

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

(Amounts in millions of Renminbi, unless otherwise stated)

## I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six month period ended 30 June 2021 has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2020.

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

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

On 1 January 2021, the Group has adopted the following International Financial Reporting Standards (“IFRSs”) and amendments issued by the International Accounting Standards Board (“IASB”), which were mandatorily effective for the current interim period.

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

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

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

---

## I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

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

IFRS 16 Amendment

*COVID-19-Related Rent Concessions*

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

## I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

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

## II CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

### III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

#### 1 Net interest income

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

#### 2 Net fee and commission income

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 3 Net trading gains

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

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

### 4 Net gains on transfers of financial assets

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

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

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

#### 5 Other operating income

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

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

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

#### 6 Operating expenses

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 7 Staff costs

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

### 8 Impairment losses on assets

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

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

#### 9 Income tax expense

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

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

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

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

	Six month period ended 30 June	
	2021	2020
Profit before income tax	148,302	129,616
Tax calculated at the applicable statutory tax rate	37,076	32,404
Effect of different tax rates for Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	(2,417)	(2,294)
Supplementary PRC tax on overseas income	2,014	1,253
Income not subject to tax <sup>(1)</sup>	(14,792)	(14,296)
Items not deductible for tax purposes <sup>(2)</sup>	8,450	6,262
Other	(576)	(1,525)
Income tax expense	29,755	21,804

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

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



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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 10 Earnings per share (basic and diluted)

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

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all potentially dilutive shares for the six month period by the adjusted weighted average number of ordinary shares in issue. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the six month periods ended 30 June 2021 and 30 June 2020.

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

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

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

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

#### 11 Other comprehensive income

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 11 Other comprehensive income (Continued)

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

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

### 12 Cash and due from banks and other financial institutions

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

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

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

#### 13 Balances with central banks

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

(1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions where it has operations. As at 30 June 2021, mandatory reserve funds placed with the PBOC were calculated at 11.0% (31 December 2020: 11.0%) and 7.0% (31 December 2020: 5.0%) of qualified RMB deposits and foreign currency deposits from customers in Chinese mainland of the Bank, respectively. Mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve funds placed with the central banks of other jurisdictions are determined by local regulators.

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 14 Placements with and loans to banks and other financial institutions

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

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

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

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

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

#### 15 Derivative financial instruments

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

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 16 Loans and advances to customers

#### 16.1 Analysis of loans and advances to customers by measurement category

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

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

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

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

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

#### 16 Loans and advances to customers (Continued)

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

(1) Allowance for loans at amortised cost:

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

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

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



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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 16 Loans and advances to customers (Continued)

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

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

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

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

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

#### 17 Financial investments

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 17 Financial investments (Continued)

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

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

#### 17 Financial investments (Continued)

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 17 Financial investments (Continued)

- (1) In order to eliminate or significantly reduce accounting mismatches, certain debt securities are designated as financial assets at fair value through profit or loss.
- (2) The Group's accumulated impairment allowance for the debt securities at fair value through other comprehensive income as at 30 June 2021 amounted to RMB5,621 million (31 December 2020: RMB5,479 million).
- (3) The Bank transferred certain non-performing assets to China Orient Asset Management Corporation ("China Orient") in 1999 and 2000 and China Orient issued a bond ("Orient Bond") with a par value of RMB160,000 million to the Bank as consideration. Based on the latest agreement, the Orient Bond will mature on 30 June 2025. The Ministry of Finance of the People's Republic of China ("MOF") shall continue to provide funding support for the principal and interest of the Orient Bond. The Bank received a notice from the MOF in January 2020, confirming that from 1 January 2020, the interest rate on the unpaid amounts will be verified year by year based on the rate of return of the five-year treasury bond of the previous year. As at 30 June 2021, the Bank had received early repayments of principal amounting to RMB7,567 million.
- (4) Market values of the listed debt securities at amortised cost are set out below:

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

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

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

#### 17 Financial investments (Continued)

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

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

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

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 18 Property and equipment

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

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

#### 18 Property and equipment (Continued)

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



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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 19 Investment properties

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

### 20 Other assets

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

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

#### 20 Other assets (Continued)

(1) Right-of-use assets

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 20 Other assets(Continued)

#### (2) Goodwill

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

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

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

### 21 Financial liabilities held for trading

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

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

#### 22 Due to customers

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

(1) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its structured deposits. The Group designates certain structured deposits as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 30 June 2021, the carrying amount of these financial liabilities was RMB30,199 million (31 December 2020: RMB25,742 million). The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 30 June 2021 and 31 December 2020 were not significant. For the six month period ended 30 June 2021 and the year ended 31 December 2020, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.

(2) Due to customers included margin deposits for security received by the Group as at 30 June 2021 of RMB321,645 million (31 December 2020: RMB304,314 million).

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 23 Bonds issued

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

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

#### 23 Bonds issued (Continued)

- (1) The subordinated bonds issued on 17 May 2011 have a maturity of 15 years with a fixed coupon rate of 5.30%, paid annually. The Bank is entitled to early redeem all the subordinated bonds at the end of the tenth year. The Bank has redeemed all the bonds in advance at face value on 19 May 2021.
- (2) The second subordinated bonds issued on 27 November 2012 have a maturity of 15 years with a fixed coupon rate of 4.99%, paid annually. The Bank is entitled to early redeem all these bonds at the end of the tenth year. If the Bank does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall remain fixed at 4.99%.
- (3) The Bank issued tier 2 capital bonds in an amount of USD3 billion on 13 November 2014. The bonds have a maturity of 10 years with a fixed coupon rate of 5.00%.
- (4) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 26 September 2017. The bonds have a maturity of 10 years with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (5) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 31 October 2017. The bonds have a maturity of 10 years with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (6) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 3 September 2018. The bonds have a maturity of 10 years with a fixed coupon rate of 4.86%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (7) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 9 October 2018. The bonds have a maturity of 10 years with a fixed coupon rate of 4.84%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (8) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 September 2019. The bonds have a maturity of 10 years with a fixed coupon rate of 3.98%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (9) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 20 September 2019. The bonds have a maturity of 15 years with a fixed coupon rate of 4.34%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (10) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 November 2019. The bonds have a maturity of 10 years with a fixed coupon rate of 4.01%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (11) The Bank issued tier 2 capital bonds in an amount of RMB60 billion on 17 September 2020. The bonds have a maturity of 10 years with a fixed coupon rate of 4.20%. The Bank is entitled to redeem the bonds at the end of the fifth year.

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 23 Bonds issued (Continued)

- (12) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 September 2020. The bonds have a maturity of 15 years with a fixed coupon rate of 4.47%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (13) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 March 2021. The bonds have a maturity of 10 years with a fixed coupon rate of 4.15%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (14) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 17 March 2021. The bonds have a maturity of 15 years with a fixed coupon rate of 4.38%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (15) The claims of the holders of subordinated bonds and tier 2 capital bonds will be subordinated to the claims of depositors and general creditors.
- (16) US Dollar Debt Securities, RMB Debt Securities and other Debt Securities were issued in Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions between 2013 and 30 June 2021 by the Group with dates of maturity ranging from 1 July 2021 to 31 December 2030.
- (17) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its bonds issued. The Group designates certain bonds issued as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 30 June 2021, the carrying amount of the above-mentioned bonds issued by the Group was RMB1,008 million (31 December 2020: RMB6,162 million). The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 30 June 2021 and 31 December 2020 were not significant. For the six month period ended 30 June 2021 and the year ended 31 December 2020, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.
- (18) For the six month period ended 30 June 2021 and the year ended 31 December 2020, the Group did not default on any principal, interest or redemption amounts with respect to its bonds issued.

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

#### 24 Deferred income taxes

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

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

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

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

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



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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 24 Deferred income taxes (Continued)

24.3 Movements of the deferred income tax are as follows:

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

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

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

### 25 Other liabilities

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

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

#### 26 Other equity instruments

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 26 Other equity instruments (Continued)

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

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

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

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

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

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

### 27 Dividends

#### Dividends for Ordinary Shares

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

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

#### 27 Dividends (Continued)

##### Dividends for Preference Shares

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

##### Interest on Perpetual Bonds

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

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

#### 28 Contingent liabilities and commitments

##### 28.1 Legal proceedings and arbitrations

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

##### 28.2 Assets pledged

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 28 Contingent liabilities and commitments (Continued)

#### 28.3 Collateral accepted

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

#### 28.4 Capital commitments

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

#### 28.5 Treasury bonds redemption commitments

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

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

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

#### 28 Contingent liabilities and commitments (Continued)

##### 28.6 Credit commitments

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

(1) Loan commitments mainly represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at 30 June 2021, the unconditionally revocable loan commitments of the Group amounted to RMB298,717 million (31 December 2020: RMB334,384 million).

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

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

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

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

##### 28.7 Underwriting obligations

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 29 Note to the condensed consolidated interim statement of cash flows

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

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

### 30 Related party transactions

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

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

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

#### 30 Related party transactions (Continued)

##### 30.2 Transactions with Huijin and companies under Huijin

(1) *General information of Huijin*

Central Huijin Investment Ltd.

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

(2) *Transactions with Huijin*

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

##### Transaction balances

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

##### Transaction amounts

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



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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 30 Related party transactions (Continued)

#### 30.2 Transactions with Huijin and companies under Huijin (Continued)

##### (3) Transactions with companies under Huijin

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

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

#### Transaction balances

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

#### Transaction amounts

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

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

#### 30 Related party transactions (Continued)

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

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

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

##### 30.4 Transactions with associates and joint ventures

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

##### Transaction balances

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

##### Transaction amounts

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 30 Related party transactions (Continued)

#### 30.5 Transactions with the Annuity Fund

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

#### 30.6 Transactions with key management personnel

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

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

#### 30.7 Transactions with Connected Natural Persons

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

#### 30.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

##### Transaction balances

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

##### Transaction amounts

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

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

#### 31 Segment reporting

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

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

##### Geographical segments

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

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

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

##### Business segments

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

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

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

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 31 Segment reporting (Continued)

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

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

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

#### 31 Segment reporting (Continued)

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 31 Segment reporting (Continued)

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

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

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

#### 31 Segment reporting (Continued)

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

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



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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 32 Transfers of financial assets

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

#### Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities upon maturity of the contract. If the value of securities increases or decreases, the Group may in certain circumstances require counterparties or be required by counterparties to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received.

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

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

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

#### 32 Transfers of financial assets (Continued)

##### Credit asset transfers

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

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB638 million as at 30 June 2021 (31 December 2020: RMB760 million), which also approximates the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised in the statement of financial position to the extent of the Group's continuing involvement. For the six month period ended 30 June 2021, the corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB33,434 million (six month period ended 30 June 2020: Nil) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB19,590 million as at 30 June 2021 (31 December 2020: RMB15,244 million).

#### 33 Interests in the structured entities

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 33 Interests in the structured entities (Continued)

#### 33.1 Interests in the unconsolidated structured entities

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

##### *Structured entities sponsored by the Group*

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

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

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

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

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

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

#### 33 Interests in the structured entities (Continued)

##### 33.1 Interests in the unconsolidated structured entities (Continued)

###### *Structured entities sponsored by other financial institutions*

The interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out below:

Structured entity type	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Maximum exposure to loss
<b>As at 30 June 2021</b>					
Fund investments	63,895	-	-	63,895	63,895
Investment trusts and asset management plans	3,065	-	8,766	11,831	11,831
Asset-backed securitisations	6,358	33,557	77,642	117,557	117,557
<b>As at 31 December 2020</b>					
Fund investments	57,099	-	-	57,099	57,099
Investment trusts and asset management plans	2,914	-	8,407	11,321	11,321
Asset-backed securitisations	5,538	40,633	58,195	104,366	104,366

##### 33.2 Consolidated structured entities

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

### 34 Comparative figures

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

### 35 Events after the financial reporting date

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

## IV FINANCIAL RISK MANAGEMENT

### 1 Credit risk

#### 1.1 Loans and advances

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

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

#### Group

	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Chinese mainland	12,407,949	80.67%	11,501,791	81.09%
Hong Kong (China), Macao (China), Taiwan (China)	1,931,922	12.56%	1,697,934	11.97%
Other countries and regions	1,041,617	6.77%	983,660	6.94%
<b>Total</b>	<b>15,381,488</b>	<b>100.00%</b>	<b>14,183,385</b>	<b>100.00%</b>

#### Chinese mainland

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 1 Credit risk (Continued)

#### 1.1 Loans and advances (Continued)

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

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

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 1 Credit risk (Continued)

#### 1.1 Loans and advances (Continued)

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

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

#### Chinese mainland

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



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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 1 Credit risk (Continued)

#### 1.1 Loans and advances (Continued)

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

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

#### Group

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

#### Chinese mainland

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

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

#### Group

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 1 Credit risk (Continued)

#### 1.1 Loans and advances (Continued)

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

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

#### Chinese mainland

	As at 30 June 2021			As at 31 December 2020		
	Amount	% of total	Impaired	Amount	% of total	Impaired
			loan ratio			loan ratio
Northern China	21,941	12.25%	1.22%	27,699	14.58%	1.63%
Northeastern China	9,804	5.47%	1.85%	15,229	8.02%	3.03%
Eastern China	57,891	32.33%	1.19%	52,199	27.47%	1.16%
Central and Southern China	76,382	42.66%	2.16%	81,201	42.74%	2.49%
Western China	13,064	7.29%	0.78%	13,657	7.19%	0.89%
<b>Total</b>	<b>179,082</b>	<b>100.00%</b>	<b>1.44%</b>	<b>189,985</b>	<b>100.00%</b>	<b>1.65%</b>

##### (ii) Impaired loans and advances by customer type

#### Group

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

#### Chinese mainland

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 1 Credit risk (Continued)

#### 1.1 Loans and advances (Continued)

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

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

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 1 Credit risk (Continued)

#### 1.1 Loans and advances (Continued)

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

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

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

(3) *Loans and advances rescheduled*

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

Rescheduled loans are subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "Special-mention" upon review if certain criterion are met. If the rescheduled loans fall overdue or if the borrowers are unable to demonstrate their repayment ability, these loans will be reclassified to "Doubtful" or below. All rescheduled loans within the surveillance period were determined to be impaired as at 30 June 2021 and 31 December 2020.

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 1 Credit risk (Continued)

#### 1.1 Loans and advances (Continued)

##### (4) Overdue loans and advances to customers

Analysis of overdue loans and advances by geographical area:

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

##### (5) Loans and advances exposure by stage distribution

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

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

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 1 Credit risk (Continued)

#### 1.2 Debt securities

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 1 Credit risk (Continued)

#### 1.3 Measurement of expected credit losses ("ECLs")

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

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

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

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

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

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 1 Credit risk (Continued)

#### 1.4 Derivatives

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

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

	As at 30 June 2021	As at 31 December 2020
Risk-weighted assets for default risk		
Currency derivatives	74,752	76,313
Interest rate derivatives	13,424	16,082
Equity derivatives	690	844
Commodity derivatives and other	21,113	18,487
	109,979	111,726
Risk-weighted assets for CVA	87,411	110,319
Risk-weighted assets for CCPs	3,765	6,330
Total	201,155	228,375

#### 1.5 Repossessed assets

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

### 2 Market risk

#### 2.1 Market risk measurement techniques and limits

##### (1) Trading book

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

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



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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 2 Market risk (Continued)

#### 2.1 Market risk measurement techniques and limits (Continued)

##### (1) Trading book (Continued)

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

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

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

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

Unit: USD million

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

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 2 Market risk (Continued)

#### 2.1 Market risk measurement techniques and limits (Continued)

##### (1) Trading book (Continued)

Unit: USD million

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

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

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

##### (2) Banking book

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 2 Market risk (Continued)

#### 2.2 GAP analysis

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

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 2 Market risk (Continued)

#### 2.2 GAP analysis (Continued)

	As at 31 December 2020						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	Total
<b>Assets</b>							
Cash and due from banks and other financial institutions	470,557	92,375	152,489	3,117	–	84,607	803,145
Balances with central banks	1,883,236	2,990	489	651	–	189,474	2,076,840
Placements with and loans to banks and other financial institutions	405,802	167,138	278,759	82,515	–	5,106	939,320
Derivative financial assets	–	–	–	–	–	171,738	171,738
Loans and advances to customers, net	3,696,907	2,476,327	6,603,223	297,793	268,035	506,019	13,848,304
Financial investments							
— financial assets at fair value through profit or loss	10,968	48,105	76,626	42,983	169,896	155,971	504,549
— financial assets at fair value through other comprehensive income	176,317	249,957	253,926	925,422	461,527	40,641	2,107,790
— financial assets at amortised cost	229,352	71,072	336,105	1,283,662	1,019,905	38,682	2,978,778
Other	2,698	–	–	–	14,328	955,169	972,195
<b>Total assets</b>	<b>6,875,837</b>	<b>3,107,964</b>	<b>7,701,617</b>	<b>2,636,143</b>	<b>1,933,691</b>	<b>2,147,407</b>	<b>24,402,659</b>
<b>Liabilities</b>							
Due to banks and other financial institutions	1,150,797	250,707	192,966	5,518	–	317,015	1,917,003
Due to central banks	309,560	114,713	428,370	28,230	–	6,938	887,811
Placements from banks and other financial institutions	247,076	102,269	61,627	6	–	971	411,949
Derivative financial liabilities	–	–	–	–	–	212,052	212,052
Due to customers	9,697,626	1,333,837	2,582,012	2,817,528	1,698	446,470	16,879,171
Bonds issued	75,317	201,662	450,653	461,129	49,612	6,030	1,244,403
Other	28,026	17,655	5,385	8,566	22,808	604,993	687,433
<b>Total liabilities</b>	<b>11,508,402</b>	<b>2,020,843</b>	<b>3,721,013</b>	<b>3,320,977</b>	<b>74,118</b>	<b>1,594,469</b>	<b>22,239,822</b>
<b>Total interest repricing gap</b>	<b>(4,632,565)</b>	<b>1,087,121</b>	<b>3,980,604</b>	<b>(684,834)</b>	<b>1,859,573</b>	<b>552,938</b>	<b>2,162,837</b>

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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 2 Market risk (Continued)

#### 2.3 Foreign currency risk

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2021 and 31 December 2020. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the tables are the carrying amounts of the assets and liabilities of the Group along with off-balance sheet positions and credit commitments in RMB equivalent, categorised by the original currencies. Derivative financial instruments are included in net off-balance sheet position using notional amounts.

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 2 Market risk (Continued)

#### 2.3 Foreign currency risk (Continued)

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 3 Liquidity risk

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

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 3 Liquidity risk (Continued)

	As at 31 December 2020							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
<b>Assets</b>								
Cash and due from banks and other financial institutions	21	286,447	265,996	93,556	154,008	3,117	–	803,145
Balances with central banks	1,452,254	549,551	39,355	5,709	28,669	1,302	–	2,076,840
Placements with and loans to banks and other financial institutions	377	–	397,698	154,029	286,481	100,735	–	939,320
Derivative financial assets	–	13,312	22,621	31,423	62,752	31,551	10,079	171,738
Loans and advances to customers, net	46,580	191,481	435,364	1,288,350	2,778,252	3,744,008	5,364,269	13,848,304
Financial investments								
— financial assets at fair value through profit or loss	154,836	–	10,521	47,105	77,423	44,679	169,985	504,549
— financial assets at fair value through other comprehensive income	23,481	–	137,987	217,198	284,963	973,389	470,772	2,107,790
— financial assets at amortised cost	2,805	–	50,431	80,052	358,189	1,443,948	1,043,353	2,978,778
Other	356,200	454,701	19,792	17,044	19,930	75,503	29,025	972,195
<b>Total assets</b>	<b>2,036,554</b>	<b>1,495,492</b>	<b>1,379,765</b>	<b>1,934,466</b>	<b>4,050,667</b>	<b>6,418,232</b>	<b>7,087,483</b>	<b>24,402,659</b>
<b>Liabilities</b>								
Due to banks and other financial institutions	–	1,351,541	70,855	271,019	217,441	6,056	91	1,917,003
Due to central banks	–	216,844	79,518	117,114	434,833	39,502	–	887,811
Placements from banks and other financial institutions	–	–	244,199	100,330	62,324	4,940	156	411,949
Derivative financial liabilities	–	9,479	24,395	34,122	95,255	35,127	13,674	212,052
Due to customers	–	8,521,036	1,528,697	1,354,270	2,596,276	2,871,178	7,714	16,879,171
Bonds issued	–	–	67,004	186,305	461,388	470,415	59,291	1,244,403
Other	–	329,254	58,677	15,215	112,493	95,681	76,113	687,433
<b>Total liabilities</b>	<b>–</b>	<b>10,428,154</b>	<b>2,073,345</b>	<b>2,078,375</b>	<b>3,980,010</b>	<b>3,522,899</b>	<b>157,039</b>	<b>22,239,822</b>
<b>Net liquidity gap</b>	<b>2,036,554</b>	<b>(8,932,662)</b>	<b>(693,580)</b>	<b>(143,909)</b>	<b>70,657</b>	<b>2,895,333</b>	<b>6,930,444</b>	<b>2,162,837</b>



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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 4 Fair value

#### 4.1 Financial instruments measured at fair value

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

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

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

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

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

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity), OTC structured derivative transactions and unlisted funds held by the Group, management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. Management determines whether to make necessary adjustments to the fair value for the Group’s Level 3 financial instruments by assessing the impact of changes in macro-economic factors, valuations by external valuation agencies and other inputs, including loss coverage ratios. The Group has established internal control procedures to control the Group’s exposure to such financial instruments.

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 4 Fair value (Continued)

#### 4.1 Financial instruments measured at fair value (Continued)

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 4 Fair value (Continued)

#### 4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 items

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 4 Fair value (Continued)

#### 4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 items (Continued)

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

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

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

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

There were no significant transfers of the financial assets and liabilities measured at fair value between Level 1 and Level 2 during the six month period ended 30 June 2021.

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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 4 Fair value (Continued)

#### 4.2 Financial instruments not measured at fair value

Financial assets and liabilities not presented at fair value in the statement of financial position mainly represent “Balances with central banks”, “Due from banks and other financial institutions”, “Placements with and loans to banks and other financial institutions”, “Due to central banks”, “Due to banks and other financial institutions”, “Loans and advances to customers measured at amortised cost”, “Financial investments measured at amortised cost”, “Placements from banks and other financial institutions at amortised cost”, “Due to customers at amortised cost” and “Bonds issued at amortised cost”.

The tables below summarise the carrying amounts and fair values of “Debt securities at amortised cost” and “Bonds issued” not presented at fair value at the financial reporting date.

	As at 30 June 2021		As at 31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Debt securities at amortised cost <sup>(1)</sup>	3,127,189	3,158,860	2,970,277	2,989,266
<b>Financial liabilities</b>				
Bonds issued <sup>(2)</sup>	1,300,553	1,307,527	1,238,241	1,144,440

(1) Debt securities at amortised cost

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

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

(2) Bonds issued

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 4 Fair value (Continued)

#### 4.2 Financial instruments not measured at fair value (Continued)

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

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 5 Capital management

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

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

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

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

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

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

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

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

## IV FINANCIAL RISK MANAGEMENT (Continued)

### 5 Capital management (Continued)

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

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

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

(2) This mainly represents exchange differences from the translation of foreign operations and gains or losses on financial assets at fair value through other comprehensive income.