages

Items	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Corporate loans				
Chinese mainland: RMB	6,854,824	44.47%	6,266,331	44.08%
Foreign currency	301,231	1.95%	255,601	1.80%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	2,306,884	14.96%	2,078,158	14.62%
Subtotal	9,462,939	61.38%	8,600,090	60.50%
Personal loans				
Chinese mainland: RMB	5,251,290	34.06%	4,979,214	35.02%
Foreign currency	604	0.01%	645	0.01%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	666,655	4.32%	603,436	4.24%
Subtotal	5,918,549	38.39%	5,583,295	39.27%
Accrued interest	34,912	0.23%	33,092	0.23%
Total loans	15,416,400	100.00%	14,216,477	100.00%

Management Discussion and Analysis

Investments

The Bank closely tracked financial market dynamics, maintained investment activity at a reasonable pace and continuously improved its investment structure. As at 30 June 2021, the Group held investments of RMB5,821.520 billion, an increase of RMB230.403 billion or 4.12% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB4,489.997 billion, an increase of RMB123.687 billion or 2.83% compared with the prior year-end, while foreign currency investments totalled USD206.115 billion, an increase of USD18.402 billion or 9.80% 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 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	510,583	8.77%	504,549	9.02%
Financial assets at fair value through other comprehensive income	2,174,982	37.36%	2,107,790	37.70%
Financial assets at amortised cost	3,135,955	53.87%	2,978,778	53.28%
Total	5,821,520	100.00%	5,591,117	100.00%

Investments by Currency

Unit: RMB million, except percentages

Items	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
RMB	4,489,997	77.13%	4,366,310	78.09%
USD	751,925	12.91%	701,408	12.55%
HKD	264,860	4.55%	212,522	3.80%
Other	314,738	5.41%	310,877	5.56%
Total	5,821,520	100.00%	5,591,117	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 2018	13,370	4.98%	2025-01-12	—
Bond issued by policy banks in 2019	12,877	3.48%	2029-01-08	—
Bond issued by policy banks in 2020	12,150	2.96%	2030-04-17	—
Bond issued by policy banks in 2017	11,813	4.39%	2027-09-08	—
Bond issued by policy banks in 2018	11,225	4.88%	2028-02-09	—
Bond issued by policy banks in 2018	10,930	4.73%	2025-04-02	—
Bond issued by policy banks in 2020	9,446	3.23%	2030-03-23	—
Bond issued by policy banks in 2017	8,800	4.02%	2022-04-17	—
Bond issued by financial institutions in 2020	8,530	4.20%	2030-09-14	—
Bond issued by policy banks in 2017	7,750	4.30%	2024-08-21	—

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

Adhering to a customer-centric concept, the Bank put more efforts towards customer acquisition and customer activation, consolidated and expanded its customer base, enhanced the scale and quality of its assets under management (AUM), and continued to improve its funds precipitation capacity, thus promoting the steady growth in the scale of its customer deposits and further improving its liability structure. As at 30

June 2021, the Group's due to customers amounted to RMB18,227.771 billion, an increase of RMB1,348.600 billion or 7.99% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB13,823.993 billion, an increase of RMB820.966 billion or 6.31% compared with the prior year-end, while its foreign currency due to customers stood at USD681.689 billion, an increase of USD87.635 billion or 14.75% compared with the prior year-end.

Management Discussion and Analysis

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

Unit: RMB million, except percentages

Items	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Corporate deposits				
Chinese mainland: RMB	6,790,709	37.25%	6,453,523	38.23%
Foreign currency	708,275	3.89%	560,993	3.32%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	2,266,232	12.43%	1,818,563	10.77%
Subtotal	9,765,216	53.57%	8,833,079	52.33%
Personal deposits				
Chinese mainland: RMB	6,577,459	36.08%	6,136,873	36.36%
Foreign currency	288,921	1.59%	300,406	1.78%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	1,165,788	6.40%	1,152,825	6.83%
Subtotal	8,032,168	44.07%	7,590,104	44.97%
Certificates of deposit and others	430,387	2.36%	455,988	2.70%
Total deposits	18,227,771	100.00%	16,879,171	100.00%

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

Equity

As at 30 June 2021, the Group's total equity stood at RMB2,230.348 billion, an increase of RMB67.511 billion or 3.12% compared with the prior year-end. This was primarily attributable to the following factors: (1) In the first half of 2021, the Group realised a profit for the period of RMB118.547 billion, of which profit attributable to equity holders of the Bank amounted to RMB112.813 billion. (2) The Bank pushed forward its

external capital replenishment projects in a proactive and prudent manner, successfully issuing RMB50.0 billion of undated capital bonds. (3) As per the 2020 dividends distribution plan approved at the Annual General Meeting, a cash dividend of RMB57.994 billion was paid out on ordinary shares. (4) The Bank paid a dividend on its preference shares of RMB4.4595 billion. Please refer to the "Condensed Consolidated Interim Statement of Changes in Equity" in the Condensed Consolidated Interim Financial Information.

Cash Flow Analysis

As at 30 June 2021, the balance of the Group's cash and cash equivalents was RMB1,979.557 billion, an increase of RMB484.689 billion compared with the prior year-end.

In the first half of 2021, net cash flow from operating activities was an inflow of RMB688.576 billion, an increase of RMB551.219 billion compared with the same period of the prior year. This was mainly attributable to a net increase in due to banks and other financial institutions whereas it was a net decrease in the same period of the prior year.

Net cash flow from investing activities was an outflow of RMB177.385 billion, as compared to an inflow of RMB208.188 billion in the same period of the prior year. This was mainly attributable to a decrease in cash

received from the disposals and maturities of financial investments.

Net cash flow from financing activities was an outflow of RMB8.606 billion, as compared to an inflow of RMB19.099 billion in the same period of the prior year, mainly because repayments of debts issued increased year-on-year.

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), 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.

A geographical analysis of operating income of the Group is set forth in the following table:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2021		For the six-month period ended 30 June 2020	
	Amount	% of total	Amount	% of total
Chinese mainland	237,960	78.33%	220,733	76.67%
Hong Kong (China), Macao (China), Taiwan (China)	55,579	18.29%	55,538	19.29%
Other countries and regions	10,279	3.38%	11,641	4.04%
Elimination	(963)	—	(929)	—
Group	302,855	100.00%	286,983	100.00%

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

Management Discussion and Analysis

Operating income for each business segment of the Group is set forth in the following table:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2021		For the six-month period ended 30 June 2020	
	Amount	% of total	Amount	% of total
Commercial banking business	266,952	88.15%	259,236	90.33%
Including: Corporate banking	104,698	34.57%	113,530	39.56%
Personal banking	111,781	36.91%	111,467	38.84%
Treasury operations	50,473	16.67%	34,239	11.93%
Investment banking and insurance	22,603	7.46%	17,649	6.15%
Others and elimination	13,300	4.39%	10,098	3.52%
Group	302,855	100.00%	286,983	100.00%

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

Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value

Unit: RMB million

Items	As at 30 June 2021	As at 31 December 2020	Change	Impact on profit for the period
Financial assets at fair value through profit or loss				
Debt securities	336,597	347,243	(10,646)	
Equity instruments	88,040	88,025	15	2,661
Fund investments and other	85,946	69,281	16,665	
Loans and advances to customers at fair value	306,943	362,658	(55,715)	(117)
Financial assets at fair value through other comprehensive income				
Debt securities	2,151,166	2,086,362	64,804	(148)
Equity instruments	23,816	21,428	2,388	
Derivative financial assets	116,240	171,738	(55,498)	1,196
Derivative financial liabilities	(121,560)	(212,052)	90,492	
Due to and placements from banks and other financial institutions at fair value	(1,952)	(3,831)	1,879	46
Due to customers at fair value	(30,199)	(25,742)	(4,457)	–
Bonds issued at fair value	(1,008)	(6,162)	5,154	24
Short position in debt securities	(12,706)	(17,912)	5,206	6

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

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

Other Financial Information

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

Management Discussion and Analysis

Business Review

Commercial Banking in the Chinese Mainland

By closely aligning to the Group's strategic plans, it has accelerated the building of a strategic development pattern with domestic commercial banks as the main body and globalisation and integration as two wings. The Bank's commercial banking business in the Chinese mainland focused on serving the supply-side structural reform and the coordinated regional development strategy. Seizing the prevailing opportunities, the Bank focused on the key areas and cities, key businesses and key projects. It consolidated its customer account base, strengthened product innovation, and continued to enhance its sustainable development capability. In the first half of 2021, the Group's commercial banking business in the Chinese mainland recorded an operating income of RMB233.218 billion, an increase of RMB16.245 billion or 7.49% 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 2021		For the six-month period ended 30 June 2020	
	Amount	% of total	Amount	% of total
Corporate banking business	91,574	39.27%	97,724	45.04%
Personal banking business	103,312	44.30%	100,202	46.18%
Treasury operations	36,669	15.72%	19,423	8.95%
Others	1,663	0.71%	(376)	(0.17%)
Total	233,218	100.00%	216,973	100.00%

Corporate Banking

With a focus on high-quality development, the Bank continued to advance the transformation of its corporate financial services so as to serve the real economy more efficiently and effectively. It gave priority to supporting high-quality development in key areas such as inclusive finance, green finance, strategic emerging industries and manufacturing, thus contributing to the transformation and upgrading of the national economy. It also proactively expanded core customer groups in the advanced manufacturing and digital economy-related industries, so as to help improve the country's strategic scientific and technological strengths. In addition, the Bank accelerated progress in the coordinated development

of the Beijing-Tianjin-Hebei region, Xiongan New Area, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, Hainan Free Trade Port and other key areas by virtue of its financial resources, thus supporting national strategies for coordinated regional development. It pushed forward RMB internationalisation in an orderly manner, serving as the main channel for cross-border RMB circulation and as a leader in RMB service innovation, thereby contributing to the country's opening-up strategy. The Bank further advanced product innovation, constantly optimised system functions, and strived to improve the service quality and efficiency of enterprise annuities, occupational annuities, employee benefit plans and pension security management, thus supporting the construction of the country's social security system. In

the first half of 2021, the Group's corporate banking business in the Chinese mainland recorded an operating income of RMB91.574 billion, a decrease of RMB6.150 billion or 6.29% compared with the same period of the prior year.

Corporate Deposits

Upholding the customer-centric approach, the Bank remained committed to building a comprehensive and tiered marketing management system through scientific classification and targeted policy implementation, and continued to consolidate its development foundations. Focusing on customers' diversified financial needs, the Bank further enhanced its cross-industry services, comprehensive marketing awareness and comprehensive service capability, and expanded the scale of customers' financial assets. Furthermore, by proactively integrating into the nation's new development pattern, in which domestic and international circulations reinforce each other, the Bank strived to connect its business product channels for domestic settlement and international settlement, increase business volumes in payments and settlements, enhance fund retention capacity, and boost the sound and sustainable development of its deposit business. In particular, the Bank highlighted the strategic positioning of its administrative institution business, accelerated the building of a smart government services ecosystem, and facilitated the digital transformation and IT application of administrative institutions. It also leveraged the role of administrative institutions as a platform to connect government agencies, cover customers across different industries and attract private customer groups, thus continuously expanding the sources of its deposits. Centring on the key industries and key customer groups of the administrative institutions sector, the Bank developed differentiated marketing strategies and sharpened its market competitiveness in key areas by

concentrating on scenario-based marketing across the entire industrial chain of education, medical care and other industries. As at 30 June 2021, RMB corporate deposits of the Group's commercial banking business in the Chinese mainland totalled RMB6,790.604 billion, an increase of RMB337.116 billion or 5.22% compared with the prior year-end. Foreign currency corporate deposits amounted to USD109.638 billion, an increase of USD23.661 billion or 27.52% compared with the prior year-end.

Corporate Loans

The Bank proactively carried out its responsibilities, fully implemented the national development strategy, and effectively improved its services to the real economy. It increased investment in high-quality credit so as to support the real economy recovery steadily. Moreover, the Bank devoted itself to the development of the modern industrial system and actively promoted a shift in service focus from traditional industries to new industries, new business forms and new business models. It endeavoured to promote the nation's coordinated regional development strategy, supporting industrial upgrading and transfer as well as the development of city clusters in the Beijing-Tianjin-Hebei region and Xiongan New Area. The Bank also increased its investment in the advanced manufacturing sector, high-quality service sector, new infrastructure construction, new urbanisation and other sectors in the Yangtze River Delta, and vigorously seized the opportunities arising from the technology finance, industry finance and cross-border finance sectors in the Guangdong-Hong Kong-Macao Greater Bay Area. The Bank adopted policies tailored to local conditions and pursued accelerated development in the ecological protection of the Yellow River basin, the development of modern agriculture and animal husbandry, new urbanisation, infrastructure connectivity, and the

Management Discussion and Analysis

upgrading and transformation of traditional industries. It further stepped up its efforts in promoting financial connectivity in the Chengdu-Chongqing economic circle, and energetically bolstered new forms of consumption. In addition, the Bank contributed to the building of the Hainan Free Trade Port and Smart Hainan, and positioned itself as the first-choice bank for the Hainan Free Trade Port. To serve the national strategy of expanding domestic demand, it capitalised on the new trend of consumption upgrading, sped up the building of scenario ecosystems, thus strengthening support for consumption industries. To serve common prosperity for all, the Bank continuously strengthened inclusive financial services and made breakthroughs in online products. It also increased support for agricultural modernisation by actively integrating into the rural revitalisation strategy. To serve the nation's ecological conservation strategy, it further boosted the development of green finance, improved relevant products and services, and facilitated sustainable economic and social development, which in turn helped the Bank to build a green finance brand image. The Bank contributed to the high-standard opening-up of the Chinese economy, continuously bolstered financial service innovation for the Belt and Road Initiative, and enhanced its comprehensive services for "Going Global" and "Bringing In" customers. As at 30 June 2021, the RMB corporate loans of the Group's commercial banking business in the Chinese mainland totalled RMB6,829.957 billion, an increase of RMB573.685 billion or 9.17% compared with the prior year-end. Foreign currency corporate loans totalled USD46.629 billion, an increase of USD7.456 billion or 19.03% compared with the prior year-end.

Financial Institutions Business

The Bank continued to deepen all-round cooperation with various financial institutions and built up its

integrated financial services platform, maintaining a leading position in terms of financial institution customer coverage. It has maintained correspondent relationships with about 1,200 institutions around the world and opened 1,410 cross-border RMB clearing accounts for correspondent banks from 116 countries and regions, thus securing a leading position among domestic banks. It promoted the RMB Cross-Border Interbank Payment System (CIPS) and signed cooperation agreements for indirect participant relationships with 391 domestic and overseas financial institutions, seizing the largest market share among peers. The Bank's custodian service for Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII) and its agency service for overseas central banks and other sovereign institutions all held leading positions in the industry in terms of both customer base and business scale. The Bank helped the Shanghai Headquarters of China Central Depository & Clearing Co., Ltd. (CCDC) to transfer the proceeds from the first offshore bond issuance by an overseas institution in the pilot free trade zone, and successfully bid to become a clearing fund depositing bank of the Shanghai Commercial Paper Exchange. It was also granted the qualifications to become the settlement bank for agency instruction receiving and sending business in relation to foreign currency lending for the China Foreign Exchange Trade System, as well as the exclusive settlement bank for the bilateral centralised clearing of RMB-USD trades via Shanghai Clearing House, thus enhancing its image as a co-brand in the financial factors market. The Bank also strengthened cooperation with the Asian Infrastructure Investment Bank (AIIB), New Development Bank and Silk Road Fund. It assisted AIIB with the issuance of several overseas USD bonds, served as lead underwriter for the New Development Bank's issuance of its first Panda bond to be linked to the Sustainable Development Goals, and acted as lead underwriter and

lead bookrunner on the issuance of Asian Development Bank's Panda bond. As at 30 June 2021, the Bank had the largest market share in foreign currency deposits from financial institutions, and further increased its market share in terms of third-party funds under custody.

Transaction Banking

Actively adapting to the trend of FinTech innovation and the integrated financial needs of customers, the Bank vigorously developed its transaction banking business. It continued to strengthen financial support for the policy imperative of "ensuring stable foreign trade" and maintained the leading market share in international trade and cross-border RMB transaction volumes. The Bank became a global strategic partner of the first China International Consumer Products Expo (CICPE) and fully supported the smooth operation of the first CICPE and the 129th China Import and Export Fair ("Canton Fair"). It proactively participated in the Belt and Road Initiative, RMB internationalisation and the building of pilot free trade zones and free trade ports. BOC Guangdong Branch successfully provided financial services under Free Trade Unit (FTU), following similar authorisations for the Bank's Shanghai, Hainan and Tianjin Branches. In addition, the Bank actively promoted the digital, scenario-based and intelligent development of supply chain finance and issued the *Measures of Bank of China on Innovating Supply Chain Financial Service Modes and Fully Supporting the Improvement on the Modernisation of Industrial Chains and Supply Chains*. It strengthened the development of application scenarios for transaction banking; enhanced service standards for account, payment and collection; and rolled out innovative intelligent cash management products to provide customers with multi-scenario fund supervision solutions (featuring ex-ante, in-event

and ex-post integration), with the aim of improving its global cash management service capabilities.

Inclusive Finance

The Bank conscientiously implemented national policies and regulatory requirements regarding the nation's support for the micro and small-sized business. It also focused on serving the real economy and took multiple measures to support the development of micro and small-sized business. It continued to launch new online financing products and services such as the "Unsecured Loan", "Tax Loan" and "Mortgage Loan", and made efforts to upgrade online products, thus continuously improving its service capabilities for inclusive finance. To implement the requirements of pandemic containment policy, it launched the "New Year Benefit" financial service programme to provide financial services to those micro and small-sized enterprises, and their employees, that continued working to ensure supply and stabilise production, with more than 7,500 customers benefitting from the service. The Bank continued to provide support by deferring the repayment of principal and interest on loans to micro and small-sized enterprises and spared no efforts to relieve them from financial troubles. It also implemented the "BOC Inclusive Services for Specialised, Refined, Featured and Innovative Enterprises", and provided credit support for more than 10,000 such enterprises. In addition, the Bank worked with the State Intellectual Property Office to establish the Innovative Intellectual Property Financing Laboratory and released the "Inclusive Loan for Intellectual Property" inclusive financial service plan for intellectual property. It improved the BOC E-cooperation matchmaking platform, established a comprehensive "online + offline" matchmaking service system, and built new channels for attracting businesses, investments and talents. As at 30 June

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2021, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises³ reached RMB781.6 billion, an increase of 35.8% compared with the prior year-end, outpacing the growth rate of the Bank's total loans. The number of micro and small-sized business customers stood at nearly 570,000, higher than that of 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 2021 was 3.94%. By strengthening risk control and operational compliance, the quality of loans granted to micro and small-sized enterprises remained stable and manageable.

Pension Business

Taking the strategic national response to population aging during the 14th Five-Year Plan period as its overarching principle, the Bank pressed ahead with the development of its pension business, promoted product innovation and system development, and provided a range of products including enterprise annuities, occupational annuities, employee benefit plans and pension security management products to customers. It intensified efforts to optimise the strategic layout of its pension business and advanced scenario building for the silver economy, thereby vigorously supporting its development. As at 30 June 2021, pension funds under custody reached RMB120.860 billion, an increase of RMB19.068 billion or 18.73% compared with the prior year-end. The total number of enterprise annuity individual accounts held by the Bank reached 3.5697 million, an increase of 0.1561 million or 4.57% compared with the prior year-end. Assets under custody amounted to RMB691.721 billion, an increase of

RMB98.849 billion or 16.67% compared with the prior year-end. The Bank provided enterprise annuity services for more than 12,000 clients.

Personal Banking

Guided by its customer-centric philosophy, the Bank continued to build a professional retail bank, with wealth finance at its core and cross-border finance and consumer finance as specialist services. It remained committed to bolstering its development momentum in order to realise the dividends of structural reform to its personal banking business. The Bank also comprehensively accelerated digital and capital-light transformation, pushed ahead with improvements to its business structure and sharpened the competitiveness of its personal banking business. In the first half of 2021, the Group's personal banking business in the Chinese mainland realised an operating income of RMB103.312 billion, a year-on-year increase of RMB3.110 billion or 3.10%.

Account Management Business

In response to the trend of interest rate liberalisation, the Bank leveraged its advantages in comprehensive personal financial services and made progress in deposit product innovation and smart account development. By accelerating the comprehensive reform of its cardless personal banking services, the Bank completed the R&D phase of its "digital debit card" and put it into pilot operation, enabling customers to open an account without a debit card and promoting cardless transactions for services such as cash deposit and withdrawal, transaction record printing, foreign

³ 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 Promoting the High-quality Development of Financial Services for Micro and Small-sized Enterprises in 2021* (Yin Bao Jian Ban Fa [2021] No. 49).

currency exchange and investment and wealth management, with the aim of creating a whole new service model that features “accounts integrated with mobile banking”. As at 30 June 2021, 100% coverage of cardless services was available for all high-frequency scenarios. The Bank also worked to enrich products and services for elderly customers by launching “BOC Care Debit Card” for family customers and providing one-stop “Finance Plus” services. As the only bank in China to serve the Beijing 2008 Summer Olympics and the Beijing 2022 Winter Olympics, the Bank is set to provide services such as RMB account opening, foreign currency exchange, mobile payment and domestic acceptance of overseas bank cards for short-term visitors to China during the Winter Olympics, and promoted the Beijing 2022 Games-themed Visa debit card for cross-border customers in an effort to build a strong brand image for its payment settlement services. The Bank’s “Comprehensive Cardless Application of Personal Banking Business and Smart Counter 4.0” programme was recognised as the “2021 Best Frictionless Customer Experience Initiative in China” by *The Asian Banker*.

Wealth Finance Business

Focusing on creating mutual value with customers, the Bank stepped up efforts to boost the high-quality and sustainable development of its wealth finance business and advance the scale growth and structural optimisation of all types of financial assets, with the aim of building a strong wealth management brand and increasing its market appeal. Adhering to a customer-centric approach, it remained committed to implementing the strategic requirement of pursuing “common prosperity” and established a “Group-wide + market-wide” wealth finance platform. The Bank also shifted its focus from selling proprietary products to an “open shelf” platform, from being a product seller to an investment advisor assisting the buyers,

and from relying on transaction-driven growth to pursuing service-driven development, thus improving its capabilities in comprehensive product selection, refined customer management and professional team services. As at 30 June 2021, the total financial assets under management of the Group’s personal customers exceeded RMB11 trillion and the income generated from wealth finance business increased by 25% year-on-year. BOC Robot Advisor recognised an average yield of 41.68% since launched, exceeding its performance benchmark by 27.40 percentage points, and generated accumulated sales of RMB29.6 billion from more than 250,000 customers. As at 30 June 2021, the Bank had set up 8,072 wealth management centres and 1,102 prestigious wealth management centres in the Chinese mainland.

Consumer Finance Business

In strict compliance with national policies, the Bank proactively adjusted its structure and promoted transformation, maintained steady development of its residential mortgage business, and accelerated the upgrading of its inclusive finance and consumer loan businesses, thus showing a ‘One Stable and Two Fast’ business development phenomenon. The Bank fulfilled the concentration management requirements for residential mortgage loans, and strivingly met the reasonable demands of those who sought loans for house purchase. The Bank also made tireless efforts to enrich its inclusive finance personal loan products. It optimised the inspection process, approval rules and credit model of online personal business loan product “Tax Loan”, and supported the production and operation of self-employed individuals and micro and small-sized enterprises. In line with the development strategy for rural revitalisation, the Bank stepped up efforts to build its inclusive financial services system, explored upstream and downstream

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development opportunities in the industrial chain, and took solid action to promote the development of offline agriculture-related loan business, thus building a universal development model alongside its online agriculture-related loans. In addition, the Bank built an efficient and convenient consumer loan product system and achieved centralised and intelligent post-lending management, with the online loan product “BOC E-Credit” serving as a key breakthrough point. As at 30 June 2021, the balance of personal RMB loans of the Group’s commercial banking business in the Chinese mainland was RMB5,251.290 billion, an increase of RMB272.076 billion or 5.46% from the prior year-end. Within this increase, the proportion of non-housing loans within the incremental personal loans significantly increased compared with the end of 2020.

Private Banking Business

The Bank accelerated the development of its private banking business, vigorously boosted product and service innovation, enhanced its specialised business system and built up its private banking service brand, thus providing high-net-worth customers with professional, comprehensive and globalised financial services. As at 30 June 2021, the number of the Group’s private banking customers reached 141,200, with financial assets under management surpassing RMB2 trillion. The Bank strengthened the development of its specialised systems comprising the platforms of investment strategy, asset allocation, wealth inheritance services, Asia-Pacific private banking, services for ultra-high-net-worth customers, and value-added services. It also accelerated the development of the family trust business, with the number of family trust customers increasing by 48.89% compared with the end of last year. Embracing asset allocation as a strategic growth driver, the Bank shifted its business focus from product sales to portfolio allocation. The scale of asset allocation

products held on consignment grew by 85.16% compared with the end of last year. Moreover, drawing on the Group’s advantages in globalised operations, the Bank made stage progress towards building its Asia Pacific Private Banking Platform. It also improved its professional service capabilities and released Chinese and English versions of the *Bank of China Private Banking Global Investment Strategy Report*, thereby forming an investment strategy system consisting of daily, weekly, monthly, quarterly and annually reports. The Bank accelerated the establishment of private banking centres by building 90 such centres in the Chinese mainland, and promoted the in-depth development of professional teams of private banking relationship managers, private bankers and investment advisors. The Bank was awarded “Best National Private Bank in China (State-owned Banks)” once again by *Asian Private Banker* and “China Private Banking Awards — Best Private Bank for International Network” by *Asiamoney*.

Personal Foreign Exchange Business

The Bank further enriched its personal foreign exchange services by increasing the number of currencies available in its personal deposit and withdrawal business to 25 and the number of convertible foreign currencies available to customers to 39, thus maintaining a leading position among peers. Focusing on key customer groups, key regions and key businesses, the Bank accelerated product and service innovation, steadily promoted the optimisation of exchange settlement services for salary payment and its business expansion, and improved digital currency systems for currency exchange in order to deepen the application of digital currencies in the field of personal banking. It also improved customer experience by launching a foreign exchange cash reservation service for 23 currencies via e-channels such as mobile

banking, WeChat banking and online banking in major cities in the Chinese mainland. As at 30 June 2021, the personal foreign currency deposits of the Group's commercial banking business in the Chinese mainland amounted to USD44.724 billion, representing the largest market share among peers.

Bank Card Business

The Bank closely followed changes in industry trends and made great efforts to sharpen its brand competitiveness. Centring on the country's development plan for nationwide winter sports, the Bank launched the Beijing 2022 Olympic Winter Games-themed credit card and continued to build up its reputation by being the only bank in China to serve the Beijing 2008 Summer Olympics and the Beijing 2022 Winter Olympics. It thereby consolidated and enhanced its differentiated market competitiveness, especially as a cross-border brand and Winter Olympics brand. Moreover, the Bank supported the development philosophy of green finance, including boosting sales of new-energy vehicles by launching an instalment plan for automobile purchases, and strongly supporting the development of domestic new-energy vehicle brands. Emphasising on high-quality customer acquisition and customer activation, it focused on active scenarios such as mobile banking and launched important services including quick payment and instalments to activate existing customers and expand new customers, and thus continuously stimulate customer activity. It also explored the potential of high-frequency payment scenarios to build a service ecosystem. Focusing on sports, cross-border, education, automobile and other scenarios, as well as small-amount and high-frequency transactions related to people's livelihood consumption, the Bank continued to enhance the "BOC Benefit Day" brand and enrich the customer experience through online and offline scenario collaboration.

As at 30 June 2021, the Bank had issued a total of 133.4291 million credit cards. In the first half of 2021, credit card consumption amounted to RMB778.736 billion, including RMB186.479 billion from credit card instalments.

Centring around the digital transformation strategy, the Bank accelerated digital transformation and scenario building for its bank card business. It steadily promoted its debit card business and expanded scenario-based applications for mobile payments, thus continuing to improve customer experience. Through the Campus One-Card Express service mode, the Bank leveraged its advantages in higher education institution services, made efforts to create a "Whole Education" scenario, promoted the building of a smart campus platform and launched an education zone on its mobile banking platform. It continued to enrich its integrated "online + offline" and "financial + non-financial" services, issued social security cards equipped with financial functions in cooperation with local Human Resources and Social Security Bureaux, and expanded the functions of its electronic social security cards and medical insurance e-vouchers. As at 30 June 2021, the Bank had cumulatively issued 114 million physical social security cards and 3.1920 million electronic cards. It strongly developed rail travel scenarios and completed the promotion of Railway e-Card on 39 railway lines, covering national strategic regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan Pilot Free Trade Port, and serving over 3.50 million customers.

Financial Markets Business

The Bank actively aligned itself with trends towards interest rate and exchange rate liberalisation and RMB internationalisation. By closely tracking financial

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market developments, it continuously improved its business structure and strengthened efforts to achieve compliance with international regulatory requirements, thus maintaining its competitive advantages in financial markets business.

Securities Investment Business

By strengthening its analysis and forecasting regarding the macro-economic situation and market interest rates trend, the Bank proactively seized market opportunities, fine-tuned its investment progress as appropriate and dynamically adjusted its investment portfolio, in a bid to mitigate portfolio risk. It actively invested in green bonds and local government bonds, and strongly supported the development of green finance and the real economy.

Trading Business

The Bank continuously improved its financial markets business systems, consolidated its development foundations and enhanced its comprehensive customer service capabilities. It continued to outperform peers in terms of market share of foreign currency exchange against RMB, with the Bank providing 39 currency pairs available for exchange. The total number of foreign exchange trading currencies was 110, among which 99 were currencies of emerging economies and 46 were currencies of countries along the Belt and Road. The Bank intensified efforts to promote the concept of “market risk neutral” trading strategies, and made comprehensive use of financial market trading instruments to provide convenient hedging services and assist enterprises in enhancing their risk management capabilities. It also improved its online service capabilities. Seizing opportunities arising from the two-way opening-up of financial markets, the Bank took steps to expand its overseas

institutional investor customer base, relying on a multi-tier service system that integrates trading, sales and research. It strengthened its quantitative trading capacity, advanced the building of a quantitative trading platform and refined its quantitative strategy. Closely tracking the global reform of interest rate benchmarks, the Bank promoted hedging transactions that adopt the new interest rate benchmarks. It enhanced its risk management and control capabilities, improved infrastructure building and strengthened the foundations for its business development. Benchmarking against self-regulated norms and best practices in the industry, the Bank also performed a self-regulated assessment of the implementation of its risk-neutral concept.

Investment Banking Business

The Bank followed its mission to serve the real economy, leveraged the competitive advantages of its international and diversified operations, and strived to deliver an integrated “commercial banking + investment banking” service system. Focused on national strategies, it increased efforts to develop its direct financing and investment banking advisory businesses, including domestic and overseas bond underwriting and distribution, asset-backed securitisation, etc., in order to meet customers’ all-round needs for “onshore + offshore”, “financing + intelligence” integrated financial services. To facilitate the development of China’s capital market and its two-way opening-up, the Bank underwrote bonds in the China Interbank Bond Market with a total amount of RMB764.208 billion in the first half of 2021. It strongly boosted its underwriting business for financial institutions, with its financial bond underwriting business having now remained a leader in the market for many consecutive years. The Bank actively promoted the asset-backed securitisation (ABS) business, thus its

market share in asset-backed notes (ABN) underwriting business ranked first in the interbank market. The Bank also actively supported the issuance of green bonds. It underwrote the first batch of carbon-neutral bonds and sustainability-linked bonds, and helped non-financial enterprises and financial institutions to issue green bonds totalling RMB50.901 billion. The Bank served as underwriter in the debut issuance of carbon-neutral ABNs in China, and the first green automobile ABS in the market. In addition, the Bank further built its competitiveness in cross-border underwriting business and maintained the largest market share in both China offshore bond underwriting and Panda bond underwriting. As a result, the brand influence of “BOC Debt Capital Markets” was continuously enhanced.

Asset Management Business

The Bank pushed forward the orderly transformation of its wealth management business and constantly enhanced its investment management and research capabilities. It made steady progress in the rectification of its existing wealth management business scale, appropriately disposing of the assets held under its existing wealth management products (WMPs). BOC Wealth Management (BOCWM) promoted the development of net-value WMPs, and steadily grew its product volume. As at 30 June 2021, the total balance of off-balance sheet WMPs offered by the Bank and BOCWM amounted to RMB1,413.726 billion, among which the balance of WMPs offered by BOCWM was RMB867.999 billion.

Custody Business

Pursuing national development strategies and consolidating its specialised business advantages, the Bank strived to promote the high-quality development of its custody business. As at 30 June 2021, total

assets of the Group’s custody business amounted to RMB13.05 trillion, with its market share increasing in terms of custody business scale and income. The Bank achieved the strongest growth rates among major Chinese peers in terms of size of mutual funds under custody, and ranked among the top class in the industry in terms of the number and size of newly issued mutual funds under custody. It actively directed financial resources towards the field of green development and became the sole supervision institution for the fund-raising accounts of the National Green Development Fund. The Bank supported the development of a multi-tier pension security system and implemented a number of key annuity and insurance fund custody programmes. It also worked to refine the functions of its custody business system, and further improved its operational service efficiency and risk control capability.

Village Bank

BOC Fullerton Community Bank actively implemented the national strategy of rural revitalisation with the development concept of “focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities”. It is committed to providing modern financial services to county-level micro and small-sized enterprises, individual merchants, wage earners and farmers, developing inclusive finance, and providing financial services for rural revitalisation.

As at 30 June 2021, BOC Fullerton Community Bank controlled 124 village banks with 184 sub-branches in 22 provinces (including municipalities directly under the Central Government) through establishment and acquisition, of which 65% of the institutions located in the mid-west region. It is the largest domestic village bank group in terms of total institutions and business scope. It also continuously improved its product and

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service system to further expand its customer base. As at 30 June 2021, the registered capital of BOC Fullerton Community Bank amounted to RMB8.618 billion. The balances of total deposits and loans of these banks stood at RMB52.310 billion and RMB65.714 billion respectively. The NPL ratio was 1.46%, and the ratio of allowance for loan impairment losses to NPLs was 241.82%. During the first half of 2021, BOC Fullerton Community Bank achieved a profit of RMB449 million.

Globalised Operation

Boasting the most extensive global footprint among its Chinese peers, the Bank strived to enhance its globalised operations within the context of the new national development stage. It actively served China's new development paradigm and the national strategy of high-standard opening-up, and continuously enhanced the value-creation capacity for its globalised business. As at 30 June 2021, the Bank's deposits from customers and loans in markets outside the Chinese mainland totalled USD552.918 billion and USD455.495 billion respectively, an increase of 13.97% and 11.70% from the prior year-end. In the first half of 2021, the Bank's commercial banking business outside the Chinese mainland achieved a profit before income tax of USD3.642 billion, a decrease of 1.89% compared with the same period of the prior year, accounting for 15.89% of the Group's total profit before income tax.

The Bank continued to optimise its global network and further enhanced its capability to provide globalised services to customers. As at 30 June 2021, the Bank had 556 overseas institutions, covering 61 countries and regions, including 25 countries along the Belt and Road.

The Bank continued to optimise its global network management architecture and operating mechanism

by building an effective flat matrix management structure and enhancing its differentiated approaches. It continued to press forward with the management and construction of overseas regional headquarters in regions such as Southeast Asia and Europe, Middle East and Africa (EMEA), and meanwhile promoted the operational streamlining of its business lines. The Bank implemented categorisation of its branches and subsidiaries outside the Chinese mainland and adopted a differentiated development approach by further formulating a distinct local strategy for each institution. This approach enabled the Bank's operations outside the Chinese mainland to gain a stronger footing for pursuing sustainable growth and generating greater synergies within its global network. In addition, the Head Office and overseas trading centres built a global trading network according to product line and time zone, instituting backup facilities in Beijing, Shanghai, Hong Kong, London and New York to ensure business continuity.

Corporate Banking

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

The Bank delivered services to its "Going Global" and "Bringing In" customers, Fortune Global 500 corporates and local enterprise customers. By virtue

of its high-quality products in syndicated loans, M&A financing, project financing, letter of guarantee, international settlement, trade finance and global cash management, it offered strong support to key areas and projects including infrastructure development, green industries and international cooperation in production capacity, made solid progress towards the high-quality development of the Belt and Road Initiative, and bolstered the development of China's dual circulation pattern by delivering high-quality, efficient, customised and comprehensive financial services. The Bank gave full play to the advantages arising from its global institution network and conducted all-round cooperation with various financial institutions in areas such as clearing, settlement, loans, investment, custody, treasury operations and comprehensive capital market services, expanding its customer base and enhancing its international influence. Making agile response to the challenges brought about by the new situation, the Bank continually promoted information exchange in the international financial sector, held multiple live-streamed "cloud road shows" for overseas customers and provided them with practical solutions and supporting services, thereby securing its market position as the preferred partner among Chinese banks for foreign institutional investors entering China's capital markets. It made full use of its international partnership network, drew on its advanced global experience and established a peer communication and cooperation mechanism to keep strengthening its participation in ESG-related fields across the world.

Personal Banking

The Bank continued to improve its overseas service system for personal customers and expanded its business to cover over 6 million customers in more than 30 countries and regions. It offered comprehensive services to personal customers in Hong Kong (China), Macao (China) and Singapore, etc.

The Bank built a one-stop comprehensive service platform covering the whole service process. Relying on cross-border scenarios, it vigorously promoted business innovation, proactively met customers' demands and provided various services such as account, settlement, debit card and mobile banking for overseas business travellers, students studying abroad, expatriates and local customers. It enriched its cross-border financial service system, improved remittance services for students studying abroad and remuneration exchange settlement services for expatriates, and stepped up efforts to enhance product competitiveness. Focusing on key regions, the Bank developed its cross-border business with regional characteristics and improved its financial service system in the Guangdong-Hong Kong-Macao Greater Bay Area. As at 30 June 2021, the Bank had opened a total of over 142,600 domestic RMB settlement accounts in the region via BOCHK's "Greater Bay Area Account Opening" service.

The Bank steadily pushed forward the development of overseas private banking and wealth management. By focusing on the two themes of overseas personal asset allocation and investment in China, the Bank accelerated the building of global brands in "Private Banking", "BOC Prestigious Wealth Management" and "BOC Wealth Management". It also stepped up the promotion of overseas versions of its mobile banking platform, expanding its services to 30 countries and regions. The Bank continued to improve its overseas debit card offerings and issued debit cards in 19 countries and regions, covering the three brands of UnionPay, Visa and MasterCard. It improved its debit card acceptance network, joined local clearing organisations, facilitated customer card use convenience and reduced transaction costs, thereby better satisfying the global card usage demands of overseas customers. The Bank strengthened the management and development of its overseas

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institutions' key credit card products and businesses, ensured that operations were in compliance with relevant laws and rules.

Financial Markets Business

The Bank actively carried out bond investment business while steadily improving the global integrated management level of its investment operations. It provided appropriate levels of authorisation to its overseas institutions to carry out investment activities, and at the same time strengthened risk control.

The Bank took full advantage of its globalised operations to provide stable and continuous dealing services worldwide. It continued to improve its global service capability and further consolidated its competitive advantages. Following national strategies, the Bank continued to actively provide RMB market making in Chinese Taiwan, Singapore, South Korea, Kazakhstan, Russia and other countries and regions, in a bid to facilitate the internationalisation of RMB. Seizing the historic opportunity of China's opening-up of financial markets, the Bank provided overseas institutional investors with high-quality dealing services for domestic bonds and derivatives. It continuously improved infrastructure construction, innovated its management mechanism, enhanced customer service capability and optimised customer experience. The Bank consolidated the advantages of its globally integrated trading business and strengthened capacity building in its overseas trading centres. The Hong Kong Offshore RMB Trading Centre continued to improve its market-making and operation capabilities. The London Trading Centre actively coped with the impact of the pandemic, steadfastly remained on duty and maintained stable operations. In the first half of 2021, the Bank underwrote RMB15.7 billion of Panda bonds, ranking first among peers with a market share of 33.76%. The

Bank underwrote USD4.464 billion of China offshore bonds, ranking first among peers with a market share of 4.85%. The Bank ranked first among Chinese banks in underwriting Asia (ex-Japan) G3 currency bonds, reaching a total of USD6.258 billion and securing a market share of 3.14% during the period. It also remained a leading position among Chinese peers in terms of cross-border custody business, and further improved custody services for global customers.

Clearing Business

The Bank continuously improved its cross-border RMB clearing capabilities and strivingly promoted the cross-border application of RMB, thus further consolidating its leading edge in international payments. As at 30 June 2021, the Bank accounted for 13 of the world's 27 authorised RMB clearing banks, continued to lead its peers. In the first half of 2021, the Group's cross-border RMB clearing transactions totalled RMB311 trillion, an increase of more than 35% compared with same period of the prior year, maintaining the leading position in the global market. The Bank continued to expand its clearing network via its Global Unified Payment Platform System, which covers 64 institutions across 52 countries and regions, and connects to 48 local clearing systems in 31 countries and regions.

Online Service Channels

The Bank continued to expand the coverage of its overseas corporate online banking and further enhanced its global corporate online financial service capabilities. Leveraging its online financial service platform and integrating its overseas and domestic operations, the Bank enriched the service functions of its overseas corporate online banking and overseas bank-enterprise connection channels, expanded its clearing channels and strengthened the online

service capabilities of its overseas institutions, thereby continuing to lead its peers in global cash management services. As at 30 June 2021, the Bank offered overseas corporate online banking services in 51 countries and regions, with 15 languages available for customer service.

Technology Support

The Bank continuously improved its global IT management mechanism, and pushed forward the optimisation of its overseas systems function and product promotion, according to the differentiated management strategy for overseas institutions. It strengthened technology empowerment and pushed forward the implementation of key projects such as the automation improvement of overseas comprehensive management platform and regulatory statement platform, and further improved the level of global service.

BOCHK

BOCHK actively responded to rigorous market challenges and further strengthened the execution of its strategic plans. It steadily pushed forward its business priorities and strived to achieve high-quality development. BOCHK actively embraced the ESG concepts, vigorously promoted green finance and improved its capability for sustainable development. It also responded to the financial policies of the Guangdong-Hong Kong-Macao Greater Bay Area and captured related market opportunities, as well as continually developed its local market in Hong Kong. BOCHK gave full play to its regional synergies in Southeast Asia in order to implement its integrated business systems. It expedited its digital and innovation-driven development and increased the application of FinTech in its products and services. In addition, it

strengthened its risk and compliance controls, with major financial indicators remaining at solid levels. As at 30 June 2021, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD3,834.870 billion and net assets reached HKD322.293 billion. In the first half of 2021, its profit for the period was HKD13.591 billion.

BOCHK actively embraced the ESG concepts and continuously promoted green finance. BOCHK remained committed to enriching its green finance products and services so as to encourage and assist clients' business transformation towards sustainable development and support Hong Kong's establishment as a green financial centre. This included the launch of the SME Green Financing Incentive Scheme, green deposits, green syndicated loans and green advisory services. BOCHK also launched the BOCHK All Weather ESG Multi-Asset Fund, the first ESG fund authorised by the Securities and Futures Commission in Hong Kong, and successfully issued "sustainable and smart living" themed green bonds. BOCHK was rated AA by MSCI ESG Research LLC for the fifth consecutive year, selected as a constituent of the Hang Seng Corporate Sustainability Index Series for the 11th consecutive year, and awarded "Best Bank for CSR in Hong Kong" by *Asiamoney* for the third consecutive year.

BOCHK captured market opportunities and continued to develop the local market. The growth of BOCHK's total customer deposits and loans was above the market average, with deposit structure being further optimised and the asset quality of its loan portfolio outperforming the peers. It enhanced internal and external collaboration in order to engage in major syndicated loan projects, maintaining its top mandated arranger in the Hong Kong-Macao syndicated loan market. Seizing opportunities arising from the secondary listing of China concept stocks and the

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development of capital markets, BOCHK successfully captured the receiving bank business of all secondary listing projects in Hong Kong in the first half of 2021. As a result, it maintained its top market position as an IPO receiving bank in terms of both the total number of listing projects and total funds raised during the period. It also cooperated closely with real estate intermediaries in order to develop and promote the scenarios of property search and mortgage services available on its Home Expert mobile application. This enabled BOCHK to capture first-hand mortgage business opportunities and maintain its top market position in terms of the total number of new mortgage loans. In addition, it secured market leadership in the cash pooling business by leveraging Hong Kong as an ideal hub for corporate treasury activities, with its business coverage now extending to central enterprises, state-owned enterprises, industry giants, local large-scale enterprises and foreign enterprises from 29 countries and regions.

BOCHK deepened cross-border collaboration and proactively supported the construction of the Greater Bay Area. To actively respond to financial policies and capture market opportunities related to the Guangdong-Hong Kong-Macao Greater Bay Area, BOCHK gave full play to its competitive edge in integrated service capabilities by providing diversified products and services to key industries and target customers in the Chinese mainland, including those in the new infrastructure and technological innovation sectors, thus fulfilling their cross-border financial demands. It also continued to deepen collaboration within the Group, with a view to enhancing synergies in client service, business innovation and risk management. In order to meet the various spending, lifestyle and investment needs of residents in the Greater Bay Area, BOCHK continued to optimise the customer experience of cross-border financial services in the Greater Bay Area Account Opening and Personal

Loan mortgage services. It also made full preparations for the launch of its cross-border Wealth Management Connect service, so as to contribute to financial interconnectivity within the Greater Bay Area.

BOCHK improved its regional presence in Southeast Asia and fully leveraged its regional synergies. BOCHK strengthened its regional headquarter management and implemented a “One Bank, One Policy” operating model according to the local conditions of each of its Southeast Asian entities. This allowed the entities to step up their own marketing efforts and successfully expand their key customer bases, giving rise to more business opportunities in syndicated loans, customer deposits, letters of credit and letters of guarantee. With the aim of further enhancing its regional operations, BOCHK made earnest efforts to centralise regional management in the Southeast Asia and expedite the transfer of its managing role to the Regional Operation Centre in Nanning, Guangxi. Adhering to stringent risk management, it strengthened its Southeast Asian entities’ risk management capabilities in credit risk, market risk, interest rate risk and liquidity risk, as well as its risk control capabilities in compliance, anti-money laundering and anti-fraud, by leveraging its systems and technical advantages. BOCHK remained committed to pushing forward digitalisation and financial product innovation, gradually rolling out a number of digital services in the Southeast Asian region including its intelligent Global Transaction Banking platform (iGTB), mobile banking, the Enterprise Resources Planning Integration service, BoC Bill and the FXall Digital Transaction Platform. It further improved its operational presence in the first half of 2021 with the commencement of business at BOCHK Yangon Branch in Myanmar and BOCHK Hanoi Representative Office in Vietnam, while BOCHK Manila Branch officially launched its RMB clearing business in the Philippines. In addition, BOCHK deepened its Asia-Pacific business

collaboration mechanism with the Bank's Singapore Branch and Sydney Branch, achieving steady progress in its syndicated loan, cash management, trade financing, account opening attestation, treasury transaction and wholesale banknote businesses. Despite the challenges posed by the pandemic, its Southeast Asian entities recorded solid growth in deposits from customers and advances to customers, while maintaining stable asset quality.

BOCHK pushed forward its digital transformation and further enhanced customer experience. Backed by digital, intelligent and ecological support, BOCHK was able to provide impetus to its business development and enhance customer experience through digital transformation. It actively promoted open banking services and pushed forward business ecologies with a focus on various livelihood-related scenarios. It continued to provide payment solutions to HKSAR government agencies and clients in the transportation, education, retail, and food and beverage sectors, to provide more convenient payment channels to the general public. BOCHK implemented a number of measures to continuously enhance operational efficiency and promote digitalisation processes, including the use of intelligent customer services, blockchain technology, the use of e-platforms for service applications and transactions, robotic process automation in its middle and back offices, and the extension of iGTB platform coverage to the Southeast Asian region. It also shifted enthusiastically towards intelligent operations by enhancing its mobile banking functionalities, introducing intelligent devices to its service outlets and implementing a web risk monitoring system. At the same time, it optimised its agile mechanisms and systems, strengthened the formation of agile teams and culture, and continuously pushed forward the construction of its cloud-based system so as to provide all-round support to its strategic digital

transformation initiative. BOCHK was awarded "Hong Kong's Best Digital Bank 2021" by *Asiamoney*.

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

Comprehensive Operation

The Bank is committed to serving the national strategies and the real economy. Focusing on customers' comprehensive financial needs, the Bank continuously improved its comprehensive operations, deepened the coordination mechanism for key regions, and worked to enhance its risk management capabilities. It endeavoured to sharpen the Group's differentiated advantages based on its comprehensive operations, boosted high-quality development, and thereby became a driver of value creation, functional innovation and mechanism exploration for the Group.

Investment Banking Business

BOCI

BOCI engages in investment banking business. As at 30 June 2021, BOCI had an issued share capital of HKD3.539 billion, total assets of HKD115.655 billion, and net assets of HKD22.381 billion. In the first half of 2021, BOCI realised a profit for the period of HKD993 million.

BOCI continued to strengthen its advantages in the traditional investment banking business, accelerated the development of wealth and asset management business, and further enhanced its globalised and comprehensive service capabilities. Leveraging its advantages in traditional investment banking business, BOCI integrated into the new national development

Management Discussion and Analysis

paradigm in which domestic and international circulations reinforce each other, focusing on equity financing, debt financing, M&A and restructuring, and global commodities. BOCI assisted with the secondary listing or dual listing of several US-listed China concept stocks on the HKEX, becoming one of the most experienced Chinese investment banks in this field. It continued to improve its asset management capability by developing and promoting ESG indices and asset management products. BOCI-Prudential Asset Management Limited, a subsidiary of BOCI, maintained its position as a top-ranked service provider in the Hong Kong Mandatory Provident Fund (MPF) and Macao Pension Fund businesses. BOCI-Prudential also actively prepared for the implementation of “Cross-border Wealth Management Connect” in the Guangdong-Hong Kong-Macao Greater Bay Area, while two funds approved under the Mutual Recognition of Funds (MRF) scheme, namely the BOCHK Hong Kong Equity Fund and BOCHK Global Equity Fund, were offered for public subscription in the Chinese mainland market. In the first half of 2021, BOCI ranked among the top in the industry in terms of Hong Kong market turnover, including in both securities and derivatives (warrants & CBBC) products, while the “BOCI Greater Bay Area Leaders Index” continued to outperform its peers and other mainstream Chinese equity stock indices. BOCI also continued to improve its global customer service capabilities. It participated in the issuance of Saudi Aramco’s first USD sukuk, and was the only Chinese investment bank to participate in the issuance of Pakistan’s overseas USD sovereign bond. In addition, BOCI accelerated its global commodity centre development. It proactively participated and facilitated the internationalisation of the onshore commodities futures market, and assisted Shanghai International Energy Exchange in further enriching its crude oil futures products. BOCI continued to push forward the

digital transformation of its business, improved the securities service functions of its mobile apps, applied big data and AI to further enhance its online trading and wealth management business, and developed robo-advisory and other FinTech applications to continuously improve user experience, thereby maintaining steady growth in its brokerage business. Furthermore, BOCI pressed ahead with the development of green finance and participated in the issuance of several Chinese institutions’ overseas green bonds.

BOCI China

BOCI China engages in securities-related business in the Chinese mainland. As at 30 June 2021, the registered capital, total assets and net assets of BOCI China were RMB2.778 billion, RMB59.886 billion and RMB15.354 billion, respectively. It realised a profit for the period of RMB616 million in the first half of 2021.

BOCI China promoted business transformation through technological empowerment. Focusing on the wealth management needs of individual customers, it constructed the customer-centric product system, refined the comprehensive service process for wealth management, and improved the service capability of its investment advisors. Deepening its synergistic advantages of “investment banking + commercial banking”, “investment banking + investment” and “domestic + overseas”, and targeting key clients and key industries, BOCI China drew up blueprints for technology finance, green finance and other national key strategic areas and shifted its investment banking business focus towards transaction-driven comprehensive financial services and its asset management business focus towards active management services. BOCI China further improved its customer service capabilities. In addition, the

brand reputation of its 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

BOCIM engages in fund management business in the Chinese mainland. As at 30 June 2021, BOCIM's registered capital amounted to RMB100 million, its total assets stood at RMB6.154 billion and its net assets totalled RMB4.699 billion. In the first half of 2021, BOCIM realised a profit for the period of RMB621 million.

BOCIM steadily expanded its asset management business and continuously improved its profitability. Its internal control and risk management capabilities remained robust and effective, and its comprehensive services continued to improve. As at 30 June 2021, BOCIM's AUM stood at RMB503.1 billion. Specifically, its public-offered funds reached RMB373.7 billion and its non-monetary public-offered funds reached RMB265.5 billion.

BOC Wealth Management

BOC Wealth Management engages in wealth management business in the Chinese mainland. BOC Wealth Management's business includes wealth management products for the general public, wealth management products for qualified investors, advisory and consulting, and other asset management-related products and services. As at 30 June 2021, BOC Wealth Management's registered capital was RMB10.000

billion, its total assets amounted to RMB11.438 billion and its net assets totalled RMB10.959 billion. In the first half of 2021, its profit for the period reached RMB485 million.

BOC Wealth Management complied with regulatory requirements, continued to promote net-value wealth management product development, and steadily increased its assets under management. The company continued to expand its product offerings, bringing to market the first periodic-revolving product in the industry. BOC Wealth Management strengthened its investment and research capacity, launched "Independent Innovation", "Peak Carbon Dioxide Emissions", "Rural Revitalisation" and other themed products in accordance with the 14th Five-Year Plan, enhanced its asset allocation structure, and supported the high-quality development of the real economy. At the same time, BOC Wealth Management proactively enhanced its risk management system, improved the quality and efficiency of its operational service, strengthened its FinTech capacity, and promoted the digital transformation of its wealth management business. As at 30 June 2021, BOC Wealth Management's total AUM reached to RMB1,413.726 billion, while the company's own product balance amounted to RMB867.999 billion.

Insurance

BOCG Insurance

BOCG Insurance engages in general insurance business in Hong Kong. As at 30 June 2021, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD9.994 billion and net assets of HKD4.299 billion. In the first half of 2021, BOCG Insurance recorded gross written premiums of HKD1.469 billion and realised a profit for the period of HKD142 million.

Management Discussion and Analysis

BOCG Insurance actively served national strategies and steadily expanded its general insurance business. Seizing market opportunities, it actively developed mandatory traffic insurance and commercial insurance products for Hong Kong private cars travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge, and accelerated marketing and mechanism development for its regional products. It strengthened bancassurance collaboration mechanisms, explored the potential of various channels, and upgraded its business channels through B2B2C marketing. In addition, BOCG Insurance consolidated its advantages in traditional property insurance business and explored new health service models, making efforts to shift its approach from being solely a financial risk-taker to acting as a health manager, and promoting the sustainable development of health insurance as a strategic business. It promoted digital transformation across the board and officially launched a new-generation core system to serve the public. It improved the functions of its online platform, enhanced the online customer experience, rolled out the first cashless digital medical insurance claim settlement programme using blockchain technology, and realised online insurance purchase and claim payment for multiple products. In terms of fulfilling its social responsibilities, BOCG Insurance launched “One-For-Everyone” anti-epidemic insurance product, provided free extra benefits for its special “Peace of Mind Vaccination” product, and offered premium discounts to vaccinated customers, thereby contributing to Hong Kong’s fight against the pandemic.

BOC Life

BOC Life engages in life insurance business in Hong Kong. As at 30 June 2021, BOC Life’s issued share capital was HKD3.538 billion, total assets amounted to HKD190.039 billion and net assets amounted to

HKD11.382 billion. In the first half of 2021, its profit for the period was HKD471 million.

BOC Life continued to implement its strategy of diversifying distribution channels. In view of the COVID-19 pandemic’s continuous negative impact on offline insurance product sales, BOC Life constantly strengthened its business development via online channels. The standard new premium conducted via electronic channels increased by over 25% year-on-year, continuing to outperform its industry peers. BOC Life promoted cooperation and synergy with the Group, thus maintaining its leading market position in bancassurance sales and proactively expanded its tied agency and broker channels. BOC Life maintained its leading position in the life insurance business and remained the market leader in RMB insurance sector in Hong Kong, with RMB standard new premium increasing by over 65% year-on-year.

BOC Insurance

BOC Insurance engages in property insurance business in the Chinese mainland. As at 30 June 2021, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB14.452 billion and net assets of RMB4.718 billion. In the first half of 2021, it realised written premiums of RMB3.311 billion and a profit for the period of RMB135 million.

BOC Insurance devoted great efforts to advancing supply-side structural reform, pushed forward bancassurance integration and collaboration, and maintained sound business development and steady profit growth. It supported the Belt and Road Initiative and served the Group’s globalisation strategy. BOC Insurance maintained a leading position in the overseas insurance business, covering more than 30 industries in 70 countries and regions in Asia, Africa and South

America. It supported the development of the real economy and China's industrial upgrading, provided credit enhancement for the financing of small and medium-sized private enterprises, and facilitated the upgrading of major technical equipment by offering an insurance compensation mechanism for the first (set of) major technical equipment. It supported customs clearance facilitation reform by providing services for the "single window in international trade" and moving online the full process of tariff guarantee insurance and cargo transportation insurance. In addition, BOC Insurance introduced new forms of claim settlement services, promoted automatic and smart upgrading, ensured the provision of financial services during pandemic prevention and control, and improved operational efficiency, speed of response and customer experience. Attaching great importance to consumer protection, it improved its consumer protection governance framework and mechanism.

BOC-Samsung Life

BOC-Samsung Life engages in life insurance business in the Chinese mainland. As at 30 June 2021, BOC-Samsung Life's registered capital stood at RMB2.467 billion, total assets amounted to RMB40.180 billion and net assets amounted to RMB2.599 billion. In the first half of 2021, BOC-Samsung Life recorded written premiums and premium deposits of RMB8.401 billion and a profit for the period of RMB33 million.

Focusing on the original purpose of insurance, BOC-Samsung Life increased the supply of protection products and established a health insurance product system. In accordance with the CBIRC's revised definitions of critical illness for the insurance sector, BOC-Samsung Life launched four new critical illness insurance products to meet the needs of different

customer groups, thus promoting rapid business growth. It improved its business structure and realised a year-on-year increase of 46% in first-year premiums in its protection and long-term savings business. Capitalising on FinTech trends, BOC-Samsung Life applied big data technology to enhance its insurance risk control capability, launched 24/7 robot underwriting consulting services, and pushed forward its transformation to online and platform-based services. It accelerated digital transformation, steadily advanced the building of its enterprise-level architecture and data middle office, and completed the deployment of a private cloud, thus enhancing its digital operation and management capability. It proactively promoted the development of an online insurance mall and explored the development of online insurance business. Furthermore, BOC-Samsung Life actively engaged with the Group's business collaboration strategy in key regions, and continuously increased its investments in the Guangdong-Hong Kong-Macao Greater Bay Area in the form of loans, trust and equity. As at 30 June 2021, BOC-Samsung Life had cumulative investments of RMB944 million in the Greater Bay Area.

Investment Business

BOCG Investment

BOCG Investment operates direct investment and investment management business. 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 2021, BOCG Investment recorded issued share capital of HKD34.052 billion, total assets of HKD140.553 billion and net assets of HKD72.565 billion, with a profit of HKD4.033 billion for the first half of 2021.

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Actively integrating into the nation's new development pattern, BOCG Investment advanced its operations and management in a steady and orderly manner. Serving the national strategy, it invested in a number of enterprises in the fields of technology finance and green finance, including SVOLT Energy Technology, Shenzhen New Degree Technology, and 4Paradigm. BOCG Investment developed its business in key regions by making preparations for the launch of its Yangtze River Delta Fund II and Guangdong-Hong Kong-Macao Greater Bay Area Fund II, thus enhancing the Group's overall competitiveness. It also invested in enterprises such as SciClone Pharmaceuticals and JD Logistics, which were successfully listed on the HKEX. In addition, BOCG Investment continued to optimise its sources of financing and strengthen its market-oriented financing capabilities, including successfully issuing an RMB2.5 billion Panda bond. Moreover, it made good progress in the informatisation, digitisation and automation of its businesses by developing and optimising different IT systems, such as the investment management system.

BOC Asset Investment

BOC Asset Investment engages in debt-for-equity swap and related business in the Chinese mainland. As at 30 June 2021, the registered capital of BOC Asset Investment was RMB14.500 billion, with total assets and net assets standing at RMB84.111 billion and RMB16.921 billion respectively. In the first half of 2021, it realised a profit for the period of RMB1.129 billion.

BOC Asset Investment conducted its debt-for-equity swap business based on market-oriented and rule-of-law principles, with the aim of improving enterprises' business operations and helping them to reduce leverage ratios and improve market value. Committed to the development of green finance, the company

completed its first clean energy high-end equipment project in line with the national development goal of achieving "peak carbon dioxide emissions and carbon neutrality". It invested in strategic emerging industries and empowered leading domestic industrial internet enterprise to accelerate the construction of a national industrial internet platform. A special fund for debt-to-equity swaps was established by BOC Asset Investment and China Reform Holdings Corporation Ltd. to support the optimisation and coordinated development of the country's industrial structure, with an initial allocation of RMB10.0 billion. The company also coordinated the Group's risk asset disposal work, based on its strengths as a professional and experienced platform for risk asset restructuring. As at 30 June 2021, the cumulative market-oriented debt-for-equity swap business reached RMB172.426 billion, representing an increase of RMB13.623 billion within the year.

Leasing Business

BOC Aviation

BOC Aviation engages in aircraft leasing business. BOC Aviation 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 2021, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD23.893 billion and net assets of USD4.992 billion. It recorded a profit for the first half year of USD254 million as the company recognised the effects of the COVID-19 related downturn on the value of its aircraft and on airline customer cash flows and receivables.

Committed to pursuing sustainable growth, BOC Aviation continued to implement its proactive business

strategy and steadily promoted its standing in the aircraft leasing industry. Actively supporting the Belt and Road Initiative, it had leased 65% of its aircraft to airlines of Belt and Road countries and regions, as well as airlines based in the Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China), as at 30 June 2021. Continuing to closely develop customer demand, the company took delivery of 34 aircraft, including six aircraft that airline customers purchased at delivery, as it expanded its owned fleet. All of these aircraft have been placed on long-term leases. During the first half of 2021, BOC Aviation signed 26 leases for future deliveries and added three new customers, totalling 87 customers in 38 countries and regions. The company consistently sought to optimise its asset structure and improve its sustainable development. It sold nine owned aircraft in the first half of 2021, leaving it with an average owned fleet age of 3.7 years (weighted by net book value) as at 30 June 2021, one of the youngest aircraft portfolios in the aircraft leasing industry.

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

BOCL

BOCL operates financial leasing, transfer and receiving of financial leasing assets and other related businesses. As at 30 June 2021, BOCL recorded registered capital of RMB10.800 billion, total assets of RMB25.230 billion and net assets of RMB10.665 billion. It realised a profit for the period of RMB15 million for the first half of 2021.

Following the strategic objectives of the Group, BOCL focused on national strategic regions and industries, upheld the development philosophy of specialisation,

differentiation and featured characteristics, highlighted the featured characteristics of financial leasing, and refined and strengthened its leasing brand. As at 30 June 2021, it had cumulatively conducted more than RMB20.0 billion of financial leasing business, involving transportation, water conservancy, energy production and supply, construction, manufacturing and other industries. Specifically, the proportion of green leasing in the total leasing business was 37%, as the company continued to take practical steps to improve the quality and efficiency of its service to the real economy.

Consumer Finance

BOC Consumer Finance

BOC Consumer Finance engages in consumer loan business in the Chinese mainland. As at 30 June 2021, BOC Consumer Finance's registered capital stood at RMB1.514 billion, total assets amounted to RMB37.894 billion and net assets amounted to RMB7.953 billion. Its outstanding loans stood at RMB38.350 billion, an increase of 14.76% over the prior year-end. In the first half of 2021, BOC Consumer Finance recorded a profit for the period of RMB532 million.

Focusing on customer needs, BOC Consumer Finance strived to build a featured ecosystem for consumer finance and continuously improved its customer service capability. It enhanced online and offline synergistic integration by establishing an integrated service platform featuring "online + offline integration and finance + technology integration". It has set up 27 regional centres to date, with its offline and online businesses covering about 400 cities and 900 counties nationwide, thus greatly increasing the coverage and availability of its consumer financial services. Continuously optimising the products and services, BOC

Management Discussion and Analysis

Consumer Finance constantly improved consumers' financial service experience and effectively protected their legitimate rights and interests. It actively served national strategic regions, and provided customers with convenient, professional and flexible consumer financial products and services.

Financial Technology

BOC Financial Technology

BOC Financial Technology conducts financial technology innovation, software development, platform operation and technical consulting services. As at 30 June 2021, the registered capital of BOC Financial Technology was RMB600 million, with total assets and net assets standing at RMB629 million and RMB569 million respectively.

In supporting the Group to serve the national development strategy for the digital economy, BOC Financial Technology pushed forward the development and construction of key cities and regions including Hainan Province, Hebei-Xiongan New Area and the Yangtze River Delta through technology empowerment. Relying on its R&D bases in Wuhan, Hubei Province and Chengdu, Sichuan Province, it provided scientific and technological services for the surrounding areas. Focused primarily on providing services within the Group, the company supported significant Group projects and bolstered the Group's development in key areas by devoting efforts to data governance, reform of the company's credit authorisation system, intelligent risk control, inclusive finance and anti-money laundering programmes. It also developed the BOC Silver Scenario Construction Platform, BOC Education Scenario Construction Platform, BOC Sports Scenario Construction Platform, BOC Culture & Tourism Scenario

Construction Platform, and BOC Intelligent Hospital, and supported the IT application programmes of the Group's comprehensive operation companies. Serving the Group's strategic output, BOC Financial Technology continued to dig down deep in the financial industry and delivered technological services to domestic and overseas banks to support anti-money laundering, credit risk control and other fields of IT service. It continuously stepped up research in product innovation, explored new technological innovations and applications, and built technological platforms such as blockchain platform and privacy computing platform.

Service Channels

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

Online Channels

Following a "Mobile First" strategy and embracing digital transformation trends, the Bank continued to increase efforts to expand its online channels and upgrade its mobile banking services, thus realising rapid growth in online business. In the first half of 2021, the Bank's substitution ratio of e-banking channels for outlet-based business transactions reached 95.99%. Its e-channel transaction volume reached RMB156.55 trillion, an increase of 16.87% year-on-year. Among this, mobile banking transaction volumes reached RMB19.75 trillion, an increase of 27.10% year-on-year, making mobile banking the online channel with the most active customers.

Unit: million customers, except percentages

Items	As at 30 June 2021	As at 31 December 2020	Change (%)
Number of corporate online banking customers	6.0700	5.4351	11.68%
Number of personal online banking customers	197.3719	194.2267	1.62%
Number of mobile banking customers	223.3184	210.5524	6.06%
Number of telephone banking customers	111.1771	111.3692	(0.17%)

Following mobile internet trends, the Bank accelerated the construction of the Group's mobile integrated financial service portal for corporate customers. Leveraging the BOC iGTB platform, the Bank focused on frequently and commonly used services, mobile features, international settlement characteristics and open scenarios. It also built an intelligent corporate customer service platform featuring rich scenario ecosystems, superior user experience and flexible product portfolios, and provided corporate customers with comprehensive and multi-dimensional online financial services. It continuously enriched high-frequency primary services such as bank-enterprise reconciliation, transfer and remittance, account management, inclusive financing, investment and wealth management; launched exclusive mobile services such as QR code scanning payment, and introduced featured services in international settlement such as self-service foreign exchange sales, cross-border remittance, inward remittance, international settlement documents and online letters of guarantee. The Bank supported biometric login, QR code login and intelligent customer services, as well as introducing convenient auxiliary functions such as receipt verification, corporate business cards and calendars, so as to continuously improve customer experience.

The Bank continued to improve the functions and channels of its mobile banking for personal customers

and facilitated the digital transformation of personal banking. Centring around the key customer groups of credit card, private banking and elderly care, it launched targeted services such as a credit card section, a private banking zone and an Elderly Version for its mobile banking as well as launching "My Ledger", Monthly Bill, and Earnings Report functions in a bid to enhance the value of its products and services, boost sales and stimulate customer activity. The Bank created a superior user experience with a focus on livelihood high-frequency consumer scenarios, and delivered more convenient personal financial services for customers. It continued to expand its overseas service coverage and published versions for the Netherlands and Panama, meaning that its mobile banking services are now available via 30 overseas institutions and in 12 languages and providing services under 17 categories. Newly introduced features included online self-registration for mobile banking, UK exclusively electronic bank statements and online account opening. Furthermore, the Bank enhanced the digital risk control capacity of its online channels and accumulatively monitored 3.752 billion transactions through its "Cyber Defence" smart risk control and prevention system in the first half of 2021, an increase of 35.3% year-on-year. As at 30 June 2021, the Bank had opened accounts for 16.40 million customers through its mobile banking-oriented digitalised authorisation tool, an increase of 35.53% over the beginning of the year.

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Offline Channels

The Bank pushed forward the digital transformation of its outlets and continued to enrich its intelligent service ecosystem, in a bid to transform its outlets into integrated marketing and service entities encompassing all channels, scenarios and ecosystems.

The Bank accelerated the digital transformation of its outlets. It deepened cross-border ecosystem development, expanded non-resident service scenarios at smart counters, supported passport-based business handling and launched multilingual services. Closely following the pace of digital reform in government services, the Bank constructed a “government service + financial service” dual-purpose system and successively expanded government affairs scenarios such as social security and tax service at smart counters, by embedding financial services into the building of digital government and smart cities, and it continuously promoted the intelligent outlets operation. The Bank constantly optimised the products and services. The Bank established a bank settlement account system for local and foreign currencies, realised “one-stop” account opening and product contracting, introduced digital debit card issuance and cardless services at smart counters, to improve customer experience. Focusing on the elderly and other key customer groups, the Bank launched an elderly version of smart counters to

help the elderly adapt to the digital world and make intelligent financial services more inclusive.

The Bank made fresh innovations in outlet business models. It continued to push forward the categorised management and differentiated development of its outlets by further refining the differentiation of business strategies and resource allocation across different outlets, so as to sharpen their overall competitiveness. It rolled out the “5G Intelligence + Greater Bay Area Pavilion” in Guangdong Province and the “5G Intelligence + Culture and Tourism Pavilion” in Shanxi Province, and built intelligent outlets integrating technology application, service experience, scenario linking and ecosystem integration. Furthermore, the Bank pushed forward the establishment of an outlet scenario ecosystem, built featured outlets based on cross-border, sports, silver economy, education and other scenarios, thus continuously improving the scenario ecosystem chain.

As at 30 June 2021, the Bank’s commercial banking network in the Chinese mainland (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised 10,450 branches and outlets. Its comprehensive operation institutions in the Chinese mainland totalled 513, and the number of its institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions totalled 556.

Unit: single item, except percentages

Items	As at 30 June 2021	As at 31 December 2020	Change (%)
ATM	32,013	33,314	(3.91%)
Smart counter	32,465	31,960	1.58%

Information Technology Development

Taking “deepening technological reform and boosting value creation” as its main task, the Bank fully invested in new “digital infrastructure”, enhanced IT empowerment in key business areas, and created new financial service patterns.

The Bank was deeply involved in the building of a digital China. It improved its governance structure by setting up the Financial Digitalisation Committee to push forward the development of the Group’s digitalisation, financial technology, data governance, digital business transformation and information risk management system. In line with the Group’s strategic development requirements, the Bank accelerated the two milestone projects of enterprise-level architecture building and data governance enhancement. It devoted great efforts to improve its digital capabilities in five areas, namely customer experience enhancement, open sharing of products and services, business process integration and optimisation, intelligent and efficient risk control, and burden alleviation for institutions and employees via IT empowerment, thereby achieving new breakthroughs in the Group’s digital transformation.

The Bank made every effort to promote the OASIS project. Pooling Bank-wide efforts and resources, it built an enterprise-level architecture, strived to break down internal silos from the perspective of overall management and integrated planning, and cultivated the key capabilities shared across all products, channels and institutions. It accelerated the building of enterprise-level middle offices for products, operations, risk control and data, and provided strong support for agile responses to customer demands, rapid follow-

up on market changes and flexible support for the development of frontline businesses. In the first half of 2021, the Bank finalised the implementation plan for the first phase of its upcoming pilot projects and entered into the substantive development stage.

The Bank deepened research into the application of cutting-edge technologies in financial field. Focusing on core fields such as smart city infrastructure, digital government scenarios, digital financial services and financial product innovation, the Bank established a blockchain platform in cooperation with the blockchain lab of Xiongan New Area, and put it in use for the payment of financial funds for projects in Xiongan New Area. It also achieved preliminary research results in cutting-edge areas such as privacy computing, 6G, and distributed databases. Furthermore, the Bank improved its product innovation management policies, enhanced the quality and efficiency of product lifecycle management, and realised full coverage of product management.

The Bank supported the strategic development pattern of “One Body with Two Wings”. Focusing on globalised operations, it established an overseas IT collaboration service mechanism. Leveraging its role as a “strong headquarters”, the Bank promoted the use of digital collaboration in the office activities of its overseas institutions and continuously improved IT automation and online IT capabilities. Focusing on comprehensive operations, the Bank established a comprehensive major IT event management mechanism in a coordinated manner, combined corporate governance with IT line management, and steadily promoted the development of products and processes and policies for capacity output.

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Risk Management

The Bank continued to improve its risk management system in line with the Group's strategies. Facing a challenging and complex external environment, the Bank intensified efforts to improve its comprehensive risk management system, further refined and upgraded the system in terms of governance structure, management mechanism, management process, management tools and management foundations, thus ensuring the sustainable and robust operation of the Group. Anticipating how risk management will develop over the next three to five years, the Bank formulated the Group's 14th Five-Year risk management plan, which comprehensively charts a blueprint for the Group's risk management development, including proposed actions and measures. In addition, it further implemented Basel III and international interest rate benchmark reform, and continued to enhance its refined risk management capability. The Bank also improved the risk management system for its comprehensive operation subsidiaries and continuously strengthened risk management requirements for its overseas institutions. It also improved mechanisms for pandemic response and major risk reporting, and ensured business continuity. Furthermore, the Bank accelerated the digital transformation of risk management, proactively established an online "toolbox" for business models and a "safety valve" for risk evaluation, and advanced the building of a multi-tiered smart risk control and early warning system, thus increasing the levels of its smart risk management. It remained constantly mindful of worst-case scenarios and conducted in-depth investigation of the major potential risks arising from varying aspects of its institutions, businesses, products and customers. It also took an active role in carrying out special campaigns on risk culture, as a way to continuously improve the risk awareness of all employees.

Credit Risk Management

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

The Bank continuously adjusted and optimised its credit structure. With the aim of advancing strategic implementation and balancing risk, capital and return, it continued to push forward the construction of the industrial policy system, improved the management scheme for its asset portfolios, and formulated industry guidelines for credit granting, so as to optimise its credit structure. In line with the 14th Five-Year Plan of the country and that of the Bank, as well as the requirements for the development of the "Eight Priorities in Delivering Financial Services", the Bank highlighted the four segments of scientific and technological innovation, expanding domestic demand, regional coordination and infrastructure construction. It also focused on the ten pillars of strategic emerging industries, new infrastructure, advanced manufacturing, digital economy, people's livelihood consumption, modern services, rural revitalisation, new urbanisation, traditional infrastructure and traditional manufacturing.

The Bank further strengthened its unified credit granting management and enhanced full-scope centralised credit risk management. It continuously improved its long-acting credit management mechanism and asset quality monitoring system, strengthened the control of customer concentration risk, and further raised the effectiveness of potential risk identification, control and mitigation. The Bank enhanced the supervision of risk analysis and asset quality control in key focus regions, and strengthened

the window guidance, inspection and post-assessment of its business lines. In addition, it constantly identified, measured and monitored large exposures in line with related large exposure management requirements.

In terms of corporate banking, the Bank further strengthened risk identification, control and mitigation in key fields, strictly controlled the outstanding amount and use of loans through limit management, and prevented and mitigated risk associated with overcapacity industries. In addition, it implemented the government's macro-control policies and regulatory measures in the real estate sector so as to strengthen the risk management of real estate loans. In terms of personal banking, the Bank improved its personal credit approval mechanism, strengthened authorisation management, and refined approver management. It set strict access standards, enhanced process monitoring and prevented the risks of excessive credit and cross-spreading of risks while supporting the development of its personal credit business.

The Bank stepped up efforts in the mitigation of NPAs. It continued to adopt the centralised and

tiered management of NPA projects, reinforced the supervision of key regions and key projects, and improved the quality and efficiency of disposal. The Bank proactively explored the application of "Internet Plus" in NPA collection and diversified its disposal channels. In addition, it enhanced the application of write-off and debt-for-equity swaps, applied the pilot regulatory policy on NPA transfer, and increased the securitisation of non-performing personal and bank card assets, in a bid to improve asset quality and prevent and resolve financial risks.

The Bank scientifically measured and managed the quality of its credit assets in accordance with the *Guidelines for Loan Credit Risk Classification*. As at 30 June 2021, the Group's NPLs⁴ totalled RMB200.348 billion, a decrease of RMB6.925 billion compared with the prior year-end. The NPL ratio was 1.30%, down 0.16 percentage point compared with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB369.168 billion, an increase of RMB0.549 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 184.26%.

⁴ Total loans and advances to customers in "Risk Management — Credit risk management" section are exclusive of accrued interest.

Management Discussion and Analysis

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Group				
Pass	14,945,790	97.17%	13,711,518	96.67%
Special-mention	235,350	1.53%	264,594	1.87%
Substandard	90,403	0.59%	125,118	0.88%
Doubtful	28,086	0.18%	33,823	0.24%
Loss	81,859	0.53%	48,332	0.34%
Total	15,381,488	100.00%	14,183,385	100.00%
NPLs	200,348	1.30%	207,273	1.46%
Chinese mainland				
Pass	12,031,613	96.97%	11,089,055	96.41%
Special-mention	197,254	1.59%	222,751	1.94%
Substandard	79,139	0.64%	115,873	1.01%
Doubtful	23,083	0.18%	31,078	0.27%
Loss	76,860	0.62%	43,034	0.37%
Total	12,407,949	100.00%	11,501,791	100.00%
NPLs	179,082	1.44%	189,985	1.65%

Migration Ratio

Unit: %

Items	For the six-month period ended		
	30 June 2021	2020	2019
Pass	0.53	1.21	1.40
Special-mention	16.92	32.66	21.45
Substandard	51.94	24.68	40.86
Doubtful	21.76	28.62	18.76

In accordance with IFRS 9, the Bank assesses expected credit losses (ECL) with forward-looking information and makes relevant allowances. In particular, it makes allowance for assets classified as Stage 1 and assets classified as Stage 2 and Stage 3 according to the ECL over the next 12 months and the ECL over the entire lifetime of the asset, respectively. As at 30 June 2021, the Group's Stage 1, Stage 2 and Stage 3 loans totalled RMB14,865.529 billion, RMB311.446 billion and RMB200.348 billion respectively, accounting for 96.67%, 2.03% and 1.30% of total loans. In the

first half of 2021, the Group's impairment losses on loans amounted to RMB47.750 billion, a decrease of RMB12.978 billion compared with the same period of the prior year. Credit cost accounted for 0.65%, a decrease of 0.25 percentage point compared with the same period of the prior year. Please refer to Notes III.16 and IV.1 to the Condensed Consolidated Interim Financial Information for detailed information regarding loan classifications, the classification of ECL stages and allowance for loan impairment losses.

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

Unit: %

Indicators	Regulatory Standard	As at 30 June 2021	As at 31 December 2020	As at 31 December 2019
Loan concentration ratio of the largest single borrower	≤10	2.6	2.8	3.2
Loan concentration ratio of the ten largest borrowers	≤50	14.3	13.9	14.5

Notes:

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

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The following table shows the ten largest individual borrowers as at 30 June 2021.

Unit: RMB million, except percentages

	Industry	Related parties or not	Outstanding loans	% of total loans
Customer A	Transportation, storage and postal services	No	65,684	0.43%
Customer B	Manufacturing	No	42,050	0.27%
Customer C	Transportation, storage and postal services	No	40,610	0.26%
Customer D	Commerce and services	No	40,346	0.26%
Customer E	Transportation, storage and postal services	No	36,053	0.23%
Customer F	Production and supply of electricity, heating, gas and water	No	36,000	0.23%
Customer G	Transportation, storage and postal services	No	32,058	0.21%
Customer H	Manufacturing	No	22,643	0.15%
Customer I	Transportation, storage and postal services	No	22,602	0.15%
Customer J	Real estate	No	22,000	0.14%

Market Risk Management

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

The Bank enhanced the quality and efficiency of its market risk management by improving its market risk management mechanism, optimising the Group's market risk limit system and strengthening the risk control of the first and second lines of defence. It continued to improve its market judgement and analysis and made its risk management more proactive and forward-looking. It streamlined counterparty credit risk management processes and conducted more forward-looking management and control. It improved its market risk measurement models and refined its risk management standards. Please refer to Note IV.2 to the Condensed Consolidated Interim Financial Statements for detailed information regarding market risk.

The Bank continued to strengthen the risk control of its securities investments, enhanced the early warning monitoring of bond defaults in the domestic bond market and the tracking of the China USD bond market, and improved its post-investment monitoring and warning capabilities, thus continuously consolidating the quality of its bond investment business. It also further strengthened the Group's coordinated management of the risks arising from its securities investment and asset management businesses.

In terms of exchange rate risk management, the Bank sought to achieve currency matching between fund source and applications. 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). The Bank’s IRRBB management strategy is to control risks within an acceptable level by considering factors such as the Bank’s risk appetite and risk profile, as well as macroeconomic and market conditions, so as to achieve a reasonable balance between risk and return and maximise shareholder value.

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

Liquidity Risk Management

The Bank endeavoured to develop a sound liquidity risk management system with the aim of effectively

identifying, measuring, monitoring and controlling liquidity risk at the Bank and Group level, including that of branches, subsidiaries and business lines, thus ensuring that liquidity demand is met in a timely manner and at a reasonable cost.

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

As at 30 June 2021, the Bank’s liquidity risk indicator met regulatory requirements. The Group’s liquidity ratio is shown in the table below (in accordance with the relevant provisions of domestic regulatory authorities):

Unit: %

Indicator		Regulatory standard	As at 30 June 2021	As at 31 December 2020	As at 31 December 2019
Liquidity ratio	RMB	≥25	48.6	54.5	54.6
	Foreign currency	≥25	66.6	58.6	60.4

Management Discussion and Analysis

Reputational Risk Management

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

Internal Control and Operational Risk Management

Internal Control

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

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

conducting business examination, reporting control deficiencies and organising rectifications.

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

The third line of defence rests in the audit department of the Bank. The audit department is responsible for performing internal audits of the Bank's internal control and risk management in respect of its adequacy and effectiveness. Focusing on the implementation of national policies, regulatory requirements and the Group's strategies, the Bank 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 Bank attached equal importance to problem revelation and rectification supervision. It further improved its rectification supervision mechanism for audit findings, strengthened the tracking, inspection and prioritised supervision of audit findings rectification, and promoted the application of audit results and the improvement of rectification quality and efficiency. The Bank also deepened audit system reform, continued to enhance audit team building, promoted IT applications in audit, and further reinforced the use of IT-based audit approaches in audit.

The Bank devoted great efforts to internal control and case prevention management, consolidated the liabilities of primary responsible parties and took multiple control measures. It consistently improved internal control rules, processes and systems, stepped up efforts in the building of its internal control inspection team and organised Bank-wide risk screening, thereby improving the quality and efficiency of its internal control and case prevention. The Bank also focused on the rectification of issues and findings, raised employees' compliance awareness and fostered an internal control compliance culture.

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

The Bank established and implemented a systematic financial accounting policy framework in accordance with relevant accounting laws and regulations. As such, its accounting basis was solidified and the level of standardisation and refinement of its financial accounting management was further improved. The Bank has endeavoured to implement, access and evaluate sound accounting standards and establish a long-term accounting management mechanism. It continuously strengthened the high-quality management of its accounting information so as to ensure internal control effectiveness over financial reporting. The financial statements of the Bank were prepared in accordance with the applicable accounting

standards and related accounting regulations, and the financial position, operational performance and cash flows of the Bank were fairly presented in all material respects.

Focusing on fraud risk prevention and control, the Bank proactively identified, assessed, controlled and mitigated risks. In the first half of 2021, the Bank successfully prevented 77 external cases involving RMB50.9228 million.

Operational Risk Management

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

Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the stable operation and sustainable development of the Group. It strengthened its anti-

Management Discussion and Analysis

money-laundering (AML) and sanction compliance management mechanism, optimised AML resource allocation, and deepened monitoring and management. It further enhanced its system and model building and improved system functionality. The Bank continuously strengthened the establishment of a robust management framework for overseas compliance, improved its compliance risk assessment programme, refined relevant management policies, and enhanced the compliance management capabilities of its overseas institutions. It improved its AML and sanction compliance training management mechanism and conducted various forms of compliance training, so as to enhance all employees' compliance awareness and abilities.

The Bank enhanced the management of its connected transactions and internal transactions. It improved the management of connected parties and consolidated the foundation of its connected transaction management. It strengthened the routine monitoring and examination of connected transactions and strictly controlled their risks. In addition, it continuously strengthened its internal transaction management procedures and implemented internal transaction monitoring and reporting. It also improved its connected transaction monitoring system and internal transaction management system, and thereby enhanced IT applications in compliance management.

Country Risk Management

The Group incorporates country risk into its comprehensive risk management system in strict compliance with regulatory requirements. It manages and controls country risk through a series

of management instruments, including country risk ratings, country risk limits, statistical measurement and monitoring of country risk exposures and provisioning of allowances, etc. In the first half of 2021, the Bank continued to strengthen country risk management in strict compliance with regulatory requirements and in line with its business development needs. It performed an annual review of country risk ratings and limits, and enhanced the monitoring and reporting of country risk exposures. For potentially high-risk countries and regions, it issued risk prompts in a timely manner and adopted a differentiated management approach. The Group's net exposure to country risks was mainly concentrated on countries and regions that have low and relatively low risk ratings, and its overall country risk remained at a reasonable level.

Capital Management

The Bank thoroughly applied the concepts of capital constraint and value creation, and improved its economic capital budgeting and assessment mechanism. It actively reinforced the construction of its capital management system and continuously refined its overall capital management. It also continually optimised its on- and off-balance sheet asset structure and strived to improve the endogenous capacity of its capital base. The Bank also seized market opportunities to advance its external capital replenishment. In the first half of 2021, it successfully issued RMB50.0 billion of undated capital bonds and RMB25.0 billion of tier 2 capital bonds, and redeemed RMB28.0 billion of domestic preference shares. As at 30 June 2021, the Group's capital adequacy ratio stood at 15.61%, reaching a relatively high level.

Capital Adequacy Ratios

As at 30 June 2021, 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
	2021	2020	2021	2020
Net common equity tier 1 capital	1,748,114	1,704,778	1,474,957	1,441,977
Net tier 1 capital	2,058,220	1,992,621	1,774,468	1,719,467
Net capital	2,526,199	2,451,055	2,225,969	2,162,054
Common equity tier 1 capital adequacy ratio	10.80%	11.28%	10.68%	10.99%
Tier 1 capital adequacy ratio	12.72%	13.19%	12.84%	13.10%
Capital adequacy ratio	15.61%	16.22%	16.11%	16.47%

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

Leverage Ratio

As at 30 June 2021, 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 2021	As at 31 December 2020
Net tier 1 capital	2,058,220	1,992,621
Adjusted on- and off-balance sheet assets	27,861,068	25,880,515
Leverage ratio	7.39%	7.70%

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

Management Discussion and Analysis

Outlook

In the second half of 2021, the banking industry will continue to face a complicated operating environment. From an international perspective, the pandemic situation continues to evolve, and the external environment has become more complicated and serious. From a domestic perspective, China's economy has continued growing, reinforcing and improving steadily, as its development drivers have been further enhanced, but the nation's economic recovery remains unbalanced and its foundation is not yet solid.

The Bank will follow the general principle of pursuing progress while ensuring stability, ground its efforts in the new development stage, apply the new development philosophy, and serve the new development pattern. It will implement the 14th Five-Year Plan of the Group, carry out COVID-19 prevention and control, improve its business management, and strive to achieve high-quality development, ensuring a good start to the 14th Five-Year Plan period.

First, the Bank will take solid steps to implement the development pattern of "One Body with Two Wings" and improve its capabilities in serving the real economy. It will actively integrate into the overall development situation, give full play to its unique strengths, allocate more resources in serving the country's regional development strategy, and supporting for projects in key areas, thus further consolidating the crucial role of its domestic commercial banking business. It will actively respond to the changes in the post-pandemic era and accelerate the transformation of global business. It will also reinforce its strengths in comprehensive operation and continue to improve its value creation capabilities.

Second, the Bank will press ahead with the development of "Eight Priorities in Delivering Financial Services" to enhance its market competitiveness. It will fully integrate into the process of economic transformation, continue to focus on the development of technology finance, green finance, inclusive finance, cross-border finance, consumer finance, wealth finance, supply chain finance and county-level finance, actively serve new business patterns and new models, and foster new growth drivers.

Third, the Bank will advance the digital transformation on all fronts and improve its capability for digital development. It will deeply integrate into the development trends of the digital economy, comprehensively launch new digital infrastructures, deepen the scenario-based ecological construction, and fully leverage the role of product innovation to boost the all-round upgrading of its business management models.

Fourth, the Bank will strengthen comprehensive risk management and control and improve its capabilities in responding to major risks. It will improve its comprehensive risk management system as well as its risk management regimes and mechanisms. It will continue to strengthen asset quality management and vigorously implement NPL collection and mitigation. It will also carry out liquidity and market risk management in a forward-looking manner, and refine the early warning and disposal mechanisms for major risks in the financial market. In addition, the Bank will devote great efforts to internal control and case prevention management, and deepen AML and sanctions compliance management. It will also strengthen reputational risk management, thus continuously improving its brand image.

Environmental and Social Responsibilities

The Bank continued to actively carry out its responsibilities as a state-owned commercial bank. Leveraging the competitive advantages arising from its global and comprehensive operations, it continually expanded and deepened its social responsibility practices, devoted itself to promoting win-win cooperation with stakeholders and created sustainable value for the environment, society and economy.

Centring on the overall objectives of China's rural revitalisation strategy, the Bank continued to increase resource inputs in order to meet various financial needs related to rural revitalisation, with a focus on key regions and weak links. It endeavoured to increase financial services coverage by setting up more service outlets and smart devices in rural areas, in order to boost rural revitalisation. As at 30 June 2021, BOC outlets covered 1,172 counties, with a coverage ratio of 62.34%. BOC Fullerton Community Bank, meanwhile, has cumulatively established 124 village banks and 184 sub-branch outlets. In the first half of 2021, the Bank continued to consolidate progress in poverty alleviation, providing more than RMB40.00 million of cost-free funding to the four targeted counties and implementing nearly 30 projects including assistance with key development industries and projects aimed at improving people's livelihood.

Upholding the principles of "serving society, contributing to society and repaying society", the Bank continued to carry out dedicated public welfare programmes. Through the "Bank of China Philanthropy" online fundraising platform, the Bank provided convenient, transparent and safe donation services for charities and the public. In the first half of

2021, the platform hosted a total of 104 fundraising activities on behalf of 48 charitable organisations, raising RMB1.81 million from 36.3 thousand donors. The Bank developed and popularised the "Bank of China Philanthropy Mutual Assistant Platform for Elderly Care", which serves as a bridge for information exchange between the elderly and volunteers, and helps the government to carry out the socialisation reform of elderly care. It continued to provide government-sponsored student loans to support education, cumulatively granting student loans of RMB24.7 billion to sponsor over 1.80 million financially underprivileged students to complete their studies as at 30 June 2021. It has sponsored the Tan Kah Kee Science Award for the 18th consecutive years, boosting the development of technology and the cultivation of innovative professional talents. As the official banking partner of the Olympic and Paralympic Winter Games Beijing 2022 (Beijing 2022 Games), the Bank promoted financial services to the winter sports industry and supported the joint development of winter sports and related industries among all sectors of society.

The Bank actively implemented the national green development concept and continued to support the building of the green finance sector, made contribution to peak carbon dioxide emissions and carbon neutrality. Guided by *Bank of China's Green Finance Plan during the 14th Five-Year Plan Period*, green development requirements are now being integrated into all areas of the Bank, including its organisational structure, corporate governance, policies and systems, product design and risk management processes. The Bank enhanced its top-level organisational structure by setting up a steering group for the planning and

Environmental and Social Responsibilities

development of green finance and green industries, and by establishing the Green Finance Committee to provide overall leadership on green finance management and decision-making. It also continued to deepen innovation in green financial services, including green credit, green bonds, green deposits and green asset management, and remained committed to being the number one choice for green banking services. The Bank also actively participated in the green finance projects and initiatives of international organisations. It performed the role of Co-Chairman of the Task Force of Green Financial Product Innovation under the Green Investment Principles (GIP) for the Belt and Road Initiative, and was a member of the 2020/2021 Advisory Council of the Green Bond Principles and Social Bond Principles Executive Committee of the International Capital Market Association (ICMA). In

the first half of 2021, the Bank became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), as well as joining and participating in the work of the Task Force on UK-China Climate and Environmental Information Disclosure Pilot and the Task Force on Support for Carbon Peak and Carbon Neutrality by the Chinese Banking Industry. Furthermore, it actively identified climate-related risks and opportunities, and formulated action plans in response to climate risks. At the same time, the Bank integrated low carbon and environmental protection requirements into its routine operations and practiced the development philosophy of “harmony and coexistence between humankind and nature” by encouraging employees to adopt green working practices and lifestyles and carrying out a diverse range of public welfare environmental protection campaigns.

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Share Capital

Unit: Share

	As at 1 January 2021		Increase/decrease during the reporting period					As at 30 June 2021	
	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 2021, 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 2021, 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 2021 is 744,370, including 566,771 A-Share Holders and 177,599 H-Share Holders.

The top ten ordinary shareholders as at 30 June 2021 are set forth below:

Unit: Share

No.	Name of ordinary shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged, labelled or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	–	188,461,533,607	64.02%	–	None	State	A
2	HKSCC Nominees Limited	(34,667,391)	81,867,343,599	27.81%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	(654,880,040)	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	285,329,729	1,097,166,988	0.37%	–	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.	–	382,238,605	0.13%	–	None	Other	A
8	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	(371,027,172)	341,661,998	0.12%	–	None	Other	A
9	China Life Insurance (Group) Company — traditional — general insurance product — southbound trading (innovation strategy)	–	169,172,162	0.06%	–	None	Other	A
10	Beijing Dadi Yuantong Group Co., Ltd.	166,000,000	166,000,000	0.06%	–	None	Domestic non-state-owned legal person	A

Changes in Share Capital and Shareholdings of Shareholders

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.

HKSCC Nominees Limited acted as the nominee for all the institutional and individual investors that maintain an account with it as at 30 June 2021. The aggregate number of the Bank's H Shares held by HKSCC Nominees Limited included the number of shares held by the National Council for Social Security Fund.

Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd.

HKSCC Limited is the nominee holder who holds securities on behalf of others. The securities included the SSE securities acquired by Chinese Hong Kong and overseas investors through Shanghai-Hong Kong Stock Connect.

"China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH" is under management of China Life Insurance Company Limited. "China Life Insurance (Group) Company — traditional — general insurance product — southbound trading (innovation strategy)" is under management of China Life Insurance (Group) Company. China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company.

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 2021, 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-Share capital	Percentage of total issued H-Share capital	Percentage of total issued ordinary share capital
Central Huijin Investment Ltd.	Beneficial owner	188,461,533,607	A	89.42%	–	64.02%
	Interest of controlled corporations	1,810,024,500	A	0.86%	–	0.61%
	Total	190,271,558,107	A	90.28%	–	64.63%
National Council for Social Security Fund	Beneficial owner	5,798,893,213	H	–	6.93%	1.97%
BlackRock, Inc.	Interest of controlled corporations	4,927,663,915	H	–	5.89%	1.67%
		22,172,000(S)	H	–	0.03%	0.01%

Notes:

- 1 BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., while BlackRock Holdco 2 Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. Thus BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have equal interests in shares of the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. holds a long position of 4,927,663,915 H Shares and a short position of 22,172,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 4,927,663,915 H Shares, 74,701,000 H Shares are held through derivatives. In the short position of 22,172,000 H Shares, 14,620,000 H Shares are held through derivatives.
- 2 "S" denotes short position.

Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 30 June 2021, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Changes in Share Capital and Shareholdings of Shareholders

Preference Shares

Number of Preference Shareholders and Shareholdings

The number of preference shareholders as at 30 June 2021 is 63, including 62 domestic preference shareholders and 1 offshore preference shareholder.

The top ten preference shareholders as at 30 June 2021 are set forth below:

Unit: Share

No.	Name of preference shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total preference shares	Number of shares pledged or frozen	Type of shareholder	Type of preference shares
1	Bosera Fund — ICBC — Bosera — ICBC — Flexible Allocation No. 5 Specific Multi-customer Assets Management Plan	(10,000,000)	200,000,000	16.70%	None	Other	Domestic Preference Shares
2	Bank of New York Mellon Corporation	–	197,865,300	16.52%	Unknown	Foreign legal person	Offshore Preference Shares
3	CCB Trust Co., Ltd. — “Qian Yuan — Ri Xin Yue Yi” Open-ended Wealth Management Single Fund Trust	–	133,000,000	11.10%	None	Other	Domestic Preference Shares
4	CICC — ABC — CICC ABC Rui Chi No. 1 Collective Asset Management Plan	32,920,000	82,390,000	6.88%	None	Other	Domestic Preference Shares
5	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	(3,000,000)	70,000,000	5.84%	None	Other	Domestic Preference Shares
6	BOCOM Schroder Asset Management — BOCOM — BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	(4,980,000)	54,400,000	4.54%	None	Other	Domestic Preference Shares
7	Postal Savings Bank of China Co., Ltd.	–	40,000,000	3.34%	None	State-owned legal person	Domestic Preference Shares
8	CICC — ABC — CICC ABC No. 10 Collective Asset Management Plan	34,290,000	38,720,000	3.23%	None	Other	Domestic Preference Shares
9	TruValue Asset Management — China Merchants Bank — China Merchants Bank Co., Ltd.	(2,000,000)	30,000,000	2.50%	None	Other	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	(7,000,000)	30,000,000	2.50%	None	Other	Domestic Preference Shares

The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintain an account with Euroclear and Clearstream as at 30 June 2021, held 197,865,300 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.

“CICC — ABC — CICC ABC Rui Chi No. 1 Collective Asset Management Plan” and “CICC — ABC — CICC ABC No. 10 Collective Asset Management Plan” are both under management of China International Capital Corporation Limited.

As at 30 June 2021, “China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH” is one of both the Bank’s top ten ordinary shareholders and top ten preference shareholders.

Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned preference shareholders, or among the aforementioned preference shareholders and the Bank’s top ten ordinary shareholders.

Profit Distribution of Preference Shares

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

Exercising Redemption Rights of Preference Shares

On 15 March 2021, the Bank redeemed all 280,000,000 shares of the Domestic Preference Shares (Second Tranche) issued on 13 March 2015. For details, please refer to the Bank’s announcements published on the websites of SSE, HKEX and 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
LIU Liange	Chairman	CHEN Jianbo	Non-executive Director
LIU Jin	Vice Chairman and President	WANG Changyun	Independent Director
WANG Wei	Executive Director and Executive Vice President	Angela CHAO	Independent Director
LIN Jingzhen	Executive Director and Executive Vice President	JIANG Guohua	Independent Director
ZHAO Jie	Non-executive Director	Martin Cheung Kong LIAO	Independent Director
XIAO Lihong	Non-executive Director	CHEN Chunhua	Independent Director
WANG Xiaoya	Non-executive Director	CHUI Sai Peng Jose	Independent Director
ZHANG Jiangang	Non-executive Director		

Notes:

- 1 The information listed in the above table pertains to the incumbent directors.
- 2 Mr. WANG Jiang ceased to serve as Vice Chairman of the Board of Directors, Executive Director, and member of the Strategic Development Committee of the Board of Directors of the Bank as of 5 February 2021 due to a change of job.
- 3 Mr. LIU Jin began to serve as Vice Chairman of the Board of Directors, Executive Director, and member of the Strategic Development Committee of the Board of Directors of the Bank as of 16 June 2021. Mr. LIU Jin began to serve as Vice Chairman of the Board of Directors and Non-executive Director of BOC Hong Kong (Holdings) Limited and Bank of China (Hong Kong) Limited as of 3 August 2021.
- 4 Non-executive Directors Mr. ZHAO Jie, Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. ZHANG Jiangang and Mr. CHEN Jianbo were recommended by Central Huijin Investment Ltd., shareholder of the Bank.
- 5 During the reporting period, no incumbent or former director who left the posts 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
LI Changlin	Employee Supervisor	ZHENG Zhiguang	External Supervisor
LENG Jie	Employee Supervisor		

Notes:

- 1 The information listed in the above table pertains to the incumbent supervisors.
- 2 Mr. WANG Xiquan ceased to serve as Chairman of the Board of Supervisors, Shareholder Representative Supervisor, and Chairman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 18 January 2021 due to the reason of age.
- 3 Ms. ZHANG Keqiu began to serve as Chairwoman of the Board of Supervisors, Shareholder Representative Supervisor, and Chairwoman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 18 January 2021.
- 4 Mr. WANG Zhiheng ceased to serve as Employee Supervisor, member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 24 June 2021 due to the reason of work.
- 5 During the reporting period, no incumbent or former supervisor who left the posts during the reporting period held any share of the Bank.

Directors, Supervisors, Senior Management Members and Staff

Senior Management Members

Name	Position	Name	Position
LIU Jin	Vice Chairman and President	WANG Zhiheng	Executive Vice President
WANG Wei	Executive Director and Executive Vice President	LIU Qiuwan	Chief Information Officer
LIN Jingzhen	Executive Director and Executive Vice President	LIU Jiandong	Chief Risk Officer
ZHENG Guoyu	Executive Vice President	ZHUO Chengwen	Chief Audit Officer
CHEN Huaiyu	Executive Vice President	MEI Feiqi	Secretary to the Board of Directors and Company Secretary

Notes:

- 1 The information listed in the above table pertains to the incumbent senior management members.
- 2 Mr. WANG Jiang ceased to serve as President of the Bank as of 5 February 2021 due to a change of job.
- 3 Mr. CHEN Huaiyu began to serve as Executive Vice President of the Bank as of 19 April 2021.
- 4 Mr. LIU Jin began to serve as President of the Bank as of 26 April 2021.
- 5 Mr. ZHUO Chengwen began to serve as Chief Audit Officer of the Bank as of 18 May 2021.
- 6 Mr. WANG Zhiheng began to serve as Executive Vice President of the Bank as of 17 August 2021.
- 7 The Board of Directors of the Bank considered and approved the appointment of Ms. ZHAO Rong as Chief Business and Management Officer of the Bank. This appointment is subject to the approval by the relevant regulatory authorities.
- 8 During the reporting period, no incumbent or former senior management member who left the posts during the reporting period held any share of the Bank.

Organisational Management, Human Resources Development and Management

Organisational Management

As at 30 June 2021, the Bank had a total of 11,519 institutions worldwide, including 10,963 institutions in the Chinese mainland and 556 institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. Its commercial banking business in the Chinese mainland comprised 10,450 institutions, including 38 tier-1 and direct branches, 370 tier-2 branches and 10,041 outlets.

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

Unit: RMB million/unit/person, except percentages

Items	Assets		Institutions		Employees	
	Total assets	% of total	Number of institutions	% of total	Number of employees	% of total
Northern China	7,827,509	28.06%	2,075	18.01%	61,925	20.26%
Northeastern China	861,774	3.09%	900	7.81%	23,831	7.80%
Eastern China	5,981,526	21.44%	3,515	30.51%	90,696	29.68%
Central and Southern China	4,239,669	15.20%	2,764	24.00%	66,302	21.70%
Western China	2,000,768	7.17%	1,709	14.84%	37,511	12.27%
Hong Kong (China), Macao (China), Taiwan (China)	4,829,338	17.31%	390	3.39%	17,721	5.80%
Other countries and regions	2,154,944	7.73%	166	1.44%	7,608	2.49%
Elimination	(1,578,201)	N/A	N/A	N/A	N/A	N/A
Total	26,317,327	100.00%	11,519	100.00%	305,594	100.00%

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

Human Resources Development and Management

As at 30 June 2021, the Bank had 305,594 employees. There were 280,265 employees in the Chinese mainland, of which 267,050 worked in the Bank's commercial banking business in the Chinese mainland. The Bank had 25,329 employees in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. As at 30 June 2021, the Bank bore costs for a total of 5,041 retirees.

Directors, Supervisors, Senior Management Members and Staff

In the first half of 2021, the Bank deepened reform of its organisational structure and management mechanism based on the Group's strategies and annual priorities. Focusing on serving the real economy and overall national strategic development, the Bank improved the functional framework of key business areas such as technology finance, green finance and inclusive finance, and refined its regional management models and mechanisms in a bid to support the development of key regions. It accelerated its digital transformation by setting up the Financial Digitalisation Committee under the Executive Committee so as to strengthen the top-level design and overall management of its technology systems and the organisational support for e-CNY operations, thereby fully enhancing its digital service capabilities.

In the first half of 2021, with a focus on implementing the national policy of integrating production and education, forging ahead with the Group's strategies, and serving society and customers, BOC University continued to improve its governance and management mechanism for training, boosted the digital transformation of its training activities, and made great efforts to sharpen its basic training capabilities. BOC University supported strategy implementation and professional growth internally, and carried out key training programmes such as the "Programme for Faster Transformation of Leadership", "Experts' Lecture Hall", the "Global Programme for Young Innovative Personnel", and the "Study Festival for All Employees". In addition, BOC University served the national strategy of integrating production and education externally by delivering elite programmes such as the "School of Smart Government Services", "Rural Revitalisation School", and "Job Training for College Students". All these programmes were widely praised among employees of the Bank and the general public, illustrating BOC's characteristic advantages and increasing its brand influence. As at 30 June 2021, a total of 7,808,571 people had participated in various types of training, reaching a total online learning time of 5,134,465 hours.

The Bank vigorously strengthened its human resources, stimulated employee enthusiasm, intensified the cultivation of young professionals, and provide continuous training to its globalised and all-rounded talents. It constantly pushed forward the building of professional development pathways by optimising pathway sequencing, improving professional qualification management and further opening up professional development channels. Following national rural revitalisation strategies, the Bank selected and dispatched outstanding personnel to frontline outlets and areas facing challenging conditions, so as to support local economic development. Actively responding to the country's "employment-first" strategy, the Bank took the initiative to offer more new jobs, improved its recruitment policies and measures, and delivered more support to technicians, thus providing job opportunities for various personnel.

Corporate Governance

The Bank strictly follows the regulatory rules governing capital markets and industries, closely tracks changes and trends in overseas and domestic regulations and proactively explores innovative models and methods of corporate governance, so as to continuously enhance its corporate governance capabilities.

During the reporting period, the Bank further improved its corporate governance mechanisms. It conducted self-inspection on the implementation of the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China Limited* and the *Measures of Authorisation to the President by the Board of Directors of Bank of China Limited*. The implementation was satisfactory with no approval in excess of authority identified.

The Board of Directors paid close attention to enhancing directors' continuing professional development, organised research activities and training for the 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 are properly informed and entitled to participate and make decisions.

Corporate Governance Compliance

During the reporting period, the actual performance of the Bank's corporate governance was fully in compliance with the Company Law and the requirements for the governance of listed companies set out in the normative documents of CSRC.

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 18 January 2021, the Bank held its 2021 First Extraordinary General Meeting on-site in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved proposals, including the election of Ms. ZHANG Keqiu to be appointed as Shareholder Representative Supervisor of the Bank, the 2019 remuneration distribution plan for Chairman of the Board of Directors and Executive Directors, and the 2019 remuneration distribution plan for Chairman of the Board of Supervisors and Shareholder Representative Supervisors. All the proposals were ordinary resolutions.

On 20 May 2021, the Bank held its 2020 Annual General Meeting on-site in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved the proposals including the 2020 work report of the Board of Directors, the 2020 work report of the Board of Supervisors, the 2020 annual financial report, the 2020 profit distribution plan, the 2021 annual budget for fixed assets investment, the appointment of the Bank's external auditor for 2021, the 2020 annual remuneration distribution plan for External Supervisors, the election of Mr. LIU Liange to be re-appointed as Executive Director of the Bank, the election of Mr. LIU Jin to be appointed as Executive Director of the Bank, the election of Mr. LIN

Corporate Governance

Jingzhen to be re-appointed as Executive Director of the Bank, the election of Mr. JIANG Guohua to be re-appointed as Independent Non-executive Director of the Bank, the application for provisional authorisation of outbound donations, the bond issuance plan, the issuance of write-down undated capital bonds and the issuance of qualified write-down tier 2 capital instruments. The meeting also heard the report on the connected transactions for 2020, the duty report of Independent Directors for 2020, 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 2020. The proposals regarding the bond issuance plan, the issuance of write-down undated capital bonds and the issuance of qualified write-down tier 2 capital instruments were special resolutions, while the rest of the proposals were ordinary resolutions.

The above shareholders' meeting was 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 SSE, HKEX and the Bank on 18 January and 20 May 2021.

Directors and the Board of Directors

Currently, the Board of Directors comprises fifteen members. Besides the Chairman, there are three executive directors, five non-executive directors and six independent directors. The proportion of independent directors reaches one-third of the total number of

directors, which is in compliance with the Articles of Association of the Bank and the relevant regulatory provisions. The positions of Chairman of the Board of Directors and President of the Bank are assumed by two persons.

Save as disclosed in this report, to the best knowledge of the Bank, information regarding the Bank's directors including their appointments during the reporting period is the same as that disclosed in the 2020 Annual Report of the Bank.

During the reporting period, the Bank convened four on-site meetings of the Board of Directors respectively on 28 January, 16 March, 30 March and 29 April, and three meetings of the Board of Directors via written resolutions on 7 February, 11 March, and 14 May. At these meetings, the Board of Directors mainly considered and approved proposals regarding the 2020 work report of the Board of Directors, the 2020 profit distribution plan, the 2020 internal control self-assessment report, the 2020 corporate social responsibility report, the 2020 annual report, the 2020 capital adequacy ratio report, the 2021 first quarter report, the nomination of candidates for directorships 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 chairman of 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. The work performance of each special committee during the reporting period was as follows:

Special Committees	Work Performance
Strategic Development Committee	The committee held three on-site meetings and one meeting via written resolutions, at which it mainly reviewed proposals on the Outline of 14th Five-Year Development Plan for Bank of China and Long-range Objectives through the Year 2035, the 14th Five-Year Green Financial Plan for Bank of China, the 14th Five-Year Plan for Data Strategy of Bank of China, the profit distribution plan for 2020, the business plan and financial budget of Bank of China for 2021, the bond issuance plan, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments, among others.
Corporate Culture and Consumer Protection Committee	The committee held one on-site meeting, at which it reviewed the 2020 corporate social responsibility report of Bank of China and the 2020 work report and 2021 work plan on consumer protection, among others.
Audit Committee	The committee held four on-site meetings, at which it mainly reviewed and approved the 2021 work plan, priorities and financial budget for internal audit. It reviewed the 2020 financial report, the 2021 first quarter financial report, the 2020 internal control work report, the 2020 internal control assessment report, and the audit results on internal control and management proposal. In addition, it heard the work report on internal audit in 2020, the 2020 report on the overseas supervision information, the progress report on internal control audit and the updates on compliance with the principle of independence of Ernst & Young in 2020, the 2021 audit plan of PricewaterhouseCoopers, and the report on asset quality in the first quarter of 2021, among others.
Risk Policy Committee	The committee held four on-site meetings, at which it mainly reviewed proposals including the Comprehensive Risk Management Policy (2021 Edition), Risk Appetites Statement of the Group (2021 Edition), the Data Governance Policy (2021 Edition), the Product Management Measures (2021 Edition), the Trading Book Market Risk Limits (Level A) in 2021, the Capital Adequacy Ratio Report of 2020, the Internal Capital Adequacy Assessment Report for 2021, the Liquidity Risk Management Policies (2021 Edition) and the Policy for Interest Rate Risk in the Banking Book Management (2021 Edition), among others. The committee also regularly reviewed the Risk Reports of the Group.
Personnel and Remuneration Committee	The committee held three on-site meetings and one meeting via written resolutions. At these meetings, the committee mainly reviewed proposals on the appointment of Mr. LIU Jin as President of the Bank, the nomination of Mr. LIU Jin as candidate for Executive Director of the Bank, the election of Mr. LIU Jin as Vice Chairman of the Bank, the appointment of Mr. CHEN Huaiyu as Executive Vice President of the Bank, the appointment of Mr. ZHUO Chengwen as Chief Audit Officer of the Bank, the nomination of Mr. LIU Liange and Mr. LIN Jingzhen to be re-appointed as Executive Directors of the Bank, the nomination of Mr. JIANG Guohua to be re-appointed as Independent Non-executive Director of the Bank, and the performance evaluation results of the Chairman, President and other senior management members for 2020, among others.
Connected Transactions Control Committee	The committee held one on-site meeting, at which it mainly reviewed and approved the report on the connected party list and other proposals. It also reviewed the report on connected transactions in 2020, among others.

Corporate Governance

Supervisors and the Board of Supervisors

The Board of Supervisors currently comprises five members, with one shareholder supervisor (who serves as Chairman of the Board of Supervisors), two employee supervisors and two 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 2020 Annual Report of the Bank.

During the reporting period, the Board of Supervisors of the Bank performed its supervisory duties in accordance with the law, upheld the new development philosophy, proactively analysed and made judgements on trends and changes in the macro situation, focused on key issues, and took supervisory actions regarding the Bank's duty performance, strategies, finance, risk management and internal control. It performed day-to-day supervision over duty performance by conducting the 2020 duty performance assessment of the Board of Directors, the Senior Management and its members in an orderly manner. The Board of Supervisors enhanced and reinforced its strategic and financial supervision, focused on the Bank's progress towards the implementation of national strategies and carefully reviewed regular reports. At the same time, it intensified efforts to analyse risks in key areas, and issued prompt reminders to the Board of Directors, Senior Management and relevant departments, in order to further enhance its supervision over risk management and internal control. Taking an issue-oriented approach, the Board of Supervisors conscientiously carried out special supervisions and offered 14 supervision assessment opinions. In addition, the Board of Supervisors continuously tracked the progress of the Senior Management and relevant departments in addressing matters of concern raised at meetings of the Board of Supervisors and during inspections, thus strengthening the implementation of its regulatory opinions. Focusing on the Bank's priorities, it launched special surveys regarding various topics, including the effectiveness of comprehensive risk management and

internal control, thereby facilitating improvement and development through supervision.

During the reporting period, the Board of Supervisors held two on-site meetings on 30 March and 29 April and one meeting via written resolutions on 26 February, at which it reviewed and approved proposals regarding the evaluation opinions of the Board of Supervisors on the duty performance of the Board of Directors, the Senior Management and its members for 2020, the performance evaluation results and remuneration distribution plan for external supervisors, the Bank's 2020 annual report, 2020 profit distribution plan, the supervision and evaluation opinions of the Board of Supervisors on the Bank's performance in consolidated management and stress test management, and the 2020 work report of the Board of Supervisors, among others. The Duty Performance and Due Diligence Supervision Committee held two on-site meetings and one meeting via written resolutions, and the Finance and Internal Control Supervision Committee held two on-site meetings and one meeting via written resolutions, at which the two committees carried out preliminary review of their respective issues of relevance and submitted them to the Board of Supervisors for review and approval.

During the reporting period, External Supervisors Mr. JIA Xiangsen and Mr. ZHENG Zhiguang performed their supervisory duties in strict accordance with the provisions of the Articles of Association of the Bank. Among others, Mr. JIA Xiangsen attended the 2020 Annual General Meeting, and was present at meetings of the Board of Directors and relevant committees as a non-voting attendee. He also attended two on-site meetings of the Board of Supervisors and one meeting via written resolutions, presided over two meetings of the Finance and Internal Control Supervision Committee of the Board of Supervisors, and participated in special surveys regarding the effectiveness of comprehensive risk management and internal control. Mr. ZHENG Zhiguang attended the 2020 Annual General Meeting, and was present at meetings of the Board of Directors and relevant committees as a non-voting attendee. He also attended two on-site meetings of the Board of

Supervisors and one meeting via written resolutions, two meetings of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors, two meetings of the Finance and Internal Control Supervision Committee and participated in special surveys regarding the effectiveness of comprehensive risk management and internal control. During the reporting period, the two external supervisors expressed opinions independently and objectively, and put forward suggestions on strategy management, business development, risk management and internal control, thus playing an active role in promoting the improvement of the Bank's corporate governance and management quality.

Senior Management

During the reporting period, the Senior Management of the Bank managed the Bank's operations in accordance with the powers bestowed upon it by the Articles of Association and the authorisations of the Board of Directors. Closely adhering to the strategic goal of "Building a First-class Global Banking Group" and to the annual performance objectives approved by the Board of Directors, the Senior Management emphasised on invigorating, adapting to change and driving for major breakthroughs. It accelerated the implementation of various tasks within the Bank's development strategy, thus realising steady improvement in the business performance of the Group.

During the reporting period, the Senior Management of the Bank held 11 regular meetings, at which it focused on key operational areas and discussed and decided upon a series of significant matters, including the Group's business development, performance management, risk management, audit supervision, IT development, product and service innovation, integrated operation, globalised development, inclusive finance and scenario development. It also held special meetings to study and make plans for the Group's

corporate banking, personal banking, financial markets, channel building, smart operations, compliance management and data governance.

During the reporting period, the Senior Management (Executive Committee) established an additional committee — namely the Financial Digitalisation Committee, which has assumed relevant responsibilities of the former IT Management Committee and the Internet Finance Committee, and has taken charge of overall management and decision-making regarding digitalisation, fintech, data governance, etc. As at 30 June 2021, the Senior Management presided over the Asset and Liability Management Committee, the Risk Management and Internal Control Committee (which governs the Anti-money Laundering Committee, the Asset Disposal Committee and the Credit Risk Management and Decision-making Committee), the Procurement Review Committee, the Securities Investment and Management Committee, the Innovation and Product Management Committee, the Integrated Operation Coordination Committee, the Asset Management Business Committee, the Consumer Protection Committee, the Domestic Branch Development and Coordination Committee, the Green Finance Management Committee, the Overseas Work Coordination Committee and the Financial Digitalisation 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 Articles of Association states that 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 Articles of Association also states that the Bank shall offer online voting to shareholders when considering amendments to the profit distribution policy and profit distribution plan.

The Bank considered and approved *the Shareholder Return Plan for 2018 to 2020* at the 2019 First Extraordinary General Meeting on 4 January 2019, specifying the basic principles, shareholder return plan and decision-making and supervisory mechanisms regarding the formulation, implementation and amendment of the shareholder return of the Bank.

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 respects, the formulation of the policy was in line

with the provisions of the Articles of Association and other rules and regulations.

The profit distribution plan for ordinary shares of the Bank shall be approved by the shareholders' meeting. In the first half of 2021, the Bank distributed dividends on ordinary shares for 2020 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

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

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

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

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

In the first half of 2021, 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 2020 Annual General Meeting held on 20 May 2021 considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus reserve of RMB18.677 billion; appropriation to general and regulatory reserves of RMB17.881 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, RMB1.97 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 3 June 2021, amounting to approximately RMB57.994 billion (before tax) in total. The dividend distribution plan has been accomplished. The Bank did not distribute an interim dividend on ordinary shares for 2021, nor did it implement any capitalisation of capital reserve into share capital.

At the Board meeting held on 30 August 2020, the dividend distribution plan for the Bank's Domestic Preference Shares (Second Tranche) was approved. The Bank distributed a total of RMB1.540 billion (before tax) of dividends on the Domestic Preference Shares (Second Tranche) on 15 March 2021, with an annual dividend rate of 5.50% (before tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 30 October 2020, the dividend distribution plan for the Bank's Offshore

Preference Shares (Second Tranche) was reviewed and approved. According to the Bank's terms of issuance of the Offshore Preference Shares (Second Tranche), dividends on Offshore Preference Shares (Second Tranche) were paid in US dollars. The Bank distributed a total of approximately USD102 million (after tax) of dividends on the Offshore Preference Shares (Second Tranche) on 4 March 2021, with an annual dividend rate of 3.60% (after tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 29 April 2021, the dividend distribution plans for the Bank's Domestic Preference Shares (Third Tranche and Fourth Tranche) were reviewed and approved. The Bank distributed a total of RMB3.285 billion (before tax) of dividends on the Domestic Preference Shares (Third Tranche) on 28 June 2021, with an annual dividend rate of 4.50% (before tax). The dividend distribution plan has been accomplished. The Bank distributed a total of RMB1.1745 billion (before tax) of dividends on the Domestic Preference Shares (Fourth Tranche) on 30 August 2021, with an annual dividend rate of 4.35% (before tax). The dividend distribution plan has been accomplished.

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

Corporate Governance

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

Purchase and Sale of Material Assets

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

Significant Events

Material Litigation and Arbitration

The Bank was involved in certain litigation and arbitration cases in its regular course of business. In addition, because of the scope and scale of the Bank's international operations, the Bank is from time to time subject to a variety of claims under the laws of various jurisdictions in which the Bank operates. After consulting legal professionals, the Senior Management of the Bank holds the view that none of the litigation and arbitration cases will have significant impact on the financial position or operating results of the Bank at the current stage.

Significant Connected Transactions

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

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

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

Material Guarantee Business

As approved by PBOC and CBIRC, the Bank's guarantee business is an off-balance sheet item in the ordinary course of its business. The Bank operates its guarantee business in a prudent manner and has formulated specific management measures, operational processes and

approval procedures in respect of the risks of guarantee business and carries out this business accordingly. During the reporting period, save as disclosed above, the Bank did not enter into or allow to subsist any material guarantee business that is required to be disclosed.

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

Other Major Contracts

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

Undertakings

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

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

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

to any potential material breach of laws, disciplinary regulations or duty crimes, nor did any such matter affect its duty performance. None of the directors, supervisors or senior management members was subject to compulsory measures by other competent authorities due to potential violation of laws and regulations, nor did any such matter affect its duty performance.

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

Not applicable.

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

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

Use of Raised Funds

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

For details, please refer to the related announcements published on the websites of SSE, HKEX and the Bank

and the Notes to the Condensed Consolidated Interim Financial Information.

Purchase, Sale or Redemption of the Bank's Listed Securities

For details of the Bank's redemption of the Domestic Preference Shares (Second Tranche), please refer to the section "Changes in Share Capital and Shareholdings of Shareholders" and the Notes to the Condensed Consolidated Interim Financial Information.

Please refer to the Condensed Consolidated Interim Financial Information for details of purchase, sale or redemption of the Bank's securities by the Bank and its subsidiaries.

Audit Committee

The Audit Committee of the Bank comprises seven members, including Non-executive Directors Mr. ZHAO Jie and Mr. ZHANG Jiangang, Independent Directors Mr. WANG Changyun, Ms. Angela CHAO, Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO and Mr. CHUI Sai Peng Jose. Independent Director Mr. JIANG Guohua serves as the Chairman of the committee. Following the principle of independence, the committee assists the Board of Directors in supervising the financial reports, internal control, internal audit and external audit of the Group.

The Audit Committee has reviewed the interim results of the Bank. The external auditor of the Bank has reviewed the interim report in accordance with *International Standards on Review Engagements No. 2410*. The committee has considered the financial statements in light of accounting standards, accounting policies and practices, internal control and financial reporting.

Significant Events

Appointment of External Auditors

The Bank engaged PricewaterhouseCoopers Zhong Tian LLP as the Bank's domestic auditor and internal control external auditor for 2021 to provide audit services on its financial statements and internal control pursuant to CAS and engaged PricewaterhouseCoopers as its international auditor for 2021 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 2021, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "*Model Code*") as set out in Appendix 10 of the Hong Kong Listing Rules.

Securities Transactions by Directors and Supervisors

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

Consumer Rights Protection

The Bank attaches great importance to and makes active efforts towards the protection of consumer rights and interests, strictly implements national laws and regulations on consumer rights protection, and protects the legitimate rights and interests of financial consumers according to relevant laws and rules. It has set up the Corporate Culture and Consumer Protection Committee under the Board of Directors to take charge of the overall planning and guidance of the Group's corporate culture building and consumer rights protection.

In the first half of 2021, adhering to an issue-oriented approach to consumer rights protection, the Bank continued to steadily advance various core fundamental tasks and strengthened its forward-looking and trend-focused research. It further improved the construction of systems and mechanisms and

reinforced empowerment in mechanism, IT, brand and management. Through empowerment, it ensured that there were adequate levels of attention, resources, responsibilities, organisation structure, services, compliance, promotion, and supervision for consumer protection. By intensifying its implementation efforts, the Bank strived to achieve breakthroughs in key fields.

In terms of policy formulation, the Bank formulated and issued the *Guidelines on the Management of Consumer Financial Marketing and Publicity* based on relevant regulatory provisions and typical scenarios, in order to standardise the management requirements for consumer financial marketing and specify the management framework and code of conduct for marketing and publicity campaigns aimed at personal consumers.

In terms of complaint management, the Bank also achieved remarkable results in reducing complaints. Overall complaints decreased by 29.1% compared with the same period last year, among which, complaints about service attitude and service quality dropped by 61.5%.

In terms of publicity and education, the Bank launched a series of promotional and educational activities to enhance customers' financial knowledge. It was awarded the honorary title of "Excellent Organiser" in the "3.15 Consumer Protection Education and Publicity Week". It also carried out the "3.15 Financial Consumer Rights Day", "Promoting Financial Knowledge, Protecting Personal Wealth", "Financial Knowledge Popularisation" and other thematic campaigns.

Integrity of the Bank and its Controlling Shareholder

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

Other Significant Events

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

Interim Report

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

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

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Bank of China Limited

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

Introduction

We have reviewed the interim financial information set out on pages 84 to 171, 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 2021 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 a summary of significant accounting policies and other explanatory notes (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 2021

Interim Financial Information

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Condensed Consolidated Interim Income Statement

For the six month period ended 30 June 2021 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Six month period ended 30 June	
		2021 Unaudited	2020 Unaudited
Interest income	III.1	386,934	384,448
Interest expense	III.1	(178,161)	(179,035)
Net interest income		208,773	205,413
Fee and commission income	III.2	52,912	47,986
Fee and commission expense	III.2	(6,099)	(6,162)
Net fee and commission income		46,813	41,824
Net trading gains	III.3	9,754	2,173
Net gains on transfers of financial assets	III.4	1,852	7,623
Other operating income	III.5	35,663	29,950
Operating income		302,855	286,983
Operating expenses	III.6	(102,357)	(90,946)
Impairment losses on assets	III.8	(52,945)	(66,484)
Operating profit		147,553	129,553
Share of results of associates and joint ventures		749	63
Profit before income tax		148,302	129,616
Income tax expense	III.9	(29,755)	(21,804)
Profit for the period		118,547	107,812
Attributable to:			
Equity holders of the Bank		112,813	100,917
Non-controlling interests		5,734	6,895
		118,547	107,812
Earnings per share (in RMB)	III.10		
— Basic		0.36	0.32
— Diluted		0.36	0.32

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 2021 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Six month period ended 30 June	
		2021 Unaudited	2020 Unaudited
Profit for the period		118,547	107,812
Other comprehensive income:	III.11		
Items that will not be reclassified to profit or loss			
— Actuarial losses on defined benefit plans		(38)	(79)
— Changes in fair value on equity instruments designated at fair value through other comprehensive income		822	(633)
— Other		37	39
Subtotal		821	(673)
Items that may be reclassified to profit or loss			
— Changes in fair value on debt instruments measured at fair value through other comprehensive income		(794)	5,589
— Allowance for credit losses on debt instruments measured at fair value through other comprehensive income		132	3,208
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method		49	(47)
— Exchange differences from the translation of foreign operations		(4,204)	4,350
— Other		92	(350)
Subtotal		(4,725)	12,750
Other comprehensive income for the period, net of tax		(3,904)	12,077
Total comprehensive income for the period		114,643	119,889
Total comprehensive income attributable to:			
Equity holders of the Bank		110,356	111,185
Non-controlling interests		4,287	8,704
		114,643	119,889

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

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2021 (Amounts in millions of Renminbi, unless otherwise stated)

		As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
	Note		
ASSETS			
Cash and due from banks and other financial institutions	III.12	724,911	803,145
Balances with central banks	III.13	2,254,697	2,076,840
Placements with and loans to banks and other financial institutions	III.14	1,371,661	939,320
Government certificates of indebtedness for bank notes issued		173,783	168,608
Precious metals		207,914	223,313
Derivative financial assets	III.15	116,240	171,738
Loans and advances to customers, net	III.16	15,047,714	13,848,304
Financial investments	III.17	5,821,520	5,591,117
— financial assets at fair value through profit or loss		510,583	504,549
— financial assets at fair value through other comprehensive income		2,174,982	2,107,790
— financial assets at amortised cost		3,135,955	2,978,778
Investments in associates and joint ventures		35,552	33,508
Property and equipment	III.18	245,998	248,589
Investment properties	III.19	20,885	22,065
Deferred income tax assets	III.24	48,650	58,916
Other assets	III.20	247,802	217,196
Total assets		26,317,327	24,402,659

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

		As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
	Note		
LIABILITIES			
Due to banks and other financial institutions		2,360,341	1,917,003
Due to central banks		895,824	887,811
Bank notes in circulation		173,755	168,751
Placements from banks and other financial institutions		500,009	411,949
Financial liabilities held for trading	III.21	12,706	17,912
Derivative financial liabilities	III.15	121,560	212,052
Due to customers	III.22	18,227,771	16,879,171
Bonds issued	III.23	1,301,561	1,244,403
Other borrowings		24,264	26,034
Current tax liabilities		28,322	55,665
Retirement benefit obligations		2,131	2,199
Deferred income tax liabilities	III.24	6,834	6,499
Other liabilities	III.25	431,901	410,373
Total liabilities		24,086,979	22,239,822
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital		294,388	294,388
Other equity instruments	III.26	299,510	277,490
Capital reserve		136,178	135,973
Treasury shares		(51)	(8)
Other comprehensive income	III.11	1,810	4,309
Statutory reserves		193,667	193,438
General and regulatory reserves		269,280	267,981
Undistributed profits		910,565	864,848
		2,105,347	2,038,419
Non-controlling interests		125,001	124,418
Total equity		2,230,348	2,162,837
Total equity and liabilities		26,317,327	24,402,659

Approved and authorised for issue by the Board of Directors on 30 August 2021.

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

LIU Liange
Director

LIU Jin
Director

Condensed Consolidated Interim Statement of Changes in Equity

For the six month period ended 30 June 2021 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Attributable to equity holders of the Bank (Unaudited)									Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	
As at 1 January 2021		294,388	277,490	135,973	4,309	193,438	267,981	864,848	(8)	124,418	2,162,837
Total comprehensive income	III.11	-	-	-	(2,457)	-	-	112,813	-	4,287	114,643
Appropriation to statutory reserves		-	-	-	-	229	-	(229)	-	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	1,299	(1,299)	-	-	-
Dividends	III.27	-	-	-	-	-	-	(65,610)	-	(3,743)	(69,353)
Net change in treasury shares		-	-	-	-	-	-	-	(43)	-	(43)
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	-	39	39
Capital contribution and reduction by other equity instruments holders	III.26	-	22,020	(31)	-	-	-	-	-	-	21,989
Other comprehensive income transferred to retained earnings		-	-	-	(42)	-	-	42	-	-	-
Other		-	-	236	-	-	-	-	-	-	236
As at 30 June 2021		294,388	299,510	136,178	1,810	193,667	269,280	910,565	(51)	125,001	2,230,348

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

	Note	Attributable to equity holders of the Bank								Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares		
As at 1 January 2020		294,388	199,893	136,012	19,613	174,762	250,100	776,940	(7)	124,995	1,976,696
Total comprehensive income	III. 11	-	-	-	10,268	-	-	100,917	-	8,704	119,889
Appropriation to statutory reserves		-	-	-	-	390	-	(390)	-	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	(2,986)	2,986	-	-	-
Dividends		-	-	-	-	-	-	(64,027)	-	(4,430)	(68,457)
Net change in treasury shares		-	-	-	-	-	-	-	(13)	-	(13)
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	-	930	930
Capital contribution by other equity instruments holders		-	59,571	-	-	-	-	-	-	-	59,571
Other comprehensive income transferred to retained earnings		-	-	-	116	-	-	(116)	-	-	-
Other		-	-	25	-	-	-	-	-	(28)	(3)
As at 30 June 2020 (Unaudited)		294,388	259,464	136,037	29,997	175,152	247,114	816,310	(20)	130,171	2,088,613
Total comprehensive income		-	-	-	(25,714)	-	-	91,953	-	(3,894)	62,345
Appropriation to statutory reserves		-	-	-	-	18,286	-	(18,286)	-	-	-
Appropriation to general and regulatory reserves		-	-	-	-	-	20,867	(20,867)	-	-	-
Dividends		-	-	-	-	-	-	(4,230)	-	(2,552)	(6,782)
Net change in treasury shares		-	-	-	-	-	-	-	12	-	12
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	-	428	428
Capital contribution and reduction by other equity instruments holders		-	18,026	(37)	-	-	-	-	-	-	17,989
Other comprehensive income transferred to retained earnings		-	-	-	26	-	-	(26)	-	-	-
Other		-	-	(27)	-	-	-	(6)	-	265	232
As at 31 December 2020 (Audited)		294,388	277,490	135,973	4,309	193,438	267,981	864,848	(8)	124,418	2,162,837

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 2021 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Six month period ended 30 June	
		2021 Unaudited	2020 Unaudited
Cash flows from operating activities			
Profit before income tax		148,302	129,616
Adjustments:			
Impairment losses on assets		52,945	66,484
Depreciation of property and equipment and right-of-use assets		11,263	11,158
Amortisation of intangible assets and other assets		3,041	2,440
Net gains on disposals of property and equipment, intangible assets and other long-term assets		(252)	(957)
Net gains on disposals of investments in subsidiaries, associates and joint ventures		(839)	(114)
Share of results of associates and joint ventures		(749)	(63)
Interest income arising from financial investments		(75,417)	(76,475)
Dividends arising from investment securities		(189)	(126)
Net gains on financial investments		(888)	(6,767)
Interest expense arising from bonds issued		20,321	17,119
Accreted interest on impaired loans		(360)	(642)
Interest expense arising from lease liabilities		379	395
Net changes in operating assets and liabilities:			
Net (increase)/decrease in balances with central banks		(165,697)	18,444
Net decrease/(increase) in due from and placements with and loans to banks and other financial institutions		94,265	(186,545)
Net decrease in precious metals		15,407	34,717
Net increase in loans and advances to customers		(1,243,419)	(983,153)
Net decrease/(increase) in other assets		57,185	(64,450)
Net increase/(decrease) in due to banks and other financial institutions		441,343	(53,899)
Net increase in due to central banks		5,322	42,047
Net increase/(decrease) in placements from banks and other financial institutions		88,313	(102,083)
Net increase in due to customers		1,329,144	1,270,004
Net (decrease)/increase in other borrowings		(1,770)	2,311
Net (decrease)/increase in other liabilities		(42,091)	70,022
Cash inflow from operating activities		735,559	189,483
Income tax paid		(46,983)	(52,126)
Net cash inflow from operating activities		688,576	137,357

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

	Note	Six month period ended 30 June	
		2021 Unaudited	2020 Unaudited
Cash flows from investing activities			
Proceeds from disposals of property and equipment, intangible assets and other long-term assets		3,198	2,224
Proceeds from disposals of investments in subsidiaries, associates and joint ventures		1,410	544
Dividends received		287	429
Interest income received from financial investments		74,995	77,643
Proceeds from disposals/maturities of financial investments		1,414,209	1,775,154
Increase in investments in subsidiaries, associates and joint ventures		(1,609)	(479)
Purchase of property and equipment, intangible assets and other long-term assets		(11,541)	(18,378)
Purchase of financial investments		(1,658,334)	(1,628,949)
Net cash (outflow)/inflow from investing activities		(177,385)	208,188
Cash flows from financing activities			
Proceeds from issuance of bonds		559,997	345,628
Proceeds from issuance of other equity instruments		49,989	59,571
Proceeds from capital contribution by non-controlling shareholders		40	930
Repayments of debts issued		(513,344)	(368,592)
Cash payments for interest on bonds issued		(5,172)	(7,259)
Repayments of other equity instruments issued		(28,000)	–
Dividend payments to ordinary shareholders		(57,911)	–
Dividend and interest payments to other equity instrument holders		(8,755)	(6,625)
Dividend payments to non-controlling shareholders		(3,743)	(1,192)
Other net cash flows from financing activities		(1,707)	(3,362)
Net cash (outflow)/inflow from financing activities		(8,606)	19,099
Effect of exchange rate changes on cash and cash equivalents		(17,896)	9,233
Net increase in cash and cash equivalents		484,689	373,877
Cash and cash equivalents at beginning of the period		1,494,868	1,345,892
Cash and cash equivalents at end of the period	III.29	1,979,557	1,719,769

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

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six month period ended 30 June 2021 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 2020.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group’s consolidated financial statements for the year ended 31 December 2020.

1 Standards and amendments effective in 2021 relevant to and adopted by the Group

On 1 January 2021, 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments *Interest Rate Benchmark Reform (“IBOR Reform”) — Phase 2*

The IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 — Phase 2 amendments address issues that arise upon replacing the existing interest rate benchmark with the alternative interest rates and introduces additional disclosure requirements. The Phase 2 amendments provide two key reliefs:

- (1) For instruments measured using amortised cost measurement, the amendments provide a practical expedient to account for these changes in the basis for determining contractual cash flows as a result of IBOR Reform. Under the practical expedient, entities will account for these changes by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9 without the recognition of an immediate gain or loss. This practical expedient applies only to such a change and only to the extent that it is necessary as a direct consequence of IBOR Reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.
- (2) The amendments also provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR Reform.

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Standards and amendments that were early adopted by the Group in 2021

IFRS 16 Amendment

COVID-19-Related Rent Concessions

In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees to assess whether a rent concession due on or before 30 June 2021 related to COVID-19 is a lease modification. In March 2021, the IASB published an additional amendment to extend the date of the rent concession from 30 June 2021 to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021 with earlier application permitted. The Group has early adopted this amendment for the current interim period.

The adoption of the above standards and amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group for the six month period ended 30 June 2021.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021

		Effective for annual periods beginning on or after
IFRS 3 Amendments	<i>Business Combination</i>	1 January 2022
IAS 16 Amendments	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
IAS 37 Amendments	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRSs 2018–2020 Cycle (issued in May 2020)	<i>Minor Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16</i>	1 January 2022
IAS 1 Amendments	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
IFRS 17 and Amendments	<i>Insurance Contracts</i>	1 January 2023
IAS 1 and IFRS Practice Statement 2 Amendments	<i>Disclosure of Accounting Policies</i>	1 January 2023
IAS 8 Amendments	<i>Definition of Accounting Estimates</i>	1 January 2023
IAS 12 Amendments	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

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

II CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's consolidated financial statements for the year ended 31 December 2020.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	Six month period ended 30 June	
	2021	2020
Interest income		
Loans and advances to customers		
— Corporate loans and advances	150,661	154,242
— Personal loans	128,133	118,353
— Discounted bills	4,064	4,803
Financial investments		
— Financial assets at fair value through other comprehensive income	26,357	29,463
— Financial assets at amortised cost	49,060	47,012
Due from and placements with and loans to banks and other financial institutions and central banks	28,659	30,575
Subtotal	386,934	384,448
Interest expense		
Due to customers	(130,550)	(132,966)
Due to and placements from banks and other financial institutions	(27,064)	(28,621)
Bonds issued and other	(20,547)	(17,448)
Subtotal	(178,161)	(179,035)
Net interest income	208,773	205,413

2 Net fee and commission income

	Six month period ended 30 June	
	2021	2020
Agency commissions	16,971	13,440
Settlement and clearing fees	8,377	7,925
Credit commitment fees	6,813	6,617
Bank card fees	6,756	6,985
Consultancy and advisory fees	3,827	3,269
Custodian and other fiduciary service fees	3,328	2,254
Spread income from foreign exchange business	2,705	3,134
Other	4,135	4,362
Fee and commission income	52,912	47,986
Fee and commission expense	(6,099)	(6,162)
Net fee and commission income	46,813	41,824

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

3 Net trading gains

	Six month period ended 30 June	
	2021	2020
Net (losses)/gains from foreign exchange and foreign exchange products	(593)	4,630
Net gains from interest rate products	7,806	3,376
Net gains from fund investments and equity products	1,946	1,218
Net gains/(losses) from commodity products	595	(7,051)
Total ⁽¹⁾	9,754	2,173

- (1) For the six month period ended 30 June 2021, included in "Net trading gains" above were losses of RMB311 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (six month period ended 30 June 2020: gains of RMB1,171 million).

4 Net gains on transfers of financial assets

	Six month period ended 30 June	
	2021	2020
Net gains on derecognition of financial assets at fair value through other comprehensive income	1,071	6,095
Net gains on derecognition of financial assets at amortised cost ⁽¹⁾	781	1,528
Total	1,852	7,623

- (1) All the net gains on the derecognition of financial assets at amortised cost resulted from disposals during the six month periods ended 30 June 2021 and 30 June 2020.

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

5 Other operating income

	Six month period ended 30 June	
	2021	2020
Insurance premiums		
— Life insurance contracts	14,484	10,839
— Non-life insurance contracts	2,616	3,000
Aircraft leasing income	5,996	6,251
Revenue from sale of precious metal products	5,956	4,457
Dividend income ⁽¹⁾	3,423	2,792
Changes in fair value of investment properties (Note III.19)	(116)	(470)
Gains on disposals of property and equipment, intangible assets and other assets	321	988
Gains on disposals of subsidiaries, associates and joint ventures	839	114
Other ⁽²⁾	2,144	1,979
Total	35,663	29,950

(1) For the six month period ended 30 June 2021, included in the “Dividend income” was related to equity instruments classified as financial assets at fair value through other comprehensive income of RMB189 million (six month period ended 30 June 2020: RMB126 million).

(2) For the six month period ended 30 June 2021, included in the “Other operating income” was government subsidy income related to operating activities of RMB158 million (six month period ended 30 June 2020: RMB141 million).

6 Operating expenses

	Six month period ended 30 June	
	2021	2020
Staff costs (Note III.7)	44,865	40,959
General operating and administrative expenses ⁽¹⁾	16,175	14,620
Insurance benefits and claims		
— Life insurance contracts	14,983	10,959
— Non-life insurance contracts	1,746	1,956
Depreciation and amortisation	11,868	11,297
Cost of sales of precious metal products	5,685	4,195
Taxes and surcharges	2,991	2,880
Other	4,044	4,080
Total ⁽²⁾	102,357	90,946

(1) For the six month period ended 30 June 2021, included in the “General operating and administrative expenses” were lease expenses related to short-term operating leases and leases of low-value assets of RMB634 million (six month period ended 30 June 2020: RMB560 million).

(2) For the six month period ended 30 June 2021, included in the “Operating expenses” were premises and equipment-related expenses (mainly comprised property management and building maintenance expenses and taxes) of RMB5,218 million (six month period ended 30 June 2020: RMB5,038 million).

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

7 Staff costs

	Six month period ended 30 June	
	2021	2020
Salary, bonus and subsidy	31,344	30,547
Staff welfare	1,325	1,094
Retirement benefits	26	27
Social insurance		
— Medical	1,722	1,202
— Pension	3,070	1,855
— Annuity	1,730	1,069
— Unemployment	106	60
— Injury at work	40	24
— Maternity insurance	69	65
Housing funds	2,410	2,310
Labour union fee and staff education fee	1,071	999
Reimbursement for cancellation of labour contract	13	15
Other	1,939	1,692
Total	44,865	40,959

8 Impairment losses on assets

	Six month period ended 30 June	
	2021	2020
Loans and advances		
— Loans and advances at amortised cost	47,712	60,726
— Loans and advances at fair value through other comprehensive income	38	2
Subtotal	47,750	60,728
Financial investments		
— Financial assets at amortised cost	97	1,685
— Financial assets at fair value through other comprehensive income	148	4,255
Subtotal	245	5,940
Credit commitments	(1,675)	(1,700)
Other	5,967	1,438
Subtotal of impairment losses on credit	52,287	66,406
Other impairment losses on assets	658	78
Total	52,945	66,484

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

9 Income tax expense

	Six month period ended 30 June	
	2021	2020
Current income tax		
— Chinese mainland income tax	14,761	23,138
— Hong Kong (China) profits tax	2,232	2,889
— Macao (China), Taiwan (China) and other countries and regions taxation	1,879	2,362
Adjustments in respect of current income tax of prior years	288	1,696
Subtotal	19,160	30,085
Deferred income tax (Note III.24.3)	10,595	(8,281)
Total	29,755	21,804

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 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	
	2021	2020
Profit before income tax	148,302	129,616
Tax calculated at the applicable statutory tax rate	37,076	32,404
Effect of different tax rates for Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	(2,417)	(2,294)
Supplementary PRC tax on overseas income	2,014	1,253
Income not subject to tax ⁽¹⁾	(14,792)	(14,296)
Items not deductible for tax purposes ⁽²⁾	8,450	6,262
Other	(576)	(1,525)
Income tax expense	29,755	21,804

(1) Income not subject to tax mainly comprises interest income from PRC treasury bonds and Chinese local government bonds, and the 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 write-off of certain non-performing loans, and marketing and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

10 Earnings per share (basic and diluted)

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

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all potentially dilutive shares for the six month 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 2021 and 30 June 2020.

	Six month period ended 30 June	
	2021	2020
Profit attributable to equity holders of the Bank	112,813	100,917
Less: dividends/interest on preference shares/ perpetual bonds declared	(7,616)	(7,800)
Profit attributable to ordinary shareholders of the Bank	105,197	93,117
Weighted average number of ordinary shares in issue (in million shares)	294,380	294,381
Basic and diluted earnings per share (in RMB)	0.36	0.32

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

	Six month period ended 30 June	
	2021	2020
Issued ordinary shares as at 1 January	294,388	294,388
Less: weighted average number of treasury shares	(8)	(7)
Weighted average number of ordinary shares in issue	294,380	294,381

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

11 Other comprehensive income

	Six month period ended 30 June	
	2021	2020
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plans	(38)	(79)
Changes in fair value on equity instruments designated at fair value through other comprehensive income	1,125	(571)
Less: related income tax impact	(303)	(62)
Other	37	39
Subtotal	821	(673)
Items that may be reclassified to profit or loss		
Changes in fair value on debt instruments measured at fair value through other comprehensive income	(280)	13,109
Less: related income tax impact	157	(2,899)
Amount transferred to the income statement	(828)	(5,855)
Less: related income tax impact	157	1,234
	(794)	5,589
Allowance for credit losses on debt instruments measured at fair value through other comprehensive income	178	4,261
Less: related income tax impact	(46)	(1,053)
	132	3,208
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	65	(63)
Less: related income tax impact	(16)	16
	49	(47)
Exchange differences from the translation of foreign operations	(4,204)	4,350
Other	92	(350)
Subtotal	(4,725)	12,750
Total	(3,904)	12,077

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

11 Other comprehensive income (Continued)

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

	(Losses)/gains on financial assets at fair value through other comprehensive income	Exchange differences from the translation of foreign operations	Other	Total
As at 1 January 2020	22,534	(6,172)	3,251	19,613
Changes for the previous year	(344)	(14,285)	(675)	(15,304)
As at 1 January 2021	22,190	(20,457)	2,576	4,309
Changes for the period	530	(3,055)	26	(2,499)
As at 30 June 2021	22,720	(23,512)	2,602	1,810

12 Cash and due from banks and other financial institutions

	As at 30 June 2021	As at 31 December 2020
Cash	59,731	78,825
Due from banks in Chinese mainland	532,718	602,340
Due from other financial institutions in Chinese mainland	7,517	7,515
Due from banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	122,473	110,662
Due from other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	467	559
Subtotal ⁽¹⁾	663,175	721,076
Accrued interest	3,740	4,327
Less: allowance for impairment losses ⁽¹⁾	(1,735)	(1,083)
Subtotal due from banks and other financial institutions	665,180	724,320
Total	724,911	803,145

(1) As at 30 June 2021 and 31 December 2020, the Group included the predominant majority of due from banks and other financial institutions in Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months ("12-month ECLs").

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

13 Balances with central banks

	As at 30 June 2021	As at 31 December 2020
Mandatory reserves ⁽¹⁾	1,540,335	1,442,384
Surplus reserves and others ⁽²⁾	717,065	633,761
Subtotal	2,257,400	2,076,145
Accrued interest	620	695
Less: allowance for impairment losses	(3,323)	–
Total	2,254,697	2,076,840

(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 2021, mandatory reserve funds placed with the PBOC were calculated at 11.0% (31 December 2020: 11.0%) and 7.0% (31 December 2020: 5.0%) of qualified RMB deposits and foreign currency deposits from customers in Chinese mainland of the Bank, respectively. 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) This represents funds for clearing purposes and balances other than mandatory reserves placed with the PBOC, and the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

14 Placements with and loans to banks and other financial institutions

	As at 30 June 2021	As at 31 December 2020
Placements with and loans to:		
Banks in Chinese mainland	87,486	91,709
Other financial institutions in Chinese mainland	623,071	529,152
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	638,887	294,358
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	22,444	24,157
Subtotal ^{(1) (2)}	1,371,888	939,376
Accrued interest	3,270	2,429
Less: allowance for impairment losses ⁽²⁾	(3,497)	(2,485)
Total	1,371,661	939,320

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

	As at 30 June 2021	As at 31 December 2020
Debt securities		
— Governments	436,583	182,724
— Policy banks	57,818	40,968
— Financial institutions	62,987	6,109
— Corporates	4,456	256
Subtotal	561,844	230,057
Less: allowance for impairment losses	(20)	—
Total	561,824	230,057

- (2) As at 30 June 2021 and 31 December 2020, the Group included the predominant majority of its placements with and loans to banks and other financial institutions in Stage 1, and measured the impairment losses based on 12-month ECLs.

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

15 Derivative financial instruments

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

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with the fair values of instruments recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign currency exchange rates, credit spreads, or equity/commodity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

	As at 30 June 2021			As at 31 December 2020		
	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	5,874,616	73,876	(74,103)	6,304,310	118,600	(151,412)
Currency options	456,902	4,996	(4,209)	419,338	6,921	(3,789)
Currency futures	1,055	4	(2)	1,746	7	(20)
Subtotal	6,332,573	78,876	(78,314)	6,725,394	125,528	(155,221)
Interest rate derivatives						
Interest rate swaps	3,838,598	25,332	(31,239)	3,817,876	32,789	(42,520)
Interest rate options	30,470	97	(96)	63,772	16	(11)
Interest rate futures	1,484	2	(2)	543	–	(1)
Subtotal	3,870,552	25,431	(31,337)	3,882,191	32,805	(42,532)
Equity derivatives	11,763	157	(155)	12,927	376	(413)
Commodity derivatives and other	371,169	11,776	(11,754)	392,823	13,029	(13,886)
Total ⁽¹⁾	10,586,057	116,240	(121,560)	11,013,335	171,738	(212,052)

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

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

16 Loans and advances to customers

16.1 Analysis of loans and advances to customers by measurement category

	As at 30 June 2021	As at 31 December 2020
Measured at amortised cost		
— Corporate loans and advances	9,153,631	8,235,520
— Personal loans	5,918,549	5,583,295
— Discounted bills	2,365	1,912
Measured at fair value through other comprehensive income ⁽¹⁾		
— Discounted bills	302,778	358,997
Subtotal	15,377,323	14,179,724
Measured at fair value through profit or loss ⁽²⁾		
— Corporate loans and advances	4,165	3,661
Total	15,381,488	14,183,385
Accrued interest	34,912	33,092
Total loans and advances	15,416,400	14,216,477
Less: allowance for loans at amortised cost	(368,686)	(368,173)
Loans and advances to customers, net	15,047,714	13,848,304

(1) As at 30 June 2021 and 31 December 2020, loans at fair value through other comprehensive income of the Group were discounted bills. Related allowance for impairment losses amounted to RMB482 million and RMB446 million, respectively, and were credited to other comprehensive income.

(2) There was no significant change for the six month period ended 30 June 2021 and the year ended 31 December 2020, or cumulatively, in the fair value of the loans that was attributable to changes in the credit risk of the loans.

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

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

16 Loans and advances to customers (Continued)

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

(1) Allowance for loans at amortised cost:

	Six month period ended 30 June 2021			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	134,566	70,712	162,895	368,173
Transfers to Stage 1	5,899	(4,945)	(954)	–
Transfers to Stage 2	(1,446)	2,651	(1,205)	–
Transfers to Stage 3	(106)	(10,230)	10,336	–
Impairment (reversal)/losses due to stage transfers	(4,922)	8,909	19,631	23,618
Charge for the period ⁽ⁱ⁾	40,182	12,267	34,864	87,313
Reversal for the period ⁽ⁱⁱ⁾	(36,243)	(13,350)	(13,626)	(63,219)
Write-off and transfer out	(130)	–	(52,548)	(52,678)
Recovery of loans and advances written off	–	–	6,580	6,580
Exchange differences and other	(117)	(627)	(357)	(1,101)
As at 30 June	137,683	65,387	165,616	368,686

	Year ended 31 December 2020			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	109,765	79,051	136,544	325,360
Transfers to Stage 1	3,769	(3,232)	(537)	–
Transfers to Stage 2	(1,274)	13,913	(12,639)	–
Transfers to Stage 3	(407)	(30,546)	30,953	–
Impairment (reversal)/losses due to stage transfers	(3,507)	9,357	35,203	41,053
Charge for the year ⁽ⁱ⁾	70,933	24,190	42,114	137,237
Reversal for the year ⁽ⁱⁱ⁾	(43,164)	(21,257)	(10,126)	(74,547)
Write-off and transfer out	(66)	–	(64,255)	(64,321)
Recovery of loans and advances written off	–	–	8,405	8,405
Exchange differences and other	(1,483)	(764)	(2,767)	(5,014)
As at 31 December	134,566	70,712	162,895	368,173

- (i) Charge for the period/year comprises impairment losses attributable to new loans, remaining loans without stage transfers, and changes to model/risk parameters, etc.
- (ii) Reversal for the period/year comprises impairment losses attributable to loan repaid, remaining loans without stage transfers, and changes to model/risk parameters, etc.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

16 Loans and advances to customers (Continued)

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

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

	Six month period ended 30 June 2021			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	441	5	–	446
Charge for the period	366	21	–	387
Reversal for the period	(326)	(23)	–	(349)
Exchange differences and other	(2)	–	–	(2)
As at 30 June	479	3	–	482

	Year ended 31 December 2020			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	547	16	–	563
Charge for the year	563	5	–	568
Reversal for the year	(665)	(16)	–	(681)
Exchange differences and other	(4)	–	–	(4)
As at 31 December	441	5	–	446

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

17 Financial investments

	As at 30 June 2021	As at 31 December 2020
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	15,889	20,176
— Public sectors and quasi-governments	191	302
— Policy banks	23,802	31,755
— Financial institutions	189,908	188,092
— Corporate	44,380	42,122
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	13,544	18,919
— Public sectors and quasi-governments	291	45
— Financial institutions	16,385	10,106
— Corporate	10,516	9,603
	314,906	321,120
Equity instruments	88,040	88,025
Fund investments and other	85,237	69,183
Total financial assets held for trading and other financial assets at fair value through profit or loss	488,183	478,328
Financial assets designated as at fair value through profit or loss		
Debt securities ⁽¹⁾		
Issuers in Chinese mainland		
— Government	3,616	3,073
— Policy banks	502	509
— Financial institutions	7,202	6,640
— Corporate	300	1,846
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	609	1,295
— Public sectors and quasi-governments	1,215	721
— Financial institutions	3,036	5,525
— Corporate	5,211	6,514
	21,691	26,123
Other	709	98
Total financial assets designated as at fair value through profit or loss	22,400	26,221
Total financial assets at fair value through profit or loss	510,583	504,549

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

17 Financial investments (Continued)

	As at 30 June 2021	As at 31 December 2020
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	660,151	691,638
— Public sectors and quasi-governments	91,871	88,092
— Policy banks	349,691	328,713
— Financial institutions	184,391	174,517
— Corporate	140,000	135,590
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	480,401	434,344
— Public sectors and quasi-governments	30,507	27,340
— Financial institutions	97,024	98,545
— Corporate	117,130	107,583
	2,151,166	2,086,362
Equity instruments	23,816	21,428
Total financial assets at fair value through other comprehensive income ⁽²⁾	2,174,982	2,107,790
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government	2,382,485	2,327,382
— Public sectors and quasi-governments	56,314	43,679
— Policy banks	119,334	93,376
— Financial institutions	74,314	59,250
— Corporate	41,233	39,529
— China Orient Asset Management Corporation ⁽³⁾	152,433	152,433
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	107,854	103,432
— Public sectors and quasi-governments	73,466	37,950
— Financial institutions	66,979	59,762
— Corporate	18,959	19,166
	3,093,371	2,935,959
Investment trusts, asset management plans and other	14,628	14,447
Accrued interest	36,963	37,295
Less: allowance for impairment losses	(9,007)	(8,923)
Total financial assets at amortised cost	3,135,955	2,978,778
Total financial investments ⁽⁵⁾	5,821,520	5,591,117

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

17 Financial investments (Continued)

	As at 30 June 2021	As at 31 December 2020
Analysed as follows:		
Financial assets at fair value through profit or loss		
— Listed in Hong Kong, China	45,949	48,718
— Listed outside Hong Kong, China ⁽⁶⁾	300,521	283,523
— Unlisted	164,113	172,308
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong, China	309,295	233,244
— Listed outside Hong Kong, China ⁽⁶⁾	1,456,951	1,210,734
— Unlisted	384,920	642,384
Equity instruments		
— Listed in Hong Kong, China	6,283	6,031
— Listed outside Hong Kong, China ⁽⁶⁾	3,379	3,141
— Unlisted	14,154	12,256
Financial assets at amortised cost ⁽⁴⁾		
— Listed in Hong Kong, China	36,873	34,217
— Listed outside Hong Kong, China ⁽⁶⁾	2,830,063	2,618,215
— Unlisted	269,019	326,346
Total	5,821,520	5,591,117
Listed in Hong Kong, China	398,400	322,210
Listed outside Hong Kong, China ⁽⁶⁾	4,590,914	4,115,613
Unlisted	832,206	1,153,294
Total	5,821,520	5,591,117

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

17 Financial investments (Continued)

- (1) In order to eliminate or significantly reduce accounting mismatches, certain debt securities are designated as financial assets at fair value through profit or loss.
- (2) The Group's accumulated impairment allowance for the debt securities at fair value through other comprehensive income as at 30 June 2021 amounted to RMB5,621 million (31 December 2020: RMB5,479 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 ("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 2021, the Bank had received early repayments of principal amounting to RMB7,567 million.
- (4) Market values of the listed debt securities at amortised cost are set out below:

	As at 30 June 2021		As at 31 December 2020	
	Carrying value	Market value	Carrying value	Market value
Debt securities at amortised cost				
— Listed in Hong Kong, China	36,873	37,957	34,217	35,960
— Listed outside Hong Kong, China ⁽⁶⁾	2,830,063	2,858,379	2,618,215	2,637,926

- (5) As at 30 June 2021, RMB1,559 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 in Stage 3 (31 December 2020: RMB1,467 million) with impairment allowances fully provided (31 December 2020: with the impairment allowances fully provided); RMB566 million of debt securities was included in Stage 2 (31 December 2020: RMB404 million) with an impairment allowances of RMB2 million (31 December 2020: RMB1 million); and the remaining debt securities were included in Stage 1 with impairment allowances measured based on 12-month ECLs.
- (6) Debt securities traded in the Chinese mainland interbank bond market are included in "Listed outside Hong Kong, China".

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

17 Financial investments (Continued)

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

	Six month period ended 30 June 2021			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	1,907	1	7,015	8,923
Impairment losses/(reversal) for the period	188	–	(91)	97
Exchange differences and other	(2)	–	(11)	(13)
As at 30 June	2,093	1	6,913	9,007

	Year ended 31 December 2020			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	383	1	6,402	6,786
Impairment losses for the year	1,165	–	707	1,872
Write-off and transfer out	–	–	(24)	(24)
Exchange differences and other	359	–	(70)	289
As at 31 December	1,907	1	7,015	8,923

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

	Six month period ended 30 June 2021			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	4,979	–	500	5,479
Impairment losses for the period	147	1	–	148
Exchange differences and other	(6)	–	–	(6)
As at 30 June	5,120	1	500	5,621

	Year ended 31 December 2020			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	1,250	4	–	1,254
Transfers to Stage 2	(1)	1	–	–
Transfers to Stage 3	(2)	(4)	6	–
Impairment losses for the year	3,751	–	–	3,751
Impairment (reversal)/losses due to stage transfers	–	(1)	494	493
Exchange differences and other	(19)	–	–	(19)
As at 31 December	4,979	–	500	5,479

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

18 Property and equipment

	Six month period ended 30 June 2021				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	122,464	73,337	31,281	141,025	368,107
Additions	1,161	808	1,564	6,858	10,391
Transfer from investment properties (Note III.19)	178	–	–	–	178
Construction in progress transfer in/(out)	422	198	(3,153)	2,533	–
Deductions	(454)	(1,238)	(1,453)	(2,311)	(5,456)
Exchange differences	(375)	(97)	(218)	(1,402)	(2,092)
As at 30 June	123,396	73,008	28,021	146,703	371,128
Accumulated depreciation					
As at 1 January	(42,814)	(57,839)	–	(17,302)	(117,955)
Additions	(1,997)	(3,077)	–	(2,436)	(7,510)
Deductions	303	1,195	–	713	2,211
Transfer to investment properties (Note III.19)	8	–	–	–	8
Exchange differences	85	74	–	176	335
As at 30 June	(44,415)	(59,647)	–	(18,849)	(122,911)
Allowance for impairment losses					
As at 1 January	(746)	–	(227)	(590)	(1,563)
Additions	(3)	–	–	(664)	(667)
Deductions	5	–	–	–	5
Exchange differences	(1)	–	–	7	6
As at 30 June	(745)	–	(227)	(1,247)	(2,219)
Net book value					
As at 1 January	78,904	15,498	31,054	123,133	248,589
As at 30 June	78,236	13,361	27,794	126,607	245,998

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

18 Property and equipment (Continued)

	Year ended 31 December 2020				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	119,077	77,656	32,905	131,821	361,459
Additions	708	5,998	11,658	17,778	36,142
Transfer from/(to) investment properties (Note III.19)	485	–	(242)	–	243
Construction in progress transfer in/(out)	5,375	862	(9,230)	2,993	–
Deductions	(1,728)	(10,726)	(2,373)	(2,948)	(17,775)
Exchange differences	(1,453)	(453)	(1,437)	(8,619)	(11,962)
As at 31 December	122,464	73,337	31,281	141,025	368,107
Accumulated depreciation					
As at 1 January	(40,401)	(60,758)	–	(14,762)	(115,921)
Additions	(3,967)	(6,623)	–	(4,635)	(15,225)
Deductions	1,143	9,178	–	883	11,204
Transfer to investment properties (Note III.19)	18	–	–	–	18
Exchange differences	393	364	–	1,212	1,969
As at 31 December	(42,814)	(57,839)	–	(17,302)	(117,955)
Allowance for impairment losses					
As at 1 January	(767)	–	(227)	(4)	(998)
Additions	(1)	–	–	(623)	(624)
Deductions	16	–	–	4	20
Exchange differences	6	–	–	33	39
As at 31 December	(746)	–	(227)	(590)	(1,563)
Net book value					
As at 1 January	77,909	16,898	32,678	117,055	244,540
As at 31 December	78,904	15,498	31,054	123,133	248,589

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

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

19 Investment properties

	Six month period ended 30 June 2021	Year ended 31 December 2020
As at 1 January	22,065	23,108
Additions	568	1,626
Transfer to property and equipment, net (Note III.18)	(186)	(261)
Deductions	(1,289)	(15)
Fair value changes (Note III.5)	(116)	(1,505)
Exchange differences	(157)	(888)
As at 30 June/31 December	20,885	22,065

20 Other assets

	As at 30 June 2021	As at 31 December 2020
Accounts receivable and prepayments	167,694	141,286
Right-of-use assets ⁽¹⁾	21,299	22,855
Intangible assets	15,113	15,614
Land use rights	6,312	6,526
Long-term deferred expense	3,202	3,215
Goodwill ⁽²⁾	2,507	2,525
Reposessed assets ⁽³⁾	2,048	2,120
Interest receivable	1,022	1,299
Other	28,605	21,756
Total	247,802	217,196

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

20 Other assets (Continued)

(1) Right-of-use assets

	Six month period ended 30 June 2021		
	Buildings	Motor vehicles and other	Total
Cost			
As at 1 January	35,251	176	35,427
Additions	2,631	24	2,655
Deductions	(2,154)	(18)	(2,172)
Exchange differences	(110)	–	(110)
As at 30 June	35,618	182	35,800
Accumulated depreciation			
As at 1 January	(12,477)	(95)	(12,572)
Additions	(3,730)	(23)	(3,753)
Deductions	1,762	18	1,780
Exchange differences	44	–	44
As at 30 June	(14,401)	(100)	(14,501)
Net book value			
As at 1 January	22,774	81	22,855
As at 30 June	21,217	82	21,299

	Year ended 31 December 2020		
	Buildings	Motor vehicles and other	Total
Cost			
As at 1 January	29,500	156	29,656
Additions	7,413	44	7,457
Deductions	(1,242)	(21)	(1,263)
Exchange differences	(420)	(3)	(423)
As at 31 December	35,251	176	35,427
Accumulated depreciation			
As at 1 January	(6,781)	(53)	(6,834)
Additions	(6,841)	(63)	(6,904)
Deductions	1,030	20	1,050
Exchange differences	115	1	116
As at 31 December	(12,477)	(95)	(12,572)
Net book value			
As at 1 January	22,719	103	22,822
As at 31 December	22,774	81	22,855

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

20 Other assets(Continued)

(2) Goodwill

	Six month period ended 30 June 2021	Year ended 31 December 2020
As at 1 January	2,525	2,686
Decrease resulting from disposals of subsidiaries	–	(25)
Exchange differences	(18)	(136)
As at 30 June/31 December	2,507	2,525

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,555 million).

- (3) As at 30 June 2021, the net book amount of repossessed assets was RMB2,048 million (31 December 2020: RMB2,120 million), mainly comprised properties. Related allowance for impairment was RMB890 million (31 December 2020: RMB902 million). The total book value of the repossessed assets disposed of for the six month period ended 30 June 2021 amounted to RMB233 million (2020: RMB602 million). The Group plans to dispose of the repossessed assets held at 30 June 2021 by auction, bidding or transfer.

21 Financial liabilities held for trading

As at 30 June 2021 and 31 December 2020, financial liabilities held for trading mainly included short position in debt securities.

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

22 Due to customers

	As at 30 June 2021	As at 31 December 2020
Demand deposits		
— Corporate deposits	5,549,890	4,956,751
— Personal deposits	3,447,875	3,355,893
Subtotal	8,997,765	8,312,644
Time deposits		
— Corporate deposits	3,902,244	3,621,775
— Personal deposits	4,227,709	3,854,531
Subtotal	8,129,953	7,476,306
Structured deposits ⁽¹⁾		
— Corporate deposits	313,082	254,553
— Personal deposits	356,584	379,680
Subtotal	669,666	634,233
Certificates of deposit	153,689	206,146
Other deposits	71,442	64,042
Subtotal due to customers	18,022,515	16,693,371
Accrued interest	205,256	185,800
Total due to customers ⁽²⁾	18,227,771	16,879,171

(1) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its structured deposits. The Group designates certain structured deposits as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 30 June 2021, the carrying amount of these financial liabilities was RMB30,199 million (31 December 2020: RMB25,742 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 2021 and 31 December 2020 were not significant. For the six month period ended 30 June 2021 and the year ended 31 December 2020, 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 for security received by the Group as at 30 June 2021 of RMB321,645 million (31 December 2020: RMB304,314 million).

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

23 Bonds issued

	Issue date	Maturity date	Annual interest rate	As at 30 June 2021	As at 31 December 2020
Bonds issued at amortised cost					
Subordinated bonds issued					
2011 RMB Debt Securities ⁽¹⁾	17 May 2011	19 May 2026	5.30%	–	32,000
2012 RMB Debt Securities Second Tranche ⁽²⁾	27 November 2012	29 November 2027	4.99%	18,000	18,000
Subtotal ⁽¹⁵⁾				18,000	50,000
Tier 2 capital bonds issued					
2014 US Dollar Debt Securities ⁽³⁾	13 November 2014	13 November 2024	5.00%	19,326	19,518
2017 RMB Debt Securities First Tranche ⁽⁴⁾	26 September 2017	28 September 2027	4.45%	29,972	29,970
2017 RMB Debt Securities Second Tranche ⁽⁵⁾	31 October 2017	2 November 2027	4.45%	29,970	29,972
2018 RMB Debt Securities First Tranche ⁽⁶⁾	3 September 2018	5 September 2028	4.86%	39,987	39,983
2018 RMB Debt Securities Second Tranche ⁽⁷⁾	9 October 2018	11 October 2028	4.84%	39,985	39,985
2019 RMB Debt Securities First Tranche 01 ⁽⁸⁾	20 September 2019	24 September 2029	3.98%	29,989	29,988
2019 RMB Debt Securities First Tranche 02 ⁽⁹⁾	20 September 2019	24 September 2034	4.34%	9,996	9,996
2019 RMB Debt Securities Second Tranche ⁽¹⁰⁾	20 November 2019	22 November 2029	4.01%	29,988	29,991
2020 RMB Debt Securities First Tranche 01 ⁽¹¹⁾	17 September 2020	21 September 2030	4.20%	59,977	59,976
2020 RMB Debt Securities First Tranche 02 ⁽¹²⁾	17 September 2020	21 September 2035	4.47%	14,994	14,994
2021 RMB Debt Securities First Tranche 01 ⁽¹³⁾	17 March 2021	19 March 2031	4.15%	14,994	–
2021 RMB Debt Securities First Tranche 02 ⁽¹⁴⁾	17 March 2021	19 March 2036	4.38%	9,996	–
Subtotal ⁽¹⁵⁾				329,174	304,373
Other bonds issued ⁽¹⁶⁾					
US Dollar Debt Securities				191,015	198,317
RMB Debt Securities				82,387	73,165
Other				49,372	51,555
Subtotal				322,774	323,037
Negotiable certificates of deposit				618,023	554,801
Subtotal bonds issued at amortised cost				1,287,971	1,232,211
Bonds issued at fair value ⁽¹⁷⁾				1,008	6,162
Subtotal bonds issued				1,288,979	1,238,373
Accrued interest				12,582	6,030
Total bonds issued ⁽¹⁸⁾				1,301,561	1,244,403

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

23 Bonds issued (Continued)

- (1) The subordinated bonds issued on 17 May 2011 have a maturity of 15 years with a fixed coupon rate of 5.30%, paid annually. The Bank is entitled to early redeem all the subordinated bonds at the end of the tenth year. The Bank has redeemed all the bonds in advance at face value on 19 May 2021.
- (2) The second subordinated bonds issued on 27 November 2012 have a maturity of 15 years with a fixed coupon rate of 4.99%, paid annually. The Bank is entitled to early redeem all these bonds at the end of the tenth year. If the Bank does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall remain fixed at 4.99%.
- (3) 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%.
- (4) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 26 September 2017. The bonds have a maturity of 10 years with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (5) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 31 October 2017. The bonds have a maturity of 10 years with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) 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.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

23 Bonds issued (Continued)

- (12) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 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.
- (13) 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.
- (14) 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.
- (15) The claims of the holders of subordinated bonds and tier 2 capital bonds will be subordinated to the claims of depositors and general creditors.
- (16) US Dollar Debt Securities, RMB Debt Securities and other Debt Securities were issued in Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions between 2013 and 30 June 2021 by the Group with dates of maturity ranging from 1 July 2021 to 31 December 2030.
- (17) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its bonds issued. The Group designates certain bonds issued as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 30 June 2021, the carrying amount of the above-mentioned bonds issued by the Group was RMB1,008 million (31 December 2020: RMB6,162 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 2021 and 31 December 2020 were not significant. For the six month period ended 30 June 2021 and the year ended 31 December 2020, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.
- (18) For the six month period ended 30 June 2021 and the year ended 31 December 2020, the Group did not default on any principal, interest or redemption amounts with respect to its bonds issued.

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

24 Deferred income taxes

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

	As at 30 June 2021		As at 31 December 2020	
	Temporary differences	Deferred tax assets/(liabilities)	Temporary differences	Deferred tax assets/(liabilities)
Deferred income tax assets	185,724	48,650	234,905	58,916
Deferred income tax liabilities	(38,807)	(6,834)	(45,934)	(6,499)
Net	146,917	41,816	188,971	52,417

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

	As at 30 June 2021		As at 31 December 2020	
	Temporary differences	Deferred tax assets/(liabilities)	Temporary differences	Deferred tax assets/(liabilities)
Deferred income tax assets				
Asset impairment allowances	250,747	62,440	253,785	63,242
Pension, retirement benefits and salary payables	14,638	3,635	17,952	4,470
Financial instruments at fair value through profit or loss and derivative financial instruments	89,330	22,200	174,011	43,224
Financial assets at fair value through other comprehensive income	1,105	273	809	202
Other temporary differences	40,728	9,540	41,355	9,599
Subtotal	396,548	98,088	487,912	120,737
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	(119,149)	(29,195)	(174,976)	(42,853)
Financial assets at fair value through other comprehensive income	(30,973)	(7,567)	(30,836)	(7,445)
Depreciation and amortisation	(23,868)	(4,072)	(24,104)	(4,193)
Revaluation of property and investment properties	(8,875)	(1,733)	(8,845)	(1,722)
Other temporary differences	(66,766)	(13,705)	(60,180)	(12,107)
Subtotal	(249,631)	(56,272)	(298,941)	(68,320)
Net	146,917	41,816	188,971	52,417

As at 30 June 2021, deferred tax liabilities relating to temporary differences of RMB173,307 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2020: RMB164,299 million).

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

24 Deferred income taxes (Continued)

24.3 Movements of the deferred income tax are as follows:

	Six month period ended 30 June 2021	Year ended 31 December 2020
As at 1 January	52,417	38,577
Credited to the income statement (Note III.9)	(10,595)	14,268
Charged to other comprehensive income	65	(62)
Other	(71)	(366)
As at 30 June/31 December	41,816	52,417

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

	Six month period ended 30 June	
	2021	2020
Asset impairment allowances	(802)	11,915
Financial instruments at fair value through profit or loss and derivative financial instruments	(7,366)	433
Pension, retirement benefits and salary payables	(835)	(1,301)
Other temporary differences	(1,592)	(2,766)
Total	(10,595)	8,281

25 Other liabilities

	As at 30 June 2021	As at 31 December 2020
Insurance liabilities		
— Life insurance contracts	142,723	132,431
— Non-life insurance contracts	10,377	9,670
Items in the process of clearance and settlement	86,843	78,940
Dividends payable	1,255	2,312
Salary and welfare payables	27,304	34,179
Provision		
— Allowance for credit commitments	27,015	28,767
— Allowance for litigation losses (Note III. 28.1)	704	725
Lease liabilities	20,981	21,893
Deferred income	12,214	11,532
Other	102,485	89,924
Total	431,901	410,373

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

26 Other equity instruments

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

	As at 1 January 2021		Increase/(decrease)		As at 30 June 2021	
	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount
Preference Shares						
Domestic Preference Shares (Second Tranche) ⁽¹⁾	280.0	27,969	(280.0)	(27,969)	–	–
Domestic Preference Shares (Third Tranche)	730.0	72,979	–	–	730.0	72,979
Domestic Preference Shares (Fourth Tranche)	270.0	26,990	–	–	270.0	26,990
Offshore Preference Shares (Second Tranche)	197.9	19,581	–	–	197.9	19,581
Subtotal ⁽²⁾	1,477.9	147,519	(280.0)	(27,969)	1,197.9	119,550
Perpetual Bonds						
2019 Undated Capital Bonds (Series 1)		39,992		–		39,992
2020 Undated Capital Bonds (Series 1)		39,990		–		39,990
2020 Undated Capital Bonds (Series 2)		29,994		–		29,994
2020 Undated Capital Bonds (Series 3)		19,995		–		19,995
2021 Undated Capital Bonds (Series 1) ⁽³⁾		–		49,989		49,989
Subtotal ⁽⁴⁾		129,971		49,989		179,960
Total		277,490		22,020		299,510

- (1) With the approvals by the relevant regulatory authorities in China, the Bank fully redeemed 280 million Domestic Preference Shares (Second Tranche) on 15 March 2021. The Bank fully paid the nominal value of the Domestic Preference Shares and the dividends declared, totalling RMB29,540 million.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

26 Other equity instruments (Continued)

- (2) 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 dividend. 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 trigger event for the compulsory conversion of preference shares into ordinary shares per agreement, the Bank shall convert the preference shares into ordinary shares in whole or in part after reporting to the China Banking and Insurance Regulatory Commission (the “CBIRC”) for its examination and approval decision.

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

- (3) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB50,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 17 May 2021 and completed the issuance on 19 May 2021. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.08%, which is reset every 5 years.

The Bank may redeem the bonds in whole or in part on each distribution payment date after 5 years from the issuance date of the bonds, subject to the satisfaction of the redemption conditions and prior approval by the CBIRC. As stipulated in *Bank of China Limited 2021 undated Capital Bonds (Series 1) Offering Circular*, upon the occurrence of a trigger event for write-downs with the consent of the CBIRC, the Bank has the right to write down all or part of the total par value of the bonds that are already issued and outstanding. This does not require prior consent by the bondholders. The claims of the holders of the bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the bonds; will rank in priority to all classes of shares held by the Bank’s shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the bonds.

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

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

27 Dividends

Dividends for Ordinary Shares

A dividend of RMB1.97 per ten ordinary shares (pre-tax) in respect of the profit for the year ended 31 December 2020 amounting to RMB57,994 million (pre-tax) was approved at the Annual General Meeting held on 20 May 2021. The distribution plan has been accomplished as at 30 June 2021.

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

27 Dividends (Continued)

Dividends for Preference Shares

Dividend distributions of Domestic Preference Shares (Third Tranche and Fourth Tranche) were approved by the Board of Directors of the Bank at the Board Meeting held on 29 April 2021. Dividend of Domestic Preference Shares (Third Tranche) amounting to RMB3,285 million (pre-tax) was distributed on 28 June 2021. Dividend of Domestic Preference Shares (Fourth Tranche) amounting to RMB1,174.5 million (pre-tax) was distributed on 30 August 2021 and was recorded in other liabilities as at 30 June 2021.

Interest on Perpetual Bonds

The Bank distributed interest on the 2019 Undated Capital Bonds (Series 1) amounting to RMB1,800 million on 29 January 2021.

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 1) amounting to RMB1,360 million on 30 April 2021.

28 Contingent liabilities and commitments

28.1 Legal proceedings and arbitrations

As at 30 June 2021, the Group was involved in certain litigation and arbitration cases in the regular course of its business. In addition, in terms of the range and scale of its international operations, the Group may face a variety of legal proceedings within different jurisdictions. As at 30 June 2021, provisions of RMB704 million (31 December 2020: RMB725 million) were made based on court judgements or the advice of counsel (Note III.25). After consulting legal professionals, the senior management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operating results of the Group.

28.2 Assets pledged

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

	As at 30 June 2021	As at 31 December 2020
Debt securities	1,062,346	666,236
Bills	1,776	2,127
Total	1,064,122	668,363

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(Amounts in millions of Renminbi, unless otherwise stated)

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

28 Contingent liabilities and commitments (Continued)

28.3 Collateral accepted

The Group accepts securities as collateral that are permitted to be sold or re-pledged in connection with reverse repurchase and derivative agreements with banks and other financial institutions. As at 30 June 2021, the fair value of such collateral from banks and other financial institutions accepted by the Group amounted to RMB381,313 million (31 December 2020: RMB151,204 million). As at 30 June 2021, the fair value of the collateral that the Group had sold or re-pledged but was obligated to return, amounted to RMB1,946 million (31 December 2020: RMB797 million). These transactions are conducted under standard terms in the normal course of business.

28.4 Capital commitments

	As at 30 June 2021	As at 31 December 2020
Property and equipment		
— Contracted but not provided for	40,343	46,723
— Authorised but not contracted for	2,510	3,468
Intangible assets		
— Contracted but not provided for	1,615	1,242
— Authorised but not contracted for	186	199
Investment properties		
— Contracted but not provided for	1,116	1,252
Total	45,770	52,884

28.5 Treasury bonds redemption commitments

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

As at 30 June 2021, the outstanding principal value of the treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB54,547 million (31 December 2020: RMB55,597 million). The original maturities of these treasury bonds vary from 3 to 5 years and management expects the amount of redemption through the Bank prior to the maturity dates of these bonds will not be material.

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

28 Contingent liabilities and commitments (Continued)

28.6 Credit commitments

	As at 30 June 2021	As at 31 December 2020
Loan commitments ⁽¹⁾		
— with an original maturity of less than 1 year	294,137	262,001
— with an original maturity of 1 year or above	1,581,696	1,417,031
Undrawn credit card limits	1,056,451	1,060,580
Letters of guarantee issued ⁽²⁾	1,028,835	1,035,517
Bank bill acceptance	321,135	301,602
Letters of credit issued	160,751	154,181
Accepted bills of exchange under letters of credit	76,280	81,817
Other	234,421	178,944
Total ⁽³⁾	4,753,706	4,491,673

(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 2021, the unconditionally revocable loan commitments of the Group amounted to RMB298,717 million (31 December 2020: RMB334,384 million).

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

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

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

	As at 30 June 2021	As at 31 December 2020
Credit commitments	1,192,917	1,186,895

28.7 Underwriting obligations

As at 30 June 2021, the firm commitment in underwriting securities of the Group amounted to RMB1,750 million (31 December 2020: Nil).

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(Amounts in millions of Renminbi, unless otherwise stated)

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

29 Note to the condensed consolidated interim statement of cash flows

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

	As at 30 June 2021	As at 30 June 2020
Cash and due from banks and other financial institutions	470,009	375,854
Balances with central banks	602,670	591,528
Placements with and loans to banks and other financial institutions	795,151	680,996
Financial investments	111,727	71,391
Total	1,979,557	1,719,769

30 Related party transactions

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

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

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

30 Related party transactions (Continued)

30.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

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

(2) Transactions with Huijin

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

Transaction balances

	As at 30 June 2021	As at 31 December 2020
Investment in debt securities	39,470	43,659
Due to Huijin	(40,742)	(18,047)

Transaction amounts

	Six month period ended 30 June	
	2021	2020
Interest income	598	389
Interest expense	(197)	(35)

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

30 Related party transactions (Continued)

30.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin

Companies under Huijin include its equity interests in subsidiaries, associates and joint ventures in certain other bank and non-bank entities in the PRC. The Group enters into banking transactions with these companies in the normal course of business on commercial terms which include mainly purchase and sale of debt securities, money market transactions and derivative transactions.

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

Transaction balances

	As at 30 June 2021	As at 31 December 2020
Due from banks and other financial institutions	119,050	126,104
Placements with and loans to banks and other financial institutions	155,763	144,640
Financial investments	393,868	390,508
Derivative financial assets	12,561	18,863
Loans and advances to customers	50,080	85,650
Due to customers, banks and other financial institutions	(342,628)	(256,582)
Placements from banks and other financial institutions	(171,090)	(137,131)
Derivative financial liabilities	(19,883)	(21,294)
Credit commitments	41,933	32,177

Transaction amounts

	Six month period ended 30 June	
	2021	2020
Interest income	7,292	6,487
Interest expense	(3,226)	(2,414)

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

30 Related party transactions (Continued)

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

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

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

30.4 Transactions with associates and joint ventures

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

Transaction balances

	As at 30 June 2021	As at 31 December 2020
Loans and advances to customers	22,601	18,502
Due to customers, banks and other financial institutions	(22,360)	(10,641)
Credit commitments	24,907	23,144

Transaction amounts

	Six month period ended 30 June	
	2021	2020
Interest income	393	35
Interest expense	(153)	(141)

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

30 Related party transactions (Continued)

30.5 Transactions with the Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the six month period ended 30 June 2021 and the year ended 31 December 2020.

30.6 Transactions with key management personnel

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

The Group enters into banking transactions with key management personnel in the normal course of business. During the six month period ended 30 June 2021 and the year ended 31 December 2020, there were no material transactions and balances with key management personnel on an individual basis.

30.7 Transactions with Connected Natural Persons

As at 30 June 2021, the Bank's balance of loans to the connected natural persons as defined in the *Administration of Connected Transactions between Commercial Banks and Their Insiders and Shareholders* and the *Administrative Measures for the Disclosure of Information of Listed Companies* totalled RMB363 million (31 December 2020: RMB365 million) and RMB14 million (31 December 2020: RMB20 million), respectively.

30.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

Transaction balances

	As at 30 June 2021	As at 31 December 2020
Due from banks and other financial institutions	45,177	31,487
Placements with and loans to banks and other financial institutions	229,506	184,792
Due to banks and other financial institutions	(162,844)	(190,167)
Placements from banks and other financial institutions	(35,749)	(28,057)

Transaction amounts

	Six month period ended 30 June	
	2021	2020
Interest income	881	1,305
Interest expense	(758)	(639)

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

31 Segment reporting

The Group manages the business from both geographic and business perspectives. From the geographic perspective, the Group operates in three principal regions: Chinese mainland; Hong Kong (China), Macao (China), 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), Taiwan (China) — Corporate banking, personal banking, treasury operations, investment banking and insurance services are performed in Hong Kong (China), Macao (China), Taiwan (China). The business of this segment is centralised in BOC Hong Kong (Group) Limited ("BOCHK Group").

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

Business segments

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

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

31 Segment reporting (Continued)

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

	Hong Kong (China), Macao (China), Taiwan (China)				Other countries and regions	Eliminations	Total
	Chinese mainland	BOCHK Group	Other	Subtotal			
Interest income	352,839	16,992	11,661	28,653	11,117	(5,675)	386,934
Interest expense	(168,646)	(3,231)	(8,391)	(11,622)	(3,568)	5,675	(178,161)
Net interest income	184,193	13,761	3,270	17,031	7,549	-	208,773
Fee and commission income	41,778	6,520	4,199	10,719	3,030	(2,615)	52,912
Fee and commission expense	(4,732)	(1,243)	(1,142)	(2,385)	(922)	1,940	(6,099)
Net fee and commission income	37,046	5,277	3,057	8,334	2,108	(675)	46,813
Net trading gains	4,439	1,479	3,533	5,012	303	-	9,754
Net gains on transfers of financial assets	1,228	376	28	404	220	-	1,852
Other operating income ⁽¹⁾	11,054	8,276	16,522	24,798	99	(288)	35,663
Operating income	237,960	29,169	26,410	55,579	10,279	(963)	302,855
Operating expenses ⁽¹⁾	(70,762)	(14,314)	(14,576)	(28,890)	(3,728)	1,023	(102,357)
Impairment losses on assets	(49,192)	(985)	(1,312)	(2,297)	(1,456)	-	(52,945)
Operating profit	118,006	13,870	10,522	24,392	5,095	60	147,553
Share of results of associates and joint ventures	322	(111)	538	427	-	-	749
Profit before income tax	118,328	13,759	11,060	24,819	5,095	60	148,302
Income tax expense							(29,755)
Profit for the period							118,547
Segment assets	20,829,870	3,159,567	1,654,846	4,814,413	2,154,944	(1,517,452)	26,281,775
Investments in associates and joint ventures	20,627	738	14,187	14,925	-	-	35,552
Total assets	20,850,497	3,160,305	1,669,033	4,829,338	2,154,944	(1,517,452)	26,317,327
Include: non-current assets ⁽²⁾	113,811	26,955	171,334	198,289	9,471	(2,835)	318,736
Segment liabilities	19,084,672	2,917,323	1,519,501	4,436,824	2,082,854	(1,517,371)	24,086,979
Other segment items:							
Inter-segment net interest (expense)/income	(2,479)	533	2,390	2,923	(444)	-	-
Inter-segment net fee and commission (expense)/income	(142)	208	257	465	352	(675)	-
Capital expenditure	3,012	465	7,554	8,019	102	-	11,133
Depreciation and amortisation	10,085	915	3,140	4,055	438	(274)	14,304
Credit commitments	4,020,041	306,134	151,283	457,417	529,861	(253,613)	4,753,706

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

31 Segment reporting (Continued)

As at 31 December 2020 and for the six month period ended 30 June 2020

	Hong Kong (China), Macao (China), Taiwan (China)				Other countries and regions	Eliminations	Total
	Chinese mainland	BOCHK Group	Other	Subtotal			
Interest income	333,677	25,974	16,905	42,879	19,246	(11,354)	384,448
Interest expense	(156,042)	(9,187)	(13,671)	(22,858)	(11,489)	11,354	(179,035)
Net interest income	177,635	16,787	3,234	20,021	7,757	–	205,413
Fee and commission income	37,287	5,747	3,817	9,564	2,944	(1,809)	47,986
Fee and commission expense	(4,040)	(1,237)	(1,086)	(2,323)	(958)	1,159	(6,162)
Net fee and commission income	33,247	4,510	2,731	7,241	1,986	(650)	41,824
Net trading gains	(3,429)	2,259	2,599	4,858	744	–	2,173
Net gains on transfers of financial assets	4,819	2,331	114	2,445	359	–	7,623
Other operating income ⁽¹⁾	8,461	7,797	13,176	20,973	795	(279)	29,950
Operating income	220,733	33,684	21,854	55,538	11,641	(929)	286,983
Operating expenses ⁽¹⁾	(63,039)	(14,504)	(10,639)	(25,143)	(3,712)	948	(90,946)
Impairment losses on assets	(60,395)	(1,239)	(1,364)	(2,603)	(3,486)	–	(66,484)
Operating profit	97,299	17,941	9,851	27,792	4,443	19	129,553
Share of results of associates and joint ventures	(105)	(76)	244	168	–	–	63
Profit before income tax	97,194	17,865	10,095	27,960	4,443	19	129,616
Income tax expense							(21,804)
Profit for the period							107,812
Segment assets	19,434,557	2,762,985	1,529,898	4,292,883	2,090,165	(1,448,454)	24,369,151
Investments in associates and joint ventures	19,712	858	12,938	13,796	–	–	33,508
Total assets	19,454,269	2,763,843	1,542,836	4,306,679	2,090,165	(1,448,454)	24,402,659
Include: non-current assets ⁽²⁾	119,001	27,626	170,894	198,520	9,939	(2,980)	324,480
Segment liabilities	17,753,122	2,520,219	1,396,881	3,917,100	2,017,915	(1,448,315)	22,239,822
Other segment items:							
Inter-segment net interest (expense)/income	(2,445)	345	4,112	4,457	(2,012)	–	–
Inter-segment net fee and commission income/(expense)	368	176	257	433	(151)	(650)	–
Capital expenditure	2,238	625	16,269	16,894	80	–	19,212
Depreciation and amortisation	9,438	988	3,001	3,989	391	(220)	13,598
Credit commitments	3,753,654	310,620	145,806	456,426	507,083	(225,490)	4,491,673

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

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

31 Segment reporting (Continued)

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

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Eliminations	Total
Interest income	168,982	152,919	93,559	643	1,873	2,045	(33,087)	386,934
Interest expense	(84,959)	(65,393)	(57,503)	(95)	(83)	(3,215)	33,087	(178,161)
Net interest income/(expense)	84,023	87,526	36,056	548	1,790	(1,170)	-	208,773
Fee and commission income	19,167	20,616	9,846	3,890	-	1,108	(1,715)	52,912
Fee and commission expense	(636)	(3,223)	(647)	(1,166)	(1,857)	(55)	1,485	(6,099)
Net fee and commission income/(expense)	18,531	17,393	9,199	2,724	(1,857)	1,053	(230)	46,813
Net trading gains	971	576	4,336	357	481	2,994	39	9,754
Net gains on transfers of financial assets	933	130	694	16	68	11	-	1,852
Other operating income	240	6,156	188	180	18,296	12,173	(1,570)	35,663
Operating income	104,698	111,781	50,473	3,825	18,778	15,061	(1,761)	302,855
Operating expenses	(30,546)	(39,906)	(9,063)	(1,641)	(17,973)	(5,035)	1,807	(102,357)
Impairment losses on assets	(37,801)	(7,511)	(5,253)	3	(76)	(2,307)	-	(52,945)
Operating profit	36,351	64,364	36,157	2,187	729	7,719	46	147,553
Share of results of associates and joint ventures	-	-	-	192	-	584	(27)	749
Profit before income tax	36,351	64,364	36,157	2,379	729	8,303	19	148,302
Income tax expense								(29,755)
Profit for the period								118,547
Segment assets	9,928,583	5,979,766	9,530,867	109,632	219,477	626,253	(112,803)	26,281,775
Investments in associates and joint ventures	-	-	-	5,746	-	29,868	(62)	35,552
Total assets	9,928,583	5,979,766	9,530,867	115,378	219,477	656,121	(112,865)	26,317,327
Segment liabilities	11,902,606	7,951,504	3,770,418	81,272	200,439	293,495	(112,755)	24,086,979
Other segment items:								
Inter-segment net interest income/(expense)	7,228	25,249	(32,382)	120	5	(220)	-	-
Inter-segment net fee and commission income/(expense)	316	1,007	25	(368)	(944)	194	(230)	-
Capital expenditure	912	1,041	48	57	75	9,000	-	11,133
Depreciation and amortisation	4,583	5,483	1,321	205	128	2,981	(397)	14,304
Credit commitments	3,474,374	1,279,332	-	-	-	-	-	4,753,706

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

31 Segment reporting (Continued)

As at 31 December 2020 and for the six month period ended 30 June 2020

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Eliminations	Total
Interest income	173,872	145,353	98,407	1,078	1,671	1,974	(37,907)	384,448
Interest expense	(81,647)	(55,434)	(75,926)	(266)	(42)	(3,796)	38,076	(179,035)
Net interest income/(expense)	92,225	89,919	22,481	812	1,629	(1,822)	169	205,413
Fee and commission income	19,269	19,121	7,773	2,428	1	1,040	(1,646)	47,986
Fee and commission expense	(637)	(2,819)	(1,312)	(666)	(2,110)	(83)	1,465	(6,162)
Net fee and commission income/(expense)	18,632	16,302	6,461	1,762	(2,109)	957	(181)	41,824
Net trading gains	1,205	526	(1,756)	(83)	414	1,995	(128)	2,173
Net gains on transfers of financial assets	1,051	41	6,407	1	120	3	–	7,623
Other operating income	417	4,679	646	186	14,917	10,045	(940)	29,950
Operating income	113,530	111,467	34,239	2,678	14,971	11,178	(1,080)	286,983
Operating expenses	(27,934)	(35,631)	(8,327)	(1,198)	(14,130)	(4,816)	1,090	(90,946)
Impairment losses on assets	(43,591)	(15,683)	(6,210)	(15)	(134)	(896)	45	(66,484)
Operating profit	42,005	60,153	19,702	1,465	707	5,466	55	129,553
Share of results of associates and joint ventures	–	–	–	210	(16)	(101)	(30)	63
Profit before income tax	42,005	60,153	19,702	1,675	691	5,365	25	129,616
Income tax expense								(21,804)
Profit for the period								107,812
Segment assets	9,251,427	5,641,051	8,684,296	99,425	204,290	593,454	(104,792)	24,369,151
Investments in associates and joint ventures	–	–	–	5,585	–	27,989	(66)	33,508
Total assets	9,251,427	5,641,051	8,684,296	105,010	204,290	621,443	(104,858)	24,402,659
Segment liabilities	10,376,544	7,461,553	3,915,554	72,597	185,310	332,963	(104,699)	22,239,822
Other segment items:								
Inter-segment net interest income/(expense)	10,100	26,719	(36,501)	148	8	(643)	169	–
Inter-segment net fee and commission income/(expense)	436	1,029	24	(253)	(1,197)	142	(181)	–
Capital expenditure	668	808	36	57	49	17,594	–	19,212
Depreciation and amortisation	4,030	4,960	1,237	192	141	2,807	231	13,598
Credit commitments	3,242,275	1,249,398	–	–	–	–	–	4,491,673

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

32 Transfers of financial assets

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

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those 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 were not qualified for derecognition and their associated financial liabilities:

	As at 30 June 2021		As at 31 December 2020	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	32,862	32,849	13,248	13,550

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

32 Transfers of financial assets (Continued)

Credit asset transfers

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

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB638 million as at 30 June 2021 (31 December 2020: RMB760 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 2021, the corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB33,434 million (six month period ended 30 June 2020: Nil) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB19,590 million as at 30 June 2021 (31 December 2020: RMB15,244 million).

33 Interests in the structured entities

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

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

33 Interests in the structured entities (Continued)

33.1 Interests in the unconsolidated structured entities

The interests held by the Group in the unconsolidated structured entities are mainly set out below:

Structured entities sponsored by the Group

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

As at 30 June 2021, the balance of the above unconsolidated wealth management products sponsored by the Group amounted to RMB1,413,726 million (31 December 2020: RMB1,388,904 million). The balance of unconsolidated publicly offered funds and asset management plans sponsored by the Group amounted to RMB489,068 million (31 December 2020: RMB486,880 million).

For the six month period ended 30 June 2021, the above-mentioned commission, custodian fee and management fee earned by the Group amounted to RMB5,644 million (six month period ended 30 June 2020: RMB3,778 million).

As at 30 June 2021, the balance of interest and commission receivable held by the Group in the above-mentioned structured entities was not material. For the purpose of asset-liability management, wealth management products may require short-term financing from the Group and other banks. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into repurchase and placement transactions with these wealth management products in accordance with market principles. For the six month period ended 30 June 2021, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB52,516 million (six month period ended 30 June 2020: RMB132,205 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 30 June 2021, the balance of the above transactions was RMB52,516 million (31 December 2020: RMB18,580 million). The maximum exposure to loss of those placements approximated to their carrying amount.

The total carrying amount as at the transfer date of credit assets transferred by the Group into unconsolidated structured entities was RMB182 million during the six month period ended 30 June 2021 (six month period ended 30 June 2020: Nil). For the description of asset-backed securities issued by the above structured entities and held by the Group, refer to Note III.32.

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

33 Interests in the structured entities (Continued)

33.1 Interests in the unconsolidated structured entities (Continued)

Structured entities sponsored by other financial institutions

The interests held by the Group in the structured entities sponsored by other financial institutions through direct 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 2021					
Fund investments	63,895	–	–	63,895	63,895
Investment trusts and asset management plans	3,065	–	8,766	11,831	11,831
Asset-backed securitisations	6,358	33,557	77,642	117,557	117,557
As at 31 December 2020					
Fund investments	57,099	–	–	57,099	57,099
Investment trusts and asset management plans	2,914	–	8,407	11,321	11,321
Asset-backed securitisations	5,538	40,633	58,195	104,366	104,366

33.2 Consolidated structured entities

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

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

34 Comparative figures

Certain comparative figures have been adjusted to conform with presentation and disclosure in the current period. The Group has recognised income and expenses arising from credit card instalment business as interest income in the current period, therefore the comparative figures were restated accordingly.

35 Events after the financial reporting date

The Bank would invest to establish a wholly-owned tier-1 subsidiary, Bank of China (Macau) Limited (the “Macau Subsidiary”), with a total capital contribution of MOP13 billion. As of the release date of this interim report, the Bank has received the approval of the CBIRC and the permission of China Macau SAR Government for the establishment of Macau Subsidiary.

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 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Chinese mainland	12,407,949	80.67%	11,501,791	81.09%
Hong Kong (China), Macao (China), Taiwan (China)	1,931,922	12.56%	1,697,934	11.97%
Other countries and regions	1,041,617	6.77%	983,660	6.94%
Total	15,381,488	100.00%	14,183,385	100.00%

Chinese mainland

	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Northern China	1,798,865	14.50%	1,695,932	14.74%
Northeastern China	529,119	4.26%	502,186	4.37%
Eastern China	4,880,028	39.33%	4,505,204	39.17%
Central and Southern China	3,531,244	28.46%	3,266,619	28.40%
Western China	1,668,693	13.45%	1,531,850	13.32%
Total	12,407,949	100.00%	11,501,791	100.00%

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

	Chinese mainland	Hong Kong (China), Macao (China), Taiwan (China)	Other countries and regions	Total
As at 30 June 2021				
Corporate loans and advances				
— Trade bills	923,672	117,585	186,201	1,227,458
— Other	6,232,383	1,208,159	794,939	8,235,481
Personal loans	5,251,894	606,178	60,477	5,918,549
Total	12,407,949	1,931,922	1,041,617	15,381,488
As at 31 December 2020				
Corporate loans and advances				
— Trade bills	970,413	83,276	101,869	1,155,558
— Other	5,551,519	1,071,321	821,692	7,444,532
Personal loans	4,979,859	543,337	60,099	5,583,295
Total	11,501,791	1,697,934	983,660	14,183,385

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Group	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	1,992,248	12.95%	1,764,213	12.44%
Manufacturing	1,855,136	12.06%	1,692,261	11.93%
Transportation, storage and postal services	1,653,269	10.75%	1,493,828	10.53%
Real estate	1,214,090	7.89%	1,137,469	8.02%
Financial services	794,154	5.16%	646,979	4.56%
Production and supply of electricity, heating, gas and water	778,023	5.06%	726,824	5.13%
Construction	315,224	2.05%	268,676	1.89%
Water, environment and public utility management	277,614	1.80%	250,551	1.77%
Mining	273,420	1.78%	282,394	1.99%
Public utilities	164,750	1.07%	161,402	1.14%
Other	145,011	0.95%	175,493	1.24%
Subtotal	9,462,939	61.52%	8,600,090	60.64%
Personal loans				
Mortgages	4,605,752	29.94%	4,418,761	31.15%
Credit cards	502,559	3.27%	498,435	3.51%
Other	810,238	5.27%	666,099	4.70%
Subtotal	5,918,549	38.48%	5,583,295	39.36%
Total	15,381,488	100.00%	14,183,385	100.00%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Chinese mainland

	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	1,524,022	12.28%	1,395,690	12.13%
Manufacturing	1,480,693	11.93%	1,329,778	11.56%
Transportation, storage and postal services	1,478,714	11.92%	1,313,457	11.42%
Real estate	681,481	5.49%	639,777	5.56%
Financial services	467,217	3.77%	487,488	4.24%
Production and supply of electricity, heating, gas and water	607,479	4.90%	554,626	4.82%
Construction	281,933	2.27%	218,541	1.90%
Water, environment and public utility management	271,279	2.19%	243,268	2.12%
Mining	166,232	1.34%	163,193	1.42%
Public utilities	151,715	1.22%	136,444	1.19%
Other	45,290	0.36%	39,670	0.34%
Subtotal	7,156,055	57.67%	6,521,932	56.70%
Personal loans				
Mortgages	4,169,622	33.60%	3,991,540	34.71%
Credit cards	492,824	3.97%	488,086	4.24%
Other	589,448	4.76%	500,233	4.35%
Subtotal	5,251,894	42.33%	4,979,859	43.30%
Total	12,407,949	100.00%	11,501,791	100.00%

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Group

	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Unsecured loans	4,986,704	32.42%	4,533,495	31.96%
Guaranteed loans	1,825,301	11.87%	1,737,379	12.25%
Collateralised and other secured loans	8,569,483	55.71%	7,912,511	55.79%
Total	15,381,488	100.00%	14,183,385	100.00%

Chinese mainland

	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Unsecured loans	3,629,092	29.25%	3,311,387	28.79%
Guaranteed loans	1,409,912	11.36%	1,379,925	12.00%
Collateralised and other secured loans	7,368,945	59.39%	6,810,479	59.21%
Total	12,407,949	100.00%	11,501,791	100.00%

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

Group

	As at 30 June 2021			As at 31 December 2020		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	179,082	89.39%	1.44%	189,985	91.66%	1.65%
Hong Kong (China), Macao (China), Taiwan (China)	5,895	2.94%	0.31%	4,674	2.25%	0.28%
Other countries and regions	15,371	7.67%	1.48%	12,614	6.09%	1.28%
Total	200,348	100.00%	1.30%	207,273	100.00%	1.46%

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 2021			As at 31 December 2020		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	21,941	12.25%	1.22%	27,699	14.58%	1.63%
Northeastern China	9,804	5.47%	1.85%	15,229	8.02%	3.03%
Eastern China	57,891	32.33%	1.19%	52,199	27.47%	1.16%
Central and Southern China	76,382	42.66%	2.16%	81,201	42.74%	2.49%
Western China	13,064	7.29%	0.78%	13,657	7.19%	0.89%
Total	179,082	100.00%	1.44%	189,985	100.00%	1.65%

(ii) Impaired loans and advances by customer type

Group

	As at 30 June 2021			As at 31 December 2020		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	169,116	84.41%	1.79%	174,012	83.95%	2.02%
Personal loans	31,232	15.59%	0.53%	33,261	16.05%	0.60%
Total	200,348	100.00%	1.30%	207,273	100.00%	1.46%

Chinese mainland

	As at 30 June 2021			As at 31 December 2020		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	148,791	83.09%	2.08%	157,767	83.04%	2.42%
Personal loans	30,291	16.91%	0.58%	32,218	16.96%	0.65%
Total	179,082	100.00%	1.44%	189,985	100.00%	1.65%

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(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

	As at 30 June 2021			As at 31 December 2020		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Commerce and services	24,236	12.10%	1.59%	42,010	20.27%	3.01%
Manufacturing	62,123	31.00%	4.20%	56,696	27.35%	4.26%
Transportation, storage and postal services	13,249	6.61%	0.90%	14,276	6.89%	1.09%
Real estate	33,491	16.72%	4.91%	29,952	14.45%	4.68%
Financial services	632	0.32%	0.14%	42	0.02%	0.01%
Production and supply of electricity, heating, gas and water	2,461	1.23%	0.41%	2,374	1.14%	0.43%
Construction	3,873	1.93%	1.37%	3,806	1.84%	1.74%
Water, environment and public utility management	2,548	1.27%	0.94%	2,319	1.12%	0.95%
Mining	4,058	2.03%	2.44%	4,537	2.19%	2.78%
Public utilities	1,379	0.69%	0.91%	894	0.43%	0.66%
Other	741	0.37%	1.64%	861	0.42%	2.17%
Subtotal	148,791	74.27%	2.08%	157,767	76.12%	2.42%
Personal loans						
Mortgages	12,938	6.46%	0.31%	12,680	6.12%	0.32%
Credit cards	11,309	5.64%	2.29%	12,199	5.88%	2.50%
Other	6,044	3.02%	1.03%	7,339	3.54%	1.47%
Subtotal	30,291	15.12%	0.58%	32,218	15.54%	0.65%
Total for Chinese mainland	179,082	89.39%	1.44%	189,985	91.66%	1.65%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions						
	21,266	10.61%	0.72%	17,288	8.34%	0.64%
Total	200,348	100.00%	1.30%	207,273	100.00%	1.46%

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 allowances by geographical area

	Impaired loans	Allowance for impairment losses	Net
As at 30 June 2021			
Chinese mainland	179,082	(153,497)	25,585
Hong Kong (China), Macao (China), Taiwan (China)	5,895	(3,550)	2,345
Other countries and regions	15,371	(8,569)	6,802
Total	200,348	(165,616)	34,732
As at 31 December 2020			
Chinese mainland	189,985	(151,489)	38,496
Hong Kong (China), Macao (China), Taiwan (China)	4,674	(2,463)	2,211
Other countries and regions	12,614	(8,943)	3,671
Total	207,273	(162,895)	44,378

(3) Loans and advances rescheduled

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, rescheduled credit terms as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, when approving the rescheduling of loans, the Group requires additional guarantees, pledges and/or collateral depending on the circumstances, or the assumption of the loan by a borrower with better repayment ability.

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 criterion 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 2021 and 31 December 2020.

As at 30 June 2021 and 31 December 2020, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

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(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(4) Overdue loans and advances to customers

Analysis of overdue loans and advances by geographical area:

	As at 30 June 2021	As at 31 December 2020
Chinese mainland	162,489	160,265
Hong Kong (China), Macao (China), Taiwan (China)	7,578	6,850
Other countries and regions	8,781	12,269
Subtotal	178,848	179,384
Percentage	1.16%	1.26%
Less: total loans and advances to customers which have been overdue for less than 3 months	(78,996)	(54,342)
Total loans and advances to customers which have been overdue for more than 3 months	99,852	125,042

(5) Loans and advances exposure by stage distribution

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

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2021				
Pass	14,865,529	76,718	–	14,942,247
Special-mention	–	234,728	–	234,728
Substandard	–	–	90,403	90,403
Doubtful	–	–	28,086	28,086
Loss	–	–	81,859	81,859
Total	14,865,529	311,446	200,348	15,377,323
As at 31 December 2020				
Pass	13,642,318	66,181	–	13,708,499
Special-mention	–	263,952	–	263,952
Substandard	–	–	125,118	125,118
Doubtful	–	–	33,823	33,823
Loss	–	–	48,332	48,332
Total	13,642,318	330,133	207,273	14,179,724

As at 30 June 2021 and 31 December 2020, loans and advances by five-category loan classification and stage distribution did not include loans and advances to customers measured at fair value through profit or loss.

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities

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

	Unrated	A to AAA	Lower than A	Total
As at 30 June 2021				
Issuers in Chinese mainland				
— Government	3,799	3,047,966	–	3,051,765
— Public sectors and quasi-governments	146,241	–	–	146,241
— Policy banks	513	486,540	–	487,053
— Financial institutions	40,569	270,025	141,671	452,265
— Corporate	84,368	104,459	34,705	223,532
— China Orient	152,433	–	–	152,433
Subtotal	427,923	3,908,990	176,376	4,513,289
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	3,189	581,954	15,762	600,905
— Public sectors and quasi-governments	1,641	103,332	–	104,973
— Financial institutions	6,900	134,990	39,887	181,777
— Corporate	16,279	96,099	38,033	150,411
Subtotal	28,009	916,375	93,682	1,038,066
Total	455,932	4,825,365	270,058	5,551,355
As at 31 December 2020				
Issuers in Chinese mainland				
— Government	6,461	3,026,650	–	3,033,111
— Public sectors and quasi-governments	130,695	–	–	130,695
— Policy banks	149	446,888	–	447,037
— Financial institutions	31,229	269,487	123,956	424,672
— Corporate	67,834	109,443	39,474	216,751
— China Orient	152,433	–	–	152,433
Subtotal	388,801	3,852,468	163,430	4,404,699
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	36,393	503,881	16,338	556,612
— Public sectors and quasi-governments	34,077	31,748	–	65,825
— Financial institutions	10,015	127,643	34,449	172,107
— Corporate	13,453	89,307	38,716	141,476
Subtotal	93,938	752,579	89,503	936,020
Total	482,739	4,605,047	252,933	5,340,719

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 Measurement of expected credit losses ("ECLs")

The Group conducted an assessment of ECLs according to forward-looking information and used a number of models and assumptions in its measurement of ECLs. These models and assumptions relate to the future macroeconomic conditions and debtors creditworthiness (e.g., the likelihood of default by debtors and the corresponding losses). The Group's assessment of ECLs on 30 June 2021 considered the impact of changes in the current economic environment on the ECL model, including: the debtor's operation or financial status, and the extent of the impact of the COVID-19 pandemic, the Group has granted deferred repayment and interest payment arrangements to some debtors affected by the pandemic, but a deferred principal and interest payment arrangement was not intended to be a judgment basis for automatically triggering a significant increase in the debtor's credit risk; specific industry risks affected by the pandemic; forward-looking forecasts on performance of key macroeconomic indicators on economic development trends.

Based on the analysis of historical data, the Group identifies the key macroeconomic indicators that affect the credit risk and ECLs of various business types, such as gross domestic product ("GDP"), investment in fixed assets, producer price index, home price index, consumer price index.

The specific value of the core macroeconomic indicator used by the Group to evaluate ECLs as at 30 June 2021 was as follows:

Indicator	Number
YoY Growth Rate of China's GDP in 2021	8.80%

The Group updates the forecast values of key macroeconomic indicators and determines the impact of these economic indicators on the probability of default and the loss given default by conducting regression analysis. Except for the changes, the judgments, assumptions and estimates used in the ECL measurement are consistent with those in 2020.

As at 30 June 2021, the ECLs reflected the Group's credit risk and the expectations for macroeconomic development of management.

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.4 Derivatives

The risk-weighted assets for counterparty credit risk ("CCR") of derivatives of the Group are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Assets Measurement Rules for Counterparty Default Risks of Derivatives* and other relevant regulations under the advanced capital management 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 2021	As at 31 December 2020
Risk-weighted assets for default risk		
Currency derivatives	74,752	76,313
Interest rate derivatives	13,424	16,082
Equity derivatives	690	844
Commodity derivatives and other	21,113	18,487
	109,979	111,726
Risk-weighted assets for CVA	87,411	110,319
Risk-weighted assets for CCPs	3,765	6,330
Total	201,155	228,375

1.5 Repossessed assets

The Group obtains assets by taking possession of collateral held as security. Detailed information of such repossessed assets of the Group is disclosed in Note III.20 (3).

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 potential largest loss arising from adverse market movements in a specific holding period and within a certain confidence level.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

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

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

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

The table below shows the VaR of the trading book by type of risk for the six month periods ended 30 June 2021 and 30 June 2020:

Unit: USD million

	Six month period ended 30 June					
	2021			2020		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	15.10	18.03	11.24	14.05	17.87	9.40
Foreign exchange risk	28.13	41.51	9.75	24.01	35.33	11.83
Volatility risk	5.31	11.41	1.31	0.75	1.95	0.18
Commodity risk	5.25	10.77	0.82	6.63	13.76	3.04
Total of the Bank's trading VaR	35.45	48.83	19.49	27.74	38.68	16.18

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

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

Unit: USD million

	Six month period ended 30 June					
	2021			2020		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	1.78	3.40	0.80	3.19	4.58	1.71
Foreign exchange risk	3.18	5.29	1.77	1.91	3.78	0.84
Equity risk	0.13	0.29	0.05	0.10	0.38	0.03
Commodity risk	1.18	2.93	–	0.08	0.32	–
Total BOCHK (Holdings)'s trading VaR	3.65	6.15	2.44	3.95	5.69	2.25
BOCI's trading VaR ⁽ⁱ⁾						
Equity derivatives unit	0.78	2.19	0.19	0.87	1.81	0.34
Fixed income unit	0.81	1.33	0.47	1.08	1.67	0.41
Global commodity unit	0.21	0.50	0.17	0.19	0.29	0.15
Total BOCI's trading VaR	1.81	3.58	0.97	2.15	3.04	1.57

- (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. The interest rate gap analysis is set out in Note IV.2.2 and also covers the trading book.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis

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

	As at 30 June 2021						Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	
Assets							
Cash and due from banks and other financial institutions	478,002	49,841	127,146	4,654	–	65,268	724,911
Balances with central banks	1,982,958	4,173	403	644	–	266,519	2,254,697
Placements with and loans to banks and other financial institutions	825,340	123,304	351,500	67,123	–	4,394	1,371,661
Derivative financial assets	–	–	–	–	–	116,240	116,240
Loans and advances to customers, net	3,032,833	2,644,321	8,382,343	558,831	279,057	150,329	15,047,714
Financial investments							
— financial assets at fair value through profit or loss	18,869	35,283	84,491	40,731	156,590	174,619	510,583
— financial assets at fair value through other comprehensive income	164,295	252,536	333,964	930,935	446,039	47,213	2,174,982
— financial assets at amortised cost	85,395	220,646	277,535	1,355,968	1,158,430	37,981	3,135,955
Other	1,285	–	–	–	148	979,151	980,584
Total assets	6,588,977	3,330,104	9,557,382	2,958,886	2,040,264	1,841,714	26,317,327
Liabilities							
Due to banks and other financial institutions	1,272,554	202,936	617,040	7,876	–	259,935	2,360,341
Due to central banks	88,527	90,553	695,114	12,748	–	8,882	895,824
Placements from banks and other financial institutions	389,657	64,636	44,489	–	–	1,227	500,009
Derivative financial liabilities	–	–	–	–	–	121,560	121,560
Due to customers	10,539,569	1,367,866	2,775,087	3,061,473	163	483,613	18,227,771
Bonds issued	88,420	149,328	527,985	466,080	57,165	12,583	1,301,561
Other	21,568	15,441	2,990	13,687	9,949	616,278	679,913
Total liabilities	12,400,295	1,890,760	4,662,705	3,561,864	67,277	1,504,078	24,086,979
Total interest repricing gap	(5,811,318)	1,439,344	4,894,677	(602,978)	1,972,987	337,636	2,230,348

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2020						
	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	470,557	92,375	152,489	3,117	–	84,607	803,145
Balances with central banks	1,883,236	2,990	489	651	–	189,474	2,076,840
Placements with and loans to banks and other financial institutions	405,802	167,138	278,759	82,515	–	5,106	939,320
Derivative financial assets	–	–	–	–	–	171,738	171,738
Loans and advances to customers, net	3,696,907	2,476,327	6,603,223	297,793	268,035	506,019	13,848,304
Financial investments							
— financial assets at fair value through profit or loss	10,968	48,105	76,626	42,983	169,896	155,971	504,549
— financial assets at fair value through other comprehensive income	176,317	249,957	253,926	925,422	461,527	40,641	2,107,790
— financial assets at amortised cost	229,352	71,072	336,105	1,283,662	1,019,905	38,682	2,978,778
Other	2,698	–	–	–	14,328	955,169	972,195
Total assets	6,875,837	3,107,964	7,701,617	2,636,143	1,933,691	2,147,407	24,402,659
Liabilities							
Due to banks and other financial institutions	1,150,797	250,707	192,966	5,518	–	317,015	1,917,003
Due to central banks	309,560	114,713	428,370	28,230	–	6,938	887,811
Placements from banks and other financial institutions	247,076	102,269	61,627	6	–	971	411,949
Derivative financial liabilities	–	–	–	–	–	212,052	212,052
Due to customers	9,697,626	1,333,837	2,582,012	2,817,528	1,698	446,470	16,879,171
Bonds issued	75,317	201,662	450,653	461,129	49,612	6,030	1,244,403
Other	28,026	17,655	5,385	8,566	22,808	604,993	687,433
Total liabilities	11,508,402	2,020,843	3,721,013	3,320,977	74,118	1,594,469	22,239,822
Total interest repricing gap	(4,632,565)	1,087,121	3,980,604	(684,834)	1,859,573	552,938	2,162,837

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IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2021 and 31 December 2020. 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 2021							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	449,885	176,175	25,954	32,969	6,721	9,558	23,649	724,911
Balances with central banks	1,598,182	256,145	133,889	116,209	33,343	59,182	57,747	2,254,697
Placements with and loans to banks and other financial institutions	652,906	568,012	82,622	14,901	351	1,629	51,240	1,371,661
Derivative financial assets	60,771	31,867	3,251	1,238	1,475	7,206	10,432	116,240
Loans and advances to customers, net	11,969,865	1,230,294	1,193,139	234,181	9,433	70,435	340,367	15,047,714
Financial investments								
— financial assets at fair value through profit or loss	372,213	52,578	78,135	6,771	830	14	42	510,583
— financial assets at fair value through other comprehensive income	1,294,442	442,500	182,976	29,221	137,024	4,011	84,808	2,174,982
— financial assets at amortised cost	2,823,342	256,847	3,749	9,250	5,591	3,846	33,330	3,135,955
Other	321,633	197,815	223,658	3,961	1,453	3,429	228,635	980,584
Total assets	19,543,239	3,212,233	1,927,373	448,701	196,221	159,310	830,250	26,317,327
Liabilities								
Due to banks and other financial institutions	1,470,478	532,080	44,892	55,714	13,597	10,856	232,724	2,360,341
Due to central banks	829,935	40,511	5,236	14,205	–	90	5,847	895,824
Placements from banks and other financial institutions	198,083	261,015	7,757	22,194	6,536	2,105	2,319	500,009
Derivative financial liabilities	73,492	30,532	1,905	1,531	833	6,090	7,177	121,560
Due to customers	13,823,993	1,766,220	1,752,138	291,291	55,597	59,914	478,618	18,227,771
Bonds issued	1,042,498	211,377	3,877	30,474	1,753	259	11,323	1,301,561
Other	261,835	120,123	269,769	7,921	344	2,157	17,764	679,913
Total liabilities	17,700,314	2,961,858	2,085,574	423,330	78,660	81,471	755,772	24,086,979
Net on-balance sheet position	1,842,925	250,375	(158,201)	25,371	117,561	77,839	74,478	2,230,348
Net off-balance sheet position	(21,660)	(134,422)	389,904	(11,508)	(116,300)	(74,655)	(25,356)	6,003
Credit commitments	3,405,093	782,059	253,190	143,987	8,945	55,495	104,937	4,753,706

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2020							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and								
other financial institutions	548,932	132,751	20,782	61,642	7,101	4,215	27,722	803,145
Balances with central banks	1,500,346	316,938	61,418	81,789	30,084	44,252	42,013	2,076,840
Placements with and loans to banks and								
other financial institutions	555,349	298,944	22,861	18,663	478	940	42,085	939,320
Derivative financial assets	97,475	44,134	3,479	738	987	9,344	15,581	171,738
Loans and advances to customers, net	11,024,110	1,106,377	1,010,120	258,468	11,076	62,829	375,324	13,848,304
Financial investments								
— financial assets at fair value through profit or loss	363,018	51,870	82,795	6,476	316	23	51	504,549
— financial assets at fair value through other comprehensive income	1,280,223	449,963	127,357	31,950	130,392	2,851	85,054	2,107,790
— financial assets at amortised cost	2,723,069	199,575	2,370	9,628	6,065	3,993	34,078	2,978,778
Other	317,767	183,732	219,734	2,466	1,417	2,346	244,733	972,195
Total assets	18,410,289	2,784,284	1,550,916	471,820	187,916	130,793	866,641	24,402,659
Liabilities								
Due to banks and other financial institutions	1,035,286	539,174	43,097	43,770	14,301	10,988	230,387	1,917,003
Due to central banks	576,601	277,062	12,918	13,487	–	341	7,402	887,811
Placements from banks and								
other financial institutions	137,784	215,247	13,729	28,757	12,204	2,247	1,981	411,949
Derivative financial liabilities	139,398	46,493	4,474	947	874	9,720	10,146	212,052
Due to customers	13,003,027	1,651,454	1,318,279	306,229	50,656	72,230	477,296	16,879,171
Bonds issued	968,665	218,950	8,617	31,980	1,896	311	13,984	1,244,403
Other	293,844	105,317	267,904	3,207	300	1,109	15,752	687,433
Total liabilities	16,154,605	3,053,697	1,669,018	428,377	80,231	96,946	756,948	22,239,822
Net on-balance sheet position	2,255,684	(269,413)	(118,102)	43,443	107,685	33,847	109,693	2,162,837
Net off-balance sheet position	(541,681)	392,537	347,658	(31,366)	(107,293)	(32,709)	(50,662)	(23,516)
Credit commitments	3,160,861	761,848	255,166	142,505	10,679	52,715	107,899	4,491,673

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(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period from the financial reporting date to the contractual maturity date.

	As at 30 June 2021							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	–	259,583	283,687	49,841	127,146	4,654	–	724,911
Balances with central banks	1,573,768	578,568	83,586	11,593	6,216	966	–	2,254,697
Placements with and loans to banks and other financial institutions	275	–	813,459	114,785	360,823	82,319	–	1,371,661
Derivative financial assets	–	11,280	21,483	24,671	27,285	24,438	7,083	116,240
Loans and advances to customers, net	41,616	274,435	632,946	816,003	3,271,736	4,213,613	5,797,365	15,047,714
Financial investments								
— financial assets at fair value through profit or loss	172,423	–	18,988	35,061	83,093	42,332	158,686	510,583
— financial assets at fair value through other comprehensive income	24,759	–	132,128	223,962	351,855	974,969	467,309	2,174,982
— financial assets at amortised cost	3,064	–	62,880	68,400	281,328	1,533,231	1,187,052	3,135,955
Other	365,707	444,794	33,719	10,210	21,907	72,766	31,481	980,584
Total assets	2,181,612	1,568,660	2,082,876	1,354,526	4,531,389	6,949,288	7,648,976	26,317,327
Liabilities								
Due to banks and other financial institutions	–	1,392,475	136,858	199,515	617,551	13,942	–	2,360,341
Due to central banks	–	42,544	34,842	90,975	703,369	24,094	–	895,824
Placements from banks and other financial institutions	–	–	388,131	64,477	44,692	2,553	156	500,009
Derivative financial liabilities	–	7,729	20,103	29,272	29,677	26,379	8,400	121,560
Due to customers	–	9,160,103	1,746,678	1,380,821	2,833,302	3,106,401	466	18,227,771
Bonds issued	–	–	66,718	119,946	552,951	504,448	57,498	1,301,561
Other	–	333,758	60,148	9,965	81,454	109,247	85,341	679,913
Total liabilities	–	10,936,609	2,453,478	1,894,971	4,862,996	3,787,064	151,861	24,086,979
Net liquidity gap	2,181,612	(9,367,949)	(370,602)	(540,445)	(331,607)	3,162,224	7,497,115	2,230,348

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 2020							
	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	21	286,447	265,996	93,556	154,008	3,117	–	803,145
Balances with central banks	1,452,254	549,551	39,355	5,709	28,669	1,302	–	2,076,840
Placements with and loans to banks and other financial institutions	377	–	397,698	154,029	286,481	100,735	–	939,320
Derivative financial assets	–	13,312	22,621	31,423	62,752	31,551	10,079	171,738
Loans and advances to customers, net	46,580	191,481	435,364	1,288,350	2,778,252	3,744,008	5,364,269	13,848,304
Financial investments								
— financial assets at fair value through profit or loss	154,836	–	10,521	47,105	77,423	44,679	169,985	504,549
— financial assets at fair value through other comprehensive income	23,481	–	137,987	217,198	284,963	973,389	470,772	2,107,790
— financial assets at amortised cost	2,805	–	50,431	80,052	358,189	1,443,948	1,043,353	2,978,778
Other	356,200	454,701	19,792	17,044	19,930	75,503	29,025	972,195
Total assets	2,036,554	1,495,492	1,379,765	1,934,466	4,050,667	6,418,232	7,087,483	24,402,659
Liabilities								
Due to banks and other financial institutions	–	1,351,541	70,855	271,019	217,441	6,056	91	1,917,003
Due to central banks	–	216,844	79,518	117,114	434,833	39,502	–	887,811
Placements from banks and other financial institutions	–	–	244,199	100,330	62,324	4,940	156	411,949
Derivative financial liabilities	–	9,479	24,395	34,122	95,255	35,127	13,674	212,052
Due to customers	–	8,521,036	1,528,697	1,354,270	2,596,276	2,871,178	7,714	16,879,171
Bonds issued	–	–	67,004	186,305	461,388	470,415	59,291	1,244,403
Other	–	329,254	58,677	15,215	112,493	95,681	76,113	687,433
Total liabilities	–	10,428,154	2,073,345	2,078,375	3,980,010	3,522,899	157,039	22,239,822
Net liquidity gap	2,036,554	(8,932,662)	(693,580)	(143,909)	70,657	2,895,333	6,930,444	2,162,837

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value

4.1 Financial instruments measured at fair value

Financial instruments measured at fair value are classified into the following three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity securities listed on exchanges or debt instruments issued by certain governments and certain exchange-traded derivative contracts.
- Level 2: Valuation technique for which all inputs that have a significant effect on the recorded fair value other than quoted prices included within Level 1 are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter ("OTC") derivative contracts, debt securities for which quotations are available from pricing service providers, discounted bills, etc.
- Level 3: Valuation technique using inputs which have a significant effect on the recorded fair value for the asset or liability are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

The Group uses valuation techniques or counterparty quotations to determine the fair value when it is unable to obtain open market quotation in active markets.

The main parameters used in valuation techniques include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from the open market.

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity), OTC structured derivative transactions and unlisted funds held by the Group, management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including 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. Management determines whether to make necessary adjustments to the fair value for the Group's Level 3 financial instruments by assessing the impact of changes in macro-economic factors, valuations by external valuation agencies and other inputs, including loss coverage ratios. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

	As at 30 June 2021			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	3,304	112,936	–	116,240
Loans and advances to customers at fair value	–	306,943	–	306,943
Financial assets at fair value through profit or loss				
— Debt securities	15,567	296,074	24,956	336,597
— Equity instruments	8,990	12,908	66,142	88,040
— Fund investments and other	26,128	15,843	43,975	85,946
Financial assets at fair value through other comprehensive income				
— Debt securities	380,824	1,769,028	1,314	2,151,166
— Equity instruments	7,496	10,998	5,322	23,816
Financial liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(1,952)	–	(1,952)
Due to customers at fair value	–	(30,199)	–	(30,199)
Bonds issued at fair value	–	(1,008)	–	(1,008)
Short position in debt securities	(1,203)	(11,503)	–	(12,706)
Derivative financial liabilities	(3,293)	(118,267)	–	(121,560)
	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	3,083	168,655	–	171,738
Loans and advances to customers at fair value	–	362,658	–	362,658
Financial assets at fair value through profit or loss				
— Debt securities	2,960	323,402	20,881	347,243
— Equity instruments	7,570	12,901	67,554	88,025
— Fund investments and other	20,961	5,362	42,958	69,281
Financial assets at fair value through other comprehensive income				
— Debt securities	296,234	1,788,755	1,373	2,086,362
— Equity instruments	7,005	9,692	4,731	21,428
Financial liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(3,831)	–	(3,831)
Due to customers at fair value	–	(25,742)	–	(25,742)
Bonds issued at fair value	–	(6,162)	–	(6,162)
Short position in debt securities	(576)	(17,336)	–	(17,912)
Derivative financial liabilities	(3,539)	(208,513)	–	(212,052)

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(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 items

	Derivative Financial assets	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
As at 1 January 2021	–	20,881	67,554	42,958	1,373	4,731
Total gains and losses						
— profit/(loss)	–	491	(778)	2,215	–	–
— other comprehensive income	–	–	–	–	(44)	(154)
Sales	–	(355)	(2,794)	(5,403)	–	–
Purchases	–	3,947	3,259	4,222	–	768
Settlements	–	–	–	–	–	–
Transfers out of Level 3, net	–	–	(1,099)	–	–	–
Other changes	–	(8)	–	(17)	(15)	(23)
As at 30 June 2021	–	24,956	66,142	43,975	1,314	5,322
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 30 June 2021	–	491	(752)	1,984	–	–

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 items (Continued)

	Derivative Financial assets	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
As at 1 January 2020	10	15,948	71,716	38,936	1,676	5,275
Total gains and losses						
— profit/(loss)	122	(698)	754	(1,598)	—	—
— other comprehensive income	—	—	—	—	161	289
Sales	—	(1,534)	(6,515)	(3,301)	(359)	—
Purchases	—	6,074	14,292	9,043	—	750
Settlements	—	(1)	—	—	—	—
Transfers out of Level 3, net	(132)	—	(12,693)	—	—	(1,467)
Other changes	—	1,092	—	(122)	(105)	(116)
As at 31 December 2020	—	20,881	67,554	42,958	1,373	4,731
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2020	—	(844)	756	(1,676)	—	—

Total gains or losses arising from financial instruments measured at fair value under level 3 for the six month period ended 30 June 2021 and the year ended 31 December 2020 were presented in “Net trading gains”, “Net gains on transfers of financial assets” or “Impairment losses on assets” depending on the nature or classification of the related financial instruments.

Gains or losses on Level 3 financial assets and liabilities included in the income statement comprise:

	Six month period ended 30 June					
	2021			2020		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the period	205	1,723	1,928	1,638	3,518	5,156

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 2021.

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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”, “Due to central banks”, “Due to banks and other financial institutions”, “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 2021		As at 31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities at amortised cost ⁽¹⁾	3,127,189	3,158,860	2,970,277	2,989,266
Financial liabilities				
Bonds issued ⁽²⁾	1,300,553	1,307,527	1,238,241	1,144,440

(1) Debt securities at amortised cost

The Orient Bond and Special Purpose Treasury Bond held by the Bank are non-transferable. As there are no observable market prices or yields reflecting arm's length transactions of a comparable size and tenor, the fair value is determined based on the stated interest rate of the instruments.

Fair values of other debt securities are based on market prices or broker/dealer price quotations. Where this information is not available, the Bank will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flow models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd..

(2) Bonds issued

The aggregate fair values are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.2 Financial instruments not measured at fair value (Continued)

The tables below summarise the fair values of three levels of “Debt securities at amortised cost” (excluding the Orient Bond and Special Purpose Treasury Bond), and “Bonds issued” not presented at fair value at the financial reporting date.

	As at 30 June 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities at amortised cost	114,153	2,845,867	2,964	2,962,984
Financial liabilities				
Bonds issued	–	1,307,527	–	1,307,527

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities at amortised cost	96,766	2,694,018	3,055	2,793,839
Financial liabilities				
Bonds issued	–	1,144,440	–	1,144,440

Other than the above, the difference between the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value in the condensed consolidated interim statement of financial position is insignificant. Fair value is measured using discounted cash flow model.

Notes to the Condensed Consolidated Interim Financial Information

for the six month period ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management

The Group follows the principles below with regard to capital management:

- Adequate capital and sustainable development. Follow the lead of the strategic planning of the Group development; and maintain the high quality and adequacy of capital as to meet regulation requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business in the Group.
- Allocation optimisation and benefit augmentation. Allocate capital properly by prioritising the asset businesses with low capital occupancy and high comprehensive income, and steadily improve the efficiency and return of capital, to achieve the reciprocal matchup and dynamic equilibrium among risks, assets and returns.
- Refined management and capital level improvement. Optimise the capital management system by sufficiently identifying, calculating, monitoring, mitigating, and controlling various types of risks; incorporate capital restraints into the whole process of product pricing, resource allocation, structural adjustments, performance evaluation, etc., ensuring that the capital employed is commensurate with the related risks and the level of risk management.

Capital adequacy and regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis.

The Group's capital adequacy ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. With the approval of the CBIRC, the Group adopts the advanced capital measurement approaches, which include Foundation Internal Ratings-based Approach for corporate exposures, Internal Ratings-based Approach for retail exposures, Internal Models Approach for market risk and Standardised Approach for operational risk. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated adopting non-advanced approaches.

As a Systemically Important Bank, the Group's capital adequacy ratios are required to meet the lowest requirements of the CBIRC, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 9.00%, 10.00% and 12.00%, respectively.

The Group's regulatory capital is managed by its capital management related departments and consists of the following:

- Common equity tier 1 capital, including common shares, capital reserve, surplus reserve, general reserve, undistributed profits, eligible portion of minority interests and others;
- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests;
- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss allowances and eligible portion of minority interests.

Goodwill, other intangible assets (except for land use rights), investments in common equity tier 1 capital of financial institutions with controlling interests but outside of the scope of regulatory consolidation, significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation and other deductible items are deducted from common equity tier 1 and tier 2 capital to derive at the regulatory capital.

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio ⁽¹⁾ calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations.

	As at 30 June 2021	As at 31 December 2020
Common equity tier 1 capital adequacy ratio	10.80%	11.28%
Tier 1 capital adequacy ratio	12.72%	13.19%
Capital adequacy ratio	15.61%	16.22%
Composition of the Group's capital base		
Common equity tier 1 capital	1,772,810	1,730,401
Common shares	294,388	294,388
Capital reserve	134,381	134,221
Surplus reserve	192,446	192,251
General reserve	269,155	267,856
Undistributed profits	844,621	803,823
Eligible portion of minority interests	34,141	32,567
Other ⁽²⁾	3,678	5,295
Regulatory deductions	(24,696)	(25,623)
Of which:		
Goodwill	(182)	(182)
Other intangible assets (except for land use rights)	(14,653)	(15,140)
Direct or indirect investments in own shares	(51)	(8)
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,817)	(9,838)
Net common equity tier 1 capital	1,748,114	1,704,778
Additional tier 1 capital	310,106	287,843
Preference shares and related premium	119,550	147,519
Additional capital instruments and related premium	179,960	129,971
Eligible portion of minority interests	10,596	10,353
Net tier 1 capital	2,058,220	1,992,621
Tier 2 capital	467,979	458,434
Tier 2 capital instruments issued and related premium	341,764	333,381
Excess loan loss provisions	116,354	115,627
Eligible portion of minority interests	9,861	9,426
Net capital	2,526,199	2,451,055
Risk-weighted assets	16,182,716	15,109,085

(1) When calculating the capital adequacy ratios, Bank of China Group Investment Limited ("BOCG Investment"), Bank of China Insurance Company Limited ("BOC Insurance"), Bank of China Group Insurance Company Limited ("BOCG Insurance") and Bank of China Group Life Assurance Company Limited ("BOCG Life") were excluded from the scope of consolidation in accordance with requirements of the CBIRC.

(2) This mainly represents exchange differences from the translation of foreign operations and gains or 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 periods ended 30 June 2021 and 30 June 2020 or total equity as at 30 June 2021 and as at 31 December 2020 presented in the Group's consolidated 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 2021	As at 31 December 2020
RMB current assets to RMB current liabilities	48.62%	54.50%
Foreign currency current assets to foreign currency current liabilities	66.64%	58.57%

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

Liquidity coverage ratio

According to the *Disclosure Rules on Liquidity Coverage Ratio of Commercial Banks*, 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*, 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 2021, the Group measured 91-day LCR on this basis with average ratio⁽³⁾ standing at 127.51%, representing a decrease of 5.79 percentage points over the previous quarter, which was primarily due to the decrease in the high-quality liquid assets ("HQLA").

	2021		2020	
	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December	Quarter ended 30 September
Average value of LCR	127.51%	133.30%	139.79%	137.36%

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 2021 are as follows:

No.	Total unweighted value	Total weighted value
High-quality liquid assets		
1 Total high-quality liquid assets (HQLA)		4,480,299
Cash outflows		
2 Retail deposits and deposits from small business customers, of which:	8,406,427	615,752
3 Stable deposits	4,359,663	211,076
4 Less stable deposits	4,046,764	404,676
5 Unsecured wholesale funding, of which:	9,968,151	3,835,769
6 Operational deposits (excluding those generated from correspondent banking activities)	5,393,739	1,323,083
7 Non-operational deposits (all counterparties)	4,503,017	2,441,291
8 Unsecured debts	71,395	71,395
9 Secured funding		164
10 Additional requirements, of which:	3,029,300	1,800,271
11 Outflows related to derivative exposures and other collateral requirements	1,694,248	1,694,248
12 Outflows related to loss of funding on debt products	–	–
13 Credit and liquidity facilities	1,335,052	106,023
14 Other contractual funding obligations	63,142	63,142
15 Other contingent funding obligations	2,995,334	85,147
16 Total cash outflows		6,400,245
Cash inflows		
17 Secured lending (including reverse repos and securities borrowing)	496,918	173,178
18 Inflows from fully performing exposures	1,524,977	913,551
19 Other cash inflows	1,904,643	1,797,628
20 Total cash inflows	3,926,538	2,884,357
		Total adjusted value
21 Total HQLA		4,480,299
22 Total net cash outflows		3,515,888
23 Liquidity coverage ratio		127.51%

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

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

Net stable funding ratio

In accordance with the *Disclosure Rules on Net Stable Funding Ratio of Commercial Banks*, the Group disclosed the information of net stable funding ratio ("NSFR")⁽¹⁾ as follows.

Regulatory requirements of net stable funding ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks* issued by CBIRC, the minimum regulatory requirement of NSFR is 100%.

The Group's net stable funding ratio

As stipulated by the *Disclosure Rules on Net Stable Funding Ratio of Commercial Banks* issued by CBIRC, banks approved to implement the advanced approaches of capital measurement in accordance with *Capital Rules for Commercial Banks (Provisional)* shall disclose the information of NSFR for the preceding two consecutive quarters at least semi-annually.

As at 30 June 2021, the Group's NSFR was 121.22% on a consolidated basis⁽²⁾, representing a decrease of 2.07 percentage points over the previous quarter. As at 31 March 2021, the Group's NSFR was 123.29%, representing a decrease of 0.21 percentage point over the previous quarter. The Group's NSFR remained stable, and met the regulatory requirement.

	2021		2020	
	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December	Quarter ended 30 September
Ending value of NSFR ⁽³⁾	121.22%	123.29%	123.50%	123.29%

(1) NSFR is introduced to ensure commercial banks have sufficient source of stable funding, in order to meet the demand for stable funding of all various types of assets and off-balance sheet risk exposures.

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

(3) NSFR are the ending values of each quarter.

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the second quarter of 2021 are as follows:

		Unweighted value				Weighted value
No.	Items	No maturity	<6 months	6–12 months	≥1 year	
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,436,084	2,436,084
2	Regulatory capital	–	–	–	2,418,084	2,418,084
3	Other capital instruments	–	–	–	18,000	18,000
4	Retail deposits and deposits from small business customers	4,243,103	4,742,103	65,584	22,604	8,394,779
5	Stable deposits	1,867,644	2,641,105	20,534	8,192	4,311,011
6	Less stable deposits	2,375,459	2,100,998	45,050	14,412	4,083,768
7	Wholesale funding	6,177,281	5,995,786	1,154,094	487,709	5,774,093
8	Operational deposits	5,346,694	133,948	–	–	2,740,321
9	Other wholesale funding	830,587	5,861,838	1,154,094	487,709	3,033,772
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	74,847	193,657	4,812	443,432	313,267
12	NSFR derivative liabilities				132,571	
13	All other liabilities and equity not included in the above categories	74,847	193,657	4,812	310,861	313,267
14	Total ASF					16,918,223

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 2021 are as follows (Continued):

No. Items		Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					735,372
16	Deposits held at other financial institutions for operational purposes	178,157	1,550	–	–	89,853
17	Loans and securities	50,222	5,053,079	2,524,926	10,246,703	11,649,357
18	Loans to financial institutions secured by Level 1 assets	–	374,070	–	–	37,407
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	50,222	1,518,517	421,862	85,353	531,595
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,837,134	1,842,352	5,201,187	6,626,040
21	With a risk weight of less than or equal to 35%	–	208,343	18,650	22,121	31,482
22	Residential mortgages of which:	–	93,316	97,254	4,439,092	3,813,627
23	With a risk weight of less than or equal to 35%	–	6,466	6,580	274,427	184,901
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	230,042	163,458	521,071	640,688
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	689,385	70,723	7,249	621,322	1,216,472
27	Physical traded commodities, including gold	220,631				187,536
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				484	411
29	NSFR derivative assets				127,876	–
30	NSFR derivative liabilities with additional requirements				26,514*	26,514
31	All other assets not included in the above categories	468,754	70,723	7,249	492,962	1,002,011
32	Off-balance sheet items				6,594,050	266,144
33	Total RSF					13,957,198
34	NSFR					121.22%

* Report derivative liabilities 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 2021 are as follows:

		Unweighted value				Weighted value
No.	Items	No maturity	<6 months	6–12 months	≥1 year	
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,424,628	2,424,628
2	Regulatory capital	–	–	–	2,374,628	2,374,628
3	Other capital instruments	–	–	–	50,000	50,000
4	Retail deposits and deposits from small business customers	4,311,867	4,780,153	62,428	23,634	8,487,663
5	Stable deposits	1,871,853	2,609,462	19,175	9,085	4,284,550
6	Less stable deposits	2,440,014	2,170,691	43,253	14,549	4,203,113
7	Wholesale funding	5,684,180	5,798,654	1,211,525	507,462	5,804,210
8	Operational deposits	5,153,017	209,867	–	–	2,681,442
9	Other wholesale funding	531,163	5,588,787	1,211,525	507,462	3,122,768
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	75,224	216,261	5,567	432,815	272,153
12	NSFR derivative liabilities				163,446	
13	All other liabilities and equity not included in the above categories	75,224	216,261	5,567	269,369	272,153
14	Total ASF					16,988,654

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 first quarter of 2021 are as follows (Continued):

No. Items		Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					755,718
16	Deposits held at other financial institutions for operational purposes	210,545	2,157	–	–	106,351
17	Loans and securities	42,811	4,656,428	2,514,449	10,094,068	11,426,174
18	Loans to financial institutions secured by Level 1 assets	–	276,399	–	–	27,640
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	42,811	1,414,503	457,840	96,656	544,173
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,590,536	1,826,604	5,135,182	6,473,017
21	With a risk weight of less than or equal to 35%	–	232,060	14,593	4,599	27,955
22	Residential mortgages of which:	–	112,032	97,317	4,340,795	3,739,769
23	With a risk weight of less than or equal to 35%	–	6,440	6,618	272,909	183,920
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	262,958	132,688	521,435	641,575
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	678,815	123,539	9,265	608,276	1,239,885
27	Physical traded commodities, including gold	213,142				181,171
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				532	452
29	NSFR derivative assets				155,220	–
30	NSFR derivative liabilities with additional requirements				32,689*	32,689
31	All other assets not included in the above categories	465,673	123,539	9,265	452,524	1,025,573
32	Off-balance sheet items				6,333,142	250,883
33	Total RSF					13,779,011
34	NSFR					123.29%

* Report derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No. 26 "Other assets".

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

2 Currency concentrations

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

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
As at 30 June 2021				
Spot assets	4,031,106	2,019,234	1,935,115	7,985,455
Spot liabilities	(3,845,797)	(2,420,607)	(1,721,401)	(7,987,805)
Forward purchases	4,551,726	876,957	1,475,622	6,904,305
Forward sales	(4,701,837)	(493,326)	(1,702,442)	(6,897,605)
Net option position*	(3,666)	375	6,612	3,321
Net long/(short) position	31,532	(17,367)	(6,494)	7,671
Structural position	62,331	238,793	77,196	378,320
As at 31 December 2020				
Spot assets	3,695,294	1,607,291	1,945,381	7,247,966
Spot liabilities	(4,029,848)	(1,964,590)	(1,736,612)	(7,731,050)
Forward purchases	4,944,883	760,105	1,313,088	7,018,076
Forward sales	(4,546,040)	(420,572)	(1,536,300)	(6,502,912)
Net option position*	(19,306)	(364)	(6,615)	(26,285)
Net long/(short) position	44,983	(18,130)	(21,058)	5,795
Structural position	61,978	233,953	79,913	375,844

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

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

3 International claims

The Group discloses international claims according to *Banking (Disclosure) Rules* (L.N. 160 of 2014). International claims are risk exposures generated from the countries or geographical areas where the counterparties take the ultimate risk while considering the transfer of the risk, exclude local claims on local residents in local currency. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a counterparty whose head office is located in another country.

International claims include "Balances with central banks", "Due from and placements with and loans to banks and other financial institutions", "Government certificates of indebtedness for bank notes issued", "Loans and advances to customers" and "Financial investments".

International claims have been disclosed by major countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers.

	Banks	Official sector	Non-bank private sector	Total
As at 30 June 2021				
Asia Pacific				
Chinese mainland	909,583	211,530	791,496	1,912,609
Hong Kong, China	65,145	1,750	488,105	555,000
Other Asia Pacific locations	109,797	175,900	424,203	709,900
Subtotal	1,084,525	389,180	1,703,804	3,177,509
North and South America	117,632	223,575	263,965	605,172
Other	394,232	163,953	270,811	828,996
Total	1,596,389	776,708	2,238,580	4,611,677
As at 31 December 2020				
Asia Pacific				
Chinese mainland	675,133	236,529	702,641	1,614,303
Hong Kong, China	40,671	214	442,402	483,287
Other Asia Pacific locations	97,249	166,292	417,733	681,274
Subtotal	813,053	403,035	1,562,776	2,778,864
North and South America	81,312	233,162	173,112	487,586
Other	201,540	63,838	283,718	549,096
Total	1,095,905	700,035	2,019,606	3,815,546

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 2021	As at 31 December 2020
Total loans and advances to customers which have been overdue		
within 3 months	78,996	54,342
between 3 and 6 months	15,913	24,001
between 6 and 12 months	35,077	47,097
over 12 months	48,862	53,944
Total	178,848	179,384
Percentage		
within 3 months	0.51%	0.38%
between 3 and 6 months	0.10%	0.17%
between 6 and 12 months	0.23%	0.33%
over 12 months	0.32%	0.38%
Total	1.16%	1.26%

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 2021 and 31 December 2020 was not considered material.

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information

5.1 Scope of consolidation

When calculating the Group's consolidated (the "Group") capital adequacy ratios, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with requirements of the CBIRC, while other branches, subsidiaries and affiliates were included. For the Bank's unconsolidated (the "Bank") capital adequacy ratio calculations, only the branches were included, while the subsidiaries and affiliates were excluded.

5.2 Capital adequacy ratio

The Group and the Bank calculate the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* as follows:

	Group		Bank	
	As at 30 June 2021	As at 31 December 2020	As at 30 June 2021	As at 31 December 2020
Net common equity tier 1 capital	1,748,114	1,704,778	1,474,957	1,441,977
Net tier 1 capital	2,058,220	1,992,621	1,774,468	1,719,467
Net capital	2,526,199	2,451,055	2,225,969	2,162,054
Common equity tier 1 capital adequacy ratio	10.80%	11.28%	10.68%	10.99%
Tier 1 capital adequacy ratio	12.72%	13.19%	12.84%	13.10%
Capital adequacy ratio	15.61%	16.22%	16.11%	16.47%

5.3 Risk-weighted assets

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

	As at 30 June 2021	As at 31 December 2020
Credit risk-weighted assets	15,147,656	14,072,655
Market risk-weighted assets	129,419	130,789
Operational risk-weighted assets	905,641	905,641
Risk-weighted assets increment required to reach capital floor	—	—
Total risk-weighted assets	16,182,716	15,109,085

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 2021			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by Internal Ratings-based Approach	12,478,624	1,115,170	34,883	13,628,677
Of which: Corporate exposures	7,443,928	975,478	34,883	8,454,289
Retail exposures	5,034,696	139,692	–	5,174,388
Exposures not covered by Internal Ratings-based Approach	13,109,511	600,324	615,685	14,325,520
Of which: Asset securitization	67,572	116	–	67,688
Total	25,588,135	1,715,494	650,568	27,954,197

	As at 31 December 2020			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by Internal Ratings-based Approach	11,482,248	1,179,310	36,662	12,698,220
Of which: Corporate exposures	6,730,799	977,411	36,662	7,744,872
Retail exposures	4,751,449	201,899	–	4,953,348
Exposures not covered by Internal Ratings-based Approach	12,369,857	541,600	441,827	13,353,284
Of which: Asset securitization	77,276	192	–	77,468
Total	23,852,105	1,720,910	478,489	26,051,504

5.5 Capital requirements on market risk

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

	Capital requirements	
	As at 30 June 2021	As at 31 December 2020
Covered by Internal Model Approach	5,867	7,148
Not covered by Internal Model Approach	4,487	3,315
Interest rate risk	3,778	2,600
Equity risk	407	220
Foreign exchange risk	–	–
Commodity risk	302	495
Total	10,354	10,463

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

5.6 VaR

The VaR and stressed VaR of the Group covered by the Internal Model Approach are as follows:

	Six month period ended 30 June 2021			
	Average	Maximum	Minimum	End
VaR	982	1,711	380	413
Stressed VaR	1,249	1,756	756	854

	Year ended 31 December 2020			
	Average	Maximum	Minimum	End
VaR	917	2,211	463	596
Stressed VaR	1,226	2,211	703	1,104

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 RMB72,451 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 2021	As at 31 December 2020
Items		
+25 basis points	(5,065)	(4,107)
- 25 basis points	5,065	4,107

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital

	As at 30 June 2021	As at 31 December 2020	Code
Common equity tier 1 capital			
1 Paid-in capital	294,388	294,388	j
2 Retained earnings	1,306,222	1,263,930	
2a Surplus reserve	192,446	192,251	r
2b General reserve	269,155	267,856	s
2c Undistributed profits	844,621	803,823	t
3 Accumulated other comprehensive income (and other reserves)	138,059	139,516	
3a Capital reserve	134,381	134,221	m
3b Currency translation differences	(21,834)	(19,496)	q
3c Others	25,512	24,791	o-q
4 Amount attributable to common equity tier 1 capital in the transitional period	–	–	
5 Eligible portion of minority interests	34,141	32,567	u
6 Common equity tier 1 capital before regulatory adjustment	1,772,810	1,730,401	
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)	(14,653)	(15,140)	g-f
10 Net deferred tax assets incurred due to operating losses, relying on the bank's future profitability to be realized	–	–	
11 Reserve relating to cash-flow hedge items not measured at fair value	–	–	-p
12 Shortfall of loan loss provisions	–	–	
13 Gains on sale of securitization	–	–	
14 Unrealized gains and losses that have been resulted from changes in the fair value of liabilities due to changes in own credit risk	–	–	
15 Net pension assets with fixed yield (net of deferred tax liabilities deduction)	–	–	
16 Direct or indirect investments in own shares	(51)	(8)	n
17 Reciprocal cross holdings in common equity of banks or other financial institutions based on agreement	–	–	
18 Non-significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
19 Significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
20 Collateralized loan service rights	Not applicable	Not applicable	
21 Deductible amount of other net deferred tax assets relying on the bank's future profitability	–	–	
22 Deductible amount of the non-deducted part of common equity tier 1 capital of significant minority investments in financial institutions that are outside the scope of regulatory consolidation and other net deferred tax assets relying on the bank's future profitability in excess of 15% of common equity tier 1 capital	–	–	

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2021	As at 31 December 2020	Code
23 Of which: Amount deductible out of significant minority investments in financial institutions	–	–	
24 Of which: Amount deductible out of collateralized loan service rights	Not applicable	Not applicable	
25 Of which: Amount deductible out of other net deferred tax assets relying on the bank's future profitability	–	–	
26a Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,817)	(9,838)	-e
26b Gap of common equity tier 1 capital of controlled but unconsolidated financial institutions	–	–	
26c Total of other items deductible out of common equity tier 1 capital	7	(455)	
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	(24,696)	(25,623)	
29 Net common equity tier 1 capital	1,748,114	1,704,778	
Additional tier 1 capital			
30 Additional tier 1 capital instruments and related premiums	299,510	277,490	
31 Of which: Equity part	299,510	277,490	k+l
32 Of which: Liability part	–	–	
33 Instruments non-attributable to additional tier 1 capital after the transitional period	–	–	
34 Eligible portion of minority interests	10,596	10,353	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	310,106	287,843	
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	310,106	287,843	
45 Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)	2,058,220	1,992,621	

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2021	As at 31 December 2020	Code
Tier 2 capital			
46 Tier 2 capital instruments issued and related premium	341,764	333,381	
47 Of which: Part of instruments non-attributable to tier 2 capital after the transitional period	16,456	32,911	i
48 Eligible portion of minority interests	9,861	9,426	
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	116,354	115,627	-b-d
51 Tier 2 capital before regulatory adjustment	467,979	458,434	
Tier 2 capital: Regulatory adjustment			
52 Tier 2 capital of the bank held directly or indirectly	—	—	
53 Tier 2 capital cross-held between banks or between the bank and other financial institutions based on agreement	—	—	
54 Non-significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	—	—	
55 Significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	—	—	
56a Investment in tier 2 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	—	—	
56b Gap of tier 2 capital of controlled but unconsolidated financial institutions	—	—	
56c Other deductions from tier 2 capital	—	—	
57 Total regulatory adjustment of tier 2 capital	—	—	
58 Net tier 2 capital	467,979	458,434	
59 Total net capital (net tier 1 capital + net tier 2 capital)	2,526,199	2,451,055	
60 Total risk-weighted assets	16,182,716	15,109,085	

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2021	As at 31 December 2020	Code
Capital adequacy ratio and reserve capital requirement			
61 Common equity tier 1 capital adequacy ratio	10.80%	11.28%	
62 Tier 1 capital adequacy ratio	12.72%	13.19%	
63 Capital adequacy ratio	15.61%	16.22%	
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	5.80%	6.28%	
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)	133,427	145,761	
73 Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	7,229	7,150	
74 Collateralized loan service rights (net of deferred tax liabilities deduction)	Not applicable	Not applicable	
75 Other net deferred tax assets relying on the bank's future profitability (net of deferred tax liabilities deduction)	47,306	57,407	
Limit of excess loan loss provisions attributable to tier 2 capital			
76 Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	63,881	63,006	-a
77 Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	29,569	29,599	-b
78 Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	86,785	86,028	-c
79 Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	86,785	86,028	-d
Capital instruments meeting exit arrangement			
80 Amount attributable to common equity tier 1 capital of the current period derived from the transitional period arrangement	–	–	
81 Amount non-attributable to common equity tier 1 capital derived from the transitional period arrangement	–	–	
82 Amount attributable to additional tier 1 capital of the current period derived from the transitional period arrangement	–	–	
83 Amount non-attributable to additional tier 1 capital derived from the transitional period arrangement	–	–	
84 Amount attributable to tier 2 capital of the current period derived from the transitional period arrangement	16,456	32,911	i
85 Amount non-attributable to tier 2 capital of the current period derived from the transitional period arrangement	1,544	17,089	

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 2: Financial and regulatory consolidated balance sheet

	As at 30 June 2021		As at 31 December 2020	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
ASSETS				
Cash and balances with central banks	2,314,428	2,314,428	2,155,665	2,155,665
Due from banks and other financial institutions	665,180	659,062	724,320	717,952
Precious metals	207,914	207,914	223,313	223,313
Placements with and loans to banks and other financial institutions	809,837	809,258	709,263	708,643
Derivative financial assets	116,240	116,156	171,738	171,619
Reverse repurchase transactions	561,824	561,779	230,057	229,894
Loans and advances to customers	15,047,714	15,042,511	13,848,304	13,843,088
Financial investments	5,821,520	5,601,146	5,591,117	5,385,411
— financial assets at fair value through profit or loss	510,583	392,234	504,549	391,945
— financial assets at fair value through other comprehensive income	2,174,982	2,141,804	2,107,790	2,077,154
— financial assets at amortised cost	3,135,955	3,067,108	2,978,778	2,916,312
Long term equity investment	35,552	66,636	33,508	65,671
Investment properties	20,885	13,948	22,065	14,194
Property and equipment	245,998	91,591	248,589	95,431
Right-of-use assets	21,299	22,461	22,855	24,239
Intangible assets	21,425	20,019	22,140	20,706
Goodwill	2,507	182	2,525	182
Deferred income tax assets	48,650	47,306	58,916	57,407
Other assets	376,354	310,242	338,284	274,402
Total assets	26,317,327	25,884,639	24,402,659	23,987,817

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 2: Financial and regulatory consolidated balance sheet (Continued)

	As at 30 June 2021		As at 31 December 2020	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
LIABILITIES				
Due to central banks	895,824	895,824	887,811	887,811
Due to banks and other financial institutions	2,360,341	2,360,341	1,917,003	1,917,003
Placements from banks and other financial institutions	350,993	337,379	284,747	272,875
Financial liabilities held for trading	12,706	12,706	17,912	17,912
Derivative financial liabilities	121,560	120,665	212,052	210,655
Repurchase transactions	149,016	148,618	127,202	127,159
Due to customers	18,227,771	18,232,731	16,879,171	16,883,254
Employee benefits payable	29,435	28,084	36,378	34,868
Current tax liabilities	28,322	28,212	55,665	55,384
Contingent liabilities	27,719	27,719	29,492	29,492
Lease liabilities	20,981	22,706	21,893	23,776
Bonds issued	1,301,561	1,211,146	1,244,403	1,160,174
Deferred income tax liabilities	6,834	1,169	6,499	1,092
Other liabilities	553,916	305,409	519,594	277,519
Total liabilities	24,086,979	23,732,709	22,239,822	21,898,974
EQUITY				
Share capital	294,388	294,388	294,388	294,388
Other equity instruments	299,510	299,510	277,490	277,490
Of which: Preference shares	119,550	119,550	147,519	147,519
Undated capital bonds	179,960	179,960	129,971	129,971
Capital reserve	136,178	134,381	135,973	134,221
Less: Treasury shares	(51)	(51)	(8)	(8)
Other comprehensive income	1,810	3,678	4,309	5,295
Surplus reserve	193,667	192,446	193,438	192,251
General reserve	269,280	269,155	267,981	267,856
Undistributed profits	910,565	844,621	864,848	803,823
Capital and reserves attributable to equity holders of the Bank	2,105,347	2,038,128	2,038,419	1,975,316
Non-controlling interests	125,001	113,802	124,418	113,527
Total equity	2,230,348	2,151,930	2,162,837	2,088,843
Total equity and liabilities	26,317,327	25,884,639	24,402,659	23,987,817

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 2021	As at 31 December 2020	Code
ASSETS			
Cash and balances with central banks	2,314,428	2,155,665	
Due from banks and other financial institutions	659,062	717,952	
Precious metals	207,914	223,313	
Placements with and loans to banks and other financial institutions	809,258	708,643	
Derivative financial assets	116,156	171,619	
Reverse repurchase transactions	561,779	229,894	
Loans and advances to customers	15,042,511	13,843,088	
Of which: Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	(63,881)	(63,006)	a
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	(29,569)	(29,599)	b
Of which: Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	(86,785)	(86,028)	c
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	(86,785)	(86,028)	d
Financial investments	5,601,146	5,385,411	
— financial assets at fair value through profit or loss	392,234	391,945	
— financial assets at fair value through other comprehensive income	2,141,804	2,077,154	
— financial assets at amortised cost	3,067,108	2,916,312	
Long term equity investment	66,636	65,671	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,817	9,838	e
Investment properties	13,948	14,194	
Property and equipment	91,591	95,431	
Right-of-use assets	22,461	24,239	
Intangible assets	20,019	20,706	f
Of which: Land use rights	5,366	5,566	g
Goodwill	182	182	h
Deferred income tax assets	47,306	57,407	
Other assets	310,242	274,402	
Total assets	25,884,639	23,987,817	

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

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

	As at 30 June 2021	As at 31 December 2020	Code
LIABILITIES			
Due to central banks	895,824	887,811	
Due to banks and other financial institutions	2,360,341	1,917,003	
Placements from banks and other financial institutions	337,379	272,875	
Financial liabilities held for trading	12,706	17,912	
Derivative financial liabilities	120,665	210,655	
Repurchase transactions	148,618	127,159	
Due to customers	18,232,731	16,883,254	
Employee benefits payable	28,084	34,868	
Current tax liabilities	28,212	55,384	
Contingent liabilities	27,719	29,492	
Lease liabilities	22,706	23,776	
Bonds issued	1,211,146	1,160,174	
Of which: Amount attributable to tier 2 capital of the current period derived from the transitional period arrangement	16,456	32,911	i
Deferred income tax liabilities	1,169	1,092	
Other liabilities	305,409	277,519	
Total liabilities	23,732,709	21,898,974	
EQUITY			
Share capital	294,388	294,388	j
Other equity instruments	299,510	277,490	
Of which: Preference shares	119,550	147,519	k
Undated capital bonds	179,960	129,971	l
Capital reserve	134,381	134,221	m
Less: Treasury shares	(51)	(8)	n
Other comprehensive income	3,678	5,295	o
Of which: Reserve relating to cash-flow hedge items not measured at fair value	–	–	p
Of which: Currency translation differences	(21,834)	(19,496)	q
Surplus reserve	192,446	192,251	r
General reserve	269,155	267,856	s
Undistributed profits	844,621	803,823	t
Capital and reserves attributable to equity holders of the Bank	2,038,128	1,975,316	
Non-controlling interests	113,802	113,527	
Of which: Amount attributable to common equity tier 1 capital	34,141	32,567	u
Of which: Amount attributable to additional tier 1 capital	10,596	10,353	v
Total equity	2,151,930	2,088,843	
Total equity and liabilities	25,884,639	23,987,817	

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
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	360035.SH	360035.SH	4619.HK	2028014.B	2028014.B	2028014.B	2028014.B
3	Applicable law	PRC law	Hong Kong SAR (China) law	PRC law	PRC law	Hong Kong SAR (China) law	PRC law	PRC law	PRC law	PRC law
Regulatory processing										
4	Of which: Applicable to transitional period rules specified by Capital Rules for Commercial Banks (Provisional)	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
5	Of which: Applicable to the rules after expiration of the transitional period specified by Capital Rules for Commercial Banks (Provisional)	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
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Common shares	Common shares	Preference shares	Preference shares	Preference shares	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
8	Amount attributable to regulatory capital (the last reporting day)	282,433	145,603	72,979	26,990	19,581	39,992	29,994	19,995	49,989
9	Par value of instrument	210,766	83,622	73,000	27,000	19,787	40,000	30,000	20,000	50,000
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument
11	Initial issuing date	2006/6/29	2006/6/1	2019/6/24	2019/6/25	2020/8/4	2019/1/25	2020/11/13	2020/12/10	2021/5/17
12	Term (term or perpetual)	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Not applicable	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter

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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	Undated capital bonds	Undated capital bonds
Regulatory processing (Continued)								
16 Of which: Subsequent redemption date (if any)	Not applicable	Not applicable	Subject to approval by the CBIRC, the Bank has the right to all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank may redeem the Bonds in whole or in part on each Distribution	Subject to approval by the CBIRC, the Bank may redeem the Bonds in whole or in part on each Distribution	Subject to approval by the CBIRC, the Bank may redeem the Bonds in whole or in part on each Distribution	Subject to approval by the CBIRC, the Bank may redeem the Bonds in whole or in part on each Distribution
Dividend or interest payment								
17 Of which: Fixed or floating dividend or interest payment	Floating	Floating	Adjustable dividend rate 4.50% (dividend yield, before tax) for the first five years, is reset based on the benchmark rate plus a fixed spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	Adjustable dividend rate 4.35% (dividend yield, before tax) for the first five years, is reset based on the benchmark rate plus a fixed spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	Adjustable dividend rate 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	Adjustable distribution rate 4.50% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable of the applicable	Adjustable distribution rate 4.70% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable of the applicable	Adjustable distribution rate 4.08% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable of the applicable
18 Of which: Coupon rate and relevant indicators	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Adjustable distribution rate 3.40% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable of the applicable	Adjustable distribution rate 4.55% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable of the applicable	Adjustable distribution rate 4.70% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable of the applicable

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(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No. Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Dividend or interest payment (Continued)									
25 Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Wholepart	Wholepart	Wholepart	Not applicable	Not applicable	Not applicable	Not applicable
26 Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB3.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds, etc.)) or rights issue for A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such	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, equivalent to RMB3.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds, etc.)) or rights issue for H Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such	The initial compulsory conversion price of the Offshore Preference Shares is the average trading price of H Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to HKD3.31 per H Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds, etc.)) or rights issue for H Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such	Not applicable	Not applicable	Not applicable	Not applicable

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Dividend or interest payment (Continued)										
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed (Continued)			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	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	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				
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Yes	Yes	Yes	Not applicable	Not applicable	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	A common share	A common share	H common share	Not applicable	Not applicable	Not applicable	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Bank of China Limited	Bank of China Limited	Bank of China Limited	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Not applicable	Not applicable	No	No	No	Yes	Yes	Yes	Yes
31	Of which: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	1. An Additional Tier 1 capital trigger event refers to the issuer's Common Equity Tier 1 capital adequacy ratio falls to 5.125% (or below) 2. A Tier 2 capital trigger event refers to the earlier of the following events: (i) the CBIRC having decided that the issuer would become non-viable without a write-down, (ii) any relevant authorities having	1. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the issuer would become non-viable without a write-down, (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	1. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the issuer would become non-viable without a write-down, (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	1. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the issuer would become non-viable without a write-down, (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable

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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	Undated capital bonds	Undated capital bonds	Undated capital bonds
Dividend or interest payment (Continued)										
31	Of which: Please specify the trigger point of write-down, if allowed (Continued)						decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable			
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down
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
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, subordinated bond and tier 2 capital bond	The lower priority behind the deposit, general debt, subordinated bond and tier 2 capital bond	The lower priority behind the deposit, general debt, subordinated bond and tier 2 capital bond	The lower priority behind the deposit, general debt, subordinated bond and tier 2 capital bond
36	Does the instrument contain temporary illegible attribute?	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

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
1	Issuer	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	1728017.IB	1728020.IB	1828011.IB	1928028.IB
3	Applicable law	English law (Provisions relating to subordination shall be governed by PRC law)	PRC law	PRC law	PRC law	PRC law
Regulatory processing						
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
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
8	Amount attributable to regulatory capital (the last reporting day)	15,461	29,972	29,970	39,985	29,989
9	Par value of instrument	USD3.0 billion	30,000	30,000	40,000	30,000
10	Accounting treatment	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued
11	Initial issuing date	2014/11/13	2017/9/26	2017/10/31	2018/10/9	2019/9/20
12	Term (term or perpetual)	Term	Term	Term	Term	Term
13	Of which: Original maturity date	2024/11/13	2027/9/28	2027/11/2	2028/10/11	2029/9/24
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/9/28)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/11/2)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/10/11)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2024/9/24)

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
Regulatory processing (Continued)						
16	Of which: Subsequent redemption date (if any)	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions

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
Dividend or interest payment						
17 Of which: Fixed or floating dividend or interest payment	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18 Of which: Coupon rate and relevant indicators	5.00%	4.45%	4.45%	4.86%	4.84%	3.98%
19 Of which: Existence of dividend brake mechanism	No	No	No	No	No	No
20 Of which: Discretion to cancel dividend or interest payment	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
21 Of which: Existence of redemption incentive mechanism	No	No	No	No	No	No
22 Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23 Conversion into shares	No	No	No	No	No	No
24 Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25 Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26 Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27 Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28 Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29 Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30 Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)						
31	Of which: Please specify the trigger point of write-down, if allowed	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down
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
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No
37	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	1928029 IB	1928033 IB	2028038 IB	2128008 IB	2128009 IB
3	Applicable law	PRC law	PRC law	PRC law	PRC law	PRC law
Regulatory processing						
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
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
8	Amount attributable to regulatory capital (the last reporting day)	9,996	29,988	59,977	14,994	9,996
9	Par value of instrument	10,000	30,000	60,000	15,000	10,000
10	Accounting treatment	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued
11	Initial issuing date	2019/9/20	2019/11/20	2020/9/17	2020/9/17	2021/3/17
12	Term (term or perpetual)	Term	Term	Term	Term	Term
13	Of which: Original maturity date	2034/9/24	2029/11/22	2030/9/21	2031/3/19	2036/3/19
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 10 years from the date of issuance (i.e. 2029/9/24)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2024/11/22)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2025/9/21)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2026/3/19)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 10 years from the date of issuance (i.e. 2031/3/19)

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(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)						
16	Of which: Subsequent redemption date (if any)	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions

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
Dividend or interest payment							
17	Of which: Fixed or floating dividend or interest payment	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	4.34%	4.01%	4.20%	4.47%	4.15%	4.38%
19	Of which: Existence of dividend brake mechanism	No	No	No	No	No	No
20	Of which: Discretion to cancel dividend or interest payment	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	No	No	No	No	No	No
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)						
31	Of which: Please specify the trigger point of write-down, if allowed	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down
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
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No
37	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

6 Leverage ratio

The leverage ratios of the Group calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* are as follows ⁽¹⁾:

	2021		2020	
	As at 30 June	As at 31 March	As at 31 December	As at 30 September
Net tier 1 capital	2,058,220	2,014,251	1,992,621	1,940,169
Adjusted on- and off-balance sheet assets	27,861,068	27,344,497	25,880,515	26,136,582
Leverage ratio	7.39%	7.37%	7.70%	7.42%

No.	Items	As at 30 June 2021
1	Total consolidated assets	26,317,327
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(432,688)
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	137,360
5	Adjustments for securities financing transactions	118,629
6	Adjustments for off-balance sheet exposures	1,745,136
7	Other adjustments	(24,696)
8	Adjusted on- and off-balance sheet assets	27,861,068

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(Amounts in millions of Renminbi, unless otherwise stated)

II UNREVIEWED SUPPLEMENTARY INFORMATION (Continued)

6 Leverage ratio (Continued)

No.	Items	As at 30 June 2021
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	25,206,684
2	Less: Tier 1 capital deductions	(24,696)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	25,181,988
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	116,156
5	Add-on amounts for potential future exposure associated with all derivative transactions	137,236
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	132
10	Less: Deductible amounts for written credit derivatives	(8)
11	Total derivative exposures	253,516
12	Accounting balance for securities financing transaction assets	561,799
13	Less: Deducted amounts for securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction assets	118,629
15	Agent transaction exposures	–
16	Balance of assets in securities financing transactions	680,428
17	Off-balance sheet items	5,173,409
18	Less: Adjustments for conversion to credit equivalent amounts	(3,428,273)
19	Adjusted off-balance sheet exposures	1,745,136
20	Net tier 1 capital	2,058,220
21	Adjusted on- and off-balance sheet exposures	27,861,068
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

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