

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

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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 costumers' 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

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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.

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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

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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	As at	Change (%)
	30 June 2021	31 December 2020	
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.

Management Discussion and Analysis

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.