中國銀行
BANK OF CHINA

BEIJING 2022

北 京 2022 年 冬 奥 會 官 方 合 作 夥 伴
Official Partner of the Olympic Winter Games Beijing 2022

BUILD A WORLD-CLASS BANK IN THE NEW ERA
MAKE FASTER PROGRESS TOWARD HIGH QUALITY GROWTH

2020 INTERIM REPORT

Bank of China Limited

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

Ordinary H-Share Stock Code: 3988
Offshore Preference Share Stock Code: 4619

Contents

Definitions

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

The Bank/the Group	Bank of China Limited or its predecessors and, except where the context otherwise requires, all of the subsidiaries of Bank of China Limited
Articles of Association	The performing Articles of Association of the Bank
A Share	Domestic investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on SSE (Stock Code: 601988)
Basis Point (Bp, Bps)	Measurement unit of changes in interest rate or exchange rate. 1 basis point is equivalent to 0.01 percentage point
BOC Asset Investment	BOC Financial Asset Investment Co., Ltd.
BOC Aviation	BOC Aviation Limited, a public company limited by shares incorporated in Singapore under the Singapore Companies Act, the shares of which are listed on the Hong Kong Stock Exchange
BOC Insurance	Bank of China Insurance Company Limited
BOCL	BOC Financial Leasing Co., Ltd.
BOC Life	BOC Group Life Assurance Co., Ltd.
BOCG Insurance	Bank of China Group Insurance Company Limited
BOCG Investment	Bank of China Group Investment Limited
BOCHK	Bank of China (Hong Kong) Limited, an authorised financial institution incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK (Holdings)
BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong, the ordinary shares of which are listed on the Hong Kong Stock Exchange
BOCI	BOC International Holdings Limited
BOCI China	BOC International (China) Co., Ltd., a company incorporated in the Chinese mainland, the ordinary shares of which are listed on the Shanghai Stock Exchange
BOCIM	Bank of China Investment Management Co., Ltd.
BOC-Samsung Life	BOC-Samsung Life Ins. Co., Ltd.
BOC Wealth Management	BOC Wealth Management Co., Ltd.
CAS	Chinese Accounting Standards
CBIRC	China Banking and Insurance Regulatory Commission
Central and Southern China	The area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan
Company Law	The Company Law of PRC
CSRC	China Securities Regulatory Commission
Eastern China	The area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi, Shandong and Qingdao
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
H Share	Overseas-listed foreign investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 3988)
IFRS	International Financial Reporting Standards
Independent Director	Independent director under the listing rules of SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
MOF	Ministry of Finance, PRC
Northeastern China	The area including, for the purpose of this report, the branches of Heilongjiang, Jilin, Liaoning and Dalian
Northern China	The area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office
PBOC	The People's Bank of China, PRC
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	The Shanghai Stock Exchange
Western China	The area including, for the purpose of this report, the branches of Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Qinghai, Tibet and Xinjiang

Important Notice

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

The 2020 Interim Report and Interim Results Announcement of the Bank have been approved on 30 August 2020 by the Board of Directors of the Bank. The number of directors who should attend the meeting is 14, with 11 directors attending the meeting in person. Executive Director Mr. LIN Jingzhen appointed Executive Director Mr. WANG Wei as his authorised proxy to attend and vote on his behalf. Independent Directors Ms. Angela CHAO and Mr. JIANG Guohua both appointed Independent Director Mr. WANG Changyun as their authorised proxy to attend and vote on their behalf. 14 directors of the Bank exercised their voting rights at the meeting. The supervisors and senior management members of the Bank attended the meeting as non-voting attendees.

The 2020 interim financial statements prepared by the Bank in accordance with CAS and IFRS have been reviewed by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and international standards on review engagements, respectively.

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

As considered and approved by the 2019 Annual General Meeting, the Bank distributed the 2019 cash dividend of RMB1.91 per ten shares (before tax) to ordinary shareholders whose names appeared on the register of members of the Bank as at market close on 14 July 2020, amounting to approximately RMB56.228 billion (before tax) in total. The Bank did not distribute an interim dividend on ordinary shares for 2020, nor did it propose any capitalisation of capital reserve into share capital.

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

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

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

Corporate Information

Registered Name in Chinese
中國銀行股份有限公司 ("中國銀行")

Registered Name in English
BANK OF CHINA LIMITED ("Bank of China")

Legal Representative and Chairman
LIU Liange

Vice Chairman and President
WANG Jiang

Secretary to the Board of Directors and Company Secretary
MEI Feiqi
Office Address:
No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: ir@bankofchina.com

Listing Affairs Representative
YU Ke
Office Address:
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Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: ir@bankofchina.com

Registered Address
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Office Address
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Beijing, China, 100818
Telephone: (86) 10-6659 6688
Facsimile: (86) 10-6601 6871
Website: www.boc.cn
Customer Service and Complaint Hotline:
(86) Area Code-95566

Place of Business in Hong Kong
Bank of China Tower, 1 Garden Road, Central,
Hong Kong, China

Selected Newspapers for Information Disclosure (A Share)
China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website Designated by CSRC for Publication of the Interim Report
www.sse.com.cn

Website of HKEX for Publication of the Interim Report
www.hkexnews.hk

Place where Interim Report can be Obtained
Head Office of Bank of China Limited
Shanghai Stock Exchange

Registered Capital
RMB294,387,791,241

Securities Information
A Share
Shanghai Stock Exchange
Stock Name: 中國銀行
Stock Code: 601988

H Share
The Stock Exchange of Hong Kong Limited
Stock Name: Bank of China
Stock Code: 3988

Domestic Preference Share
Shanghai Stock Exchange
First Tranche
Stock Name: 中行優1
Stock Code: 360002

Second Tranche
Stock Name: 中行優2
Stock Code: 360010

Third Tranche
Stock Name: 中行優3
Stock Code: 360033

Fourth Tranche
Stock Name: 中行優4
Stock Code: 360035

Offshore Preference Share (Second Tranche)
The Stock Exchange of Hong Kong Limited
Stock Name: BOC 20USDPREF
Stock Code: 4619

A-Share Registrar
Shanghai Branch of China Securities
Depository and Clearing Corporation Limited
Office Address:
3/F, China Insurance Building, 166 East Lujiazui Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-3887 4800

H-Share Registrar
Computershare Hong Kong
Investor Services Limited
Office Address:
17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai,
Hong Kong, China
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Domestic Preference Share Registrar
Shanghai Branch of China Securities
Depository and Clearing Corporation Limited
Office Address:
3/F, China Insurance Building, 166 East Lujiazui Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-3887 4800

Joint Sponsors for Domestic Preference Share (Third Tranche, Fourth Tranche)
CITIC Securities Company Limited
Office Address:
North Tower, Excellence Times Plaza II,
No. 8 Zhongxinsan Road, Futian District,
Shenzhen, Guangdong Prov., China
Sponsor Representatives:
MA Xiaolong, WANG Chen

BOC International (China) Co., Ltd.
Office Address:
39/F, BOC Building, 200 Mid. Yincheng Road,
Pudong New Area, Shanghai, China
Sponsor Representatives:
DONG Wendan, LIU Guoqiang

Continuous Supervision Period
From 17 July 2019 to 31 December 2020 (Third Tranche)
From 26 August 2019 to 31 December 2020 (Fourth Tranche)

Financial Highlights

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

Unit: RMB million

	Note	**For the six-month period ended 30 June 2020**	For the six-month period ended 30 June 2019	For the six-month period ended 30 June 2018
Results of operations				
Net interest income		**196,895**	181,684	172,451
Non-interest income	1	**90,088**	95,004	79,031
Operating income		**286,983**	276,688	251,482
Operating expenses		**(90,946)**	(91,130)	(82,132)
Impairment losses on assets		**(66,484)**	(33,670)	(28,270)
Operating profit		**129,553**	151,888	141,080
Profit before income tax		**129,616**	152,558	141,961
Profit for the period		**107,812**	121,442	115,575
Profit attributable to equity holders of the Bank		**100,917**	114,048	109,088
Basic earnings per share (RMB)		**0.32**	0.38	0.37
Key financial ratios				
Return on average total assets (%)	2	**0.92**	1.12	1.16
Return on average equity (%)	3	**11.10**	14.56	15.29
Net interest margin (%)	4	**1.82**	1.83	1.88
Non-interest income to operating income (%)	5	**31.39**	34.34	31.43
Cost to income ratio (calculated under regulations in the Chinese mainland, %)	6	**23.41**	24.63	25.78
Credit cost (%)	7	**0.90**	0.59	0.57
		As at 30 June 2020	As at 31 December 2019	As at 31 December 2018
Statement of financial position				
Total assets		**24,152,855**	22,769,744	21,267,275
Loans, gross		**14,040,165**	13,068,785	11,819,272
Allowance for loan impairment losses	8	**(369,912)**	(325,923)	(303,781)
Investments	9	**5,374,301**	5,514,062	5,054,551
Total liabilities		**22,064,242**	20,793,048	19,541,878
Due to customers		**17,090,217**	15,817,548	14,883,596
Capital and reserves attributable to equity holders of the Bank		**1,958,442**	1,851,701	1,612,980
Share capital		**294,388**	294,388	294,388
Net assets per share (RMB)	10	**5.77**	5.61	5.14
Capital ratios	11			
Common equity tier 1 capital		**1,664,681**	1,620,563	1,488,010
Additional tier 1 capital		**270,095**	210,057	109,524
Tier 2 capital		**388,182**	394,843	347,473
Common equity tier 1 capital adequacy ratio (%)		**11.01**	11.30	11.41
Tier 1 capital adequacy ratio (%)		**12.82**	12.79	12.27
Capital adequacy ratio (%)		**15.42**	15.59	14.97
Asset quality				
Credit-impaired loans to total loans (%)	12	**1.42**	1.37	1.42
Non-performing loans to total loans (%)	13	**1.42**	1.37	1.42
Allowance for loan impairment losses to non-performing loans (%)	14	**186.46**	182.86	181.97
Allowance for loan impairment losses to total loans (%)	15	**3.13**	2.97	3.07

Notes:

1 Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on transfers of financial asset + other operating income.

2 Return on average total assets = profit for the period ÷ average total assets × 100%, annualised. Average total assets = (total assets at the beginning of reporting period + total assets at the end of reporting period) ÷ 2.

3 Return on average equity = profit attributable to ordinary shareholders of the Bank ÷ weighted average capital and reserves attributable to ordinary shareholders of the Bank × 100%, annualised. Calculation is based on *No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies — Calculation and Disclosure of Return on Average Equity and Earnings per Share (Revised in 2010)* (CSRC Announcement [2010] No. 2) issued by the CSRC.

4 Net interest margin = net interest income ÷ average balance of interest-earning assets × 100%, annualised. Average balance is average daily balance derived from the Bank's management accounts (unreviewed).

5 Non-interest income to operating income = non-interest income ÷ operating income × 100%.

6 Cost to income ratio is calculated in accordance with the *Measures of the Performance Evaluation of Financial Enterprises* (Cai Jin [2016] No. 35) formulated by the MOF.

7 Credit cost = impairment losses on loans ÷ average balance of loans × 100%, annualised. Average balance of loans = (balance of loans at the beginning of reporting period + balance of loans at the end of reporting period) ÷ 2. Total loans are exclusive of accrued interest when being used to calculate credit cost.

8 Allowance for loan impairment losses = allowance for loans at amortised cost + allowance for loans at fair value through other comprehensive income.

9 The data on investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

10 Net assets per share = (capital and reserves attributable to equity holders of the Bank at the end of reporting period – other equity instruments) ÷ number of ordinary shares in issue at the end of reporting period.

11 The capital ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Y.J.H.L. [2012] No. 1) and related regulations, under the advanced approaches.

12 Credit-impaired loans to total loans = credit-impaired loans at the end of reporting period ÷ total loans at the end of reporting period × 100%. Total loans are exclusive of accrued interest when being used to calculate credit-impaired loans to total loans.

13 Non-performing loans to total loans = non-performing loans at the end of reporting period ÷ total loans at the end of reporting period × 100%. Total loans are exclusive of accrued interest when being used to calculate non-performing loans to total loans.

14 Allowance for loan impairment losses to non-performing loans = allowance for loan impairment losses at the end of reporting period ÷ non-performing loans at the end of reporting period × 100%. Total loans are exclusive of accrued interest when being used to calculate allowance for loan impairment losses to non-performing loans.

15 Allowance for loan impairment losses to total loans = allowance for loan impairment losses at the end of reporting period ÷ total loans at the end of reporting period × 100%. Calculation is based on the data of the Bank's institutions in the Chinese mainland. Total loans are exclusive of accrued interest when being used to calculate allowance for loan impairment losses to total loans.

Overview of Operating Performance

In face of the unexpected worldwide COVID-19 pandemic outbreak and complicated business conditions since the beginning of 2020, the Bank applied the new development philosophy. With 2020 designated as the "Year of Enhanced Implementation", it coordinated the fight against COVID-19 and each work in pursuit of reform and development, stimulated vitality, made agile response, and achieved breakthroughs in key areas, maintaining the sound momentum of making progress while ensuring stability.

Steadily increasing assets and liabilities and realising generally stable financial performance

The Bank took the initiative to address changes in the domestic and global situation by strengthening business expansion and further reinforcing internal management. Its business performance remained stable. As at 30 June 2020, the Group's assets totalled RMB24,152.855 billion and its liabilities stood at RMB22,064.242 billion, representing an increase of 6.07% and 6.11% respectively compared with the prior year-end. In the first half of 2020, the Group realised steady growth in operating income and pre-provision operating profit, achieving a profit for the period of RMB107.812 billion and a profit attributable to equity holders of the Bank of RMB100.917 billion. Its return on average total assets (ROA) stood at 0.92% and return on average equity (ROE) was 11.10%. The cost to income ratio continued to fall, and operational efficiency increased.

Mounting a robust and well-organised fight against COVID-19 and enabling targeted financial services

Earnestly performing its responsibilities as a large bank, the Bank implemented state requirements to ensure stability on six fronts and security in six areas, and took a multi-pronged approach to support the resumption of work and production and the development of real economy. It took the initiative to launch 30 measures for supporting Hubei Province in beating COVID-19 and reopening its economy. By issuing a series of innovative products such as anti-pandemic bonds and special interbank certificates of deposit, it financed the fight against COVID-19 through a suite of channels. The Bank created customised "Anti-virus Loan" and "Work Resumption Loan" products for micro and small-sized enterprises and self-employed individuals, helping them to pull through a difficult period. It continuously increased credit resources for such key fields as inclusive finance, private enterprises and manufacturing, achieving a 39% increase in the balance of its outstanding inclusive finance loans granted to micro and small-sized enterprises[1] over the same period of the previous year. The Bank introduced 13 measures to "stabilise foreign trade" and the amount of its ECA-backed financing grew at a relatively rapid pace. It adopted active measures to prevent and control the virus, and was effective in ensuring employee safety and the continuity of its business operations.

[1] Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Circular of the General Office of China Banking and Insurance Regulatory Commission on Promoting the Work of "Volume Increase, Coverage Expansion, Quality Improvement and Cost Reduction" Concerning Financial Services for Micro and Small-sized Enterprises in 2020* (Yin Bao Jian Ban Fa [2020] No. 29).

Advancing strategy implementation and properly addressing the challenges of in-depth reform

The Bank continued to deepen reform and innovation, in line with its strategic development goals. It achieved progress in strategy implementation and successfully carried out all tasks related to its high-quality development. The Bank made new breakthroughs in the development of its core businesses. It continuously cemented the foundations of its corporate banking business, effectively improved its personal banking customer base, realised stable growth in financial markets business, took crucial steps forward in the regional integration of its overseas institutions, further improved the layout of its diversified operations and boosted its service capabilities. The Bank recorded fresh results in the reform of key fields, sped up its digital transformation, and made orderly progress in key projects including enterprise-level architecture development, the building of strategic scenarios and ecosystems, data governance, smart operations and outlet transformation.

Maintaining stable asset quality and enhancing risk resilience

The Bank continued to improve its comprehensive risk management system, strengthened investigations of potential risks in key fields, actively promoted the collection and mitigation of non-performing assets (NPAs) and managed to maintain the Group's asset quality at a stable level. As at 30 June 2020, the Group's outstanding non-performing loans (NPLs) stood at RMB198.382 billion, with an NPL ratio of 1.42%, the allowance for loan impairment losses to NPLs was up to 186.46%. The Bank took effective measures to control liquidity and market risk in response to market fluctuations, maintaining key risk indicators at a stable level. It bolstered its capital replenishment efforts by successfully completing the issuance of RMB40.0 billion of undated capital bonds and USD2.82 billion of offshore preference shares, thus maintaining its capital adequacy ratios at high levels.

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

In the first half of 2020, the shock of the COVID-19 pandemic sent the world economy into recession, disrupted global industrial and supply chains, caused a sharp contraction in international trade and investment, and resulted in rising geopolitical risks. The growth rate of the US economy dropped significantly, the Eurozone economy sank into a continued recession, and Japan's economy recorded negative growth for three consecutive quarters. Many emerging market economies stood on the verge of a debt crisis.

Global financial markets were highly volatile, witnessing a notable increase in various uncertainties and destabilising factors including rising debt default risk. Major economies vigorously promoted ultra-accommodative monetary policies, with low or even negative interest rates becoming normalised around the world. The USD Index fell after an initial increase, while the currencies of some emerging market economies depreciated substantially. The stock markets of major economies rallied moderately after a sharp decline, while the prices of commodities, including crude oil, picked up following an initial plunge. The gold price rose significantly.

Facing the shock of the COVID-19 pandemic, the Chinese economy showed great resilience. As policies for controlling COVID-19 and promoting economic and social development were introduced and implemented, daily life and work began to recover at a faster pace, major economic indicators gradually rebounded and market expectations improved on the whole, indicating China's overall economic fundamentals of stable growth and solid long-term momentum remaining intact. In the first half of 2020, China's gross domestic product (GDP) fell by 1.6% compared with the same period of last year, of which grew by 3.2% year-on-year in the second quarter. The consumer price index (CPI) rose by 3.8% year-on-year. Meanwhile, the employment situation was generally stable and the imports and exports were better than expected.

China's sound monetary policy was more flexible and appropriate. The PBOC used a variety of tools such as required reserve ratio cuts, interest rate cuts and central bank lending, developed new monetary policy instruments that directly stimulated the real economy, provided stronger targeted support to inclusive micro and small-sized enterprises, and guided broad money supply and aggregate financing to reasonable growth, so as to lower the financing costs of enterprises in a stable manner. As at 30 June 2020, the outstanding broad money supply (M2) was RMB213.5 trillion, an increase of 11.1% year-on-year. Outstanding all-system financing aggregates stood at RMB271.8 trillion, an increase of 12.8% year-on-year. The balance of RMB loans reached RMB165.2 trillion, an increase of 13.2% year-on-year. The RMB exchange rate was kept generally stable at an adaptive and equilibrium level. At 30 June 2020, the central parity rate of the RMB against the USD was 7.0795, a depreciation of 1.46% compared with the prior year-end. China's financial markets were stable overall and opened further wider. The SSE Composite Index fell by 65.45 points compared with the prior year-end. The combined market capitalisation of the Shanghai and Shenzhen Stock Exchanges stood at RMB52.06 trillion, an increase of 17.49% year-on-year.

Income Statement Analysis

In the first half of 2020, the Group achieved a profit for the period of RMB107.812 billion, a decrease of 11.22% compared with the same period of the prior year. It realised a profit attributable to equity holders of the Bank of RMB100.917 billion, a decrease of 11.51% compared with the same period of the prior year. Return on average total assets (ROA) was 0.92%, and return on average equity (ROE) was 11.10%.

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

Unit: RMB million, except percentages

Items	**For the six-month period ended 30 June 2020**	For the six-month period ended 30 June 2019	Change	Change (%)
Net interest income	**196,895**	181,684	15,211	8.37%
Non-interest income	**90,088**	95,004	(4,916)	(5.17%)
Including: net fee and commission income	**50,342**	50,564	(222)	(0.44%)
Operating income	**286,983**	276,688	10,295	3.72%
Operating expenses	**(90,946)**	(91,130)	184	(0.20%)
Impairment losses on assets	**(66,484)**	(33,670)	(32,814)	97.46%
Operating profit	**129,553**	151,888	(22,335)	(14.70%)
Profit before income tax	**129,616**	152,558	(22,942)	(15.04%)
Income tax expense	**(21,804)**	(31,116)	9,312	(29.93%)
Profit for the period	**107,812**	121,442	(13,630)	(11.22%)
Profit attributable to equity holders of the Bank	**100,917**	114,048	(13,131)	(11.51%)

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

Unit: RMB million

	For the three-month period ended					
Items	30 June 2020	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Operating income	138,440	148,543	133,153	140,169	135,682	141,006
Profit attributable to equity holders of the Bank	48,334	52,583	27,826	45,531	63,083	50,965
Net cash flow from operating activities	(296,989)	434,346	76,461	(469,833)	144,262	(235,156)

Net Interest Income and Net Interest Margin

In the first half of 2020, the Group achieved a net interest income of RMB196.895 billion, an increase of RMB15.211 billion or 8.37% compared with the same period of the prior year. The average balances[2] and average interest rates of the major interest-earning assets and interest-bearing liabilities of the Group, as well as the impact on interest income/expense of variances in the volume factor and the interest rate factor[3], are summarised in the following table:

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2020			For the six-month period ended 30 June 2019			Analysis of changes in interest income/expense		
	Average balance	Interest income/ expense	Average interest rate	Average balance	Interest income/ expense	Average interest rate	Volume factor	Interest rate factor	Total
Interest-earning assets									
Loans	**13,300,149**	**268,880**	**4.07%**	11,834,692	253,135	4.31%	31,408	(15,663)	15,745
Investments	**4,839,648**	**76,475**	**3.18%**	4,789,954	76,251	3.21%	793	(569)	224
Balances with central banks and due from and placements with banks and other financial institutions	**3,617,373**	**30,575**	**1.70%**	3,362,876	35,978	2.16%	2,734	(8,137)	(5,403)
Total	**21,757,170**	**375,930**	**3.47%**	19,987,522	365,364	3.69%	34,935	(24,369)	10,566
Interest-bearing liabilities									
Due to customers	**16,050,374**	**132,966**	**1.67%**	15,012,842	134,919	1.81%	9,338	(11,291)	(1,953)
Due to and placements from banks and other financial institutions	**3,286,675**	**28,950**	**1.77%**	2,968,579	34,365	2.33%	3,686	(9,101)	(5,415)
Bonds issued	**1,046,030**	**17,119**	**3.29%**	757,581	14,396	3.83%	5,494	(2,771)	2,723
Total	**20,383,079**	**179,035**	**1.77%**	18,739,002	183,680	1.98%	18,518	(23,163)	(4,645)
Net interest income		**196,895**			181,684		16,417	(1,206)	15,211
Net interest margin			**1.82%**			1.83%			(1) Bp

Notes:

1 Investments include debt securities at fair value through other comprehensive income, debt securities at amortised cost, investment trusts and asset management plans, etc.

2 Balances with central banks and due from and placements with banks and other financial institutions include mandatory reserves, surplus reserves, other placements with central banks and due from and placements with banks and other financial institutions.

3 Due to and placements from banks and other financial institutions include due to and placements from banks and other financial institutions, due to central banks and other funds.

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

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

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

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2020		For the six-month period ended 30 June 2019		Change	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
RMB businesses in the Chinese mainland						
Loans						
Corporate loans	**5,522,044**	**4.36%**	5,041,073	4.50%	480,971	(14) Bps
Personal loans	**4,246,013**	**4.89%**	3,785,264	4.80%	460,749	9 Bps
Trade bills	**341,490**	**2.67%**	245,828	3.52%	95,662	(85) Bps
Total	**10,109,547**	**4.52%**	9,072,165	4.60%	1,037,382	(8) Bps
Including:						
Medium and long-term loans	**7,401,153**	**4.85%**	6,521,215	4.78%	879,938	7 Bps
Short-term loans within 1 year and others	**2,708,394**	**3.63%**	2,550,950	4.12%	157,444	(49) Bps
Due to customers						
Corporate demand deposits	**3,353,501**	**0.72%**	3,138,872	0.68%	214,629	4 Bps
Corporate time deposits	**2,395,923**	**2.82%**	2,402,044	2.83%	(6,121)	(1) Bp
Personal demand deposits	**2,248,516**	**0.42%**	2,354,160	1.14%	(105,644)	(72) Bps
Personal time deposits	**2,966,302**	**3.01%**	2,656,736	2.84%	309,566	17 Bps
Other	**913,483**	**3.49%**	655,167	3.95%	258,316	(46) Bps
Total	**11,877,725**	**1.87%**	11,206,979	1.94%	670,746	(7) Bps
Foreign currency businesses in the Chinese mainland			Unit: USD million, except percentages			
Loans	**40,545**	**2.09%**	38,469	3.41%	2,076	(132) Bps
Due to customers						
Corporate demand deposits	**42,265**	**0.51%**	45,442	0.77%	(3,177)	(26) Bps
Corporate time deposits	**35,964**	**2.09%**	28,856	2.72%	7,108	(63) Bps
Personal demand deposits	**25,068**	**0.03%**	25,418	0.05%	(350)	(2) Bps
Personal time deposits	**17,518**	**0.78%**	18,004	0.69%	(486)	9 Bps
Other	**1,699**	**2.25%**	1,678	2.16%	21	9 Bps
Total	**122,514**	**0.94%**	119,398	1.09%	3,116	(15) Bps

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

In the first half of 2020, the Group's net interest margin was 1.82%, a decrease of 1 basis point compared with the same period of the prior year. This was mainly due to a decrease in asset yields caused by a lowering in the loan prime rate (LPR) and US dollar interest rate cuts. To mitigate the downward pressure on net interest margin, the Bank maintained the balance between the quantity and the price, strengthened the control over debt cost, actively reduced high cost deposits, and promoted the steady decline of interest payment rate.

Non-interest Income

In the first half of 2020, the Group reported a non-interest income of RMB90.088 billion, a decrease of RMB4.916 billion or 5.17% compared with the same period of the prior year. Non-interest income represented 31.39% of operating income.

Net Fee and Commission Income

The Group earned a net fee and commission income of RMB50.342 billion, a decrease of RMB0.222 billion or 0.44% compared with the same period of the prior year. Net fee and commission income represented 17.54% of operating income. Focusing on customers' demands, the Bank seized market opportunities and increased marketing and business development. As a result, it realised robust growth in income from its fund distribution and custody businesses. In contrast, the Bank saw a decrease in income from its foreign exchange and settlement businesses. Please refer to Note III.2 to the Condensed Consolidated Interim Financial Information.

Other Non-interest Income

The Group realised other non-interest income of RMB39.746 billion, a decrease of RMB4.694 billion or 10.56% compared with the same period of the prior year. This was primarily attributable to a year-on-year decrease in net trading gains. Please refer to Notes III.3, 4, 5 to the Condensed Consolidated Interim Financial Information.

Operating Expenses

In the first half of 2020, the Group recorded operating expenses of RMB90.946 billion, a decrease of RMB0.184 billion or 0.20% compared with the same period of the prior year. The Group's cost to income ratio (calculated under regulations in the Chinese mainland) was 23.41%, down by 1.22 percentage points compared with the same period of the prior year. The Bank continued to operate its business in a prudent manner. It proactively optimised its cost structure, increased investment in technological innovation, allocated greater resources to key products, areas and regions, made greater efforts to support scenario construction, mobile finance, etc., and continuously improved input and output efficiency. Please refer to Notes III.6, 7 to the Condensed Consolidated Interim Financial Information.

Impairment Losses on Assets

In the first half of 2020, the Group's impairment losses on assets amounted to RMB66.484 billion, an increase of RMB32.814 billion or 97.46% compared with the same period of the prior year. Specifically, the Group's impairment losses on loans and advances amounted to RMB60.728 billion, an increase of RMB25.007 billion or 70.01% compared with the same period of the prior year. The Bank continued to improve its enterprise risk management (ERM) system and adopted a proactive and forward-looking approach to risk management, ensuring relatively stable credit asset quality. It stringently implemented a prudent and solid risk provisioning policy, comprehensively and truly reflected the asset quality, made full and timely allowances, and laid a solid foundation for development. Please refer to the section "Risk Management — Credit Risk Management" and Notes III.8, 16 and Note IV.1 to the Condensed Consolidated Interim Financial Information for more information on loan quality and allowance for loan impairment losses.

Financial Position Analysis

As at 30 June 2020, the Group's total assets amounted to RMB24,152.855 billion, an increase of RMB1,383.111 billion or 6.07% compared with the prior year-end. The Group's total liabilities amounted to RMB22,064.242 billion, an increase of RMB1,271.194 billion or 6.11% compared with the prior year-end.

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

Unit: RMB million, except percentages

	As at 30 June 2020		As at 31 December 2019	
Items	**Amount**	**% of total**	Amount	% of total
Assets				
Loans and advances to customers, net	**13,670,820**	**56.60%**	12,743,425	55.97%
Investments	**5,374,301**	**22.25%**	5,514,062	24.22%
Balances with central banks	**2,109,854**	**8.74%**	2,078,809	9.13%
Due from and placements with banks and other financial institutions	**1,895,462**	**7.85%**	1,399,519	6.15%
Other assets	**1,102,418**	**4.56%**	1,033,929	4.53%
Total assets	**24,152,855**	**100.00%**	22,769,744	100.00%
Liabilities				
Due to customers	**17,090,217**	**77.46%**	15,817,548	76.07%
Due to and placements from banks and other financial institutions and due to central banks	**3,037,976**	**13.77%**	3,153,998	15.17%
Other borrowed funds	**1,118,228**	**5.07%**	1,124,098	5.41%
Other liabilities	**817,821**	**3.70%**	697,404	3.35%
Total liabilities	**22,064,242**	**100.00%**	20,793,048	100.00%

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

Loans and Advances to Customers

The Bank decisively implemented national macroeconomic policies, increased support for the real economy and expanded its lending scale at a stable and moderate pace. It continuously improved its credit structure and proactively supported the credit needs of key areas and weak links in the domestic economy. It also further increased credit support for inclusive finance, private enterprises and manufacturing. As at 30 June 2020, the Group's loans and advances to customers amounted to RMB14,040.165 billion, an increase of RMB971.380 billion or 7.43% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB10,782.953 billion, an increase of RMB633.608 billion or 6.24% compared with the prior year-end, while its foreign currency loans amounted to USD460.091 billion, an increase of USD41.605 billion or 9.94% compared with the prior year-end.

The Bank continuously enhanced its risk management, paid close attention to changes in the macroeconomic situation, strengthened risk management in key areas and made greater efforts in the disposal of non-performing loans, thus maintaining relatively stable asset quality. As at 30 June 2020, the balance of the Group's allowance for loan impairment losses amounted to RMB369.912 billion, an increase of RMB43.989 billion compared with the prior year-end. The balance of the Group's restructured loans amounted to RMB15.251 billion, an increase of RMB2.873 billion compared with the prior year-end.

Unit: RMB million, except percentages

	As at 30 June 2020		As at 31 December 2019	
Items	**Amount**	**% of total**	Amount	% of total
Corporate Loans	**8,656,247**	**61.65%**	7,986,380	61.11%
Personal Loans	**5,344,510**	**38.07%**	5,047,809	38.62%
Accrued Interest	**39,408**	**0.28%**	34,596	0.27%
Total Loans	**14,040,165**	**100.00%**	13,068,785	100.00%

Investments

The Bank closely tracked financial market dynamics, maintained bond investment activity at a reasonable pace and continually improved its investment structure. As at 30 June 2020, the Group held investments of RMB5,374.301 billion, a decrease of RMB139.761 billion or 2.53% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB4,072.001 billion, a decrease of RMB154.383 billion or 3.65% compared with the prior year-end, while its foreign currency investments totalled USD183.954 billion, a decrease of USD0.628 billion or 0.34% compared with the prior year-end.

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

Unit: RMB million, except percentages

	As at 30 June 2020		As at 31 December 2019	
Items	**Amount**	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**450,655**	**8.39%**	518,250	9.40%
Financial assets at fair value through other comprehensive income	**2,054,786**	**38.23%**	2,218,129	40.23%
Financial assets at amortised cost	**2,868,860**	**53.38%**	2,777,683	50.37%
Total	**5,374,301**	**100.00%**	5,514,062	100.00%

Investments by Currency

Unit: RMB million, except percentages

	As at 30 June 2020		As at 31 December 2019	
Items	**Amount**	**% of total**	Amount	% of total
RMB	**4,072,001**	**75.77%**	4,226,384	76.65%
USD	**794,632**	**14.79%**	787,775	14.29%
HKD	**254,614**	**4.74%**	237,004	4.30%
Other	**253,054**	**4.70%**	262,899	4.76%
Total	**5,374,301**	**100.00%**	5,514,062	100.00%

Top Ten Financial Bonds by Value Held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual Rate	Maturity Date	Impairment Allowance
Bond issued by policy banks in 2018	12,980	4.98%	2025-01-12	–
Bond issued by policy banks in 2017	11,150	4.39%	2027-09-08	–
Bond issued by policy banks in 2018	9,770	4.73%	2025-04-02	–
Bond issued by financial institutions in 2019	7,400	4.28%	2029-03-19	–
Bond issued by policy banks in 2017	7,200	4.30%	2024-08-21	–
Bond issued by policy banks in 2017	6,940	4.11%	2022-07-10	–
Bond issued by financial institutions in 2018	6,450	4.86%	2028-09-25	–
Bond issued by policy banks in 2018	6,450	4.99%	2023-01-24	–
Bond issued by policy banks in 2017	6,152	4.24%	2027-08-24	–
Bond issued by policy banks in 2018	6,049	4.88%	2028-02-09	–

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

Due to Customers

Seizing the opportunity presented by ample market liquidity, the Bank focused on AUM to increase the effort in developing the deposit business and accelerate product and service innovation. As a result, its deposit business grew steadily. It further improved salary payment agency business, payment collection and other basic services, actively expanded its basic settlement and cash management customer base, undertook vigorous marketing efforts to attract administrative institution customers, and increased deposits from the source, leading to continuous improvement in the development quality of its deposit business. As at 30 June 2020, the Group's due to customers amounted to RMB17,090.217 billion, an increase of RMB1,272.669 billion or 8.05% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB12,922.471 billion, an increase of RMB996.548 billion or 8.36% compared with the prior year-end, while its foreign currency due to customers stood at USD588.706 billion, an increase of USD30.863 billion or 5.53% compared with the prior year-end.

Equity

As at 30 June 2020, the Group's total equity was RMB2,088.613 billion, an increase of RMB111.917 billion or 5.66% compared with the prior year-end. This was primarily attributable to the following reasons: (1) In the first half of 2020, the Group realised a profit for the period of RMB107.812 billion, of which profit attributable to equity holders of the Bank amounted to RMB100.917 billion. (2) The Bank pushed forward its external capital replenishment project in a proactive and prudent manner by successfully issuing RMB40.0 billion of undated capital bonds and USD2.82 billion of offshore preference shares. (3) As per the 2019 profit distribution plan approved at the Annual General Meeting, a cash dividend of RMB56.228 billion was paid out on ordinary shares. (4) The Bank paid a cash dividend on its preference shares of RMB5.9995 billion. Please refer to the "Condensed Consolidated Statement of Changes in Equity" in the Condensed Consolidated Interim Financial Information.

Cash Flow Analysis

As at 30 June 2020, the balance of the Group's cash and cash equivalents was RMB1,719.769 billion, an increase of RMB373.877 billion compared with the prior year-end.

In the first half of 2020, net cash flow from operating activities was an inflow of RMB137.357 billion, whereas it was an outflow of RMB90.894 billion in the same period of the prior year. This was mainly attributable to the increase of net increase in due to customers compared with the same period of the prior year.

Net cash flow from investing activities was an inflow of RMB208.188 billion, whereas it was an outflow of RMB156.224 billion in the same period of the prior year. This was mainly attributable to the increase in proceeds from financial investments compared with the same period of the prior year.

Net cash flow from financing activities was an inflow of RMB19.099 billion, a decrease of RMB55.959 billion compared with the same period of the prior year. This was primarily attributable to the increase in repayments of debts issued compared with the same period of the prior year.

Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value

Unit: RMB million

Items	**As at 30 June 2020**	As at 31 December 2019	Change	Impact on profit for the period
Financial assets at fair value through profit or loss				
Debt securities	**298,325**	371,232	(72,907)	
Equity instruments	**89,659**	79,456	10,203	2,906
Fund investments and other	**62,671**	67,562	(4,891)	
Loans and advances to customers at fair value	**389,055**	339,687	49,368	172
Financial assets at fair value through other comprehensive income				
Debt securities	**2,031,876**	2,196,352	(164,476)	(4,255)
Equity instruments and other	**22,910**	21,777	1,133	
Derivative financial assets	**114,856**	93,335	21,521	(888)
Derivative financial liabilities	**(123,271)**	(90,060)	(33,211)	
Due to and placements from banks and other financial institutions at fair value	**(7,859)**	(14,767)	6,908	(20)
Due to customers at fair value	**(31,341)**	(17,969)	(13,372)	–
Bonds issued at fair value	**(10,271)**	(26,113)	15,842	(76)
Short position in debt securities	**(12,510)**	(19,475)	6,965	(159)

The Bank has put in place a sound internal control mechanism for fair value measurement. In accordance with the *Guidelines on Market Risk Management in Commercial Banks*, the *Regulatory Guidelines on Valuation of Financial Instruments in Commercial Banks*, CAS and IFRS, with reference to the New Basel Capital Accord, and drawing on the best practices of international banks regarding valuations, the Bank formulated the *Valuation Policy of Financial Instrument Fair Values of Bank of China Limited* to standardise the fair value measurement of financial instruments and enable timely and accurate financial information disclosure. Please refer to Note IV.4 to the Condensed Consolidated Interim Financial Information for more detailed information related to the fair value measurement.

Other Financial Information

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

The operating performance and financial position of the Group's geographical and business segments are set forth in Note III.31 to the Condensed Consolidated Interim Financial Information.

Business Review

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

Unit: RMB million, except percentages

Items	For the six-month period ended 30 June 2020		For the six-month period ended 30 June 2019	
	Amount	**% of total**	Amount	% of total
Commercial banking business	**259,236**	**90.33%**	249,000	89.99%
Including: Corporate banking business	**113,530**	**39.56%**	112,719	40.74%
Personal banking business	**111,467**	**38.84%**	92,092	33.28%
Treasury operations	**34,239**	**11.93%**	44,189	15.97%
Investment banking and insurance	**17,649**	**6.15%**	17,856	6.46%
Others and elimination	**10,098**	**3.52%**	9,832	3.55%
Total	**286,983**	**100.00%**	276,688	100.00%

A detailed review of the Group's principal deposits and loans is summarised in the following table:

Unit: RMB million

Items	**As at 30 June 2020**	As at 31 December 2019	As at 31 December 2018
Corporate deposits			
Chinese mainland: RMB	**6,464,898**	6,027,076	5,884,433
Foreign currency	**521,849**	544,829	453,815
Hong Kong, Macao, Taiwan and other countries and regions	**1,955,044**	1,729,564	1,594,165
Subtotal	**8,941,791**	8,301,469	7,932,413
Personal deposits			
Chinese mainland: RMB	**6,086,978**	5,544,204	5,026,322
Foreign currency	**306,762**	288,793	302,256
Hong Kong, Macao, Taiwan and other countries and regions	**1,215,084**	1,156,651	1,093,892
Subtotal	**7,608,824**	6,989,648	6,422,470
Corporate loans			
Chinese mainland: RMB	**5,945,203**	5,591,228	5,057,654
Foreign currency	**321,823**	259,463	280,878
Hong Kong, Macao, Taiwan and other countries and regions	**2,389,221**	2,135,689	2,009,066
Subtotal	**8,656,247**	7,986,380	7,347,598
Personal loans			
Chinese mainland: RMB	**4,715,805**	4,450,464	3,933,840
Foreign currency	**674**	1,253	1,177
Hong Kong, Macao, Taiwan and other countries and regions	**628,031**	596,092	505,068
Subtotal	**5,344,510**	5,047,809	4,440,085

Commercial Banking

Commercial Banking in the Chinese Mainland

In the first half of 2020, the Bank's commercial banking business in the Chinese mainland recorded an operating income of RMB216.973 billion, an increase of RMB6.683 billion or 3.18% compared with the same period of the prior year. Details are set forth below:

Unit: RMB million, except percentages

Items	**For the six-month period ended 30 June 2020**		For the six-month period ended 30 June 2019	
	Amount	**% of total**	Amount	% of total
Corporate banking business	**97,724**	**45.04%**	98,115	46.66%
Personal banking business	**100,202**	**46.18%**	80,669	38.36%
Treasury operations	**19,423**	**8.95%**	30,563	14.53%
Others	**(376)**	**(0.17%)**	943	0.45%
Total	**216,973**	**100.00%**	210,290	100.00%

Corporate Banking

The Bank accelerated the transformation of its corporate banking business. It further consolidated its corporate customer base, continuously optimised its customer and business structure and endeavoured to improve its global comprehensive service capabilities for corporate banking customers, thus achieving high-quality development in its corporate banking business. In the first half of 2020, the Bank's corporate banking business in the Chinese mainland realised an operating income of RMB97.724 billion, a decrease of RMB0.391 billion or 0.40% year-on-year.

Corporate Deposits

The Bank achieved stable growth in corporate deposits by seizing business opportunities arising from key industries and regions and improving its service capabilities for key projects. It accelerated the upgrading of product functions, enhanced the role of settlement, cash management and other products in driving deposit-taking, and improved its liability structure. It upgraded service coordinately of both large customers and long-tail customers by improving multi-layered management. The Bank also managed to attract more administrative institution customers by closely cooperating with local governments at various levels as well as institutions engaged in education and public health, thus building a more solid foundation of deposits from such customers. In addition, the Bank enhanced the service functions of its outlets so as to improve their customer service capabilities. As at 30 June 2020, RMB corporate deposits of the Bank in the Chinese mainland totalled RMB6,464.898 billion, an increase of RMB437.822 billion or 7.26% compared with the prior year-end. Foreign currency corporate deposits amounted to USD73.713 billion, a decrease of USD4.385 billion or 5.61% compared with the prior year-end.

Corporate Loans

The Bank continued to step up efforts in serving the real economy, and actively supported key areas such as new infrastructure, new urbanization initiatives and major projects, thereby assisting in the transformation and upgrading of the domestic economy. It provided stronger support for the improvement of weaknesses in infrastructures, the high-quality development of the manufacturing industry, modern service industry and technologically innovative enterprises, as well as improving services for private enterprises, foreign investors and foreign trade. The Bank focused on supporting strategic regions such as the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Hainan, and proactively pushed forward work in key sectors such as serving social welfare and people's livelihood, poverty alleviation, green finance, pensions, the Olympic Winter Games and winter sports. As at 30 June 2020, the Bank's RMB corporate loans in the Chinese mainland totalled RMB5,945.203 billion, an increase of RMB353.975 billion or 6.33% compared with the prior year-end. Foreign currency corporate loans totalled USD45.459 billion, an increase of USD8.266 billion or 22.22% compared with the prior year-end.

Financial Institutions Business

The Bank continued its wide-ranging cooperation with various global financial institutions including domestic banks, overseas correspondent banks, non-bank financial institutions and multilateral financial institutions. It built its integrated financial service platform and maintained its market leadership in terms of customer coverage. The Bank has established correspondent relationships with around 1,400 institutions and opened 1,419 cross-border RMB clearing accounts for correspondent banks from 115 countries and regions, thus carving out a leading position among domestic banks. It also promoted the Cross-border Inter-bank Payment System (CIPS) and signed cooperation agreements for CIPS indirect participants from 325 domestic and overseas financial institutions, seizing the largest market share among its peers. The Bank was among the top players in custodian services for Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII), as well as in agency services for overseas central banks and other sovereign institutions, both in terms of customer base and business size. It actively participated in the comprehensive promotion of the "full circulation" of H Shares, and jointly launched the "Shanghai-Macao Gold Road" Project with the Shanghai Gold Exchange, thus enhancing the co-brand image of financial factors market. It strengthened cooperation with the Asian Infrastructure Investment Bank (AIIB), New Development Bank and Silk Road Fund. It successfully issued AIIB's first Panda Bond as the lead underwriter, as well as the New Development Bank's Coronavirus Combating Panda Bond and first overseas USD-denominated bond as a joint lead underwriter. By the end of June 2020, the Bank had the largest market share in foreign currency deposits from financial institutions, and had further increased its market share in terms of the number of existing third-party custody customers.

Transaction Banking

Positively adapting to the trends of FinTech innovation and integrated customer financial needs, the Bank vigorously developed its transaction banking business and delivered more financial support to COVID-19 pandemic control and the resumption of work and production. It fully implemented the requirements of stabilising foreign trade, releasing several measures for supporting stabilisation of foreign trade during the COVID-19 pandemic control, providing more financing support and lowering fees for foreign trade. The Bank also serviced the 127th Canton Fair, and continued to lead peers in market share of cross-border settlement. It actively participated in the Belt and Road Initiative, RMB internationalisation and the building of pilot free trade zones and free trade ports. Following the Bank's Shanghai and Hainan Branches, BOC Tianjin Branch successfully launched financial services under Free Trade Unit (FTU). The Bank continued to roll out products and services innovation and strengthened the development of application scenarios for transaction banking. It further improved service level of account, payment and settlement, and promoted innovation in supply chain financial solutions and expansion of key projects. The Bank stepped up the application of cash management products in strategic scenarios and expanded its cash management customer groups, with the aim of enhancing its global cash management service capabilities.

Inclusive Finance

Implementing national policies and measures conscientiously to support the development of micro and small-sized enterprises and following relevant regulatory requirements, the Bank promoted the development of inclusive financial services as well as COVID-19 pandemic prevention and containment as a whole. It further deepened its "five specialised operating" mechanisms, developed more key outlets for inclusive finance credit launch, and successfully issued RMB10.0 billion of special senior bonds for micro and small business loans. The Bank also launched online "non-contact financing services" for "BOC Corporate E Loan • Unsecured Loan", allowed enterprises affected by the pandemic to postpone the repayment of principal and interest on loans, and helped micro and small-sized enterprises resume work and production. As at 30 June 2020, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises reached RMB525.4 billion, up by 39% year-on-year, and up by 27% compared with the prior year-end, outpacing the growth of any other loan type of the Bank. The number of micro and small-sized customers stood at over 440,000, higher than that of the beginning of the year. The annualised interest rate of the Bank's cumulative inclusive finance loans granted to micro and small-sized enterprises in the first half of 2020 was 4.04%. The quality of loans granted to micro and small-sized enterprises remained at a stable and controllable level.

Pension Business

Focusing on the construction of China's social security system, the Bank continuously extended its pension business coverage, promoted product innovation and improved system functions. It provided a range of products including enterprise annuities, occupational annuities, employee benefit plans and pension security management products. It accelerated the strategic layout of its pension business, and actively promoted scenario building for the silver economy, thereby vigorously supporting its development. As at 30 June 2020, pension funds under custody reached RMB65.722 billion, and the total number of enterprise annuity individual accounts held by the Bank reached 3.2218 million, an increase of 0.1855 million or 6.12% compared with the prior year-end. Assets under custody amounted to RMB475.129 billion, an increase of RMB87.984 billion or 22.73% compared with the prior year-end, with more than 17,000 clients served by the Bank.

Personal Banking

Taking a customer-centric approach, the Bank pushed forward innovation and transformation in its personal banking business, making every effort to build an online, digital, scenario-based and smart personal banking product and service system. It continuously enhanced the market competitiveness of its personal banking business by focusing on featured brands such as cross-border business, private banking, consumer finance and credit cards. In the first half of 2020, the Bank's personal banking business in the Chinese mainland realised an operating income of RMB100.202 billion, an increase of RMB19.533 billion or 24.21% compared with the same period of the prior year.

Personal Deposits

In response to the trend of interest rate liberalisation, the Bank leveraged its advantages in comprehensive personal financial services, made progress in deposit products innovation and smart accounts construction, and rolled out the "Cai Shen" ("God of Wealth") version of annual bank statements for personal customers. It further expanded its payment agency business by constructing its customer groups and improving the synergy between its corporate and personal businesses, and provided customers with a package of integrated service solutions, including account opening, payroll service, consumption and investment. It further developed its foreign exchange services by increasing the number of currencies available in its personal deposit and cash withdrawal business to 25 and the number of convertible foreign currencies available to customers to 39, thus maintaining a leading position among peers. The Bank improved customer experience by launching a foreign exchange cash reservation service for 23 currencies via e-channels such as mobile banking, online banking and WeChat banking in major cities in the Chinese mainland. As at 30 June 2020, the Bank's RMB personal deposits in the Chinese mainland totalled RMB6,086.978 billion, an increase of RMB542.774 billion or 9.79% compared with the prior year-end. Personal foreign currency deposits amounted to USD43.331 billion, maintaining a leading market share.

Personal Loans

The Bank stepped up efforts to serve the real economy and steadily expanded its personal loan business. It put into practice the national regulatory policies on real estate and continued to implement a differentiated residential mortgage loan policy, with a particular focus on serving the needs of households seeking to buy owner-occupied homes for the first time. The Bank earnestly implemented reform requirements regarding interest rate liberalisation, and actively promoted LPR conversion for existing personal loans. It actively expanded its consumer finance business, continued to promote the transformation and upgrading of "BOC E-Credit", an online consumer loan service, and refined the online application function for government-sponsored student loans. The Bank ensured uninterrupted financial services for COVID-19 pandemic control, provided special preferential policies for medical workers, and took the lead in extending Work Resumption Loans. As at 30 June 2020, the total amount of RMB personal loans of the Bank in the Chinese mainland stood at RMB4,715.805 billion, an increase of RMB265.341 billion or 5.96% compared with the prior year-end.

Wealth Management and Private Banking

The Bank accelerated the development of its wealth management and private banking services by focusing on customers' needs, and established a market-wide product selection platform to enhance its asset allocation capacity continuously. The Bank intensified efforts in product and service innovation and continued to upgrade its personal customer marketing modes and service systems, which resulted in rapid growth in the number of customers and the scale of customer financial assets. As at 30 June 2020, the "BOC Robot Advisor", an intelligent investment advisory service, generated sales of RMB15.7 billion and attracted more than 130,000 customers, winning the "Gold Award for Technological Innovation and Application" in the "2020 China FinTech Innovation Contest". The Bank intensified efforts in constructing its professional private banking system, built up its private banking service brand, and accelerated the development of family trust services. It regularly published the BOC White Paper on Personal Banking Global Asset Allocation, the BOC Guangdong-Hong Kong-Macao Greater Bay Area Wealth Index Report and the BOC Private Banking Selected Private Placement Product Series Index. The Bank continuously improved the professional capability of its private banking team, strengthened asset allocation services for private banking customers, and invested more than one third of customer assets in net-worth products. Leveraging the Group's advantages in internationalisation, the Bank also promoted the development of its Asia-Pacific private banking platform. As at 30 June 2020, the Bank had set up 8,159 wealth management centres, 1,091 prestigious wealth management centres and 49 private banking centres in the Chinese mainland. It once again won the "Best National Private Banking in China" award from *Asian Private Banker*.

Bank Card

Closely following changes in market trends and customer demand, and aiming to support COVID-19 pandemic prevention and control with financial services, the Bank launched a QR code for charitable donations to more than 170 charitable medical institutions throughout the country, and took the lead in launching an exclusive instalment service, "BOC Youke • Yihuzhuanshu" for medical staff. It actively assisted in the resumption of work, production and market activity, participated in the allocation and distribution of consumer coupons issued jointly by the Ministry of Commerce and local governments, introduced special offers for online payments via "Head Office to Headquarters" e-commerce platforms, and promoted the "Thousand Stores in a Hundred Cities" campaign and other themed marketing activities, so as to facilitate the recovery of the consumer market. The Bank continuously improved its products and rights service system with a specific focus on the needs of key customers such as young customers, car owners and business card holders, launching distinctive credit card products such as Traditional Chinese Style Credit Card series, Platinum Car Credit Card and Platinum Business Card. The Bank devoted great efforts to boosting the digital transformation of its bank card business. It enriched application scenarios of digital credit card products. Through light-touch and convenient customer acquisition tools, it optimised customer handling and user experience. It decided on a big push into the electronic channels of credit card instalment payment, and expanded living consumption scenarios layout for merchant POS instalment. It also continuously upgraded digital acquiring products and released a new version of the "BOC Smart Merchant" app, which offered a new mode of online application service for merchants and improved the overall merchant experience. The Bank pursued the effective control of credit card risk, and implemented evaluation based on activation ratio, active customer ratio, credit line use ratio, risk-adjusted return on capital (RAROC) and NPL ratio. As at 30 June 2020, the cumulative number of credit cards issued by the Bank reached 129.5823 million. The credit card transaction amount stood at RMB802.080 billion for the first half of 2020, while the credit card instalment volume amounted to RMB178.273 billion.

The Bank accelerated the innovative development of its debit card business and expanded scenario-based applications for mobile payment, thus continuing to improve customer experience. It accelerated the promotion of its fast payment business through online and offline channels. Leveraging its advantages in higher education institution services, the Bank made efforts to expand its service scope to primary and high schools, kindergartens, training institutions and other markets. It enriched its integrated "online + offline" and "financial + non-financial" services, issued social security cards equipped with financial functions in cooperation with local Human Resources and Social Security Bureaux, and launched an e-voucher service for medical insurance in addition to electronic social security cards and electronic health cards. It developed railway travel scenarios and promoted the application of its "Railway e-Card" on 13 railway lines.

Financial Markets Business

The Bank actively aligned itself with trends towards interest rate and exchange rate liberalisation and RMB internationalisation. By closely tracking financial market trends and fully leveraging its professional advantages, the Bank continuously adjusted its business structure, and strengthened efforts to participate in financial market innovation and achieve compliance with international regulatory requirements, thus increasing its business influence in financial markets.

Securities Investment

By strengthening its analysis and judgment regarding the macroeconomic situation and the trend of market interest rates, the Bank proactively seized market opportunities, rationally adjusted the duration of its investment portfolio and further optimised its investment structure. It actively supported the development of the real economy, and participated in local government bond investment. Following trends in global bond markets, the Bank optimised its foreign currency investment portfolio and managed to prevent interest rate risk and credit risk.

Trading

The Bank ramped up efforts to improve its integrated global financial market business systems, underpinned by the three core product lines of interest rates, exchange rates and commodities, in order to continuously enhance its comprehensive customer service capabilities. It endeavoured to improve its quantitative trading capabilities by promoting the construction of its quantitative trading platform and optimising its quantitative strategies. It strengthened infrastructure construction, thus building a more solid foundation for business development. The Bank continued to outperform peers in terms of market share of foreign currency exchange against RMB business, and brought the number of currency pairs available for exchange up to 39. The total number of tradable foreign currencies reached 110, among which 99 were currencies of emerging economies and 46 were currencies of countries along the Belt and Road. Seizing opportunities arising from the two-way opening-up of financial markets, the Bank took steps to expand its overseas institutional investor customer base, relying on a multi-tier service system integrating "research, trading and sales". It also leveraged big data schemes to facilitate targeted marketing among corporate customers. It also increased support for private enterprises and small and medium-sized enterprises (SMEs) by offering expedient and effective hedging services under the precondition of compliance. Owing to its advantage of integrated global structure, the Bank was able to ensure stable global operations. It continued to improve its online service capabilities and realised rapid growth in its corporate banking electronic channels in terms of transaction volume and customer scale.

Investment Banking and Asset Management

The Bank leveraged the competitive advantages of its international and diversified operations, focused on serving the real economy, vigorously expanded its investment banking and asset management business and strived to deliver an integrated "commercial banking + investment banking" service system. Following national strategies, the Bank intensified efforts in coordinated operations, made greater efforts to develop direct financing and investment advisory business including domestic and overseas bond underwriting and distribution as well as asset securitisation, and managed to meet customers' all-round needs for comprehensive financial services based on the concepts of "domestic + overseas" and "financing + intelligent". To facilitate the construction of China's capital market system, the Bank underwrote bonds in the domestic interbank market with a total amount of RMB833.362 billion. It actively supported COVID-19 pandemic prevention and control work by underwriting a total amount of RMB33.85 billion of pandemic prevention and control bonds for non-financial enterprises and international development institutions. The Bank's underwriting business for financial institutions was greatly boosted, and its financial bond underwriting volume and market share continued to improve steadily. Thanks to increased efforts to promote its asset-backed securitisation (ABS) underwriting business, the Bank's market share of asset securitisation underwriting maintained the leading position in the interbank bond market. The Bank enhanced the cross-border competitiveness of its underwriting business, maintained the largest market share in China offshore bond underwriting market, and consecutively led the market share in Panda Bond underwriting. As a result, the brand influence of "BOC Debt Capital Markets" was continuously enhanced. The Bank continued to implement regulatory requirements, strengthened the transformation and development of its wealth management business and promoted the net value transformation of its wealth management products in an orderly manner. It effectively supported the real economy by launching various themed wealth management products based on guidance of national strategy, such as pensions and health care, technological innovation, and key regions, etc. As at 30 June 2020, the total balance of wealth management products issued by the Bank and BOC Wealth Management amounted to RMB1,484.6 billion, with RMB1,060.7 billion attributable to the Bank and RMB423.9 billion to BOC Wealth Management.

Custody Business

Taking support for economic and social development as its main task, the Bank continued to provide high-quality custody services. It provided custody service for the "China Merchants Hubei Theme Bond Fund", the first mutual fund in the custody market for COVID-19 pandemic prevention and control in Hubei and economic development. The Bank increased the custody volume of its credit asset securitisation business by RMB50.0 billion, ranking first in the market. It also advanced its technology and intelligent operations construction, launching a multi-tier custody service mode in the interbank market. As at 30 June 2020, the Group's assets under custody stood at RMB11.78 trillion, of which cross-border custody business accounted for RMB455.6 billion, maintaining a leading position among Chinese peers. Mutual funds under its custody reached RMB1.4 trillion, an increase of 25.58% year-on-year, outperforming major peers in terms of growth rate.

Village Bank

BOC Fullerton Community Bank actively implemented the national strategy of rural revitalisation with the development concept of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". It was committed to providing modern financial services for rural customers, micro and small-sized enterprises, individual merchants, and wage earners, and developed inclusive finance services to support poverty alleviation.

BOC Fullerton Community Bank expedited the institution layout to support economic development in county areas. As at 30 June 2020, BOC Fullerton Community Bank controlled 126 village banks with 173 sub-branches in 22 provinces (including municipalities directly under the Central Government) through establishment and acquisition, of which 65% were located in China's central and western regions, becoming the domestic village bank with the largest number of institutions. It continuously improved its product and service system, and its customer base was further expanded. As at 30 June 2020, the registered capital of BOC Fullerton Community Bank amounted to RMB8.524 billion. The balances of total deposits and loans were RMB46.963 billion and RMB49.749 billion respectively. The NPL ratio was 1.80% and the coverage ratio of allowance for loan impairment losses to NPLs stood at 221.18%. BOC Fullerton Community Bank achieved a profit for the period of RMB392 million in the first half of 2020.

BOC Fullerton Community Bank established an investment management village bank to support the construction of the Xiongan New Area and to further improve its intensive management and professional services. On 24 June, CBIRC Hebei Office approved the opening of BOC Fullerton Community Bank Co., Ltd., with a registered capital of RMB1.0 billion and the registered place of Xiongan New Area, Hebei.

Overseas Commercial Banking

In the first half of 2020, the Bank adhered to its globalisation strategy, continuously improved its global integrated customer service system, and pushed forward the integrated development of its domestic and overseas operations. As at 30 June 2020, the Bank's overseas commercial banking customer deposits and loans totalled USD485.137 billion and USD424.467 billion respectively, an increase of 6.80% and 8.85% compared with the prior year-end. In the first half of 2020, the Bank's overseas commercial banking operations achieved a profit before income tax of USD3.712 billion, accounting for 20.17% of the Group's total profit before income tax.

Regarding the distribution of overseas institutions, the Bank closely tracked the needs of financial services of its global customers and continuously pushed forward the development and distribution of its institutions in countries along the Belt and Road, so as to improve its global service network. As at 30 June 2020, the overseas institutions of the Bank totalled 558, covering 61 countries and regions across the world, of which 25 countries were along the Belt and Road.

For corporate banking business, by further improving its globalised customer service system and product system, and expanding its overseas market and customer base in a targeted manner, the Bank provided a full spectrum of premium, efficient, tailor-made and comprehensive financial services for "Going Global" and "Bringing In" customers, "Fortune Global 500" enterprises and local corporate customers. The Bank fully integrated its domestic and overseas premium resources in the service of national strategies, made concrete efforts to provide the Belt and Road financial services, promoted international production capacity cooperation and pushed forward the sound and sustainable investment and operation of relevant enterprises. The Bank closely monitored changes in the market situation, earnestly enhanced risk management and took efficient measures in line with local conditions to ensure the sound development of its overseas corporate banking business.

For personal banking business, the Bank continued to improve its overseas customer service network, extending its business coverage to more than 30 countries and regions. It vigorously promoted business innovation, actively served customers' needs, and provided account, settlement, debit card, mobile banking and other services for offshore business travellers, international students, expatriates and local customers. For overseas resident customers and customer groups stranded overseas due to the pandemic, the Bank offered e-coupons for overseas online platforms and special coupons for customers on its whitelist, assisted overseas customers in purchasing pandemic prevention necessities and provided preferential and convenient overseas card use services. It also expanded overseas card issuance and acquiring services. The Bank released an overseas version of "BOC Smart Payment". It optimised the service coverage of its overseas debit cards by issuing debit cards in 19 countries and regions. In addition to withdrawal, consumption and other basic functions, it introduced new features including contactless payment, non-card payment and 3D secure payment, which can be used via multiple channels including domestic and overseas counters, online banking and mobile banking, thereby better satisfying the worldwide card using demands of overseas customers. The Bank pushed forward cross-border scenario construction, diversified its cross-border scenario product and service system, and achieved productive results in delivering integrated services to personal customers in the Guangdong-Hong Kong-Macao Greater Bay Area by opening 100,000 accounts via the "Account Opening Witness" service in the region.

For financial markets business, the Bank harnessed its advantages in integrated global operations and drove forward RMB internationalisation. Leveraging its strengths in RMB clearing, the Bank expanded its cross-border RMB trading business and pushed forward the development of its RMB quotation service. Drawing on information technology, the Bank promoted an electronic trading platform that improved customer experience of quotation service. The Bank sped up efforts to develop its global custody service network and strived to deliver cross border custody services to "Going Global" and "Bringing In" customers. It rolled out a global depositary receipts (GDR) programme under the Shanghai-London Stock Connect mechanism, a significant project for supporting the "Going Global" efforts of Chinese enterprises. The Bank successfully issued MOP5.0 billion of dual-currency COVID-19 alleviation themed senior social bonds to fund loans to SMEs, thus pioneering the first COVID-19 response social bond issued in the international market.

For clearing business, the Bank continuously improved its cross-border RMB clearing capabilities and further consolidated its position at the leading edge of international payments. In the first half of 2020, the Group's cross-border RMB clearing transactions totalled RMB229.40 trillion, up by 7.86% compared with the same period of the prior year, maintaining first place in global markets. The Bank accounted for 13 of the world's 27 authorised RMB clearing banks and continued to lead its peers. The Bank also expanded its CIPS indirect participants' business, and maintained first place in terms of market share.

For e-banking, the Bank further expanded the coverage of its overseas corporate online banking business and continued to enhance its online financial service capacities for global enterprises. Leveraging its online financial service platform's integration of overseas and domestic operations, the Bank further diversified its service functions, including its overseas corporate online banking and overseas bank-enterprise connection channels, expanded its clearing channels and enhanced the online service capabilities of its overseas institutions, thereby continuing to lead its peers in global capital management services. As at 30 June 2020, the Bank offered overseas corporate online banking services in 50 countries and regions, with 14 service languages available to customers. The Bank also continued to improve its overseas personal e-banking services. Taking into account the regulatory requirements and characteristics of key regions overseas, the Bank made use of FinTech to simplify customer operation procedures and improve customer experience, with a focus on the optimisation and promotion of essential service functions such as account management, transfer and remittance, time deposit, bill payment and credit card. Based on new technologies, such as image recognition and biometric identification, the Bank enriched its online service modes, developed and launched new services, such as mobile payment, online business application, online purchase of WMPs and cheque scanning-based deposit, and further expanded its business coverage. As at 30 June 2020, the Bank offered overseas mobile banking services in 27 countries and regions, supporting 10 languages and offering over 60 services within 13 categories.

BOCHK

Against the backdrop of a complex and challenging environment in the first half of 2020, BOCHK remained committed to implementing its strategy of building a top-class, full-service and internationalised regional bank. It actively responded to changes in the market environment and steadily pushed forward its business priorities, with major financial indicators remaining at solid levels. Striving to be customer-centric, it continued to develop the local market in Hong Kong, providing full support to the development of the real economy. It proactively engaged in the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and promoted cross-border synergistic collaboration so as to establish integrated competitive strengths. It also improved its business network layout in Southeast Asia and enhanced its regional synergies and service capabilities. It expedited its transformation into a digital bank, enhancing technological innovation, infrastructure and application ability. BOCHK took the lead in introducing a number of financial support mechanisms for the pandemic control as well as measures to overcome pandemic-related difficulties, and maintained stringent measures to prevent all risks. It cultivated its bank culture and actively expanded green finance in order to promote its sustainable development. As at 30 June 2020, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD3,226.726 billion and net assets reached HKD313.004 billion. In the first half of 2020, its profit for the period was HKD16.161 billion.

BOCHK continued to develop the local market to support the development of the real economy. BOCHK actively expanded its business in major financing projects and arranged a number of syndicated loans and project finance with significant market influence. It remained the top mandated arranger in the Hong Kong-Macao syndicated loan market and maintained its leading market position as an IPO main receiving bank in Hong Kong. BOCHK continued to uplift its service levels for commercial customers in Hong Kong and supported the development of SMEs. It launched a special loan scheme for fighting against COVID-19 for SMEs, featuring a rapid approval process. It was among the first cohort of banks to participate in the Special 100% Loan Guarantee Scheme introduced by the HKSAR Government, and also worked alongside the Hong Kong Monetary Authority to introduce the Pre-approved Principal Payment Holiday Scheme in order to support SMEs in need. In addition, it accelerated the development of key businesses in cash pooling and cash management, maintaining a leading market position in cash pooling business through continuous expansion in business scale. BOCHK continued to refine its customer segment management, achieving constant improvements in the structure and size of its customer base through the provision of professional and comprehensive services to mid- to high-end customers. It also actively promoted key initiatives, such as digitalisation, scenario-based applications and customer migration to online transactions, and continued to enhance its mobile banking functions in order to enhance its product functionalities and sharpen its competitive edge. By accelerating the development of digital processes in its mortgage business, BOCHK captured the top market position in terms of the total number of new mortgage loans in Hong Kong. It introduced a number of people's livelihood programmes, including deferred principal repayment of mortgage loans, grace periods for insurance premium payment, and additional protection, to allow more financial flexibility for personal customers. Owing to satisfactory business development, the growth of BOCHK's total customer deposits and loans exceeded the market average, with a continually optimised deposit structure and the asset quality of its loan portfolio outperformed local market.

BOCHK proactively participated in the construction of the Greater Bay Area and promoted cross-border synergistic collaboration. Actively responding to state financial policies for the Greater Bay Area, BOCHK continuously strengthened cross-border business collaboration, tapping into the financial services demands of major industries and clients by striving to promote cross-border financial innovation, market connectivity and resource flow within the area. Continuing to focus on people's livelihood, BOCHK met the needs of Greater Bay Area residents for financial services, for example through convenient account opening and travel support. It also took steps to improve the Greater Bay Area service by enhancing its Chinese mainland personal account opening attestation services. BOCHK diversified the application scenarios of BoC Pay with the launch of a cross-border remittance service for Chinese mainland clients living in Hong Kong. BOCHK leveraged its service capabilities in corporate finance to support the construction of the Greater Bay Area and the development of corporations in the technological innovation sector. Moreover, it enriched its range of fund products related to the Greater Bay Area, reinforcing its competitiveness in cross-border investment services.

BOCHK improved its operational presence in Southeast Asia and enhanced its regional service capabilities. In the first half of 2020, BOCHK received approval from the Central Bank of Myanmar to set up its Yangon Branch in Myanmar. This means that its Southeast Asia business will cover nine Southeast Asian countries, forming a more comprehensive regional presence. It further reinforced its management model and continuously optimised its institutional management in the region so as to improve the service capabilities of its Southeast Asian entities in terms of marketing, business promotion, product innovation, technology-driven operation and internal management. Bank of China (Malaysia) Berhad was successfully reappointed as the clearing bank for RMB business in Malaysia, and launched an attestation service with BOCHK for Malaysian account opening in Hong Kong. BOCHK Jakarta Branch received approval from the Indonesian regulatory authority to upgrade its status to Commercial Bank Based on Business Activities 3, notably uplifting its market position and brand influence. BOCHK Phnom Penh Branch became the first overseas bank to be appointed as a quoting bank for RMB to Cambodian Riel (KHR) in the regional market, and successfully processed the first RMB to KHR cross-border trade in Cambodia.

BOCHK remained committed to strengthening its core capabilities in digitalisation in order to push forward business transformation. BOCHK deepened the application of innovative FinTech to drive digital transformation. By focusing on the five core digital capabilities of innovation, agility, digitisation, mobility and regionalisation, it aimed to establish three catalysing platforms, namely an intelligent platform, a data platform and an open platform, that will provide a foundation for stable, reliable and centralised cloud technology and safe governance. Through technology-driven business reform, BOCHK introduced brand-new digital solutions in customer service, financial products, service processes, operational management and risk control, with the aim of gradually becoming a digital bank with ecosystem-based operations, digital processes, intelligent operations, agile project management and cloud computing.

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

Comprehensive Operation Platforms

The Bank is committed to meeting customers' comprehensive service needs. It actively seized opportunities arising from the development of multi-tiered capital markets, in an effort to continuously improve its comprehensive operations and build a business coordination system. It continued to regulate the Group's management and control structure, focused on enhancing its risk management capabilities. In addition, the Bank sharpened the Group's differentiated advantages and core competitiveness based on its comprehensive operations.

Investment Banking Business

BOCI

The Bank is engaged in investment banking business through BOCI. As at 30 June 2020, BOCI had an issued share capital of HKD3.539 billion, total assets of HKD88.512 billion, and net assets of HKD20.150 billion. In the first half of 2020, BOCI realised a profit for the period of HKD738 million.

BOCI actively seized strategic opportunities such as the development of the Guangdong-Hong Kong-Macao Greater Bay Area, made greater efforts in strengthening internal control, served the real economy, enhanced and strengthened its two main businesses of investment banking and wealth and asset management, and thus increased its global and comprehensive service capabilities.

Against a backdrop of continuous global improvement to its customer service capabilities, BOCI enhanced its service capabilities in Singapore's primary market and gave more effective support to the development of the Southeast Asian market. Its equity underwriting and financial advisory businesses recorded steady growth, with BOCI successfully assisting with the secondary listing of high-quality Chinese stocks including NetEase and JD.com on the Hong Kong capital markets. Its bond issuance and underwriting businesses continued to maintain market-leading positions. It also provided timely professional research reports for investors based on observations of changes in the international market. By proactively employing big data and artificial intelligence technologies, BOCI strongly expanded the application scenarios of traditional investment banking services, securities sales and wealth management. It also enriched the processing functions of its online platforms such as its mobile app and drove forward FinTech applications such as robotic process automation, in order to enhance user experience and boost steady growth in its brokerage business. Meanwhile, BOCI ranked among the top in Hong Kong's stock and warrant markets in terms of equity sales and derivatives business. BOCI also played an active role in the Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme, promoted the construction of Asia Pacific Private Banking Centre. As at 30 June 2020, BOCI's three equity indices, as well as the BOCI Greater Bay Area Leaders Index, the world's first Chinese investment banking index, outperformed the Hang Seng Index and Hang Seng China Enterprise Index. BOCI-Prudential Asset Management Limited, maintained its position as a top-ranked service provider in the Hong Kong Mandatory Provident Fund (MPF) and Macao Pension Fund businesses.

BOCI China

The Bank is engaged in securities-related business in the Chinese mainland through BOCI China. As at 30 June 2020, the registered capital, total assets and net assets of BOCI China were RMB2.778 billion, RMB56.788 billion and RMB14.708 billion, respectively. It realised a profit for the period of RMB571 million for the first half of 2020.

Adhering to the development principles of technology-empowered transformation and synergy, BOCI China made further progress in its business transformation and development while holding fast to the risk compliance bottom line. Taking a customer-centric approach, it endeavoured to push forward wealth management transformation. Leveraging contributions from science and technology, BOCI China enhanced the service capabilities of investment advisory and improved the comprehensive service chain of personal business. Deepening the synergistic advantages of "investment banking + commercial banking", "investment banking + investment" and "domestic + overseas" in its investment banking business, BOCI China shifted its investment banking focus towards transaction-driven comprehensive financial services, and its asset management business focus towards active management. Through these efforts, its customer service capabilities and market influence steadily strengthened.

On 26 February 2020, BOCI China was successfully listed on the main board of SEE, receiving wide recognition from investors. The Bank indirectly holds shares of BOCI China through its wholly-owned subsidiary BOCI, and will give full play to its brand value and synergy to support BOCI China in becoming a first-class investment bank.

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

Asset Management Business

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at 30 June 2020, BOCIM's registered capital amounted to RMB100 million, its total assets stood at RMB5.469 billion and its net assets totalled RMB4.149 billion. In the first half of 2020, BOCIM realised a profit for the period of RMB451 million.

BOCIM steadily expanded its asset management business, continuously improved its profitability, maintained sound internal control and risk management, constantly improved its brand and market reputation, and further enhanced its comprehensive strengths. As at 30 June 2020, BOCIM's AUM stood at RMB606.1 billion. In particular, its public-offered funds reached RMB390.5 billion and its non-monetary public-offered funds at RMB279.7 billion.

BOC Wealth Management

The Bank is engaged in asset management business in the Chinese mainland through BOC Wealth Management. BOC Wealth Management's business includes wealth management products for the general public, wealth management products for qualified investors, consulting, and other asset management related products and services. As at 30 June 2020, BOC Wealth Management's registered capital was RMB10.000 billion, its total assets amounted to RMB10.843 billion, its net assets totalled RMB10.450 billion and it realised a profit for the period of RMB279 million for the first half of 2020.

BOC Wealth Management steadfastly followed the requirements of the new asset management regulations. It increased the issuance of net-worth products, continually enriched its product system and rapidly increased the product scale. In line with the national strategic orientation and taking into account market hotspots, BOC Wealth Management launched products themed on pension and health care, technological innovation and key regions, thereby effectively supporting the real economy. As at 30 June 2020, BOC Wealth Management's total product balance reached RMB423.889 billion.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at 30 June 2020, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD9.852 billion and net assets of HKD4.225 billion. In the first half of 2020, BOCG Insurance recorded gross written premiums of HKD1.548 billion and realised a profit for the period of HKD43 million.

Steadfastly implementing its market development strategy of "deepening services in Hong Kong, refining business approach in the Chinese mainland, reaching out to overseas markets and widening brand awareness", BOCG Insurance made solid progress in expanding its business, actively responded to market competition and coordinated with COVID-19 pandemic prevention and control. It deepened bank-insurance cooperation by jointly launching a "Remote Insurance Application" service with BOCHK and BOC Life, thereby further improving insurance application efficiency. It also advanced digital transformation by rolling out a new version of its mobile app. Following market demand, BOCG Insurance introduced new products and launched two "COVID-19 Insurance" schemes, thus honouring its corporate social responsibilities and promoting positivity. In line with the implementation of China's major national initiatives, it strengthened business expansion in the Guangdong-Hong Kong-Macao Greater Bay Area and Southeast Asia. BOCG Insurance's Hong Kong-Zhuhai-Macao Bridge vehicle insurance, Greater Bay Area personal accident insurance and Greater Bay Area travel insurance have all been widely recognised in the market.

BOCG Insurance pushed forward the development of its comprehensive risk management system, further improved its relevant risk control management system and mechanism, optimised its risk appetite setting and transmission mechanism, and properly managed various risks in a coordinated manner, thereby continually enhancing its risk management capabilities.

BOC Life

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at 30 June 2020, BOC Life's issued share capital was HKD3.538 billion, total assets amounted to HKD164.982 billion and net assets amounted to HKD10.536 billion. In the first half of 2020, its profit for the period was HKD337 million. BOC Life maintained its leading position in the life insurance sector and remained the market leader in RMB insurance business in Hong Kong.

BOC Life continued to implement its strategy of diversifying distribution channels, expanded its market coverage and strengthened its position as an expert in the area of retirement wealth management by providing a high-end Voluntary Health Insurance Scheme plan. In response to the pandemic, BOC Life actively introduced a number of relief measures to increase flexibility for customers, including remote application for Qualifying Deferred Annuity Policy products via telephone at home, an extension of the grace period for premium payment and the offer of additional COVID-19 coverage for designated customers. At the same time, BOC Life stepped up its efforts to develop its online insurance service by launching a number of products on its mobile banking platform, including short-term savings, whole life insurance, critical illness insurance, deferred annuity and hospital cash plans. These, together with increased online marketing and promotions, enabled BOC Life to provide customers with a more convenient experience in terms of digital insurance applications.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at 30 June 2020, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB13.725 billion and net assets of RMB4.351 billion. In the first half of 2020, it realised gross written premiums of RMB3.007 billion, and a profit for the period of RMB124 million.

BOC Insurance followed the national strategies, closely tracked market trends and customer needs, remained committed to serving the real economy, and continued to improve its comprehensive financial service capabilities. It actively responded to the Belt and Road Initiative. It maintained a leading position in the overseas insurance business, covering nearly 30 industries in 70 countries and regions in Asia, Africa and South America. Supporting regional development strategies, BOC Insurance developed integrated insurance action plans for the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, and supported the infrastructure of key regions such as the Yangtze River Delta, the Greater Bay Area and the Beijing-Tianjin-Hebei Region, thereby boosting integrated and coordinated development in these regions. It supported China's industrial upgrading by offering an insurance compensation mechanism for the first (set of) major technical equipment, so as to bolster enterprises' technological innovation and facilitate the upgrading of major technical equipment. It supported customs clearance facilitation reform by providing services for the "International Trade Single Window" and moving online the full process of tariff guarantee insurance and cargo transportation insurance. To support the reform and development of private enterprises, BOC Insurance formulated and implemented 19 measures for serving private enterprises. It also played an active role in COVID-19 prevention and control, and pushed forward work and production resumption. It cooperated in carrying out the "BOC Protection Scheme for Doctors and Nurses" campaign, and provided exclusive insurance services for over 140,000 medical workers with a total insured amount of RMB6.3 billion. Besides, it assumed its share of social responsibility by joining the China Nuclear Insurance Pool, the China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool, the single-purpose pre-paid card performance bond insurance pool and the Residential Project Inherent Defect Insurance (IDI) supplier list, and by obtaining the qualifications to provide serious illness insurance for urban and rural residents. In addition, BOC Insurance introduced new forms of claim settlement services, and increasingly applied technology to claim settlement. To achieve agile response to COVID-19, it simplified claim settlement formalities and offered green channels, thus delivering convenient and high-quality services to customers.

BOC-Samsung Life

The Bank is engaged in life insurance business in the Chinese mainland through BOC-Samsung Life. As at 30 June 2020, BOC-Samsung Life's registered capital stood at RMB1.667 billion, total assets amounted to RMB26.613 billion and net assets amounted to RMB1.687 billion. In the first half of 2020, BOC-Samsung Life recorded written premiums and premium deposits of RMB6.745 billion and a profit for the period of RMB69 million.

BOC-Samsung Life made every effort to respond to COVID-19 by jointly launching the "BOC Protection Scheme for Doctors and Nurses" campaign. It offered a special insurance programme for nearly 60,000 medical personnel working in key areas of pandemic prevention and control, provided adequate financial services and insurance assistance for the pandemic response effort, and added COVID-19 liability to the coverage of 11 critical illness insurance and accident insurance products, thus fully performing its social responsibility as an insurance company.

BOC-Samsung Life maintained rapid business growth. It realised a year-on-year increase of 41% in premiums, highlighting the continuous enhancement of its market competitiveness. Focusing on fundamentals of the insurance business, it improved its business structure and achieved a year-on-year increase of 47% in the new written premiums from its risk protection and long-term savings businesses. It continued to strengthen product development and highlighted the protection function of insurance, launching products such as "BOC AiJiaBao (Version 2020) Illness-Specific Insurance". To further enable advancement through technology, it put in place a comprehensive online system featuring convenient, fast, professional and quality services, introduced nine initiatives to facilitate claim settlement, including green channels for claim settlement, streamlined claim procedures, claim prepayment and cancellation of deductibles, and offered "free medicine consulting on the phone" services around the clock and free online clinical diagnosing, thus gaining wide recognition from customers. BOC-Samsung Life was awarded "Insurer of the Year in Customer Service" in the fifth China's Insurance Industry Ranking 2020.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment's business activities include private equity investment, fund investment and management, real estate investment and management and special situation investment. As at 30 June 2020, BOCG Investment had recorded issued share capital of HKD34.052 billion, total assets of HKD127.566 billion and net assets of HKD66.375 billion. In the first half of 2020, it recorded a profit for the period of HKD2.583 billion.

BOCG Investment strived to foster sustainable and stable operations by firmly adhering to the strategies of integration, fund-based development and digitalisation. It actively enhanced the Group's comprehensive competitiveness through cooperation by broadening investment and loan linkage channels and developing its business in key areas such as the Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area. Focusing on emerging industries, such as medical treatment, consumption, logistics, and high-end manufacturing, BOCG Investment helped enterprises recover from the impact of COVID-19 and supported the development of the real economy. BOCG Investment strengthened its market-oriented financing capabilities and successfully issued a RMB1.5 billion Panda Bond.

BOC Asset Investment

The Bank is engaged in debt-for-equity swap and related business in the Chinese mainland through BOC Asset Investment. As at 30 June 2020, the registered capital of BOC Asset Investment was RMB10.000 billion, with its total assets and net assets standing at RMB73.909 billion and RMB11.105 billion respectively. In the first half of 2020, it realised a profit for the period of RMB815 million.

BOC Asset Investment conducted debt-for-equity swap business based on market-oriented and rule-of-law principles, with the aim of improving enterprises' business operations and helping them to reduce leverage ratios and improve market value, thus effectively serving the real economy and preventing and mitigating financial risks. A special fund for debt-to-equity swaps was established by BOC Asset Investment in order to mobilise capital to support private enterprises in the Yangtze River Delta region. As at 30 June 2020, the Bank cumulative market-oriented debt-for-equity swap business reached RMB154.397 billion, with an increase of RMB6.051 billion within the year.

Leasing Business

BOC Aviation

The Bank is engaged in the aircraft leasing business through BOC Aviation. BOC Aviation is one of the world's leading aircraft operating leasing companies and is the largest aircraft operating leasing company headquartered in Asia, as measured by value of owned aircraft. As at 30 June 2020, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of

USD22.619 billion and net assets of USD4.642 billion. It recorded a profit for the period of USD323 million for the first half of 2020.

Committed to pursuing sustainable growth, BOC Aviation continued to implement its proactive business strategy and steadily promoted its standing in the aircraft leasing industry. Actively supporting the Belt and Road Initiative, it had leased more than 67% of its aircraft to airlines of Belt and Road countries and regions, as well as airlines based in the Chinese mainland, Hong Kong, Macao and Taiwan, as at 30 June 2020. Closely focusing on customer demand, the company took delivery of 23 aircraft, including one aircraft that an airline customer purchased at delivery, as it continually expanded its owned fleet. All of these aircraft have been placed on long-term leases. BOC Aviation signed 76 leases for future deliveries and added two new customers, bringing its total up to 91 customers in 40 countries and regions. The company consistently sought to optimise its asset structure and to improve its sustainable development. It sold five owned aircraft in the first half of the year, leaving it with an average owned fleet age of 3.5 years (weighted by net book value) as at 30 June 2020, one of the youngest aircraft portfolios in the aircraft leasing industry.

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

BOCL

The Bank operates financial leasing, transfer and receiving of financial leasing assets and other related businesses through BOCL. BOCL was established in June 2020 and registered in Chongqing. As at 30 June 2020, BOCL recorded registered capital of RMB10.800 billion, total assets of RMB10.808 billion and net assets of RMB10.806 billion.

Following the strategic objectives of the Group, BOCL accelerated the establishment and improvement of its governance system, strengthened its risk management mechanism and promoted the construction of a team of market-oriented talents. Focusing on national strategies and key regions, it leveraged its advantages of specialisation, differentiation and characteristics, refined and strengthened its leasing brand, promoted high-quality development, and continuously enhanced the capability of serving the real economy.

Service Channels

With a core focus on improving customer experience, the Bank pushed forward its service channel integration and outlet transformation so as to attract more active customers and cultivate an ecosystem featuring the integration of online and offline channels and the seamless connection of financial and non-financial scenarios.

Online Channels

Embracing the trend of digital transformation and following a "Mobile First" strategy, the Bank continued to increase its efforts to expand online channels and upgrade its mobile banking service, thus realising a rapid growth in online businesses. In the first half of 2020, the Bank's substitution ratio of e-banking channels for outlet-based business transactions reached 94.95%. Its e-channel transaction amount reached RMB133.95 trillion, an increase of 15.99% compared with the same period of the prior year. Among this, mobile banking transaction volumes reached RMB15.54 trillion, an increase of 13.85% compared with the same period of the prior year, making mobile banking the online trading channel with the most active customers.

Unit: million customers, except percentages

Items	As at 30 June 2020	As at 31 December 2019	Change (%)
Number of corporate online banking customers	**5.0199**	4.6163	8.74%
Number of personal online banking customers	**187.4830**	182.3062	2.84%
Number of mobile banking customers	**193.7826**	180.8226	7.17%
Number of telephone banking customers	**112.2357**	112.7403	(0.45%)

The Bank picked up the pace of building a mobile portal to deliver integrated corporate banking financial services for corporate banking customers. Taking into account the needs of SMEs for convenient mobile finance, the Bank started by improving primary services, diversifying featured services and expanding new scenarios to drive the development of an enterprise-level mobile integrated financial service platform in a tiered and step-by-step manner. It continued to improve primary services such as account management, bank-enterprise reconciliation, transfer and remittance, deposit and online reservation of account opening as well as featured services including self-service foreign exchange settlement, international settlement and online letters of guarantee. The Bank's mobile services now cover almost all high-frequency corporate customer transactions.

The Bank adapted to changes in FinTech development and customer habits, expanded mobile banking services and introduced product services such as annual electronic statement, LPR conversion, credit reference inquiry, E-mortgage and Silver Economy Service for its personal banking customers. It improved key functionalities such as cross-border remittance, investment and wealth management, credit card and self-service registration, covering more than 200 digital financial services. It continuously enriched mobile banking's non-financial services, focused on high-frequency transactions and consumption scenarios to create the best user experience, and provided customers with more convenient personal financial services with a focus on e-commerce shopping, food delivery and online video, etc. The Bank continued to enhance its digital risk control capability and provided customers with access to smart and efficient online anti-fraud services, so as to effectively protect and secure their funds. During the COVID-19 pandemic period, the Bank upgraded its mobile banking services and introduced an anti-pandemic zone to provide domestic and overseas customers with the latest news regarding the pandemic situation.

Offline Channels

The Bank pushed forward outlet transformation, centring on its bank-wide smart counters, to enhance outlets' value-creating capacity. In the first half of 2020, the Bank completed seven upgrades of its smart counters so as to further improve its service system. It offered multiple channels for account opening reservation, "one-stop" account opening and product contracting by relying on channel innovation and process improvement, and dedicated itself to delivering more efficient and accessible products and services to customers. Corporate receipt management was launched at smart counters, allowing for self-service inquiry and account information printout by corporate customers, thus supporting work and production resumption through efficient and expedited services.

An instant card printing service was also launched in a pilot basis, satisfying customers' real-time card usage demands by printing and issuing cards with designated numbers on site. The Bank launched a tablet version of its smart counters, supporting outlets to "go out" and actively expand the customer base by providing a one-to-one premium service. A cash version of smart counters was also launched across the Bank, providing smart cash services including large amounts and multiple denominations and mediums. The Bank also promoted a new O2O physical delivery model by focusing on foreign currency exchange as a business enabler. Specifically, it enabled customers to make online reservations and collect foreign currency packages through smart counters, thus ensuring convenient cross-border services for customers. Moreover, by empowering outlets through technological means, the Bank continuously improved its customer service channels and enhanced digital marketing and management capabilities at the outlet level.

The Bank optimised its outlet performance assessment system and continued to work on the differentiated development of its outlets, in a bid to promote outlet efficiency and effectiveness. Focusing on core business areas and scenario-building strategies, the Bank accelerated the building of featured outlets to offer differentiated, enhanced quality services, and expanded service channels so as to upgrade financial service capabilities in county areas. In addition, the Bank refined the operational management of its outlets and adjusted the authorities and responsibilities of primary-level employee positions. It improved outlets' marketing and service approaches and strengthened the risk management of its outlet business, thus enhancing comprehensive operational efficiency.

As at 30 June 2020, the Bank's commercial banking network in the Chinese mainland (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised 10,581 branches and outlets. Its non-commercial banking institutions in the Chinese mainland totalled 495, and the number of its institutions in Hong Kong, Macao, Taiwan and other countries and regions totalled 558.

Unit: single item, except percentages

Items	**As at 30 June 2020**	As at 31 December 2019	Change (%)
ATM	**35,240**	37,331	(5.60%)
Smart counter	**31,568**	30,425	3.76%
Self-service terminal	**1,163**	1,875	(37.97%)

Information Technology Development

The Bank continued to deeply pursue FinTech innovation so as to boost the role of technology as an enabler, bolstering its ongoing efforts to build a digitalised bank that is oriented to user experience, data-based and technology-driven.

The Bank leveraged technology in order to provide strong support for financial services during the COVID-19 pandemic. It rapidly launched various financial services in response to the COVID-19 outbreak, including the granting of anti-pandemic loans, a free donation channel for corporate customers, and deferral and interest exemption on credit card statements. It introduced a COVID-19 control section to its mobile banking and WeChat banking channels in order to provide a number of convenient services for stay-at-home customers, including pandemic update and online health consultations, thus using FinTech to support COVID-19 control. It also launched smart home service representatives to safeguard the continuity of its financial services. Capitalising its advantages in online services, the Bank provided technological support for the 127th Canton Fair, the 2020 World Artificial Intelligence Conference and the 4th World Intelligence Congress.

The Bank advanced enterprise-level architecture development and sped up technological reform. From a corporate perspective, it pressed ahead with the top-level design, modelling and auxiliary projects for enterprise-level business architecture and enterprise-level IT architecture. The Bank accelerated the implementation of its foundational strategic projects and prepared solid ground for digital development. The three cloud computing bases in Hefei, Inner Mongolia and Xi'an have all been put into operation. In addition, the Bank continuously developed the layout of its next-generation multi-centre infrastructure in multiple locations, built a platform for cloud centre operations and established an agile and efficient cloud service model, thereby enhancing the Group's infrastructure support capacity.

The Bank gave full play to the driving role of technology in speeding up digital transformation in key business fields. It rapidly built up its scenario ecosystem, comprising cross-border, education, sports and the silver economy, with new technologies applied to financial scenarios on a pilot basis. It upgraded its mobile banking from a trading platform to an integrated service platform, and launched a number of new features such as payment by facial recognition and a wealth management micro-store. The Bank also embedded a corporate services ecosystem in its transaction banking to enhance its customer service capacity. It made its smart counter channel available via portable devices, and rolled out new scenarios such as LPR conversion and real-time card printing, thereby improving its offline service system. In addition, the Bank launched BOC Corporate E Loan and hence improved loan processing efficiency. It also continuously upgraded its smart customer service system, and launched online customer service across all online channels. Meanwhile, the Bank established a smart asset management system to provide customers with more intelligent services for asset allocation. It also built the "Cyber Defence" smart risk control and prevention system as well as a digital lifecycle risk control system, which provide strong backing for the Group's enterprise risk management.

The Bank delivered more technological support to its globalised and comprehensive operations, and advanced the coordinated development of the Group. It promoted the IT standardisation of its comprehensive operation companies, improved the information system building process for newly established overseas institutions, and supported the IT development of overseas institutions. At the same time, the Bank extended the overseas reach of mature products and services such as mobile banking, smart counters and smart customer services, thus significantly enhancing its global service capabilities.

The Bank continually improved its IT systems and processes as well as the layout of its technological innovation mechanisms. It strengthened collaboration and shared application between the Head Office and branches, improved the characterised application management system for domestic branches, and made coordinated efforts regarding the implementation of overseas institutions' special requirements. The Suzhou subsidiary of BOC Financial Technology was established. Explorations were made regarding a new mechanism for cooperation with government, with a view to jointly implementing the Group's technological strategy. In order to promote the construction of regional innovation and R&D centres, the Bank inaugurated its Xiongan base, which was the earliest one among its peers and made the layout of its FinTech innovation further optimised. As part of its constant research into new technologies, the Bank advanced the application of such new technologies as 5G, Internet of Things, blockchain and virtual reality in real-world scenarios.

Risk Management

The Bank endeavoured to comply with regulatory requirements for preventing and mitigating material risks, continued to improve its risk management system in line with the Group's strategies, and further enhanced its comprehensive risk management. It improved its contingency plan and re-examined and updated the Group's risk appetite, thereby constantly making its risk management reporting more forward-looking. It kept improving the effectiveness of the Group's consolidated risk management and control so as to support its comprehensive development. Meanwhile, the Bank continued to refine its risk measurement model and pushed forward the development and maintenance of online models for inclusive finance. It promoted the development of advanced capital management approaches, and deepened the application of advanced approaches. In addition, the Bank intensified efforts in intelligent scenario development and the application of risk data, and strengthened its risk data governance. It also strictly followed regulatory requirements in order to enhance accountability for remediation and hold fast to the bottom line for risk compliance.

Credit Risk Management

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

The Bank continuously adjusted and optimised its credit structure. With the aim of advancing strategic implementation and balancing risk, capital and return, it improved the management plans for its credit portfolios. In line with national industrial policy orientation, the Bank intensified its support to the real economy, bolstered the improvement of weak links in infrastructure, and supported new infrastructure and new urbanisation initiatives and major projects such as transportation and water conservation projects, boosting the high-quality development of the manufacturing industry. It also enacted guidelines for industry-focused lending and continued to push forward the building of an industrial policy system so as to optimise its credit structure.

Taking a customer-centric approach, the Bank further strengthened its unified credit granting management and enhanced full-scope centralised credit risk management. It continuously improved its long-acting credit management mechanism and asset quality monitoring system, strengthened the control of customer concentration, and further raised the effectiveness of potential risk identification, control and mitigation. The Bank enhanced the supervision of risk analysis and asset quality control in key regions, and strengthened window guidance on all business lines. In addition, it constantly identified, measured and monitored large exposures in line with management requirements.

In terms of corporate banking, the Bank further strengthened risk identification and control in key fields, and proactively reduced and exited credit relationships in such fields. It strictly controlled the outstanding amount and use of loans through limit management, and prevented and mitigated risk from overcapacity industries. In addition, it implemented the government's macro-control policies and regulatory measures in the real estate sector so as to strengthen the risk management of real estate loans. In terms of personal banking, the Bank reinforced the management of credit granting approval, imposed stricter access standards, strengthened monitoring throughout the whole process, and prevented the risk of excessive credit and cross-infection while supporting the development of its personal credit business. It also strengthened risk control over key products and regions.

The Bank strengthened country risk management. It performed an annual review of country risk ratings and implemented limit management and control of country risk exposures. It collected statistics, monitored, analysed and reported its exposures on a regular basis, and made timely assessments of the impact of material country risk events. In addition, it re-examined country risk by considering the impact of COVID-19 and other factors, issued risk prompts in a timely manner and adopted differentiated management of potentially high-risk and sensitive countries and regions. The Bank's net exposure to country risk mainly concentrated on countries and regions that have relatively low ratings, and its overall country risk remained at a reasonable level.

The Bank further stepped up the collection of NPAs. It continued to adopt centralised and tiered management of NPA projects. It reinforced the supervision and management of key regions and key projects, in order to continuously improve the quality and efficiency of disposals. The Bank proactively explored the application of "Internet Plus" in NPA collection, and diversified its disposal channels. In addition, it enhanced the application of write-off and debt-for-equity swaps to consolidate asset quality and prevent and defuse financial risks.

The Bank reasonably measured and managed the quality of its credit assets based on the *Guidelines for Loan Credit Risk Classification*. As at 30 June 2020, the Group's NPLs[4] totalled RMB198.382 billion, an increase of RMB20.147 billion compared with the prior year-end. The NPL ratio was 1.42%, up by 0.05 percentage point compared with the prior year-end. The Group's allowance for loan impairment losses amounted to RMB369.912 billion, an increase of RMB43.989 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 186.46%.

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

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 30 June 2020		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Group				
Pass	**13,530,868**	**96.64%**	12,566,640	96.41%
Special-mention	**271,507**	**1.94%**	289,314	2.22%
Substandard	**108,492**	**0.78%**	77,459	0.59%
Doubtful	**37,014**	**0.26%**	51,804	0.40%
Loss	**52,876**	**0.38%**	48,972	0.38%
Total	**14,000,757**	**100.00%**	13,034,189	100.00%
NPLs	**198,382**	**1.42%**	178,235	1.37%
Chinese mainland				
Pass	**10,563,554**	**96.18%**	9,885,045	95.95%
Special-mention	**238,568**	**2.17%**	247,412	2.40%
Substandard	**96,410**	**0.88%**	72,611	0.70%
Doubtful	**35,339**	**0.32%**	50,334	0.49%
Loss	**49,634**	**0.45%**	47,006	0.46%
Total	**10,983,505**	**100.00%**	10,302,408	100.00%
NPLs	**181,383**	**1.65%**	169,951	1.65%

Migration Ratio

Unit: %

Items	**For the six-month period ended 30 June 2020**	2019	2018
Pass	**0.53**	1.40	2.20
Special-mention	**16.51**	21.45	23.70
Substandard	**15.52**	40.86	51.89
Doubtful	**24.46**	18.76	33.57

In accordance with IFRS 9, the Bank assesses expected credit losses (ECL) with forward-looking information and makes relevant allowances. In particular, it makes allowances for assets classified as stage 1 and assets classified as stage 2 and stage 3 according to the ECL over 12 months and the ECL over the entire lifetime of the asset, respectively. As at 30 June 2020, the Group's stage 1, stage 2 and stage 3 loans totalled RMB13,484.743 billion, RMB313.568 billion and RMB198.382 billion respectively, accounting for 96.34%, 2.24% and 1.42% of total loans. In the first half of 2020, the Group's impairment losses on loans amounted to RMB60.728 billion, an increase of RMB25.007 billion compared with the same period of the prior year. Credit cost accounted for 0.90%, an increase of 0.31 percentage point compared with the same period of the prior year. Please refer to Notes III.16 and IV.1 to the Condensed Consolidated Interim Financial Information for detailed information regarding loan classification, the classification of ECL stages and allowance for loan impairment losses.

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

Unit: %

Indicators	Regulatory Standard	**As at 30 June 2020**	As at 31 December 2019	As at 31 December 2018
Loan concentration ratio of the largest single borrower	≤10	**3.1**	3.2	3.6
Loan concentration ratio of the ten largest borrowers	≤50	**14.7**	14.5	15.3

Notes:

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

2 Loan concentration ratio of the ten largest borrowers = total outstanding loans to the top ten borrowers ÷ net regulatory capital.

The following table shows the top ten individual borrowers as at 30 June 2020.

Unit: RMB million, except percentages

	Industry	Related Parties or not	Outstanding loans	% of total loans
Customer A	Manufacturing	No	70,873	0.51%
Customer B	Transportation, storage and postal services	No	59,341	0.42%
Customer C	Commerce and services	No	37,020	0.26%
Customer D	Transportation, storage and postal services	No	36,607	0.26%
Customer E	Transportation, storage and postal services	No	32,284	0.23%
Customer F	Real estate	No	22,000	0.16%
Customer G	Transportation, storage and postal services	No	21,351	0.15%
Customer H	Commerce and services	No	20,185	0.14%
Customer I	Commerce and services	No	19,193	0.14%
Customer J	Production and supply of electricity, heating, gas and water	No	19,036	0.14%

Market Risk Management

In response to changes in the market environment, the Bank continued to enhance its market risk management.

The Bank improved the Group's market risk management system, and refined the Group's risk limit system by re-examining and adjusting the Group's market risk limit in response to changes in operations and the market. Paying close attention to regulatory dynamics and development trends in financial markets, the Bank strengthened its forward-looking research, judgment and monitoring regarding market risks, thus bolstering its risk warning and mitigation capabilities. It continuously advanced the improvement of its market risk data mart system and upgraded system operation efficiency, so as to enhance the accuracy of risk measurement and improve its ability to quantify risk. Please refer to Note IV.2 to the Condensed Consolidated Interim Financial Information for detailed information regarding market risk.

The Bank tracked fluctuations in domestic and overseas financial markets, strengthened risk management of the Group's bond investments, paid constant attention to changes in the risks of key fields and adjusted its control strategies accordingly. Actively coping with changes in domestic and overseas markets, the Bank strengthened control of bond asset quality during the COVID-19 pandemic and continued to bolster its efforts in the routine monitoring and screening of risky bonds, thus ensuring stable bond investment.

In terms of exchange rate risk management, the Bank sought to achieve currency matching between fund source and application, and managed exchange rate risk through timely currency exchange and hedging, thus effectively controlling its foreign exchange exposure.

Management of Interest Rate Risk in the Banking Book

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

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

Liquidity Risk Management

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

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

As at 30 June 2020, the Bank's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio is shown in the table below (in accordance with the relevant provisions of regulatory authorities in the Chinese mainland):

Unit: %

Indicator		Regulatory standard	**As at 30 June 2020**	As at 31 December 2019	As at 31 December 2018
Liquidity ratio	RMB	≥25	**53.9**	54.6	58.7
	Foreign currency	≥25	**58.2**	60.4	54.8

Reputational Risk Management

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

Internal Control and Operational Risk Management

Internal Control

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

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

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

The third line of defence rests in the audit department of the Bank. The audit department is responsible for performing internal audits of the Bank's internal control and risk management in respect of its adequacy and effectiveness. The Bank continued to push forward the reform of its human resource management system for the audit line, and further intensified the vertical management of its audit function. It enhanced audit team building, pushed forward the construction of IT applications in audit, reinforced the use of IT-based audit approaches, continuously conducted audit circulatory monitoring, and pushed forward the implementation of the audit working mechanism for identifying and revealing material risks. Taking an issue-oriented approach, the Bank focused on comprehensive audits of its institutions and special audits of its businesses. It strengthened audits and inspections of high-risk institutions and businesses, as well as those fields prioritised by the Group and of special concern to regulators. The audit department concentrated its attention on systemic, trending, emerging and important issues, so as to practically perform its internal audit function. It promoted the rectification of audit findings, and clarified the primary responsible parties for the rectification. Meanwhile, it deepened the application of audit results, and urged timely and effective rectification of issues, so as to continually improve the Bank's internal governance and control mechanism.

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

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

The Bank established and implemented a systematic financial accounting policy framework in accordance with applicable accounting standards and rules. As a result, its accounting basis was solidified and the level of standardisation and refinement of its financial accounting management was further improved. It endeavoured to establish a long-term mechanism of accounting fundamentals, and pushed forward the implementation and assessment of robust accounting standards. It continuously strengthened the quality management of its accounting information, so as to ensure the effectiveness of internal control over financial reporting. The financial statements of the Bank were prepared in accordance with the applicable accounting standards and related accounting regulations, and the financial position, operational performance and cash flows of the Bank were fairly presented in all material respects.

Focusing on fraud risk prevention and control, the Bank proactively identified, assessed, controlled and mitigated risks. In the first half of 2020, the Bank successfully prevented 110 external cases involving RMB8.896 million.

Operational Risk Management

The Bank continuously improved its operational risk management system. It promoted the application of operational risk management tools, including Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC), etc., to identify, assess and monitor operational risk, thus continuously improving its risk management measures. The Bank enhanced its IT-system support capability by optimising its operational risk management information system. It strengthened its business continuity management system, optimised its operating mechanism to enhance operational sustainability, carried out disaster recovery drills, proactively addressed the COVID-19 pandemic and improved the Group's business continuity capacity.

Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the stable development and sustainable operation of the Group. It strengthened its anti-money-laundering (AML) and sanction compliance policies and procedures, optimised AML resource allocation, deepened AML efforts and strengthened sanction compliance monitoring and management. It intensified system and model building and improved system functionality. It endeavoured to build a proactive, forward-looking and robust management framework for overseas compliance through a compliance risk assessment programme. It improved the AML and sanction compliance training management mechanism and conducted various forms of compliance training, so as to enhance all employees' compliance awareness and abilities.

The Bank enhanced the management of its connected transactions and internal transactions. It improved the management of connected parties and consolidated the foundation of its connected transaction management. It strengthened the routine monitoring and examination of connected transactions and strictly controlled their risks. In addition, it continuously implemented internal transaction monitoring and reporting, thereby improving the quality and efficiency of its internal transaction management.

Capital Management

The Bank thoroughly applied the concepts of capital constraint and value creation, continually optimised its assessment on capital budget implementation, and actively reinforced the construction of its capital management system, so as to continuously refine its overall capital management, lead the optimisation of its business structure, and improve its value creation capabilities. It also seized the market opportunity to accelerate its external capital replenishment. In the first half of 2020, it successfully issued USD2.82 billion of offshore preference shares and RMB40.0 billion of undated capital bonds. As at 30 June 2020, the Group's capital adequacy ratio was 15.42%, reaching a relatively high level.

Capital Adequacy Ratios

As at 30 June 2020, the capital adequacy ratios separately calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* are listed below:

Unit: RMB million, except percentages

	Group		Bank	
Items	**As at 30 June 2020**	As at 31 December 2019	**As at 30 June 2020**	As at 31 December 2019
Net common equity tier 1 capital	**1,640,569**	1,596,378	**1,361,016**	1,346,623
Net tier 1 capital	**1,910,664**	1,806,435	**1,620,480**	1,546,517
Net capital	**2,298,846**	2,201,278	**1,994,511**	1,927,188
Common equity tier 1 capital adequacy ratio	**11.01%**	11.30%	**10.55%**	10.99%
Tier 1 capital adequacy ratio	**12.82%**	12.79%	**12.56%**	12.62%
Capital adequacy ratio	**15.42%**	15.59%	**15.46%**	15.72%

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

Leverage Ratio

As at 30 June 2020, the leverage ratio calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* is listed below:

Unit: RMB million, except percentages

Items	**As at 30 June 2020**	As at 31 December 2019
Net tier 1 capital	**1,910,664**	1,806,435
Adjusted on- and off-balance sheet assets	**25,687,399**	24,303,201
Leverage ratio	**7.44%**	7.43%

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

Social Responsibilities

The Bank actively assumed its responsibilities as a state-owned commercial bank. Leveraging the competitive advantages arising from its global and integrated operations, it continually expanded and deepened the practices through in fulfilling its social responsibilities, devoted itself to win-win cooperation with stakeholders and created lasting value for the economy, society and environment.

In pursuit of the nation's major strategic objectives, including building a moderately prosperous society in all respects and achieving poverty alleviation, and by following related requirements regarding reducing poverty through financial measures, the Bank refined its financial resource allocation and increased resource input in certain areas, with a focus on the basic needs of food and clothing as well as proper access to compulsory education, medical care and safe housing for those living in poverty, concentrating on severely impoverished areas and those industries that benefit the impoverished. It created innovative financial products and services, introduced high-quality industrial poverty alleviation entities for poverty-stricken areas and stimulated internal growth drivers in those areas. In addition, the Bank granted small-amount loans for poverty alleviation and government-sponsored student loans to satisfy the funding needs of the registered poverty-stricken population.

The Bank has supported poverty alleviation in the four poverty-stricken counties of Yongshou, Changwu, Xunyi and Chunhua in Xianyang, Shaanxi Province for 18 consecutive years. Since the beginning of 2020, amid efforts to bolster the four counties in fighting against COVID-19, the Bank drove forward its poverty alleviation programme as scheduled. Consolidating its existing poverty alleviation achievements, it continuously allocated more funds and accelerated the implementation of poverty alleviation schemes. It also carried out poverty alleviation campaigns by stimulating consumption, assisted with local work and production resumption and promoted the connection of poverty alleviation to rural revitalisation, thus making an active contribution to advancing economic and social development and the improvement of living standards in local areas. In the first half of 2020, the Bank provided more than RMB75 million of cost-free capital to the four targeted counties, gave training to more than 10,000 officials and technicians at the primary level, and purchased and helped to sell over RMB0.14 billion worth of agricultural products from poverty-stricken areas.

The Bank continued to provide government-sponsored student loans to support education. As at 30 June 2020, it had cumulatively granted student loans of RMB24.240 billion to sponsor over 1.80 million financially underprivileged students to complete their studies. It has sponsored the Tan Kah Kee Science Award for 17 consecutive years, in order to honour scientists who have made original scientific and technological achievements. The Bank has also carried out strategic cooperation with the National Centre for the Performing Arts for 12 consecutive years, with the aim of popularising the arts through financial channels.

Since the outbreak of the COVID-19 pandemic, the Bank has focused on pandemic prevention and control as well as fighting the virus through financial channels. It has coordinated efforts across its domestic and overseas institutions, and proactively conveyed a vision of building a global community based on a shared future for mankind. The Bank not only cooperated with the domestic pandemic response, but also took the lead in racing against the clock to assist other areas of the world. As at 30 June 2020, the Bank had delivered medical supplies to a total of 57 countries and regions.

The Bank made continuous progress in implementing its green finance strategy. It steadily increased the proportion of green credit, accelerated the launch of new green finance products, advocated low-carbon and environmentally-friendly lifestyles, and vigorously supported public welfare environmental protection campaigns, thus taking concrete action to implement the development concept of "clear waters and green mountains are invaluable assets".

Outlook

In the second half of 2020, the banking sector will continue to face a tough and complicated operating environment and unprecedented external risks and challenges. From an international perspective, the spread of COVID-19 pandemic will drag the global economy into serious recession and accelerate change in global landscape. From a domestic perspective, China's economy will continue to improve, but will nevertheless face a number of uncertain and destabilising factors.

The Bank adhered to the general principle of pursuing progress while ensuring stability, and applied the new development philosophy. With 2020 designated as the "Year of Enhanced Implementation", the Bank will stimulate vitality, respond with agility and achieve breakthroughs in key areas. It will endeavour to combine performing its responsibilities and planning for its own development, solving present difficulties and resolving long-term problems, and tackling external challenges and defending the risk bottom line, in order to seek out new opportunities from crisis conditions, break new ground in the midst of changes, and realise high-quality development amid difficulties and challenges.

First, the Bank will realise more sustainable development by solidly serving the real economy. It will earnestly implement the requirements of ensuring stability on six fronts and maintaining security in six areas, and vigorously support key fields and weak areas including inclusive finance, private enterprises, advanced manufacturing, new infrastructure and new urbanisation initiatives and major projects. It will make greater efforts to develop green finance, accelerate the development of consumer finance, and enhance its capacities for providing effective finance and serving the real economy. Second, the Bank will actively devote itself to a new development pattern in order to achieve more coordinated improvements. It will continue to follow the path of globalisation, bring the fundamental role of its Chinese mainland business into full play, firmly uplift the globalised and diversified aspects of its development, spare no effort to boost the establishment of the domestic economic cycle, and promote the development of dual circulation between Chinese market and international markets. Third, the Bank will realise more agile and efficient development by deepening system and mechanism reforms. It will further refine its organisational structure and system, make progress towards becoming a more flexible organisation, optimise business management mechanisms and improve resource allocation efficiency and agile responsiveness. Fourth, the Bank will realise more stable development by making every effort to improve comprehensive risk management and control. It will raise awareness of risk compliance, defend the bottom line, reinforce credit risk management and control, strengthen internal control case prevention and operational risk management, refine the regular risk investigation and issue rectification mechanism, in order to uplift its risk management to a more specialised and professional level. Fifth, by strengthening team building and establishing a strong culture, the Bank will realise a development path that is more vibrant and full of positive energy. It will improve human resource management mechanisms, optimise team composition and enhance the professionalism of its employees. It will make balanced use of domestic and overseas training resources to effectively improve the capability and quality of officials and employees.

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Share Capital

Unit: Share

		As at 1 January 2020		Increase/decrease during the reporting period					As at 30 June 2020	
		Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	Number of shares	Percentage
I.	**Shares subject to selling restrictions**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
II.	**Shares not subject to selling restrictions**	**294,387,791,241**	**100.00%**	**–**	**–**	**–**	**–**	**–**	**294,387,791,241**	**100.00%**
	1. RMB-denominated ordinary shares	210,765,514,846	71.59%	–	–	–	–	–	210,765,514,846	71.59%
	2. Overseas listed foreign shares	83,622,276,395	28.41%	–	–	–	–	–	83,622,276,395	28.41%
III.	**Total Ordinary Shares**	**294,387,791,241**	**100.00%**	**–**	**–**	**–**	**–**	**–**	**294,387,791,241**	**100.00%**

Notes:

1 As at 30 June 2020, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.

2 As at 30 June 2020, none of the Bank's A Shares and H Shares were subject to selling restrictions.

Number of Ordinary Shareholders and Shareholdings

Number of ordinary shareholders as at 30 June 2020: 681,633 (including 497,840 A-Share Holders and 183,793 H-Share Holders)

The top ten ordinary shareholders as at 30 June 2020 are set forth below:

Unit: Share

No.	Name of ordinary shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	–	188,461,533,607	64.02%	–	None	State	A
2	HKSCC Nominees Limited	(13,731,661)	81,903,080,526	27.82%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	–	8,596,044,925	2.92%	–	None	State-owned legal person	A
4	Central Huijin Asset Management Ltd.	–	1,810,024,500	0.61%	–	None	State-owned legal person	A
5	Buttonwood Investment Platform Ltd.	–	1,060,059,360	0.36%	–	None	State-owned legal person	A
6	China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH	155,117,055	994,704,929	0.34%	–	None	Other	A
7	HKSCC Limited	(123,056,169)	789,379,800	0.27%	–	None	Foreign legal person	A
8	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	261,599,524	751,107,970	0.26%	–	None	Other	A
9	MUFG Bank, Ltd.	–	520,357,200	0.18%	–	Unknown	Foreign legal person	H
10	China Pacific Life Insurance Co., Ltd. — China Pacific Life Insurance Dividend Equity Portfolio (Traditional) with management of Changjiang Pension Insurance Co., Ltd.	–	382,238,605	0.13%	–	None	Other	A

The number of shares held by H-Share Holders was recorded in the register of members kept at the H-Share Registrar of the Bank.

HKSCC Nominees Limited acted as the nominee for all the institutional and individual investors that maintain an account with it as at 30 June 2020. The aggregate number of the Bank's H Shares held by HKSCC Nominees Limited included the number of shares held by the National Council for Social Security Fund.

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

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

"China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH" and "China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH" are both under management of China Life Insurance Company Limited.

Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned ordinary shareholders.

Substantial Shareholder Interests

The register maintained by the Bank under section 336 of the SFO recorded that, as at 30 June 2020, the shareholders indicated in the following table were substantial shareholders (as defined in the SFO) having interests in shares of the Bank:

Name of shareholder	Capacity (types of interest)	Number of shares held/Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A-Share capital	Percentage of total issued H-Share capital	Percentage of total issued ordinary share capital
Central Huijin Investment Ltd.	Beneficial owner	188,461,533,607	A	89.42%	–	64.02%
	Interest of controlled corporations	1,810,024,500	A	0.86%	–	0.61%
	Total	190,271,558,107	A	90.28%	–	64.63%
National Council for Social Security Fund	Beneficial owner	6,684,735,907	H	–	7.99%	2.27%
Citigroup Inc.	Person having a security interest in shares	497,000	H	–	0.0006%	0.0002%
	Interest of controlled corporations	535,617,373	H	–	0.64%	0.18%
		187,321,515(S)	H	–	0.22%	0.06%
	Approved lending agent	4,469,332,847(P)	H	–	5.34%	1.52%
	Total	5,005,447,220	H	–	5.99%	1.70%
		187,321,515(S)	H	–	0.22%	0.06%
		4,469,332,847(P)	H	–	5.34%	1.52%
BlackRock, Inc.	Interest of controlled corporations	5,003,261,157	H	–	5.98%	1.70%
		21,975,000(S)	H	–	0.03%	0.01%

Notes:

1 Citigroup Inc. holds the entire issued share capital of Citicorp LLC, while Citicorp LLC holds the entire issued share capital of Citibank, N.A. Thus Citigroup Inc. and Citicorp LLC are deemed to have equal interests in shares of the Bank as Citibank, N.A. under the SFO. Citigroup Inc. holds a long position of 5,005,447,220 H Shares and a short position of 187,321,515 H Shares of the Bank through Citibank, N.A. and other corporations controlled by it. In the long position of 5,005,447,220 H Shares, 4,469,332,847 H Shares are held in the lending pool and 238,489,967 H Shares are held through derivatives. In the short position of 187,321,515 H Shares, 146,016,715 H Shares are held through derivatives.

2 BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., while BlackRock Holdco 2 Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. Thus BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have equal interests in shares of the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. holds a long position of 5,003,261,157 H Shares and a short position of 21,975,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 5,003,261,157 H Shares, 108,245,000 H Shares are held through derivatives. In the short position of 21,975,000 H Shares, 13,906,000 H Shares are held through derivatives.

3 "S" denotes short position, "P" denotes lending pool.

Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 30 June 2020, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Preference Shares

Issuance and Listing of Preference Shares

With the approvals of CBIRC (Yinbaojianfu [2019] No. 630) and CSRC (Zhengjianxuke [2020] No. 254), the Bank made a non-public issuance of USD2.820 billion Offshore Preference Shares (Second Tranche) on 4 March 2020 in the offshore market. Such Offshore Preference Shares have been listed on the Hong Kong Stock Exchange since 5 March 2020.

Please refer to the Bank's announcements published on the websites of SSE, HKEX and the Bank.

Number of Preference Shareholders and Shareholdings

Number of preference shareholders as at 30 June 2020: 87 (including 86 domestic preference shareholders and 1 offshore preference shareholder)

The top ten preference shareholders as at 30 June 2020 are set forth below:

Unit: Share

No.	Name of preference shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total preference shares	Number of shares pledged or frozen	Type of shareholder	Type of preference shares
1	Bosera Fund — ICBC — Bosera — ICBC — Flexible Allocation No. 5 Specific Multi-customer Assets Management Plan	–	220,000,000	12.24%	None	Other	Domestic Preference Shares
2	Bank of New York Mellon Corporation	197,865,300	197,865,300	11.01%	Unknown	Foreign legal person	Offshore Preference Shares
3	China Mobile Communications Group Co., Ltd.	–	180,000,000	10.01%	None	State-owned legal person	Domestic Preference Shares
4	CCB Trust Co., Ltd. — "Qian Yuan — Ri Xin Yue Yi" Open-ended Wealth Management Single Fund Trust	–	133,000,000	7.40%	None	Other	Domestic Preference Shares
5	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	–	86,000,000	4.78%	None	Other	Domestic Preference Shares
6	Bosera Fund — ABC — Agricultural Bank of China Limited	–	69,000,000	3.84%	None	Other	Domestic Preference Shares
7	China Resources SZITIC Trust Co., Ltd. — Investment No. 1 Single Fund Trust	–	66,500,000	3.70%	None	Other	Domestic Preference Shares
8	BOCOM Schroder Asset Management — BOCOM — Bank of Communications Co., Ltd.	(15,000,000)	50,000,000	2.78%	None	Other	Domestic Preference Shares
8	China National Tobacco Corporation	–	50,000,000	2.78%	None	State-owned legal person	Domestic Preference Shares
10	Ping An Life Insurance Company of China — universal — individual universal insurance	3,000,000	40,600,000	2.26%	None	Other	Domestic Preference Shares

The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintain an account with Euroclear and Clearstream as at 30 June 2020, held 197,865,300 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.

As at 30 June 2020, "China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH" is one of both the Bank's top ten ordinary shareholders and top ten preference shareholders.

"Bosera Fund — ICBC — Bosera — ICBC — Flexible Allocation No. 5 Specific Multi-customer Assets Management Plan" and "Bosera Fund — ABC — Agricultural Bank of China Limited" are both under management of Bosera Asset Management Co., Limited.

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

Profit Distribution of Preference Shares

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

Other Information regarding Preference Shares

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

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

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

Directors, Supervisors, Senior Management Members and Staff

Directors, Supervisors and Senior Management Members

Board of Directors

Name	Position	Name	Position
LIU Liange	Chairman	ZHANG Jiangang	Non-executive Director
WANG Jiang	Vice Chairman and President	CHEN Jianbo	Non-executive Director
WANG Wei	Executive Director and Executive Vice President	WANG Changyun	Independent Director
LIN Jingzhen	Executive Director and Executive Vice President	Angela CHAO	Independent Director
ZHAO Jie	Non-executive Director	JIANG Guohua	Independent Director
XIAO Lihong	Non-executive Director	Martin Cheung Kong LIAO	Independent Director
WANG Xiaoya	Non-executive Director	CHEN Chunhua	Independent Director

Notes:

1 The information listed in the above table pertains to the incumbent directors.

2 Mr. WANG Jiang began to serve as Vice Chairman of the Board of Directors, Executive Director, and member of the Strategic Development Committee of the Board of Directors of the Bank as of 14 January 2020.

3 Mr. WU Fulin ceased to serve as Executive Director and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 27 January 2020 due to a change of job.

4 Mr. LIAO Qiang ceased to serve as Non-executive Director, member of the Strategic Development Committee, member of the Corporate Culture and Consumer Protection Committee, and member of the Risk Policy Committee of the Board of Directors of the Bank as of 5 March 2020 due to a change of job.

5 Mr. WANG Wei began to serve as Executive Director and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 30 June 2020.

6 Mr. CHEN Jianbo began to serve as Non-executive Director, member of the Strategic Development Committee, member of the Corporate Culture and Consumer Protection Committee, and member of the Risk Policy Committee of the Board of Directors of the Bank as of 30 June 2020.

7 Ms. CHEN Chunhua began to serve as Independent Director, member of the Strategic Development Committee, Chairwoman and member of the Corporate Culture and Consumer Protection Committee, and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 20 July 2020.

8 The 2019 Second Extraordinary General Meeting of the Bank held on 31 December 2019 considered and approved the proposal on the election of Mr. CHUI Sai Peng Jose as Independent Director of the Bank. The qualification of Mr. CHUI Sai Peng Jose to serve as Independent Director of the Bank is subject to the approval of CBIRC.

9 Non-executive Directors Mr. ZHAO Jie, Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. ZHANG Jiangang and Mr. CHEN Jianbo were recommended by Central Huijin Investment Ltd., shareholder of the Bank.

10 During the reporting period, none of the directors held any share of the Bank.

Board of Supervisors

Name	Position	Name	Position
WANG Xiquan	Chairman of the Board of Supervisors	LENG Jie	Employee Supervisor
WANG Zhiheng	Employee Supervisor	JIA Xiangsen	External Supervisor
LI Changlin	Employee Supervisor	ZHENG Zhiguang	External Supervisor

Notes:

1 The information listed in the above table pertains to the incumbent supervisors.

2 During the reporting period, none of the supervisors held any share of the Bank.

Senior Management Members

Name	Position	Name	Position
WANG Jiang	Vice Chairman and President	XIAO Wei	Chief Audit Officer
WANG Wei	Executive Director and Executive Vice President	LIU Qiuwan	Chief Information Officer
LIN Jingzhen	Executive Director and Executive Vice President	LIU Jiandong	Chief Risk Officer
SUN Yu	Executive Vice President	MEI Feiqi	Secretary to the Board of Directors and Company Secretary
ZHENG Guoyu	Executive Vice President		

Notes:

1 The information listed in the above table pertains to the incumbent senior management members.

2 Mr. WU Fulin ceased to serve as Executive Vice President of the Bank as of 27 January 2020 due to a change of job.

3 During the reporting period, no senior management member, except Mr. SUN Yu who held 10,000 H Shares of the Bank, held any share of the Bank.

Organisational Management, Human Resources Development and Management

Organisational Management

As at 30 June 2020, the Bank had a total of 11,634 institutions worldwide, including 11,076 institutions in the Chinese mainland and 558 institutions in Hong Kong, Macao, Taiwan and other countries and regions. Its domestic commercial banking business comprised 10,581 institutions, including 38 tier-1 and direct branches, 365 tier-2 branches and 10,177 outlets.

Geographic distribution of institutions and employees:

Unit: RMB million/unit/person, except percentages

	Assets		Institutions		Employees	
Items	**Total assets**	**% of total**	**Number of institutions**	**% of total**	**Number of employees**	**% of total**
Northern China	7,703,319	29.85%	2,075	17.84%	60,812	19.85%
Northeastern China	792,668	3.07%	923	7.93%	24,281	7.93%
Eastern China	4,941,077	19.15%	3,564	30.63%	91,186	29.78%
Central and Southern China	3,644,900	14.12%	2,797	24.04%	66,984	21.87%
Western China	1,804,766	6.99%	1,717	14.76%	37,323	12.19%
Hong Kong, Macao and Taiwan	4,589,959	17.78%	428	3.68%	19,468	6.36%
Other countries and regions	2,332,628	9.04%	130	1.12%	6,178	2.02%
Elimination	(1,656,462)	N/A	N/A	N/A	N/A	N/A
Total	**24,152,855**	**100.00%**	**11,634**	**100.00%**	**306,232**	**100.00%**

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

Human Resources Development and Management

As at 30 June 2020, the Bank had a total of 306,232 employees. There were 280,586 employees in the Bank's operations of the Chinese mainland, of which 267,784 worked in the Bank's domestic commercial banking operations. There were 25,646 employees in the Bank's operations in Hong Kong, Macao, Taiwan and other countries and regions. As at 30 June 2020, the Bank bore costs for a total of 5,228 retirees.

In the first half of 2020, the Bank continued to improve its functional structure in line with the Group's strategies and annual priorities. To Support the development of its inclusive finance business, the Bank improved its organisational system for inclusive finance through the "dedicated department + specialised sub-branches" model, and enhanced its capabilities for organising and advancing inclusive finance business. It continually improved the management model for institutions in provincial capitals and further sharpened their competitive edge. In addition, the Bank reshaped its education and training model by establishing BOC University, a first-class enterprise university nurturing first-class talents, thus serving China's industry-education integration initiative as well as its own development strategy.

The establishment of BOC University represents an important measure taken by the Bank in order to implement national strategy, adapt to industry trends and boost financial innovation and reform in the new era. BOC University aims to empower BOC Group, its staff, its customers and the society, and is committed to growing into a world-class financial enterprise university characterised by the pursuit of noble values, an advanced schooling model, distinctive features and advantages, and excellent brand influence. Since its establishment, BOC University has responded actively to the COVID-19 pandemic and accelerated digitalised transformation. In the first half of 2020, a total of 8,152,530 people participated in online training, with a total learning time of 5,614,284 hours.

The Bank vigorously strengthened its human resources, stimulated the enthusiasm of its employees, intensified the cultivation of young professionals, and continuously trained internationalised and all-round talented personnel. It continuously pushed forward the building of professional development pathways by optimising pathway sequencing, improving professional qualification management and further opening up the development channel for professionals. Following national targeted poverty alleviation strategies, the Bank selected and dispatched outstanding personnel to frontline outlets and to areas facing challenging conditions, so as to support local economic development. Actively responding to the country's call to stabilise employment, the Bank took the initiative to offer more new jobs, improved its recruitment policies and measures, and delivered more support to inclusive finance, thus providing job opportunities for various personnel.

Corporate Governance

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

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

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

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

Corporate Governance Compliance

During the reporting period, the Bank's corporate governance was consistent with the Company Law and the relevant provisions of CSRC.

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

Shareholders' Meeting

On 30 June 2020, the Bank held its 2019 Annual General Meeting on-site in Beijing. A-Share Holders could also cast votes online. This meeting considered and approved the proposals including the 2019 work report of the Board of Directors, the 2019 work report of the Board of Supervisors, the 2019 annual financial report, the 2019 profit distribution plan, the 2020 annual budget for fixed assets investment, the appointment of the Bank's external auditor for 2020, the election of Mr. ZHAO Jie, Ms. XIAO Lihong and Ms. WANG Xiaoya to be re-appointed as Non-executive Directors of the Bank, the election of Mr. CHEN Jianbo to be appointed as Non-executive Director of the Bank, the 2019 annual remuneration distribution plan for External Supervisors, the application for provisional authorisation of outbound donations, the bond issuance plan, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments, and the election of Mr. WANG Wei as Executive Director of Bank of China Limited. The meeting also heard the report on the connected transactions for 2019, the duty report of Independent Directors for 2019, and the report on the implementation of the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China Limited* for 2019. The proposals regarding the bond issuance plan, the issuance of write-down undated capital bonds, and the issuance of qualified write-down tier 2 capital instruments were special resolutions, while the rest of the proposals were ordinary resolutions.

The above shareholders' meeting was convened and held in strict compliance with relevant laws and regulations as well as the listing rules of the Bank's listing exchanges. The Bank's directors, supervisors and senior management members attended the meeting and communicated with shareholders on issues of concern. The Bank published announcements on the resolutions and legal opinions of the aforementioned shareholders' meeting pursuant to the regulatory requirements in a timely manner. For details, please refer to the Bank's announcements published on the websites of SSE, HKEX and the Bank on 30 June 2020.

Directors and the Board of Directors

Currently, the Board of Directors comprises fourteen members. Besides the Chairman, there are three executive directors, five non-executive directors and five independent directors. The proportion of independent directors reaches one-third of the total number of directors, which is in compliance with the Articles of Association of the Bank and the relevant regulatory provisions. The positions of Chairman of the Board of Directors and President of the Bank are assumed by two persons.

Save as disclosed in this report, to the best knowledge of the Bank, information regarding the Bank's directors including their appointments during the reporting period is the same as that disclosed in the 2019 Annual Report of the Bank.

During the reporting period, the Bank convened four on-site meetings of the Board of Directors respectively on 13 January, 27 March, 29 April and 30 June, and six meetings of the Board of Directors via written resolution on 6 January, 26 January, 9 April, 25 May, and 22 June (two on 22 June). At these meetings, the Board of Directors mainly considered and approved proposals regarding the 2019 work report of the Board of Directors, the 2019 profit distribution plan, the 2019 internal control self-assessment report, the 2019 corporate social responsibility report, the 2019 annual report, the 2019 capital adequacy ratio report, the 2020 first quarter report, the nomination of candidates for directorships, the bond issuance plan, and the establishment of a subsidiary, among others.

The Board of Directors has set up the Strategic Development Committee, the Corporate Culture and Consumer Protection Committee, the Audit Committee, the Risk Policy Committee, the Personnel and Remuneration Committee, and the Connected Transactions Control Committee as well as the US Risk and Management Committee established under the Risk Policy Committee, to assist it in performing its functions under the authorisation of the Board of Directors. Independent directors individually serve as the chairman of the Corporate Culture and Consumer Protection Committee, the Audit Committee, the Risk Policy Committee, the Personnel and Remuneration Committee and the Connected Transactions Control Committee. The work performance of each special committee during the reporting period was as follows:

Special Committees	Work Performance
Strategic Development Committee	The committee held three on-site meetings and two meetings via written resolutions, at which it mainly reviewed the profit distribution plan for 2019, the business plan and financial budget for 2020, the inclusive finance business plan for 2020, the development plan for enhancing service to private enterprises (2020–2022), the application for provisional authorisation of outbound donations, the proposal on issuance of write-down undated capital bonds, the proposal on issuance of qualified write-down tier 2 capital instruments, among others.
Corporate Culture and Consumer Protection Committee	The committee held one on-site meeting, at which it reviewed the report on corporate social responsibility for 2019.
Audit Committee	The committee held four on-site meetings, at which it mainly reviewed and approved the 2020 work plan and financial budget for internal audit. It reviewed the 2019 financial report, the 2020 first quarter financial report, the 2019 internal control work report, the 2019 internal control assessment report, the audit results on internal control and management proposal, the overall work plan for the selection and engagement of accountant for 2021 and the engagement & fees of accountant for 2021. In addition, it heard the work report on internal audit in 2019, the progress report on IT application in audit and subsequent plan, the 2019 report on the overseas supervision information, the progress report on internal control audit of Ernst & Young in 2019, updates on compliance with the principle of independence, the 2020 audit plan, and the report on asset quality in the first quarter of 2020, among others.
Risk Policy Committee	The committee held two on-site meetings and one meeting via written resolutions, at which it mainly reviewed proposals including the Risk Appetites Statement of the Group (2020 Edition), the AML, CFT and Sanction Compliance Policy (2020 Edition), the Securities Investment Policy (2020 Edition), the Trading Book Market Risk Limits (Level A) in 2020, the Capital Adequacy Ratio Report of 2019, the Internal Capital Adequacy Assessment Report for 2020, the Liquidity Risk Management Policies (2020 Edition) and the Policy for Interest Rate Risk in the Banking Book Management (2020 Edition). The committee also regularly reviewed the Risk Reports of the Group.
Personnel and Remuneration Committee	The committee held one on-site meeting and three meetings via written resolutions, at which it mainly reviewed proposals on the nomination of Mr. ZHAO Jie, Ms. XIAO Lihong and Ms. WANG Xiaoya to be re-appointed as Non-executive Directors of the Bank, the performance evaluation results for the Chairman, Executive Directors and senior management members for 2019, the nomination of Mr. CHEN Jianbo as candidate for Non-executive Director of the Bank, the nomination of Mr. WANG Wei as candidate for Executive Director of the Bank, the appointment of Mr. WANG Wei as member of special committees of the Board of Directors, and the appointment of Mr. CHEN Jianbo as member of special committees of the Board of Directors, among others.
Connected Transactions Control Committee	The committee held one on-site meeting, at which it mainly reviewed and approved the report on the connected party list and other proposals. It also reviewed the report on connected transactions in 2019 and the statement on connected transactions of the Bank in 2019, among others.

Supervisors and the Board of Supervisors

The Board of Supervisors currently comprises six members, with one shareholder supervisor (Chairman of the Board of Supervisors), three employee supervisors and two external supervisors.

During the reporting period, with the target of building a world-class bank in the new era, the Board of Supervisors of the Bank performed its supervisory duties in accordance with the law, overcame the negative impact caused by the COVID-19 pandemic, took solid supervisory actions regarding the Bank's strategies, duty performance, finance, internal control and risk management, and actively played its supervisory and advisory role. It performed its role in duty performance supervision by conducting the 2019 duty performance assessment of the Board of Directors, the Senior Management and its members, carrying out its annual assessment of the duty performance of supervisors, and performing effective day-to-day supervision over duty performance. In order to enhance strategic and financial supervision, the Board of Supervisors focused on the progress in the new development strategies, carefully reviewed regular reports, and raised recommendations on matters of concern. At the same time, it intensified efforts in the analysis of risks in key areas, and issued prompt reminders to the Board of Directors, Senior Management and relevant departments, in order to enhance its supervision over risk management and internal control. In addition, the Board of Supervisors continuously tracked the progress of the Senior Management and relevant departments in implementing matters of concern proposed at meetings of the Board of Supervisors and during inspections, thus strengthening the implementation of its regulatory opinions. Adhering to the goal of building a world-class bank in the new era, it performed its supervisory and advisory function by launching special surveys regarding various topics, including the development of the Bank's overseas institutions and transaction banking.

During the reporting period, the Board of Supervisors held two on-site meetings on 27 March and 29 April and one meeting via written resolutions on 21 January, at which it mainly reviewed and approved the proposals regarding the Bank's 2019 annual report, 2019 profit distribution plan, 2019 internal control assessment report, 2019 corporate social responsibility report, special report on the deposit and usage of proceeds raised from the issuance of Domestic Preference Shares of 2019, evaluation opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors, the Senior Management and its members for 2019, assessment opinions of the Board of Supervisors on strategic implementation of the Bank in 2019, supervisory opinions of the Board of Supervisors on consolidated management, internal audit, anti-money laundering, internal control, fraud prevention and compensation management performance of the Bank, the 2019 work report of the Board of Supervisors, the performance evaluation results of the Chairman of the Board of Supervisors in 2019, the performance evaluation results and remuneration distribution plan for external supervisors, and the 2020 first quarter report, among others. The Duty Performance and Due Diligence Supervision Committee held two on-site meetings and one meeting via written resolutions, and the Finance and Internal Control Supervision Committee held two on-site meetings, at which the two committees carried out preliminary review of their respective issues of relevance and submitted them to the Board of Supervisors for review and approval.

During the reporting period, External Supervisors Mr. JIA Xiangsen and Mr. ZHENG Zhiguang performed their supervisory duties in strict accordance with the provisions of the Articles of Association of the Bank. Mr. JIA Xiangsen attended the 2019 Annual General Meeting, and was present at meetings of the Board of Directors as a non-voting attendee. He also attended two on-site meetings of the Board of Supervisors, presided over two meetings of the Finance and Internal Control Supervision Committee of the Board of Supervisors, and participated in special surveys regarding the development of the Bank's overseas institutions. Mr. ZHENG Zhiguang attended the 2019 Annual General Meeting and two on-site meetings of the Board of Supervisors, and participated in special surveys regarding the development of the Bank's overseas institutions. The two external supervisors expressed opinions independently and objectively during their terms of office, and put forward suggestions on strategy implementation, business development and risk management, thus playing an active role in promoting the improvement of the Bank's corporate governance and management.

Senior Management

During the reporting period, the Senior Management of the Bank managed the Bank's operations in accordance with the powers bestowed upon them by the Articles of Association and the authorisations of the Board of Directors. Closely adhering to the strategic goal of building a world-class bank in the new era and to the annual performance objectives approved by the Board of Directors, it emphasised on stimulating vitality, making agile reaction and achieving breakthroughs in key areas, and accelerated the implementation of various tasks in the development strategy, thus realising continuous and stable improvement in the business performance of the Group.

During the reporting period, the Senior Management of the Bank held 22 regular meetings, at which it focused on major aspects of the Bank's operations and management, and decided upon a series of significant matters, including the Group's COVID-19 pandemic prevention and control, business development, performance management, risk management, audit supervision, IT system development, product and service innovation, integrated operation, globalised development, inclusive finance and scenario building. It also convened special meetings to study and make arrangements for matters relating to corporate banking, personal banking, financial markets, channel building, smart operation, compliance management and data governance.

The Senior Management (Executive Committee) of the Bank presides over the Asset and Liability Management Committee, the Risk Management and Internal Control Committee (which governs the Anti-Money Laundering Committee, the Asset Disposal Committee and the Credit Risk Management and Decision-making Committee), the Procurement Review Committee, the IT Management Committee, the Securities Investment and Management Committee, the Internet Finance Committee, the Innovation and Product Management Committee, the Integrated Operation Coordination Committee, the Asset Management Business Committee, the Consumer Protection Committee, the Domestic Branch Development and Coordination Committee, and the Green Finance Management Committee. During the reporting period, all of the committees diligently fulfilled their duties and responsibilities as per the powers specified in their committee charters and the rights delegated by the Executive Committee, and pushed forward the sound development of the Bank's various operations.

Significant Events

Formulation and Implementation of Profit Distribution Policy

Ordinary Shares

In 2009, the Bank amended the Articles of Association to state that the Bank should maintain the continuity and stability of its profit distribution policy.

In 2013, the Bank amended the Articles of Association related to the cash dividend. This amendment further clarified the Bank's profit distribution principles, policy and adjustment procedures, the consideration process of the profit distribution plan and other matters. The amendment stated that the Bank shall adopt cash dividend as the priority form of profit distribution. Except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive, and that the cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the ordinary shareholders of the Bank. The amendment also stated that the Bank shall offer online voting to shareholders when considering amendments to the profit distribution policy and profit distribution plan.

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

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

The profit distribution plan for ordinary shares of the Bank shall be approved by the shareholders' meeting. In 2020, the Bank distributed dividends on ordinary shares for 2019 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

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

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

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

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

In the first half of 2020, the Bank distributed dividends on domestic preference shares in strict compliance with the Articles of Association, the terms of issuance of preference shares and the Board of Directors' resolutions on dividend distribution.

Profit Distribution during the Reporting Period

The 2019 Annual General Meeting held on 30 June 2020 considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus reserve of RMB17.298 billion; appropriation to general and regulatory reserves of RMB18.575 billion; no appropriation to the discretionary reserve; considering the Bank's business performance, financial position, and the capital requirements for the future development of the Bank, RMB1.91 per ten shares (before tax) was proposed to be distributed as cash dividends on ordinary shares to A-Share Holders and H-Share Holders whose names appeared on the register of members of the Bank as at market close on 14 July 2020, amounting to approximately RMB56.228 billion (before tax) in total. The dividend distribution plan has been accomplished. The Bank did not distribute an interim dividend on ordinary shares for 2020, nor did it propose any capitalisation of capital reserve into share capital.

At the Board meeting held on 13 January 2020, the dividend distribution plan for the Bank's Domestic Preference Shares (Second Tranche) was approved. The Bank distributed a total of RMB1.540 billion (before tax) of dividends on the Domestic Preference Shares (Second Tranche) on 13 March 2020, with an annual dividend rate of 5.50% (before tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 29 April 2020, the dividend distribution plans for the Bank's Domestic Preference Shares (Third Tranche and Fourth Tranche) were approved. The Bank distributed a total of RMB3.285 billion (before tax) of dividends on the Domestic Preference Shares (Third Tranche) on 29 June 2020, with an annual dividend rate of 4.50% (before tax) and the dividend distribution plan has been accomplished. The Bank will distribute a total of RMB1.1745 billion (before tax) of dividends on the Domestic Preference Shares (Fourth Tranche) on 31 August 2020, with an annual dividend rate of 4.35% (before tax).

The dividend distribution plans for the Bank's Domestic Preference Shares (First Tranche and Second Tranche) were approved on 30 August 2020 by the Board of Directors of the Bank. The Bank will distribute a total of RMB1.920 billion (before tax) of dividends on Domestic Preference Shares (First Tranche) on 23 November 2020, with an annual dividend rate of 6.00% (before tax). The Bank will distribute a total of RMB1.540 billion (before tax) of dividends on Domestic Preference Shares (Second Tranche) on 15 March 2021, with an annual dividend rate of 5.50% (before tax).

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

Corporate Governance

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

Purchase and Sale of Material Assets

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

Material Litigation and Arbitration

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

Significant Connected Transactions

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

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

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

Material Guarantee Business

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

Other Major Contracts

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

Undertakings

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

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

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or controlling shareholder was subject to any investigation, compulsory measures or accusation of criminal responsibilities by relevant authorities or any investigation, administrative punishment or regulatory measures by CSRC, or had material administrative punishment imposed on them by other administrative authorities, or were publicly reprimanded by any stock exchange.

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

Not applicable.

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

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

Use of Raised Funds

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

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

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

Please refer to the Condensed Consolidated Interim Financial Information for details regarding the purchase, sale or redemption of the Bank's listed securities.

Implementation of Stock Incentive Plan and Employee Stock Ownership Plan

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

Audit Committee

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

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

Appointment of External Auditors

The Bank engaged Ernst & Young Hua Ming LLP as the Bank's domestic auditor and internal control external auditor for 2020 to provide audit services on its financial statements and internal control pursuant to CAS and engaged Ernst & Young as its international auditor for 2020 to provide audit services on financial statements pursuant to IFRS.

Directors' and Supervisors' Rights to Acquire Shares

During the reporting period, none of the Bank, its holding companies, or any of its subsidiaries or fellow subsidiaries was party to any arrangements that would enable the Bank's directors and supervisors or their respective spouses or children below the age of 18, to benefit by acquiring shares in, or debentures of, the Bank or any other legal entity.

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

To the best knowledge of the Bank, as at 30 June 2020, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "*Model Code*") as set out in Appendix 10 of the Hong Kong Listing Rules.

Securities Transactions by Directors and Supervisors

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

Consumer Rights Protection

The Bank attaches great importance to and makes active efforts in the protection of consumer rights and interests, strictly implements national laws and regulations on consumer protection, and protects the legitimate rights and interests of financial consumers according to relevant laws and rules, thus continuously improving its consumer protection management system. In the first half of 2020, in accordance with regulatory requirements and market changes, the Bank continuously enhanced the building of its consumer protection systems and mechanisms, refined consumer protection rules, heightened its sense of responsibility and mission with regard to consumer protection, and incorporated consumer protection efforts into its corporate governance, corporate culture and development strategy. In response to regulatory requirements, the Bank properly conducted consumer protection during the COVID-19 pandemic prevention and control, addressed consumer consultations in a timely manner, and ensured smooth financial services for consumers. It further stepped up efforts to standardise the handling of consumer complaints, and gave full play to the role of consumer complaints in helping to supervise and improve the quality of the Bank's products and services. In addition, the Bank launched a series of financial knowledge promotional and educational activities. It won the honorary title of "Excellent Organiser" in the "3.15 Consumer Protection Education and Publicity Week". It also carried out the "3.15 Rights • Responsibilities • Risks, Financial Consumer Rights Day", "Financial Knowledge Popularisation" and other thematic campaigns.

Integrity of the Bank and its Controlling Shareholder

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

Other Significant Events

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

Compliance with *International Accounting Standard No. 34*

The 2020 interim report of the Bank is in compliance with *International Accounting Standard No. 34 — Interim Financial Reporting*.

Interim Report

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

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

Report on Review of Interim Financial Information

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Board of Directors of Bank of China Limited
(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 78 to 162, which comprises the condensed consolidated statement of financial position of Bank of China Limited (the "Bank") and its subsidiaries (the "Group") as at 30 June 2020 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. *The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Ernst & Young
Certified Public Accountants

Hong Kong
30 August 2020

Interim Financial Information

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Condensed Consolidated Income Statement

For the six month period ended 30 June 2020 (Amounts in millions of Renminbi, unless otherwise stated)

		For the six month period ended 30 June	
	Note	2020 Unaudited	2019 Unaudited
Interest income	III.1	**375,930**	365,364
Interest expense	III.1	**(179,035)**	(183,680)
Net interest income		**196,895**	181,684
Fee and commission income	III.2	**57,021**	57,465
Fee and commission expense	III.2	**(6,679)**	(6,901)
Net fee and commission income		**50,342**	50,564
Net trading gains	III.3	**2,173**	14,584
Net gains on transfers of financial asset	III.4	**7,623**	3,244
Other operating income	III.5	**29,950**	26,612
Operating income		**286,983**	276,688
Operating expenses	III.6	**(90,946)**	(91,130)
Impairment losses on assets	III.8	**(66,484)**	(33,670)
Operating profit		**129,553**	151,888
Share of results of associates and joint ventures		**63**	670
Profit before income tax		**129,616**	152,558
Income tax expense	III.9	**(21,804)**	(31,116)
Profit for the period		**107,812**	121,442
Attributable to:			
Equity holders of the Bank		**100,917**	114,048
Non-controlling interests		**6,895**	7,394
		107,812	121,442
Earnings per share (in RMB)	III.10		
— Basic		**0.32**	0.38
— Diluted		**0.32**	0.38

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

Condensed Consolidated Statement of Comprehensive Income

For the six month period ended 30 June 2020 (Amounts in millions of Renminbi, unless otherwise stated)

		For the six month period ended 30 June	
	Note	**2020 Unaudited**	**2019 Unaudited**
Profit for the period		**107,812**	121,442
Other comprehensive income:	III.11		
Items that will not be reclassified to profit or loss			
— Actuarial (losses)/gains on defined benefit plans		**(79)**	14
— Changes in fair value on investments in equity instruments designated at fair value through other comprehensive income		**(633)**	1,398
— Other		**39**	(41)
Subtotal		**(673)**	1,371
Items that may be reclassified subsequently to profit or loss			
— Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income		**5,589**	4,660
— Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income		**3,208**	217
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method		**(47)**	(313)
— Exchange differences from the translation of foreign operations		**4,350**	1,170
— Other		**(350)**	191
Subtotal		**12,750**	5,925
Other comprehensive income for the period, net of tax		**12,077**	7,296
Total comprehensive income for the period		**119,889**	128,738
Total comprehensive income attributable to:			
Equity holders of the Bank		**111,185**	120,079
Non-controlling interests		**8,704**	8,659
		119,889	128,738

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2020 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	As at 30 June 2020 Unaudited	As at 31 December 2019 Audited
ASSETS			
Cash and due from banks and other financial institutions	III.12	**739,970**	565,467
Balances with central banks	III.13	**2,109,854**	2,078,809
Placements with and loans to banks and other financial institutions	III.14	**1,225,173**	898,959
Government certificates of indebtedness for bank notes issued		**169,681**	155,466
Precious metals		**171,501**	206,210
Derivative financial assets	III.15	**114,856**	93,335
Loans and advances to customers, net	III.16	**13,670,820**	12,743,425
Financial investments	III.17	**5,374,301**	5,514,062
— financial assets at fair value through profit or loss		**450,655**	518,250
— financial assets at fair value through other comprehensive income		**2,054,786**	2,218,129
— financial assets at amortised cost		**2,868,860**	2,777,683
Investments in associates and joint ventures		**23,012**	23,210
Property and equipment	III.18	**252,557**	244,540
Investment properties	III.19	**23,116**	23,108
Deferred income tax assets	III.23	**50,295**	44,029
Other assets	III.20	**227,719**	179,124
Total assets		**24,152,855**	22,769,744

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

	Note	As at 30 June 2020 Unaudited	As at 31 December 2019 Audited
LIABILITIES			
Due to banks and other financial institutions		**1,611,983**	1,668,046
Due to central banks		**888,627**	846,277
Bank notes in circulation		**169,760**	155,609
Placements from banks and other financial institutions		**537,366**	639,675
Financial liabilities held for trading	III.21	**12,510**	19,475
Derivative financial liabilities	III.15	**123,271**	90,060
Due to customers	III.22	**17,090,217**	15,817,548
Bonds issued		**1,087,906**	1,096,087
Other borrowings		**30,322**	28,011
Current tax liabilities		**37,981**	59,102
Retirement benefit obligations		**2,487**	2,533
Deferred income tax liabilities	III.23	**6,240**	5,452
Other liabilities	III.24	**465,572**	365,173
Total liabilities		**22,064,242**	20,793,048
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital		**294,388**	294,388
Other equity instruments	III.25	**259,464**	199,893
Capital reserve		**136,037**	136,012
Treasury shares		**(20)**	(7)
Other comprehensive income	III.11	**29,997**	19,613
Statutory reserves		**175,152**	174,762
General and regulatory reserves		**247,114**	250,100
Undistributed profits		**816,310**	776,940
		1,958,442	1,851,701
Non-controlling interests		**130,171**	124,995
Total equity		**2,088,613**	1,976,696
Total equity and liabilities		**24,152,855**	22,769,744

Approved and authorised for issue by the Board of Directors on 30 August 2020.

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

LIU Liange
Director

WANG Jiang
Director

Condensed Consolidated Statement of Changes In Equity

For the six month period ended 30 June 2020 (Amounts in millions of Renminbi, unless otherwise stated)

		Unaudited									
		Attributable to equity holders of the Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2020		294,388	199,893	136,012	19,613	174,762	250,100	776,940	(7)	124,995	1,976,696
Total comprehensive income for the period		–	–	–	10,268	–	–	100,917	–	8,704	119,889
Appropriation to statutory reserves		–	–	–	–	390	–	(390)	–	–	–
Appropriation to general and regulatory reserves		–	–	–	–	–	(2,986)	2,986	–	–	–
Dividends	III.26	–	–	–	–	–	–	(64,027)	–	(4,430)	(68,457)
Net change in treasury shares		–	–	–	–	–	–	–	(13)	–	(13)
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	930	930
Capital contribution by other equity instruments holders	III.25	–	59,571	–	–	–	–	–	–	–	59,571
Other comprehensive income transferred to retained earnings		–	–	–	116	–	–	(116)	–	–	–
Other		–	–	25	–	–	–	–	–	(28)	(3)
As at 30 June 2020		294,388	259,464	136,037	29,997	175,152	247,114	816,310	(20)	130,171	2,088,613

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

		Unaudited									
		Attributable to equity holders of the Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2019		294,388	99,714	142,135	1,417	157,464	231,525	686,405	(68)	112,417	1,725,397
Total comprehensive income for the period		–	–	–	6,031	–	–	114,048	–	8,659	128,738
Appropriation to statutory reserves		–	–	–	–	423	–	(423)	–	–	–
Appropriation to general and regulatory reserves		–	–	–	–	–	149	(149)	–	–	–
Dividends		–	–	–	–	–	–	(55,707)	–	(3,968)	(59,675)
Net change in treasury shares		–	–	–	–	–	–	–	11	–	11
Capital contribution by other equity instruments holders		–	112,971	–	–	–	–	–	–	–	112,971
Other comprehensive income transferred to retained earnings		–	–	–	(25)	–	–	25	–	–	–
Other		–	–	84	–	–	–	–	–	(74)	10
As at 30 June 2019		294,388	212,685	142,219	7,423	157,887	231,674	744,199	(57)	117,034	1,907,452
Total comprehensive income for the period		–	–	–	12,165	–	–	73,357	–	9,406	94,928
Appropriation to statutory reserves		–	–	–	–	16,875	–	(16,875)	–	–	–
Appropriation to general and regulatory reserves		–	–	–	–	–	18,426	(18,426)	–	–	–
Dividends		–	–	–	–	–	–	(5,286)	–	(2,826)	(8,112)
Net change in treasury shares		–	–	–	–	–	–	–	50	–	50
Capital contribution by non-controlling shareholders		–	–	(22)	–	–	–	–	–	1,380	1,358
Capital contribution and reduction by other equity instruments holders		–	(12,792)	(6,205)	–	–	–	–	–	–	(18,997)
Other comprehensive income transferred to retained earnings		–	–	–	25	–	–	(25)	–	–	–
Other		–	–	20	–	–	–	(4)	–	1	17
As at 31 December 2019		294,388	199,893	136,012	19,613	174,762	250,100	776,940	(7)	124,995	1,976,696

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

Condensed Consolidated Statement of Cash Flows

For the six month period ended 30 June 2020 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2020	2019
		Unaudited	Unaudited
Cash flows from operating activities			
Profit before income tax		**129,616**	152,558
Adjustments:			
Impairment losses on assets		**66,484**	33,670
Depreciation of property and equipment and right-of-use assets		**11,158**	9,900
Amortisation of intangible assets and other assets		**2,440**	1,943
Net gains on disposal of property and equipment, intangible assets and other long-term assets		**(957)**	(246)
Net gains on disposal of investments in subsidiaries, associates and joint ventures		**(114)**	–
Share of results of associates and joint ventures		**(63)**	(670)
Interest income arising from financial investments		**(76,475)**	(76,251)
Dividends arising from investment securities		**(126)**	(120)
Net gains on financial investments		**(6,767)**	(2,422)
Interest expense arising from bonds issued		**17,119**	14,396
Accreted interest on impaired loans		**(642)**	(790)
Interest expense arising from lease liabilities		**395**	408
Net changes in operating assets and liabilities:			
Net decrease in balances with central banks		**18,444**	22,243
Net increase in due from and placements with and loans to banks and other financial institutions		**(186,545)**	(77,963)
Net decrease/(increase) in precious metals		**34,717**	(21,182)
Net increase in loans and advances to customers		**(983,153)**	(774,079)
Net increase in other assets		**(64,450)**	(101,113)
Net (decrease)/increase in due to banks and other financial institutions		**(53,899)**	56,441
Net increase in due to central banks		**42,047**	5,471
Net decrease in placements from banks and other financial institutions		**(102,083)**	(82,672)
Net increase in due to customers		**1,270,004**	762,854
Net increase/(decrease) in other borrowings		**2,311**	(3,057)
Net increase in other liabilities		**70,022**	13,101
Cash inflow/(outflow) from operating activities		**189,483**	(67,580)
Income tax paid		**(52,126)**	(23,314)
Net cash inflow/(outflow) from operating activities		**137,357**	(90,894)

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

	Note	For the six month period ended 30 June	
		2020 Unaudited	2019 Unaudited
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**2,224**	3,108
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		**544**	823
Dividends received		**429**	166
Interest income received from financial investments		**77,643**	76,908
Proceeds from disposal/maturity of financial investments		**1,775,154**	1,328,628
Increase in investments in subsidiaries, associates and joint ventures		**(479)**	(1,145)
Purchase of property and equipment, intangible assets and other long-term assets		**(18,378)**	(10,812)
Purchase of financial investments		**(1,628,949)**	(1,553,900)
Net cash inflow/(outflow) from investing activities		**208,188**	(156,224)
Cash flows from financing activities			
Proceeds from issuance of bonds		**345,628**	320,351
Proceeds from issuance of other equity instruments		**59,571**	112,971
Proceeds from capital contribution by non-controlling shareholders		**930**	–
Repayments of debts issued		**(368,592)**	(290,135)
Cash payments for interest on bonds issued		**(7,259)**	(5,213)
Dividend and interest payments to equity and other equity instrument holders of the Bank		**(6,625)**	(55,707)
Dividend and coupon payments to non-controlling shareholders		**(1,192)**	(3,968)
Other net cash flows from financing activities		**(3,362)**	(3,241)
Net cash inflow from financing activities		**19,099**	75,058
Effect of exchange rate changes on cash and cash equivalents		**9,233**	3,326
Net increase/(decrease) in cash and cash equivalents		**373,877**	(168,734)
Cash and cash equivalents at beginning of the period		**1,345,892**	1,688,600
Cash and cash equivalents at end of the period	III.29	**1,719,769**	1,519,866

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

(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 2020 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

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 annual financial statements for the year ended 31 December 2019.

1 Standards, amendments and interpretations effective in 2020

On 1 January 2020, the Group adopted the following new standards, amendments and interpretations.

IFRS 3 Amendments	*Definition of a Business*
IAS 1 and IAS 8 Amendments	*Definition of Material*
IFRS 9, IAS 39 and IFRS 7 Amendments	*Interest Rate Benchmark Reform*
IFRS 16 Amendment	*COVID-19-Related Rent Concessions*

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Standards, amendments and interpretations effective in 2020 (Continued)

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest rate benchmark reform. The amendments must be applied retrospectively.

IFRS 16 Amendment provides for rent relief during COVID-19, which provides an exemption for lessees. For lease payments due before June 2021, lessees are not required to apply the guidance on accounting treatment of lease changes in IFRS 16 for rent relief granted due to the impact of COVID-19. The amendment is applicable for annual reporting periods beginning on or after 1 June 2020, and earlier adoption is permitted. The Group has adopted the amendments from 1 January 2020.

The adoption of the above standards, amendments and interpretations does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

I BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2020

		Effective for annual periods beginning on or after
IFRS 3 Amendments	*Reference to the Conceptual Framework*	1 January 2022
IAS 16 Amendments	*Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
IAS 37 Amendments	*Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
IAS 1 Amendments	*Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17 and Amendments	*Insurance Contracts*	1 January 2023
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2018–2020 Cycle (issued in May 2020)		1 January 2022

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 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 financial statements for the year ended 31 December 2019.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	For the six month period ended 30 June	
	2020	2019
Interest income		
Loans and advances to customers	**268,880**	253,135
Financial investments[1]	**76,475**	76,251
Due from and placements with and loans to banks and other financial institutions and central banks	**30,575**	35,978
Subtotal	**375,930**	365,364
Interest expense		
Due to customers	**(132,966)**	(134,919)
Due to and placements from banks and other financial institutions	**(28,621)**	(33,442)
Bonds issued and other	**(17,448)**	(15,319)
Subtotal	**(179,035)**	(183,680)
Net interest income	**196,895**	181,684
Interest income accrued on impaired financial assets (included within interest income)	**642**	790

(1) Interest income on "Financial investments" is principally derived from debt securities listed in the domestic interbank bond market and unlisted debt securities in Hong Kong, Macao, Taiwan and other countries and regions.

2 Net fee and commission income

	For the six month period ended 30 June	
	2020	2019
Bank card fees	**16,020**	16,805
Agency commissions	**13,440**	12,066
Settlement and clearing fees	**7,925**	8,337
Credit commitment fees	**6,617**	6,967
Consultancy and advisory fees	**3,269**	3,295
Spread income from foreign exchange business	**3,134**	3,549
Custodian and other fiduciary service fees	**2,254**	2,299
Other	**4,362**	4,147
Fee and commission income	**57,021**	57,465
Fee and commission expense	**(6,679)**	(6,901)
Net fee and commission income	**50,342**	50,564

(Amounts in millions of Renminbi, unless otherwise stated)

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

3 Net trading gains

	For the six month period ended 30 June	
	2020	**2019**
Net gains from foreign exchange and foreign exchange products	**4,630**	3,875
Net gains from interest rate products	**3,376**	7,041
Net gains from fund investments and equity products	**1,218**	2,670
Net (losses)/gains from commodity products	**(7,051)**	998
Total[(1)]	**2,173**	14,584

(1) Included in "Net trading gains" above for the six month period ended 30 June 2020 were gains of RMB1,171 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (for the six month period ended 30 June 2019: gains of RMB2,666 million).

4 Net gains on transfers of financial asset

	For the six month period ended 30 June	
	2020	**2019**
Net gains on derecognition of financial assets at fair value through other comprehensive income	**6,095**	2,741
Net gains on derecognition of financial assets at amortised cost[(1)]	**1,528**	503
Total	**7,623**	3,244

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

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

5 Other operating income

	For the six month period ended 30 June	
	2020	**2019**
Insurance premiums		
— Life insurance contracts	**10,839**	10,234
— Non-life insurance contracts	**3,000**	3,143
Aircraft leasing income	**6,251**	5,640
Revenue from sale of precious metal products	**4,457**	4,057
Dividend income[(1)]	**2,792**	938
Changes in fair value of investment properties (Note III.19)	**(470)**	529
Gains on disposal of property and equipment, intangible assets and other assets	**988**	295
Gains on disposal of subsidiaries, associates and joint ventures	**114**	–
Other[(2)]	**1,979**	1,776
Total	**29,950**	26,612

(1) For equity instruments classified as financial assets at fair value through other comprehensive income, RMB126 million of dividend income was recognised for the six month period ended 30 June 2020 (for the six month period ended 30 June 2019: RMB120 million).

(2) For the six month period ended 30 June 2020, the government subsidy income from operating activities, as part of other operating income, was RMB141 million (for the six month period ended 30 June 2019: RMB143 million).

6 Operating expenses

	For the six month period ended 30 June	
	2020	**2019**
Staff costs (Note III.7)	**40,959**	42,829
General operating and administrative expenses[(1)]	**14,620**	15,506
Insurance benefits and claims		
— Life insurance contracts	**10,959**	11,405
— Non-life insurance contracts	**1,956**	1,971
Depreciation and amortisation	**11,297**	9,837
Cost of sales of precious metal products	**4,195**	3,537
Taxes and surcharges	**2,880**	2,638
Other	**4,080**	3,407
Total[(2)]	**90,946**	91,130

(1) For the six month period ended 30 June 2020, included in the "General operating and administrative expenses" were lease expenses related to short-term leases and leases of low-value assets of RMB560 million (for the six month period ended 30 June 2019: RMB885 million).

(2) For the six month period ended 30 June 2020, included in the "Operating expenses" were premises and equipment-related expenses (mainly comprised of property management and building maintenance expenses and taxes) of RMB5,038 million (for the six month period ended 30 June 2019: RMB5,090 million).

(Amounts in millions of Renminbi, unless otherwise stated)

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

7 Staff costs

	For the six month period ended 30 June	
	2020	**2019**
Salary, bonus and subsidy	**30,552**	30,576
Staff welfare	**1,094**	1,042
Retirement benefits	**27**	27
Social insurance		
— Medical	**1,202**	1,596
— Pension	**1,855**	3,306
— Annuity	**1,069**	1,039
— Unemployment	**60**	102
— Injury at work	**24**	39
— Maternity insurance	**65**	128
Housing funds	**2,310**	2,221
Labour union fee and staff education fee	**999**	1,054
Reimbursement for cancellation of labour contract	**15**	8
Other	**1,687**	1,691
Total	**40,959**	42,829

8 Impairment losses on assets

	For the six month period ended 30 June	
	2020	**2019**
Loans and advances		
— Loans and advances at amortised cost	**60,726**	35,691
— Loans and advances at fair value through other comprehensive income	**2**	30
Subtotal	**60,728**	35,721
Financial investments		
— Financial assets at amortised cost	**1,685**	(10)
— Financial assets at fair value through other comprehensive income	**4,255**	251
Subtotal	**5,940**	241
Credit commitments	**(1,700)**	(2,728)
Other	**1,438**	409
Subtotal of impairment losses on credit	**66,406**	33,643
Other impairment losses on assets	**78**	27
Total	**66,484**	33,670

9 Income tax expense

	For the six month period ended 30 June	
	2020	**2019**
Current income tax		
— Chinese mainland income tax	**23,138**	21,803
— Hong Kong profits tax	**2,889**	2,718
— Macao, Taiwan and other countries and regions taxation	**2,362**	2,648
Adjustments in respect of current income tax of prior years	**1,696**	4,201
Subtotal	**30,085**	31,370
Deferred income tax (Note III.23.3)	**(8,281)**	(254)
Total	**21,804**	31,116

The 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, Macao, Taiwan 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:

	For the six month period ended 30 June	
	2020	**2019**
Profit before income tax	**129,616**	152,558
Tax calculated at the applicable statutory tax rate	**32,404**	38,140
Effect of different tax rates for Hong Kong, Macao, Taiwan and other countries and regions	**(2,294)**	(2,519)
Supplementary PRC tax on overseas income	**1,253**	1,542
Income not subject to tax[(1)]	**(14,296)**	(14,287)
Items not deductible for tax purposes[(2)]	**6,262**	3,912
Other	**(1,525)**	4,328
Income tax expense	**21,804**	31,116

(1) Income not subject to tax is mainly comprised of interest income from PRC Treasury bonds and local government bonds, and the tax-free income recognised by the overseas entities in accordance with the 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.

(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 period ended 30 June 2020 and 30 June 2019.

	For the six month period ended 30 June	
	2020	**2019**
Profit attributable to equity holders of the Bank	**100,917**	114,048
Less: dividends/interest on preference shares/ perpetual bonds declared	**(7,800)**	(1,540)
Profit attributable to ordinary shareholders of the Bank	**93,117**	112,508
Weighted average number of ordinary shares in issue (in million shares)	**294,381**	294,375
Basic and diluted earnings per share (in RMB)	**0.32**	0.38

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

	For the six month period ended 30 June	
	2020	**2019**
Issued ordinary shares as at 1 January	**294,388**	294,388
Less: weighted average number of treasury shares	**(7)**	(13)
Weighted average number of ordinary shares in issue	**294,381**	294,375

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

11 Other comprehensive income

Accrual amount of other comprehensive income:

	For the six month period ended 30 June	
	2020	2019
Items that will not be reclassified to profit or loss		
Actuarial (losses)/gains on defined benefit plans	**(79)**	14
Changes in fair value on investments in equity instruments designated at fair value through other comprehensive income	**(571)**	1,840
Less: related income tax impact	**(62)**	(442)
Other	**39**	(41)
Subtotal	**(673)**	1,371
Items that may be reclassified subsequently to profit or loss		
Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income	**13,109**	8,884
Less: related income tax impact	**(2,899)**	(2,044)
Amount transferred to the income statement	**(5,855)**	(2,794)
Less: related income tax impact	**1,234**	614
	5,589	4,660
Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income	**4,261**	285
Less: related income tax impact	**(1,053)**	(68)
	3,208	217
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	**(63)**	(409)
Less: related income tax impact	**16**	96
	(47)	(313)
Exchange differences from the translation of foreign operations	**4,722**	1,544
Less: net amount transferred to the income statement from other comprehensive income	**(372)**	(374)
	4,350	1,170
Other	**(350)**	191
Subtotal	**12,750**	5,925
Total	**12,077**	7,296

(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 statement of financial position:

	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 2019	9,395	(10,959)	2,981	1,417
Changes in amount for the previous year	13,139	4,787	270	18,196
As at 1 January 2020	**22,534**	**(6,172)**	**3,251**	**19,613**
Changes in amount for the period	**8,341**	**2,271**	**(228)**	**10,384**
As at 30 June 2020	**30,875**	**(3,901)**	**3,023**	**29,997**

12 Cash and due from banks and other financial institutions

	As at 30 June 2020	As at 31 December 2019
Cash	**69,681**	64,907
Due from banks in Chinese mainland	**491,044**	361,232
Due from other financial institutions in Chinese mainland	**7,775**	8,043
Due from banks in Hong Kong, Macao, Taiwan and other countries and regions	**168,498**	128,312
Due from other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	**546**	461
Subtotal(1)	**667,863**	498,048
Accrued interest	**3,653**	3,060
Less: allowance for impairment losses(1)	**(1,227)**	(548)
Subtotal	**670,289**	500,560
Total	**739,970**	565,467

(1) As at 30 June 2020 and 31 December 2019, the Group included all 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.

13 Balances with central banks

	As at 30 June 2020	As at 31 December 2019
Mandatory reserves[(1)]	**1,408,500**	1,498,666
Surplus reserves[(2)]	**112,198**	132,247
Other[(3)]	**588,510**	447,048
Subtotal	**2,109,208**	2,077,961
Accrued interest	**646**	848
Total	**2,109,854**	2,078,809

(1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong, Macao, Taiwan and other countries and regions where it has operations. As at 30 June 2020, mandatory reserve funds placed with the PBOC were calculated at 11.0% (31 December 2019: 12.5%) and 5.0% (31 December 2019: 5.0%) of qualified RMB deposits and foreign currency deposits from customers of branches in Chinese mainland of the Bank respectively. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve funds placed with the central banks of other jurisdictions are determined by local regulations.

(2) This primarily represented the surplus reserve funds placed with the PBOC by branches in Chinese mainland and other funds.

(3) This mainly represented balances other than mandatory reserves and surplus reserves placed with the PBOC and the central banks in Hong Kong, Macao, Taiwan and other countries and regions.

(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 2020	As at 31 December 2019
Placements with and loans to:		
Banks in Chinese mainland	**288,212**	134,671
Other financial institutions in Chinese mainland	**712,437**	601,525
Banks in Hong Kong, Macao, Taiwan and other countries and regions	**197,105**	139,744
Other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	**25,261**	19,667
Subtotal (1) (2)	**1,223,015**	895,607
Accrued interest	**2,650**	4,090
Less: allowance for impairment losses (2)	**(492)**	(738)
Total	**1,225,173**	898,959

(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 2020	As at 31 December 2019
Debt securities		
— Governments	**148,859**	37,435
— Policy banks	**220,171**	93,364
— Financial institutions	**18,245**	23,588
— Corporates	**7,617**	–
Subtotal	**394,892**	154,387
Bills	**5,076**	–
Total	**399,968**	154,387
Less: allowance for impairment losses	**(1)**	–
Net	**399,967**	154,387

(2) As at 30 June 2020 and 31 December 2019, 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 expected credit losses in the next 12 months.

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 on behalf of customers.

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 2020			As at 31 December 2019		
	Contractual/ notional amount	Fair value Assets	Fair value Liabilities	Contractual/ notional amount	Fair value Assets	Fair value Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps[1]	**6,448,948**	**50,129**	**(41,441)**	6,469,750	65,477	(52,598)
Currency options	**389,362**	**2,401**	**(2,727)**	333,559	1,835	(2,019)
Currency futures	**2,067**	**5**	**(7)**	1,894	10	(6)
Subtotal	**6,840,377**	**52,535**	**(44,175)**	6,805,203	67,322	(54,623)
Interest rate derivatives						
Interest rate swaps	**4,045,772**	**44,741**	**(59,655)**	3,454,898	18,252	(23,188)
Interest rate options	**56,926**	**19**	**(23)**	17,729	31	(29)
Interest rate futures	**1,530**	**1**	**(3)**	2,400	3	(27)
Subtotal	**4,104,228**	**44,761**	**(59,681)**	3,475,027	18,286	(23,244)
Equity derivatives	**12,837**	**337**	**(340)**	9,219	137	(184)
Commodity derivatives and other	**452,392**	**17,223**	**(19,075)**	347,655	7,590	(12,009)
Total[2]	**11,409,834**	**114,856**	**(123,271)**	10,637,104	93,335	(90,060)

(1) These exchange rate derivatives primarily include foreign exchange transactions with customers, foreign exchange transactions to manage foreign currency exchange risks arising from customers, and foreign currency exchange transactions entered into as part of the asset and liability management and funding requirements.

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

(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 2020	As at 31 December 2019
Measured at amortised cost		
— Corporate loans and advances	**8,265,439**	7,644,359
— Personal loans	**5,344,510**	5,047,809
— Discounted bills	**1,753**	2,334
Measured at fair value through other comprehensive income(1)		
— Discounted bills	**384,991**	335,583
Subtotal	**13,996,693**	13,030,085
Measured at fair value through profit or loss(2)		
— Corporate loans and advances	**4,064**	4,104
Total	**14,000,757**	13,034,189
Accrued interest	**39,408**	34,596
Total loans and advances	**14,040,165**	13,068,785
Less: allowance for loans at amortised cost	**(369,345)**	(325,360)
Loans and advances to customers, net	**13,670,820**	12,743,425

(1) As at 30 June 2020 and 31 December 2019, loans at fair value through other comprehensive income of the Group were discounted bills. The allowance for impairment losses amounted to RMB567 million and RMB563 million respectively and was credited to other comprehensive income.

(2) There was no significant change for the six month period ended 30 June 2020 and the year ended 31 December 2019, 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 (accrued interest excluded) by geographical area, industry, collateral type and analysis of overdue loans and advances to customers are presented in Note IV.1.1.

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 2020			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	**109,765**	**79,051**	**136,544**	**325,360**
Transfers to Stage 1	**2,719**	**(2,326)**	**(393)**	**–**
Transfers to Stage 2	**(524)**	**10,997**	**(10,473)**	**–**
Transfers to Stage 3	**(136)**	**(16,540)**	**16,676**	**–**
Charge for the period[(i)]	**55,583**	**18,518**	**23,761**	**97,862**
Reversal	**(30,109)**	**(15,318)**	**(8,512)**	**(53,939)**
Impairment (reversal)/losses due to stage transformation	**(2,498)**	**3,664**	**15,637**	**16,803**
Write-off and transfer out	**–**	**–**	**(20,903)**	**(20,903)**
Recovery of loans and advances written off	**–**	**–**	**4,071**	**4,071**
Unwinding of discount on allowance	**–**	**–**	**(642)**	**(642)**
Exchange differences and other	**268**	**167**	**298**	**733**
As at 30 June	**135,068**	**78,213**	**156,064**	**369,345**

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	95,789	76,603	131,116	303,508
Transfers to Stage 1	5,590	(5,037)	(553)	–
Transfers to Stage 2	(717)	4,411	(3,694)	–
Transfers to Stage 3	(989)	(21,029)	22,018	–
Charge for the year[(i)]	52,623	40,603	38,420	131,646
Reversal	(37,580)	(25,687)	(14,631)	(77,898)
Impairment (reversal)/losses due to stage transformation	(4,917)	8,664	40,988	44,735
Write-off and transfer out	(269)	–	(84,735)	(85,004)
Recovery of loans and advances written off	–	–	8,407	8,407
Unwinding of discount on allowance	–	–	(1,497)	(1,497)
Exchange differences and other	235	523	705	1,463
As at 31 December	109,765	79,051	136,544	325,360

(i) Charge for the period/year comprises the impairment losses from new loans, remaining loans without stage transformation, model/risk parameters adjustment, etc.

(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 2020			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	**547**	**16**	**–**	**563**
Impairment losses for the period	**428**	**35**	**–**	**463**
Reversal	**(446)**	**(15)**	**–**	**(461)**
Exchange differences and other	**2**	**–**	**–**	**2**
As at 30 June	**531**	**36**	**–**	**567**

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	234	39	–	273
Impairment losses for the year	503	16	–	519
Reversal	(192)	(39)	–	(231)
Exchange differences and other	2	–	–	2
As at 31 December	547	16	–	563

The Group performed the assessment of expected credit losses with the reference to forward-looking information and used a number of models and assumptions in the measurement of expected credit losses. These models and assumptions related to the future macroeconomic situation and the credit status of the borrowers (for example, the possibility of default by the customers and the corresponding loss). The Group assessed the expected credit losses as at 30 June 2020 and comprehensively considered the impacts of changes in current economic condition to expected credit losses, including: the operation and financial condition of the borrowers and the extent of impact of the COVID-19 pandemic, and the Group has made deferred repayment arrangement for the borrowers affected by COVID-19 pandemic but the deferred repayment arrangement will not be used as a judgment basis for automatically triggering a significant increase in the borrowers' credit risk; risks in specific industries affected by COVID-19 pandemic; performing forward-looking forecasts to key macroeconomic indicators with the combination of the impact of factors such as the COVID-19 pandemic on economic development trends.

As at 30 June 2020, the expected credit losses comprehensively reflected the Group's credit risk and the expectations for macroeconomic development of the management.

17 Financial investments

	As at 30 June 2020	As at 31 December 2019
Financial assets at fair value through profit or loss		
Financial assets held for trading and other financial assets at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	**8,110**	16,807
— Public sectors and quasi-governments	**311**	595
— Policy banks	**25,986**	40,005
— Financial institutions	**134,345**	169,477
— Corporate	**41,711**	44,629
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**16,831**	23,416
— Public sectors and quasi-governments	**11**	177
— Financial institutions	**9,585**	16,617
— Corporate	**9,339**	10,721
	246,229	322,444
Equity instruments	**89,659**	79,456
Fund investments and other	**62,671**	67,562
Total financial assets held for trading and other financial assets at fair value through profit or loss	**398,559**	469,462
Financial assets designated as at fair value through profit or loss		
Debt securities(1)		
Issuers in Chinese mainland		
— Government	**7,025**	8,797
— Policy banks	**4,648**	2,418
— Financial institutions	**6,563**	9,592
— Corporate	**1,751**	1,329
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**5,969**	9,712
— Public sectors and quasi-governments	**1,668**	1,603
— Financial institutions	**11,978**	7,159
— Corporate	**12,494**	8,178
Total financial assets designated as at fair value through profit or loss	**52,096**	48,788
Total financial assets at fair value through profit or loss	**450,655**	518,250

(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 2020	As at 31 December 2019
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	**684,304**	676,685
— Public sectors and quasi-governments	**65,747**	71,172
— Policy banks	**259,514**	299,599
— Financial institutions	**198,506**	315,779
— Corporate	**131,351**	153,617
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**404,485**	412,194
— Public sectors and quasi-governments	**50,605**	51,252
— Financial institutions	**113,495**	106,951
— Corporate	**123,869**	109,103
	2,031,876	2,196,352
Equity instruments and other	**22,910**	21,777
Total financial assets at fair value through other comprehensive income(2)	**2,054,786**	2,218,129
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government	**2,284,056**	2,168,725
— Public sectors and quasi-governments	**34,422**	39,425
— Policy banks	**57,916**	100,638
— Financial institutions	**20,986**	30,637
— Corporate	**19,088**	15,677
— China Orient Asset Management Corporation(3)	**152,433**	152,433
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**112,372**	80,472
— Public sectors and quasi-governments	**53,959**	66,356
— Financial institutions	**43,104**	31,937
— Corporate	**46,561**	47,588
	2,824,897	2,733,888
Investment trusts, asset management plans and other	**14,482**	13,544
Accrued interest	**37,969**	37,037
Less: allowance for impairment losses	**(8,488)**	(6,786)
Total financial assets at amortised cost	**2,868,860**	2,777,683
Total financial investments(4)(6)	**5,374,301**	5,514,062

17 Financial investments (Continued)

	As at 30 June 2020	As at 31 December 2019
Analysed as follows:		
Financial assets at fair value through profit or loss		
— Listed in Hong Kong	**52,609**	46,731
— Listed outside Hong Kong[7]	**225,404**	255,171
— Unlisted	**172,642**	216,348
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong	**152,616**	130,743
— Listed outside Hong Kong[7]	**1,203,244**	1,365,202
— Unlisted	**676,016**	700,407
Equity instruments and other		
— Listed in Hong Kong	**7,007**	7,083
— Listed outside Hong Kong[7]	**3,692**	3,215
— Unlisted	**12,211**	11,479
Financial assets at amortised cost[5]		
— Listed in Hong Kong	**52,129**	31,896
— Listed outside Hong Kong[7]	**2,374,579**	2,308,222
— Unlisted	**442,152**	437,565
Total	**5,374,301**	5,514,062
Listed in Hong Kong	**264,361**	216,453
Listed outside Hong Kong[7]	**3,806,047**	3,931,810
Unlisted	**1,303,893**	1,365,799
Total	**5,374,301**	5,514,062

(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 exercises its option irrevocably on certain unlisted equity investments, which are classified as financial assets at fair value through other comprehensive income.

The Group's accumulated impairment allowance for the debt securities at fair value through other comprehensive income as at 30 June 2020 amounted to RMB5,511 million (31 December 2019: RMB1,254 million).

(3) The Bank transferred certain non-performing assets to China Orient Asset Management Corporation ("China Orient") in 1999 and 2000. On 1 July 2000, China Orient issued a ten-year bond ("Orient Bond") with a par value of RMB160,000 million and interest rate of 2.25% to the Bank as consideration. During the year ended 31 December 2010, the maturity of this bond was extended to 30 June 2020. In 2020, the Bank signed an extension agreement with China Orient Asset Management Co., Ltd., stipulating that the Orient Bond would be extended for five years beyond its maturity date on 30 June 2020 to 30 June 2025. Pursuant to the requirements of the MOF, as of 1 January 2020, the annual yield of this bond will be determined based on the average yield of the five-year Government Bond calculated for the previous year and the MOF shall continue to provide funding support for the principal and interest of the Orient Bond held by the Bank after the extension of the maturity date. As at 30 June 2020, the Bank had received early repayments amounting to RMB7,567 million cumulatively.

(4) During the six month period ended 30 June 2020 and the year ended 31 December 2019, the Group did not reclassify any of its debt securities subsequent to their initial recognition.

(5) The market values of the above listed debt securities at amortised cost are set out below:

	As at 30 June 2020		As at 31 December 2019	
	Carrying value	**Market value**	**Carrying value**	**Market value**
Debt securities at amortised cost				
— Listed in Hong Kong	**52,129**	**55,718**	31,896	32,847
— Listed outside Hong Kong(7)	**2,374,579**	**2,426,281**	2,308,222	2,670,795

(6) As at 30 June 2020, RMB1,562 million of debt securities of the Group was determined to be impaired and was included in Stage 3 (31 December 2019: RMB1,140 million), with the impairment allowance fully accrued (31 December 2019: RMB1,140 million); RMB228 million of debt securities was included in Stage 2 (31 December 2019: RMB479 million), with an impairment allowance of RMB1 million (31 December 2019: RMB5 million); and the remaining debt securities at fair value through other comprehensive income and debt securities at amortised cost were included in Stage 1, with impairment allowance measured based on 12-month expected credit losses.

(7) Debt securities traded in the domestic interbank bond market are included in "Listed outside Hong Kong".

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 2020			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	**383**	**1**	**6,402**	**6,786**
Impairment losses for the period	**1,045**	**–**	**640**	**1,685**
Exchange differences and other	**1**	**–**	**16**	**17**
As at 30 June	**1,429**	**1**	**7,058**	**8,488**

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	328	3	7,423	7,754
Impairment losses/(reversal) for the year	53	(2)	(238)	(187)
Write-off and transfer out	–	–	(800)	(800)
Exchange differences and other	2	–	17	19
As at 31 December	383	1	6,402	6,786

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

	Six month period ended 30 June 2020			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	**1,250**	**4**	**–**	**1,254**
Transfers to Stage 3	**(2)**	**(4)**	**6**	**–**
Impairment losses for the period	**3,761**	**–**	**–**	**3,761**
Impairment losses due to stage transformation	**–**	**–**	**494**	**494**
Exchange differences and other	**2**	**–**	**–**	**2**
As at 30 June	**5,011**	**–**	**500**	**5,511**

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	861	1	–	862
Impairment losses during the year	384	3	–	387
Exchange differences and other	5	–	–	5
As at 31 December	1,250	4	–	1,254

(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 2020				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	119,077	77,656	32,905	131,821	361,459
Additions	48	972	9,854	6,946	17,820
Transfer from/(to) investment properties (Note III.19)	688	–	(700)	–	(12)
Construction in progress transfer in/(out)	1,419	348	(1,967)	200	–
Deductions	(449)	(1,850)	(3,126)	(1,359)	(6,784)
Exchange differences	317	183	335	1,840	2,675
As at 30 June	121,100	77,309	37,301	139,448	375,158
Accumulated depreciation					
As at 1 January	(40,401)	(60,758)	–	(14,762)	(115,921)
Additions	(1,942)	(3,320)	–	(2,301)	(7,563)
Deductions	273	1,793	–	294	2,360
Transfer to investment properties (Note III.19)	15	–	–	–	15
Exchange differences	(71)	(131)	–	(219)	(421)
As at 30 June	(42,126)	(62,416)	–	(16,988)	(121,530)
Allowance for impairment losses					
As at 1 January	(767)	–	(227)	(4)	(998)
Additions	–	–	–	(82)	(82)
Deductions	6	–	–	–	6
Exchange differences	3	–	–	–	3
As at 30 June	(758)	–	(227)	(86)	(1,071)
Net book value					
As at 1 January	77,909	16,898	32,678	117,055	244,540
As at 30 June	78,216	14,893	37,074	122,374	252,557

18 Property and equipment (Continued)

	Year ended 31 December 2019				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 31 December of prior year	117,948	74,319	30,233	115,153	337,653
Additions	340	6,921	15,977	15,177	38,415
Transfer from/(to) investment properties (Note III.19)	356	–	(11)	–	345
Construction in progress transfer in/(out)	2,238	816	(11,208)	8,154	–
Deductions	(2,388)	(4,639)	(2,467)	(8,746)	(18,240)
Exchange differences	583	239	381	2,083	3,286
As at 31 December	119,077	77,656	32,905	131,821	361,459
Accumulated depreciation					
As at 31 December of prior year	(38,041)	(58,752)	–	(12,437)	(109,230)
Additions	(3,999)	(6,272)	–	(4,180)	(14,451)
Deductions	1,755	4,443	–	2,131	8,329
Transfer to investment properties (Note III.19)	9	–	–	–	9
Exchange differences	(125)	(177)	–	(276)	(578)
As at 31 December	(40,401)	(60,758)	–	(14,762)	(115,921)
Allowance for impairment losses					
As at 31 December of prior year	(770)	–	(217)	(42)	(1,029)
Additions	(7)	–	(10)	–	(17)
Deductions	14	–	–	39	53
Exchange differences	(4)	–	–	(1)	(5)
As at 31 December	(767)	–	(227)	(4)	(998)
Net book value					
As at 31 December of prior year	79,137	15,567	30,016	102,674	227,394
As at 31 December	77,909	16,898	32,678	117,055	244,540

(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 2020	Year ended 31 December 2019
As at 1 January	**23,108**	22,086
Additions	**181**	468
Transfer to property and equipment, net (Note III.18)	**(3)**	(354)
Deductions	**(5)**	(11)
Fair value changes (Note III.5)	**(470)**	496
Exchange differences	**305**	423
As at 30 June/31 December	**23,116**	23,108

20 Other assets

	As at 30 June 2020	As at 31 December 2019
Accounts receivable and prepayments	**138,392**	107,124
Right-of-use assets(1)	**22,489**	22,822
Intangible assets	**12,810**	13,352
Land use rights	**6,732**	6,903
Long-term deferred expense	**3,080**	3,222
Goodwill(2)	**2,719**	2,686
Repossessed assets(3)	**2,341**	2,400
Interest receivable	**1,070**	1,878
Other	**38,086**	18,737
Total	**227,719**	179,124

20 Other assets (Continued)

(1) Right-of-use assets

	Six month period ended 30 June 2020		
	Buildings	Motor vehicles and other	Total
Cost			
As at 1 January	**29,500**	**156**	**29,656**
Additions	**2,976**	**22**	**2,998**
Deductions	**(531)**	**(7)**	**(538)**
Exchange differences	**104**	**–**	**104**
As at 30 June	**32,049**	**171**	**32,220**
Accumulated depreciation			
As at 1 January	**(6,781)**	**(53)**	**(6,834)**
Additions	**(3,253)**	**(31)**	**(3,284)**
Deductions	**398**	**5**	**403**
Exchange differences	**(16)**	**–**	**(16)**
As at 30 June	**(9,652)**	**(79)**	**(9,731)**
Net book value			
As at 1 January	**22,719**	**103**	**22,822**
As at 30 June	**22,397**	**92**	**22,489**

	Year ended 31 December 2019		
	Buildings	Motor vehicles and other	Total
Cost			
As at 1 January	22,652	120	22,772
Additions	7,341	38	7,379
Deductions	(624)	(3)	(627)
Exchange differences	131	1	132
As at 31 December	29,500	156	29,656
Accumulated depreciation			
As at 1 January	(209)	–	(209)
Additions	(6,632)	(53)	(6,685)
Deductions	81	–	81
Exchange differences	(21)	–	(21)
As at 31 December	(6,781)	(53)	(6,834)
Net book value			
As at 1 January	22,443	120	22,563
As at 31 December	22,719	103	22,822

(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 2020	Year ended 31 December 2019
As at 1 January	**2,686**	2,620
Addition through acquisition of subsidiaries	**–**	27
Exchange differences	**33**	39
As at 30 June/31 December	**2,719**	2,686

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,704 million).

(3) Repossessed assets

The Group obtained repossessed assets by taking possession of collateral held as security due to default. Such repossessed assets are as follows:

	As at 30 June 2020	As at 31 December 2019
Commercial properties	**2,508**	2,596
Residential properties	**618**	615
Other	**159**	159
Subtotal	**3,285**	3,370
Less: allowance for impairment	**(944)**	(970)
Repossessed assets, net	**2,341**	2,400

The total book value of the repossessed assets disposed of for the six month period ended 30 June 2020 amounted to RMB206 million (for the year ended 31 December 2019: RMB276 million). The Group plans to dispose of the repossessed assets held at 30 June 2020 by auction, bidding or transfer.

21 Financial liabilities held for trading

As at 30 June 2020 and 31 December 2019, financial liabilities held for trading mainly included short position in debt securities.

22 Due to customers

	As at 30 June 2020	As at 31 December 2019
Demand deposits		
— Corporate deposits	**4,776,263**	4,434,051
— Personal deposits	**3,285,035**	3,147,889
Subtotal	**8,061,298**	7,581,940
Time deposits		
— Corporate deposits	**3,818,669**	3,619,512
— Personal deposits	**3,738,340**	3,416,862
Subtotal	**7,557,009**	7,036,374
Structured deposits(1)		
— Corporate deposits	**346,859**	247,906
— Personal deposits	**585,449**	424,897
Subtotal	**932,308**	672,803
Certificates of deposit	**272,681**	283,193
Other deposits	**96,081**	75,063
Subtotal due to customers	**16,919,377**	15,649,373
Accrued interest	**170,840**	168,175
Total due to customers(2)	**17,090,217**	15,817,548

(1) According to the risk management policy, in order to match derivatives and reduce market risk, the Group designates some structured deposits as financial liabilities at fair value through profit or loss. As at 30 June 2020, the carrying amount of the above-mentioned financial liabilities was RMB31,341 million (31 December 2019: RMB17,969 million). At the financial reporting date, the fair value of the above-mentioned financial liabilities was approximately the same as the amount that the Group would be contractually required to pay to the holders. During the six month period ended 30 June 2020 and the year ended 31 December 2019, there was no significant change in the Group's own credit risk for the above structured deposits, so the amount of change in fair value due to the change in the Group's own credit risk is not significant.

(2) Due to customers included margin deposits for security received by the Group as at 30 June 2020 of RMB341,103 million (31 December 2019: RMB290,076 million).

(Amounts in millions of Renminbi, unless otherwise stated)

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

23 Deferred income taxes

23.1 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 2020		As at 31 December 2019	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets	**188,380**	**50,295**	166,707	44,029
Deferred income tax liabilities	**(36,549)**	**(6,240)**	(30,773)	(5,452)
Net	**151,831**	**44,055**	135,934	38,577

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

	As at 30 June 2020		As at 31 December 2019	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	**253,463**	**62,967**	205,264	51,052
Pension, retirement benefits and salary payables	**12,926**	**3,209**	18,137	4,510
Financial instruments at fair value through profit or loss and derivative financial instruments	**110,596**	**27,543**	90,507	22,511
Financial assets at fair value through other comprehensive income	**1,304**	**318**	835	209
Other temporary differences	**35,024**	**8,024**	34,320	7,931
Subtotal	**413,313**	**102,061**	349,063	86,213
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	**(114,588)**	**(27,935)**	(93,862)	(23,336)
Financial assets at fair value through other comprehensive income	**(41,401)**	**(10,101)**	(29,403)	(7,228)
Depreciation of property and equipment	**(20,352)**	**(3,469)**	(20,629)	(3,521)
Revaluation of property and investment properties	**(9,129)**	**(1,742)**	(8,986)	(1,712)
Other temporary differences	**(76,012)**	**(14,759)**	(60,249)	(11,839)
Subtotal	**(261,482)**	**(58,006)**	(213,129)	(47,636)
Net	**151,831**	**44,055**	135,934	38,577

As at 30 June 2020, deferred tax liabilities relating to temporary differences of RMB176,121 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2019: RMB156,105 million).

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

23 Deferred income taxes (Continued)

23.3 The movements of the deferred income tax are as follows:

	Six month period ended 30 June 2020	Year ended 31 December 2019
As at 1 January	**38,577**	33,656
Credited to the income statement (Note III.9)	**8,281**	8,824
Charged to other comprehensive income	**(2,866)**	(4,180)
Other	**63**	277
As at 30 June/31 December	**44,055**	38,577

23.4 The deferred income tax credit in the condensed consolidated income statement comprises the following temporary differences:

	For the six month period ended 30 June	
	2020	**2019**
Asset impairment allowances	**11,915**	332
Financial instruments at fair value through profit or loss and derivative financial instruments	**433**	3,073
Pension, retirement benefits and salary payables	**(1,301)**	(1,176)
Other temporary differences	**(2,766)**	(1,975)
Total	**8,281**	254

24 Other liabilities

	As at 30 June 2020	As at 31 December 2019
Insurance liabilities		
— Life insurance contracts	**126,623**	113,742
— Non-life insurance contracts	**10,758**	10,169
Items in the process of clearance and settlement	**95,699**	66,628
Dividends payable	**60,642**	2
Salary and welfare payables	**26,944**	33,373
Provision		
— Allowance for credit commitments	**21,961**	23,597
— Allowance for litigation losses (Note III. 27.1)	**860**	872
Lease liabilities	**21,513**	21,590
Deferred income	**11,586**	10,476
Other	**88,986**	84,724
Total	**465,572**	365,173

(Amounts in millions of Renminbi, unless otherwise stated)

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

25 Other equity instruments

For the six month period ended 30 June 2020, the movements of the Bank's other equity instruments were as follows:

	As at 1 January 2020		Increase/(Decrease)		As at 30 June 2020	
	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount
Preference Shares						
Domestic Preference Shares (First Tranche)	320.0	31,963	–	–	320.0	31,963
Domestic Preference Shares (Second Tranche)	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)(1)	–	–	197.9	19,581	197.9	19,581
Subtotal	1,600.0	159,901	197.9	19,581	1,797.9	179,482
Perpetual Bonds						
2019 Undated Capital Bonds (Series 1)	–	39,992	–	–	–	39,992
2020 Undated Capital Bonds (Series 1)(2)	–	–	–	39,990	–	39,990
Subtotal	–	39,992	–	39,990	–	79,982
Total		199,893		59,571		259,464

(1) With the approvals by the relevant regulatory authorities in China, the Bank issued the US Dollar settled non-cumulative Offshore Preference Shares on 4 March 2020. Each Offshore Preference Share has a par value of RMB100 and 197,865,300 Offshore Preference Shares were issued in total. The aggregate par value of the Offshore Preference Shares is USD2.820 billion as converted into USD using the fixed exchange rate (USD1.00 to RMB7.0168). The initial annual dividend rate is 3.60% and is subsequently subject to reset per agreement, but in no case shall exceed 12.15%. Dividends are calculated and paid out in US Dollars.

The Offshore Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the China Banking and Insurance Regulatory Commission ("CBIRC"), the Bank may at its discretion redeem all or part of the Offshore Preference Shares on 4 March 2025 or any dividend payment date thereafter at the redemption price which is the sum of the par value of the Offshore Preference Shares and the dividends declared but not yet distributed, as calculated and paid out in US Dollars.

25 Other equity instruments (Continued)

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 are paid by 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 CBIRC for its examination and approval decision.

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

(2) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 28 April 2020 and completed the issuance on 30 April 2020. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 3.40%, which is reset every 5 years.

The duration of the Bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bonds are paid by non-cumulative interest. 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. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

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

26 Dividends

Dividends for Ordinary Shares

A dividend of RMB1.91 per ten ordinary shares (before tax) in respect of the profit for the year ended 31 December 2019 amounting to RMB56,228 million (before tax) was approved at the Annual General Meeting held on 30 June 2020. The undistributed portion of RMB56,228 million was recorded in other liabilities as at 30 June 2020. Such dividend was distributed on 15 July 2020 and 7 August 2020 after the appropriate withholding of individual and enterprise income taxes.

Dividends for Preference Shares

The dividend distribution of Domestic Preference Shares (Second Tranche) amounting to RMB1,540 million (before tax) was approved by the Board of Directors of the Bank at the Board Meeting held on 13 January 2020 and the dividend was distributed on 13 March 2020.

(Amounts in millions of Renminbi, unless otherwise stated)

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

26 Dividends (Continued)

Dividends for Preference Shares (Continued)

The dividend distribution of Domestic Preference Shares (Third Tranche and Fourth Tranche) was approved by the Board of Directors of the Bank at the Board Meeting held on 29 April 2020. The dividend of Domestic Preference Shares (Third Tranche) amounting to RMB3,285 million (before tax) was distributed on 29 June 2020. And the dividend of Domestic Preference Shares (Fourth Tranche) amounting to RMB1,174.5 million (before tax) will be distributed on 31 August 2020.

Others

The Bank distributed the interest on the 2019 Undated Capital Bonds (Series 1) amounting to RMB1,800 million on 3 February 2020.

27 Contingent liabilities and commitments

27.1 Legal proceedings and arbitrations

As at 30 June 2020, 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 2020, provisions of RMB860 million (31 December 2019: RMB872 million) were made based on court judgements or the advice of counsel (Note III.24). 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 operations of the Group.

27.2 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 2020	As at 31 December 2019
Debt securities	**684,877**	787,929
Bills	**119**	387
Total	**684,996**	788,316

27 Contingent liabilities and commitments (Continued)

27.3 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 2020, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB32,716 million (31 December 2019: RMB22,067 million). As at 30 June 2020, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB2,775 million (31 December 2019: RMB2,271 million). These transactions are conducted under standard terms in the normal course of business.

27.4 Capital commitments

	As at 30 June 2020	As at 31 December 2019
Property and equipment		
— Contracted but not provided for	**68,065**	53,752
— Authorised but not contracted for	**1,433**	1,215
Intangible assets		
— Contracted but not provided for	**1,201**	1,048
— Authorised but not contracted for	**261**	66
Investment properties		
— Contracted but not provided for	**1,730**	1,231
Total	**72,690**	57,312

27.5 Treasury bonds redemption commitments

The Bank is entrusted by the Ministry of Finance of the People's Republic of China (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 2020, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB53,611 million (31 December 2019: RMB59,746 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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

27 Contingent liabilities and commitments (Continued)

27.6 Credit commitments

	As at 30 June 2020	As at 31 December 2019
Loan commitments[1]		
— with an original maturity of less than 1 year	**253,962**	244,733
— with an original maturity of 1 year or above	**1,330,002**	1,360,065
Undrawn credit card limits	**1,064,777**	1,010,283
Letters of guarantee issued[2]	**1,024,375**	1,049,629
Bank bill acceptance	**287,269**	259,373
Letters of credit issued	**142,815**	133,571
Accepted bills of exchange under letters of credit	**87,435**	92,440
Other	**183,390**	192,476
Total[3]	**4,374,025**	4,342,570

(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 2020, the unconditionally revocable loan commitments of the Group amounted to RMB341,099 million (31 December 2019: RMB299,556 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 2020	As at 31 December 2019
Credit commitments	**1,187,793**	1,206,469

27.7 Underwriting obligations

As at 30 June 2020, the firm commitment in underwriting securities of the Group amounted to RMB1,000 million (31 December 2019: Nil).

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

28 Changes in consolidation

On 18 June 2020, the Bank set up a majority-owned subsidiary, BOC Financial Leasing Co., Ltd. ("BOCL"), which mainly engages in the financial leasing business. As at 30 June 2020, the Bank held 92.59% of the total capital of BOCL.

29 Note to the condensed consolidated statement of cash flows

For the purpose of the condensed consolidated 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 2020	As at 30 June 2019
Cash and due from banks and other financial institutions	**375,854**	316,066
Balances with central banks	**591,528**	490,207
Placements with and loans to banks and other financial institutions	**680,996**	670,102
Financial investments	**71,391**	43,491
Total	**1,719,769**	1,519,866

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.

(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

(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 ordinary course of business and in compliance with the requirements of the related regulations and corporate governance.

Transaction balances

	As at 30 June 2020	As at 31 December 2019
Debt securities	**27,422**	24,963
Due to Huijin	**(60)**	(2,913)

Transaction amounts

	For the six month period ended 30 June	
	2020	2019
Interest income	**389**	453
Interest expense	**(35)**	(169)

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 ordinary course of the business, main transactions that the Group entered into with the affiliates of parent company are as follows:

Transaction balances

	As at 30 June 2020	As at 31 December 2019
Due from banks and other financial institutions	**67,768**	59,332
Placements with and loans to banks and other financial institutions	**199,898**	115,781
Financial investments	**293,028**	395,205
Derivative financial assets	**8,197**	7,655
Loans and advances to customers	**76,477**	45,646
Due to customers, banks and other financial institutions	**(238,912)**	(185,610)
Placements from banks and other financial institutions	**(157,992)**	(244,059)
Derivative financial liabilities	**(3,455)**	(5,459)
Credit commitments	**29,600**	14,502

Transaction amounts

	For the six month period ended 30 June	
	2020	2019
Interest income	**6,487**	8,129
Interest expense	**(2,414)**	(3,655)

(Amounts in millions of Renminbi, unless otherwise stated)

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 ordinary 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 2020	As at 31 December 2019
Loans and advances to customers	**1,210**	1,373
Due to customers, banks and other financial institutions	**(15,096)**	(6,046)
Credit commitments	**584**	76

Transaction amounts

	For the six month period ended 30 June	
	2020	2019
Interest income	**35**	25
Interest expense	**(141)**	(99)

30 Related party transactions (Continued)

30.5 Transactions with the Annuity Plan

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 2020 and the year ended 31 December 2019.

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 2020 and the year ended 31 December 2019, 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 2020, 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 RMB379 million (31 December 2019: RMB410 million) and RMB19 million (31 December 2019: RMB23 million) respectively.

30.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

Transaction balances

	As at 30 June 2020	As at 31 December 2019
Due from banks and other financial institutions	**44,621**	21,908
Placements with and loans to banks and other financial institutions	**136,453**	152,839
Due to banks and other financial institutions	**(110,746)**	(88,195)
Placements from banks and other financial institutions	**(59,522)**	(52,285)

Transaction amounts

	For the six month period ended 30 June	
	2020	2019
Interest income	**1,305**	812
Interest expense	**(639)**	(1,251)

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, Macao and Taiwan; 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 product. 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, Macao and Taiwan — Corporate banking, personal banking, treasury operations, investment banking and insurance services are performed in Hong Kong, Macao and Taiwan. 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, 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 and other miscellaneous activities, none of which constitutes a separately reportable segment.

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 2020

	Chinese mainland	Hong Kong, Macao and Taiwan: BOCHK Group	Hong Kong, Macao and Taiwan: Other	Hong Kong, Macao and Taiwan: Subtotal	Other countries and regions	Eliminations	Total
Interest income	325,161	25,974	16,903	42,877	19,246	(11,354)	375,930
Interest expense	(156,042)	(9,187)	(13,671)	(22,858)	(11,489)	11,354	(179,035)
Net interest income	169,119	16,787	3,232	20,019	7,757	–	196,895
Fee and commission income	46,320	5,747	3,819	9,566	2,944	(1,809)	57,021
Fee and commission expense	(4,557)	(1,237)	(1,086)	(2,323)	(958)	1,159	(6,679)
Net fee and commission income	41,763	4,510	2,733	7,243	1,986	(650)	50,342
Net trading gains	(3,429)	2,259	2,599	4,858	744	–	2,173
Net gains on transfers of financial asset	4,819	2,331	114	2,445	359	–	7,623
Other operating income[1]	8,461	7,797	13,176	20,973	795	(279)	29,950
Operating income	220,733	33,684	21,854	55,538	11,641	(929)	286,983
Operating expenses[1]	(63,039)	(14,504)	(10,639)	(25,143)	(3,712)	948	(90,946)
Impairment losses on assets	(60,395)	(1,239)	(1,364)	(2,603)	(3,486)	–	(66,484)
Operating profit	97,299	17,941	9,851	27,792	4,443	19	129,553
Share of results of associates and joint ventures	(105)	(76)	244	168	–	–	63
Profit before income tax	97,194	17,865	10,095	27,960	4,443	19	129,616
Income tax expense							(21,804)
Profit for the period							107,812
Segment assets	18,816,795	2,902,545	1,672,288	4,574,833	2,332,629	(1,594,414)	24,129,843
Investments in associates and joint ventures	7,886	1,021	14,105	15,126	–	–	23,012
Total assets	18,824,681	2,903,566	1,686,393	4,589,959	2,332,629	(1,594,414)	24,152,855
Include: non-current assets[2]	115,841	30,945	173,888	204,833	9,351	(3,115)	326,910
Segment liabilities	17,222,253	2,640,378	1,537,869	4,178,247	2,258,034	(1,594,292)	22,064,242
Other segment items:							
Intersegment net interest (expense)/income	(2,445)	345	4,112	4,457	(2,012)	–	–
Intersegment 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	3,687,615	312,943	130,680	443,623	539,016	(296,229)	4,374,025

(Amounts in millions of Renminbi, unless otherwise stated)

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

31 Segment reporting (Continued)

As at 31 December 2019 and for the six month period ended 30 June 2019

		Hong Kong, Macao and Taiwan					
	Chinese mainland	BOCHK Group	Other	Subtotal	Other countries and regions	Eliminations	Total
Interest income	310,968	28,046	19,932	47,978	25,931	(19,513)	365,364
Interest expense	(155,945)	(11,699)	(17,340)	(29,039)	(18,253)	19,557	(183,680)
Net interest income	155,023	16,347	2,592	18,939	7,678	44	181,684
Fee and commission income	45,862	6,736	3,624	10,360	3,129	(1,886)	57,465
Fee and commission expense	(4,221)	(1,790)	(1,000)	(2,790)	(1,028)	1,138	(6,901)
Net fee and commission income	41,641	4,946	2,624	7,570	2,101	(748)	50,564
Net trading gains	6,173	4,027	2,867	6,894	1,517	–	14,584
Net gains on transfers of financial asset	2,496	619	61	680	68	–	3,244
Other operating income(1)	7,690	9,654	9,793	19,447	47	(572)	26,612
Operating income	213,023	35,593	17,937	53,530	11,411	(1,276)	276,688
Operating expenses(1)	(64,078)	(16,062)	(8,666)	(24,728)	(3,282)	958	(91,130)
Impairment losses on assets	(34,270)	(618)	122	(496)	1,096	–	(33,670)
Operating profit	114,675	18,913	9,393	28,306	9,225	(318)	151,888
Share of results of associates and joint ventures	12	(5)	663	658	–	–	670
Profit before income tax	114,687	18,908	10,056	28,964	9,225	(318)	152,558
Income tax expense							(31,116)
Profit for the period							121,442
Segment assets	17,915,544	2,673,071	1,528,724	4,201,795	2,062,659	(1,433,464)	22,746,534
Investments in associates and joint ventures	7,992	1,076	14,142	15,218	–	–	23,210
Total assets	17,923,536	2,674,147	1,542,866	4,217,013	2,062,659	(1,433,464)	22,769,744
Include: non-current assets(2)	119,684	30,670	162,255	192,925	9,788	(2,851)	319,546
Segment liabilities	16,413,115	2,428,157	1,397,456	3,825,613	1,987,643	(1,433,323)	20,793,048
Other segment items:							
Intersegment net interest (expense)/income	(3,563)	824	5,878	6,702	(3,183)	44	–
Intersegment net fee and commission income/ (expense)	86	46	803	849	(187)	(748)	–
Capital expenditure	2,499	1,053	12,815	13,868	220	–	16,587
Depreciation and amortisation	8,174	840	2,597	3,437	353	(121)	11,843
Credit commitments	3,675,635	313,084	131,772	444,856	528,004	(305,925)	4,342,570

(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 and other long-term assets.

31 Segment reporting (Continued)

As at 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	136,835	98,407	1,078	1,671	1,974	(37,907)	375,930
Interest expense	(81,647)	(55,434)	(75,926)	(266)	(42)	(3,796)	38,076	(179,035)
Net interest income/(expense)	92,225	81,401	22,481	812	1,629	(1,822)	169	196,895
Fee and commission income	19,269	28,156	7,773	2,428	1	1,040	(1,646)	57,021
Fee and commission expense	(637)	(3,336)	(1,312)	(666)	(2,110)	(83)	1,465	(6,679)
Net fee and commission income/(expense)	18,632	24,820	6,461	1,762	(2,109)	957	(181)	50,342
Net trading gains	1,205	526	(1,756)	(83)	414	1,995	(128)	2,173
Net gains on transfers of financial asset	1,051	41	6,407	1	120	3	–	7,623
Other operating income	417	4,679	646	186	14,917	10,045	(940)	29,950
Operating income	113,530	111,467	34,239	2,678	14,971	11,178	(1,080)	286,983
Operating expenses	(27,934)	(35,631)	(8,327)	(1,198)	(14,130)	(4,816)	1,090	(90,946)
Impairment losses on assets	(43,591)	(15,683)	(6,210)	(15)	(134)	(896)	45	(66,484)
Operating profit	42,005	60,153	19,702	1,465	707	5,466	55	129,553
Share of results of associates and joint ventures	–	–	–	210	(16)	(101)	(30)	63
Profit before income tax	42,005	60,153	19,702	1,675	691	5,365	25	129,616
Income tax expense								(21,804)
Profit for the period								107,812
Segment assets	9,163,736	5,390,652	8,801,840	100,199	198,705	599,270	(124,559)	24,129,843
Investments in associates and joint ventures	–	–	–	5,070	–	18,010	(68)	23,012
Total assets	9,163,736	5,390,652	8,801,840	105,269	198,705	617,280	(124,627)	24,152,855
Segment liabilities	10,231,884	7,217,648	4,101,840	72,417	180,667	384,167	(124,381)	22,064,242
Other segment items:								
Intersegment net interest income/(expense)	10,100	26,719	(36,501)	148	8	(643)	169	–
Intersegment 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	3,114,600	1,259,425	–	–	–	–	–	4,374,025

(Amounts in millions of Renminbi, unless otherwise stated)

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

31 Segment reporting (Continued)

As at 31 December 2019 and for the six month period ended 30 June 2019

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Eliminations	Total
Interest income	177,105	120,777	104,369	938	1,459	1,920	(41,204)	365,364
Interest expense	(84,913)	(57,584)	(78,707)	(295)	(33)	(3,402)	41,254	(183,680)
Net interest income/(expense)	92,192	63,193	25,662	643	1,426	(1,482)	50	181,684
Fee and commission income	18,693	28,057	9,205	1,845	1	1,057	(1,393)	57,465
Fee and commission expense	(577)	(3,820)	(1,127)	(490)	(2,039)	(72)	1,224	(6,901)
Net fee and commission income/(expense)	18,116	24,237	8,078	1,355	(2,038)	985	(169)	50,564
Net trading gains	1,484	491	7,757	124	1,745	2,956	27	14,584
Net gains on transfers of financial asset	784	81	2,365	–	14	–	–	3,244
Other operating income	143	4,090	327	128	14,459	8,984	(1,519)	26,612
Operating income	112,719	92,092	44,189	2,250	15,606	11,443	(1,611)	276,688
Operating expenses	(28,748)	(34,783)	(9,106)	(1,085)	(14,731)	(4,287)	1,610	(91,130)
Impairment losses on assets	(26,435)	(6,696)	(427)	1	(72)	(41)	–	(33,670)
Operating profit	57,536	50,613	34,656	1,166	803	7,115	(1)	151,888
Share of results of associates and joint ventures	–	48	1	225	(12)	424	(16)	670
Profit before income tax	57,536	50,661	34,657	1,391	791	7,539	(17)	152,558
Income tax expense								(31,116)
Profit for the period								121,442
Segment assets	8,415,724	5,064,429	8,587,356	83,987	180,054	527,396	(112,412)	22,746,534
Investments in associates and joint ventures	–	–	–	4,870	–	18,406	(66)	23,210
Total assets	8,415,724	5,064,429	8,587,356	88,857	180,054	545,802	(112,478)	22,769,744
Segment liabilities	9,922,845	6,726,766	3,705,818	57,582	162,958	329,341	(112,262)	20,793,048
Other segment items:								
Intersegment net interest income/(expense)	15,450	24,504	(39,424)	174	21	(775)	50	–
Intersegment net fee and commission income/ (expense)	443	774	14	(152)	(1,053)	143	(169)	–
Capital expenditure	812	944	43	40	32	14,716	–	16,587
Depreciation and amortisation	3,656	4,535	1,121	124	123	2,476	(192)	11,843
Credit commitments	3,157,694	1,184,876	–	–	–	–	–	4,342,570

32 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group 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 and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or re-pledge those securities in the absence of default by the Group, but have an obligation to return the securities upon maturity of the contract. If the value of securities increases or decreases, the Group may in certain circumstances require or be required 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 as collateral.

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

	As at 30 June 2020		As at 31 December 2019	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	**47,443**	**47,497**	528	503

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 some 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 RMB815 million as at 30 June 2020 (31 December 2019: RMB956 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 2020, there was no new continuing involvement through acquiring tranches by the Group (for the six month period ended 30 June 2019, the carrying amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB17,991 million) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB15,075 million as at 30 June 2020 (31 December 2019: RMB15,250 million).

33 Interests in the structured entities

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

33 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 specialised investment opportunities within narrow and well-defined objectives, including non-principal guaranteed wealth management products, publicly offered funds and asset management plans, and earned management fee, commission and custodian fee in return.

As at 30 June 2020, the balance of the above unconsolidated bank wealth management products sponsored by the Group amounted to RMB1,320,923 million (31 December 2019: RMB1,231,861 million). The balance of unconsolidated publicly offered funds and asset management plans sponsored by the Group amounted to RMB593,870 million (31 December 2019: RMB638,865 million).

For the six month period ended 30 June 2020, the above-mentioned commission, custodian fee and management fee amounted to RMB3,778 million (for the six month period ended 30 June 2019: RMB3,799 million).

As at 30 June 2020, 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 2020, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB132,205 million (for the six month period ended 30 June 2019: RMB180,050 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 30 June 2020, the balance of the above transactions was RMB122,797 million (31 December 2019: RMB170,797 million). The maximum exposure to loss of those placements approximated to their carrying amount.

(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 (Continued)

Structured entities sponsored by the Group (Continued)

In addition, there were no credit assets transferred by the Group into the unconsolidated structured entities during the six month period ended 30 June 2020 (for the six month period ended 30 June 2019: Nil). For the description of the portion of asset-backed securities issued by the above structured entities and held by the Group, refer to Note III.32.

Structured entities sponsored by other financial institutions

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

Structured entity type	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Maximum exposure to loss
As at 30 June 2020					
Fund investments	**51,537**	**–**	**–**	**51,537**	**51,537**
Investment trusts and asset management plans	**2,380**	**–**	**8,460**	**10,840**	**10,840**
Asset-backed securitisations	**128**	**63,282**	**41,921**	**105,331**	**105,331**

Structured entity type	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Maximum exposure to loss
As at 31 December 2019					
Fund investments	53,349	–	–	53,349	53,349
Investment trusts and asset management plans	2,396	–	8,163	10,559	10,559
Asset-backed securitisations	905	68,192	44,008	113,105	113,105

33 Interests in the structured entities (Continued)

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.

34 Events after the financial reporting date

Dividend distribution plan of Domestic Preference Shares (First Tranche and Second Tranche)

The dividend distribution of Domestic Preference Shares (First Tranche and Second Tranche) was approved by the Board of Directors of the Bank on 30 August 2020. The annual dividend for the Domestic Preference Shares (First Tranche) amounting to RMB1,920 million (before tax) is scheduled to be paid on 23 November 2020 at a dividend rate of 6.00% (before tax). The annual dividend for the Domestic Preference Shares (Second Tranche) amounting to RMB1,540 million (before tax) is scheduled to be paid on 15 March 2021 at a dividend rate of 5.50% (before tax). The dividend payable was not reflected in liabilities of the financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

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 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Chinese mainland	**10,983,505**	**78.45%**	10,302,408	79.04%
Hong Kong, Macao and Taiwan	**1,862,638**	**13.30%**	1,697,434	13.02%
Other countries and regions	**1,154,614**	**8.25%**	1,034,347	7.94%
Total	**14,000,757**	**100.00%**	13,034,189	100.00%

Chinese mainland

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Northern China	**1,607,658**	**14.64%**	1,573,127	15.27%
Northeastern China	**504,062**	**4.59%**	494,186	4.80%
Eastern China	**4,344,199**	**39.55%**	4,016,742	38.99%
Central and Southern China	**3,084,120**	**28.08%**	2,875,436	27.91%
Western China	**1,443,466**	**13.14%**	1,342,917	13.03%
Total	**10,983,505**	**100.00%**	10,302,408	100.00%

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

	Chinese mainland	Hong Kong, Macao and Taiwan	Other countries and regions	Total
As at 30 June 2020				
Corporate loans and advances				
— Trade bills	**1,054,674**	**112,398**	**133,811**	**1,300,883**
— Other	**5,212,352**	**1,181,032**	**961,980**	**7,355,364**
Personal loans	**4,716,479**	**569,208**	**58,823**	**5,344,510**
Total	**10,983,505**	**1,862,638**	**1,154,614**	**14,000,757**
As at 31 December 2019				
Corporate loans and advances				
— Trade bills	996,845	108,177	127,170	1,232,192
— Other	4,853,846	1,051,188	849,154	6,754,188
Personal loans	4,451,717	538,069	58,023	5,047,809
Total	10,302,408	1,697,434	1,034,347	13,034,189

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 2020		As at 31 December 2019	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Commerce and services	**1,852,515**	**13.23%**	1,706,650	13.09%
Manufacturing	**1,814,064**	**12.96%**	1,679,202	12.88%
Transportation, storage and postal services	**1,368,992**	**9.78%**	1,294,922	9.93%
Real estate	**1,166,328**	**8.33%**	1,042,664	8.00%
Production and supply of electricity, heating, gas and water	**669,862**	**4.78%**	649,289	4.98%
Financial services	**633,808**	**4.53%**	565,333	4.34%
Mining	**295,132**	**2.11%**	293,375	2.25%
Construction	**288,731**	**2.06%**	255,160	1.96%
Water, environment and public utility management	**233,679**	**1.67%**	199,376	1.53%
Public utilities	**159,844**	**1.14%**	149,855	1.15%
Other	**173,292**	**1.24%**	150,554	1.16%
Subtotal	**8,656,247**	**61.83%**	7,986,380	61.27%
Personal loans				
Mortgages	**4,225,922**	**30.18%**	3,993,271	30.64%
Credit cards	**481,916**	**3.44%**	476,743	3.66%
Other	**636,672**	**4.55%**	577,795	4.43%
Subtotal	**5,344,510**	**38.17%**	5,047,809	38.73%
Total	**14,000,757**	**100.00%**	13,034,189	100.00%

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Chinese mainland

	As at 30 June 2020		As at 31 December 2019	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Commerce and services	**1,400,959**	**12.75%**	1,269,121	12.32%
Manufacturing	**1,340,742**	**12.21%**	1,285,438	12.48%
Transportation, storage and postal services	**1,188,165**	**10.82%**	1,129,091	10.96%
Real estate	**621,989**	**5.66%**	553,951	5.38%
Production and supply of electricity, heating, gas and water	**482,426**	**4.39%**	489,086	4.75%
Financial services	**435,005**	**3.96%**	398,095	3.86%
Mining	**170,387**	**1.55%**	165,218	1.60%
Construction	**233,756**	**2.13%**	214,351	2.08%
Water, environment and public utility management	**224,042**	**2.04%**	188,387	1.83%
Public utilities	**129,172**	**1.18%**	120,595	1.17%
Other	**40,383**	**0.37%**	37,358	0.36%
Subtotal	**6,267,026**	**57.06%**	5,850,691	56.79%
Personal loans				
Mortgages	**3,794,760**	**34.55%**	3,582,138	34.77%
Credit cards	**469,520**	**4.27%**	462,150	4.49%
Other	**452,199**	**4.12%**	407,429	3.95%
Subtotal	**4,716,479**	**42.94%**	4,451,717	43.21%
Total	**10,983,505**	**100.00%**	10,302,408	100.00%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Group

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Unsecured loans	**4,468,057**	**31.91%**	4,151,941	31.86%
Guaranteed loans	**1,737,072**	**12.41%**	1,572,146	12.06%
Collateralised and other secured loans	**7,795,628**	**55.68%**	7,310,102	56.08%
Total	**14,000,757**	**100.00%**	13,034,189	100.00%

Chinese mainland

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Unsecured loans	**3,050,041**	**27.77%**	2,923,150	28.37%
Guaranteed loans	**1,347,913**	**12.27%**	1,211,994	11.77%
Collateralised and other secured loans	**6,585,551**	**59.96%**	6,167,264	59.86%
Total	**10,983,505**	**100.00%**	10,302,408	100.00%

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

Group

	As at 30 June 2020			As at 31 December 2019		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	**181,383**	**91.43%**	**1.65%**	169,951	95.35%	1.65%
Hong Kong, Macao and Taiwan	**4,458**	**2.25%**	**0.24%**	3,842	2.16%	0.23%
Other countries and regions	**12,541**	**6.32%**	**1.09%**	4,442	2.49%	0.43%
Total	**198,382**	**100.00%**	**1.42%**	178,235	100.00%	1.37%

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Chinese mainland

	As at 30 June 2020			As at 31 December 2019		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	**22,787**	**12.56%**	**1.42%**	31,762	18.69%	2.02%
Northeastern China	**21,020**	**11.59%**	**4.17%**	22,123	13.02%	4.48%
Eastern China	**60,006**	**33.08%**	**1.38%**	59,764	35.17%	1.49%
Central and Southern China	**62,816**	**34.63%**	**2.04%**	39,060	22.98%	1.36%
Western China	**14,754**	**8.14%**	**1.02%**	17,242	10.14%	1.28%
Total	**181,383**	**100.00%**	**1.65%**	169,951	100.00%	1.65%

(ii) Impaired loans and advances by customer type

Group

	As at 30 June 2020			As at 31 December 2019		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**164,954**	**83.15%**	**1.91%**	149,427	83.84%	1.87%
Personal loans	**33,428**	**16.85%**	**0.63%**	28,808	16.16%	0.57%
Total	**198,382**	**100.00%**	**1.42%**	178,235	100.00%	1.37%

Chinese mainland

	As at 30 June 2020			As at 31 December 2019		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**148,925**	**82.11%**	**2.38%**	141,978	83.54%	2.43%
Personal loans	**32,458**	**17.89%**	**0.69%**	27,973	16.46%	0.63%
Total	**181,383**	**100.00%**	**1.65%**	169,951	100.00%	1.65%

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 2020			As at 31 December 2019		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Commerce and services	**45,939**	**23.16%**	**3.28%**	45,104	25.31%	3.55%
Manufacturing	**69,574**	**35.07%**	**5.19%**	59,646	33.46%	4.64%
Transportation, storage and postal services	**12,822**	**6.46%**	**1.08%**	8,276	4.64%	0.73%
Real estate	**2,578**	**1.30%**	**0.41%**	2,936	1.65%	0.53%
Production and supply of electricity, heating, gas and water	**1,902**	**0.96%**	**0.39%**	10,954	6.15%	2.24%
Financial services	**1,068**	**0.54%**	**0.25%**	225	0.13%	0.06%
Mining	**4,865**	**2.45%**	**2.86%**	4,946	2.77%	2.99%
Construction	**4,141**	**2.09%**	**1.77%**	3,561	2.00%	1.66%
Water, environment and public utility management	**1,418**	**0.71%**	**0.63%**	1,594	0.89%	0.85%
Public utilities	**794**	**0.40%**	**0.61%**	877	0.49%	0.73%
Other	**3,824**	**1.93%**	**9.47%**	3,859	2.17%	10.33%
Subtotal	**148,925**	**75.07%**	**2.38%**	141,978	79.66%	2.43%
Personal loans						
Mortgages	**12,719**	**6.41%**	**0.34%**	10,463	5.87%	0.29%
Credit cards	**12,051**	**6.07%**	**2.57%**	10,269	5.76%	2.22%
Other	**7,688**	**3.88%**	**1.70%**	7,241	4.06%	1.78%
Subtotal	**32,458**	**16.36%**	**0.69%**	27,973	15.69%	0.63%
Total for Chinese mainland	**181,383**	**91.43%**	**1.65%**	169,951	95.35%	1.65%
Hong Kong, Macao, Taiwan and other countries and regions	**16,999**	**8.57%**	**0.56%**	8,284	4.65%	0.30%
Total	**198,382**	**100.00%**	**1.42%**	178,235	100.00%	1.37%

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

	Impaired loans	Allowance for impairment losses	Net
As at 30 June 2020			
Chinese mainland	**181,383**	**(146,153)**	**35,230**
Hong Kong, Macao and Taiwan	**4,458**	**(2,853)**	**1,605**
Other countries and regions	**12,541**	**(7,058)**	**5,483**
Total	**198,382**	**(156,064)**	**42,318**
As at 31 December 2019			
Chinese mainland	169,951	(131,307)	38,644
Hong Kong, Macao and Taiwan	3,842	(2,462)	1,380
Other countries and regions	4,442	(2,775)	1,667
Total	178,235	(136,544)	41,691

(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, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, 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 criteria are met. If the rescheduled loans fall overdue or if the borrower is unable to demonstrate its 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 2020 and 31 December 2019.

As at 30 June 2020 and 31 December 2019, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

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 2020	As at 31 December 2019
Chinese mainland	**168,492**	149,978
Hong Kong, Macao and Taiwan	**9,834**	7,171
Other countries and regions	**11,419**	5,480
Subtotal	**189,745**	162,629
Percentage	**1.36%**	1.25%
Less: total loans and advances to customers which have been overdue for less than 3 months	**(59,306)**	(62,838)
Total loans and advances to customers which have been overdue for more than 3 months	**130,439**	99,791

(5) Loans and advances three-staging exposure

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

	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2020				
Pass	**13,484,743**	**42,770**	**–**	**13,527,513**
Special-mention	**–**	**270,798**	**–**	**270,798**
Substandard	**–**	**–**	**108,492**	**108,492**
Doubtful	**–**	**–**	**37,014**	**37,014**
Loss	**–**	**–**	**52,876**	**52,876**
Total	**13,484,743**	**313,568**	**198,382**	**13,996,693**
As at 31 December 2019				
Pass	12,514,948	47,588	–	12,562,536
Special-mention	–	289,314	–	289,314
Substandard	–	–	77,459	77,459
Doubtful	–	–	51,804	51,804
Loss	–	–	48,972	48,972
Total	12,514,948	336,902	178,235	13,030,085

As at 30 June 2020 and 31 December 2019, loans and advances by five-tier loan classification and three-staging did not include loans and advances to customers measured at fair value through profit or loss.

(Amounts in millions of Renminbi, unless otherwise stated)

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 (accrued interest excluded) of the debt investments analysed by external credit ratings at the financial reporting date are as follows:

	Unrated	A to AAA	Lower than A	Total
As at 30 June 2020				
Issuers in Chinese mainland				
— Government	**11,055**	**2,961,623**	**–**	**2,972,678**
— Public sectors and quasi-governments	**99,070**	**–**	**–**	**99,070**
— Policy banks	**–**	**343,321**	**–**	**343,321**
— Financial institutions	**68,777**	**172,002**	**116,121**	**356,900**
— Corporate	**57,176**	**108,031**	**26,486**	**191,693**
— China Orient Asset Management Corporation	**152,433**	**–**	**–**	**152,433**
Subtotal	**388,511**	**3,584,977**	**142,607**	**4,116,095**
Issuers in Hong Kong, Macao, Taiwan and other countries and regions				
— Governments	**6,250**	**514,725**	**17,811**	**538,786**
— Public sectors and quasi-governments	**57,326**	**48,256**	**–**	**105,582**
— Financial institutions	**17,733**	**124,718**	**33,697**	**176,148**
— Corporate	**15,794**	**132,833**	**41,913**	**190,540**
Subtotal	**97,103**	**820,532**	**93,421**	**1,011,056**
Total	**485,614**	**4,405,509**	**236,028**	**5,127,151**
As at 31 December 2019				
Issuers in Chinese mainland				
— Government	12,997	2,848,409	350	2,861,756
— Public sectors and quasi-governments	109,923	–	–	109,923
— Policy banks	–	435,212	–	435,212
— Financial institutions	86,765	219,640	214,672	521,077
— Corporate	64,457	121,200	26,852	212,509
— China Orient Asset Management Corporation	152,433	–	–	152,433
Subtotal	426,575	3,624,461	241,874	4,292,910
Issuers in Hong Kong, Macao, Taiwan and other countries and regions				
— Governments	2,364	506,421	16,089	524,874
— Public sectors and quasi-governments	60,332	58,889	–	119,221
— Financial institutions	5,675	123,249	31,916	160,840
— Corporate	11,957	127,515	34,663	174,135
Subtotal	80,328	816,074	82,668	979,070
Total	506,903	4,440,535	324,542	5,271,980

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 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 other relevant regulations under the advanced capital measurement approaches. For derivative transactions, risk-weighted assets for CCR include the risk-weighted assets for default risk, the risk-weighted assets for credit valuation adjustment ("CVA") and the risk-weighted assets for central counterparties ("CCPs").

The risk-weighted assets for CCR of derivatives of the Group are calculated in accordance with the *Assets Measurement Rules for Counterparty Default Risks of Derivatives* since 1 January 2019.

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

	As at 30 June 2020	As at 31 December 2019
Risk-weighted assets for default risk		
Currency derivatives	**64,809**	62,076
Interest rate derivatives	**18,805**	10,442
Equity derivatives	**745**	338
Commodity derivatives and other	**23,451**	12,135
	107,810	84,991
Risk-weighted assets for CVA	**110,541**	79,954
Risk-weighted assets for CCPs	**10,946**	6,095
Total	**229,297**	171,040

1.4 Repossessed assets

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

2 Market risk

2.1 Market risk measurement techniques and limits

(1) Trading book

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.1 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

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

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

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

The table below shows the VaR of the trading book by type of risk for the six month period ended 30 June 2020 and 2019:

Unit: USD million

	Six month period ended 30 June					
	2020			2019		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	**14.05**	**17.87**	**9.40**	17.68	21.46	13.24
Foreign exchange risk	**24.01**	**35.33**	**11.83**	14.77	20.84	9.80
Volatility risk	**0.75**	**1.95**	**0.18**	0.43	0.78	0.17
Commodity risk	**6.63**	**13.76**	**3.04**	1.12	1.54	0.75
Total of the Bank's trading VaR	**27.74**	**38.68**	**16.18**	20.76	26.64	17.11

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					
	2020			2019		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	**3.19**	**4.58**	**1.71**	2.24	3.12	1.26
Foreign exchange risk	**1.91**	**3.78**	**0.84**	1.86	2.69	0.98
Equity risk	**0.10**	**0.38**	**0.03**	0.07	0.32	0.03
Commodity risk	**0.08**	**0.32**	**0.00**	2.83	5.39	1.32
Total BOCHK (Holdings)'s trading VaR	**3.95**	**5.69**	**2.25**	3.89	6.16	2.96
BOCI's trading VaR[(i)]						
Equity derivatives unit	**0.87**	**1.81**	**0.34**	0.60	1.13	0.38
Fixed income unit	**1.08**	**1.67**	**0.41**	0.66	0.97	0.50
Global commodity unit	**0.19**	**0.29**	**0.15**	0.18	0.27	0.10
Total BOCI's trading VaR	**2.15**	**3.04**	**1.57**	1.43	2.21	1.17

(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

The banking book is exposed to interest rate risk arising from mismatches in repricing periods and inconsistent adjustments between the benchmark interest rates of assets and liabilities. The Group assesses interest rate risk in the banking book 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.

(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. It includes the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	As at 30 June 2020						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	327,619	107,875	227,513	3,876	–	73,087	739,970
Balances with central banks	1,904,999	3,912	460	353	–	200,130	2,109,854
Placements with and loans to banks and other financial institutions	706,897	213,303	253,732	44,194	–	7,047	1,225,173
Derivative financial assets	–	–	–	–	–	114,856	114,856
Loans and advances to customers, net	2,900,038	2,491,969	7,425,474	214,215	82,473	556,651	13,670,820
Financial investments							
— financial assets at fair value through profit or loss	11,263	34,705	49,058	51,329	151,875	152,425	450,655
— financial assets at fair value through other comprehensive income	137,775	257,398	289,653	844,039	480,636	45,285	2,054,786
— financial assets at amortised cost	50,795	79,720	473,931	1,234,314	991,198	38,902	2,868,860
Other	23,074	–	–	–	12,737	882,070	917,881
Total assets	6,062,460	3,188,882	8,719,821	2,392,320	1,718,919	2,070,453	24,152,855
Liabilities							
Due to banks and other financial institutions	1,020,622	226,970	164,147	5,781	–	194,463	1,611,983
Due to central banks	381,087	96,406	381,437	20,775	–	8,922	888,627
Placements from banks and other financial institutions	335,480	91,133	109,031	123	–	1,599	537,366
Derivative financial liabilities	–	–	–	–	–	123,271	123,271
Due to customers	9,749,983	1,493,492	2,685,852	2,686,214	1,203	473,473	17,090,217
Bonds issued	121,916	249,044	279,108	400,561	27,601	9,676	1,087,906
Other	21,327	21,862	4,539	10,624	24,927	641,593	724,872
Total liabilities	11,630,415	2,178,907	3,624,114	3,124,078	53,731	1,452,997	22,064,242
Total interest repricing gap	(5,567,955)	1,009,975	5,095,707	(731,758)	1,665,188	617,456	2,088,613

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2019						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	326,312	52,603	116,321	2,845	129	67,257	565,467
Balances with central banks	1,848,825	2,289	594	–	–	227,101	2,078,809
Placements with and loans to banks and other financial institutions	427,786	195,628	230,922	40,489	–	4,134	898,959
Derivative financial assets	–	–	–	–	–	93,335	93,335
Loans and advances to customers, net	3,317,026	2,369,401	6,291,477	207,511	82,221	475,789	12,743,425
Financial investments							
— financial assets at fair value through profit or loss	17,516	53,982	97,306	54,269	148,855	146,322	518,250
— financial assets at fair value through other comprehensive income	188,302	287,412	366,595	837,429	492,120	46,271	2,218,129
— financial assets at amortised cost	33,368	45,578	487,744	1,331,541	841,101	38,351	2,777,683
Other	4,897	–	–	–	12,737	858,053	875,687
Total assets	6,164,032	3,006,893	7,590,959	2,474,084	1,577,163	1,956,613	22,769,744
Liabilities							
Due to banks and other financial institutions	988,433	371,241	130,006	3,617	–	174,749	1,668,046
Due to central banks	251,446	72,048	510,594	3,570	–	8,619	846,277
Placements from banks and other financial institutions	495,927	71,468	69,079	1,363	14	1,824	639,675
Derivative financial liabilities	–	–	–	–	–	90,060	90,060
Due to customers	9,117,294	1,540,251	2,488,155	2,296,955	339	374,554	15,817,548
Bonds issued	57,441	192,462	404,780	402,772	32,451	6,181	1,096,087
Other	23,693	19,255	10,006	10,847	20,832	550,722	635,355
Total liabilities	10,934,234	2,266,725	3,612,620	2,719,124	53,636	1,206,709	20,793,048
Total interest repricing gap	(4,770,202)	740,168	3,978,339	(245,040)	1,523,527	749,904	1,976,696

(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 2020 and 31 December 2019. 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 2020							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	456,468	197,895	24,360	35,264	5,279	1,918	18,786	739,970
Balances with central banks	1,471,035	295,418	119,626	75,341	49,627	69,076	29,731	2,109,854
Placements with and loans to banks and other financial institutions	923,802	210,726	26,936	14,500	–	1,273	47,936	1,225,173
Derivative financial assets	31,769	46,011	24,083	615	10	7,578	4,790	114,856
Loans and advances to customers, net	10,470,568	1,319,129	1,119,302	289,368	11,857	66,672	393,924	13,670,820
Financial investments								
— financial assets at fair value through profit or loss	279,732	78,820	82,434	9,293	329	16	31	450,655
— financial assets at fair value through other comprehensive income	1,211,624	478,644	169,942	26,639	81,390	3,197	83,350	2,054,786
— financial assets at amortised cost	2,580,645	237,168	2,238	6,904	4,427	3,182	34,296	2,868,860
Other	296,127	191,755	216,352	1,080	1,667	2,558	208,342	917,881
Total assets	17,721,770	3,055,566	1,785,273	459,004	154,586	155,470	821,186	24,152,855
Liabilities								
Due to banks and other financial institutions	879,990	429,740	27,720	47,460	16,793	7,711	202,569	1,611,983
Due to central banks	595,425	261,311	14,043	11,471	–	211	6,166	888,627
Placements from banks and other financial institutions	73,999	349,694	78,772	14,084	11,913	4,486	4,418	537,366
Derivative financial liabilities	28,306	61,739	19,619	784	96	7,328	5,399	123,271
Due to customers	12,922,471	1,925,937	1,391,594	250,363	40,865	72,330	486,657	17,090,217
Bonds issued	756,195	246,359	13,114	48,963	1,972	5,748	15,555	1,087,906
Other	299,037	104,133	304,848	2,226	364	1,087	13,177	724,872
Total liabilities	15,555,423	3,378,913	1,849,710	375,351	72,003	98,901	733,941	22,064,242
Net on-balance sheet position	2,166,347	(323,347)	(64,437)	83,653	82,583	56,569	87,245	2,088,613
Net off-balance sheet position	(378,500)	335,996	276,360	(72,984)	(81,988)	(54,365)	(10,470)	14,049
Credit commitments	3,006,647	810,997	261,328	125,867	10,369	46,230	112,587	4,374,025

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2019							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	370,569	140,513	18,368	10,977	7,833	1,691	15,516	565,467
Balances with central banks	1,583,469	265,682	57,599	59,456	49,422	34,133	29,048	2,078,809
Placements with and loans to banks and other financial institutions	652,817	149,463	33,441	6,050	141	2,435	54,612	898,959
Derivative financial assets	42,558	13,694	26,586	446	20	6,348	3,683	93,335
Loans and advances to customers, net	9,870,244	1,170,630	1,027,104	250,730	11,194	69,423	344,100	12,743,425
Financial investments								
— financial assets at fair value through profit or loss	346,644	78,848	83,199	2,540	6,925	16	78	518,250
— financial assets at fair value through other comprehensive income	1,354,391	489,432	150,486	32,292	103,797	2,610	85,121	2,218,129
— financial assets at amortised cost	2,525,349	219,495	3,319	4,802	770	954	22,994	2,777,683
Other	268,436	162,203	198,398	1,357	1,465	2,691	241,137	875,687
Total assets	17,014,477	2,689,960	1,598,500	368,650	181,567	120,301	796,289	22,769,744
Liabilities								
Due to banks and other financial institutions	1,009,086	391,869	27,167	43,826	21,193	7,374	167,531	1,668,046
Due to central banks	570,675	247,096	19,979	5,920	–	258	2,349	846,277
Placements from banks and other financial institutions	298,497	213,662	76,294	17,161	25,330	3,745	4,986	639,675
Derivative financial liabilities	36,135	19,811	22,813	707	52	6,112	4,430	90,060
Due to customers	11,925,923	1,836,997	1,255,663	254,485	56,683	55,672	432,125	15,817,548
Bonds issued	766,816	258,893	11,868	38,794	1,920	2,744	15,052	1,096,087
Other	254,949	91,825	267,607	3,131	351	1,863	15,629	635,355
Total liabilities	14,862,081	3,060,153	1,681,391	364,024	105,529	77,768	642,102	20,793,048
Net on-balance sheet position	2,152,396	(370,193)	(82,891)	4,626	76,038	42,533	154,187	1,976,696
Net off-balance sheet position	(463,297)	378,515	283,483	5,828	(75,754)	(40,620)	(74,643)	13,512
Credit commitments	2,959,323	836,835	257,229	124,696	9,841	49,401	105,245	4,342,570

(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 2020							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	21	290,754	107,225	109,033	229,061	3,876	–	739,970
Balances with central banks	1,486,493	541,732	52,199	7,106	21,251	1,073	–	2,109,854
Placements with and loans to banks and other financial institutions	36	–	693,921	204,374	260,890	65,952	–	1,225,173
Derivative financial assets	–	13,623	13,241	10,993	28,714	35,822	12,463	114,856
Loans and advances to customers, net	47,841	219,851	508,612	1,268,487	3,036,980	3,559,381	5,029,668	13,670,820
Financial investments								
— financial assets at fair value through profit or loss	148,520	–	11,219	32,376	48,971	55,922	153,647	450,655
— financial assets at fair value through other comprehensive income	23,203	–	91,665	207,911	315,991	907,271	508,745	2,054,786
— financial assets at amortised cost	2,993	–	56,739	93,720	326,691	1,394,303	994,414	2,868,860
Other	348,654	384,781	37,665	17,241	26,625	74,021	28,894	917,881
Total assets	2,057,761	1,450,741	1,572,486	1,951,241	4,295,174	6,097,621	6,727,831	24,152,855
Liabilities								
Due to banks and other financial institutions	–	1,101,785	106,013	224,847	172,472	6,290	576	1,611,983
Due to central banks	–	241,992	139,316	96,941	389,440	20,938	–	888,627
Placements from banks and other financial institutions	–	–	332,607	87,577	111,286	5,896	–	537,366
Derivative financial liabilities	–	9,840	11,475	11,784	26,323	44,895	18,954	123,271
Due to customers	–	8,370,173	1,713,150	1,504,224	2,747,127	2,749,333	6,210	17,090,217
Bonds issued	–	–	89,745	203,028	311,418	456,114	27,601	1,087,906
Other	–	292,737	133,011	30,320	93,529	98,977	76,298	724,872
Total liabilities	–	10,016,527	2,525,317	2,158,721	3,851,595	3,382,443	129,639	22,064,242
Net liquidity gap	2,057,761	(8,565,786)	(952,831)	(207,480)	443,579	2,715,178	6,598,192	2,088,613

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 2019							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	21	204,121	183,170	55,805	119,376	2,845	129	565,467
Balances with central banks	1,513,473	527,657	16,242	8,293	12,441	703	–	2,078,809
Placements with and loans to banks and other financial institutions	44	–	417,352	185,843	241,024	54,696	–	898,959
Derivative financial assets	–	10,697	14,983	20,855	24,869	16,610	5,321	93,335
Loans and advances to customers, net	51,073	188,916	458,233	1,216,882	2,716,777	3,221,650	4,889,894	12,743,425
Financial investments								
— financial assets at fair value through profit or loss	143,255	–	16,394	49,949	98,245	58,537	151,870	518,250
— financial assets at fair value through other comprehensive income	22,067	–	142,122	234,297	396,998	912,932	509,713	2,218,129
— financial assets at amortised cost	1,767	–	35,141	53,375	506,346	1,337,456	843,598	2,777,683
Other	345,309	381,978	24,301	12,827	23,308	60,436	27,528	875,687
Total assets	2,077,009	1,313,369	1,307,938	1,838,126	4,139,384	5,665,865	6,428,053	22,769,744
Liabilities								
Due to banks and other financial institutions	–	1,036,810	125,011	324,062	175,301	6,779	83	1,668,046
Due to central banks	–	180,113	70,832	72,898	518,864	3,570	–	846,277
Placements from banks and other financial institutions	–	–	492,657	70,924	69,694	6,386	14	639,675
Derivative financial liabilities	–	8,780	11,165	15,936	26,652	20,482	7,045	90,060
Due to customers	–	7,843,084	1,541,342	1,540,159	2,541,528	2,343,527	7,908	15,817,548
Bonds issued	–	–	23,985	150,073	416,192	470,942	34,895	1,096,087
Other	–	280,526	53,662	12,895	121,693	92,907	73,672	635,355
Total liabilities	–	9,349,313	2,318,654	2,186,947	3,869,924	2,944,593	123,617	20,793,048
Net liquidity gap	2,077,009	(8,035,944)	(1,010,716)	(348,821)	269,460	2,721,272	6,304,436	1,976,696

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 the discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. 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 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	16,379	98,477	–	114,856
Loans and advances to customers at fair value	–	389,055	–	389,055
Financial assets at fair value through profit or loss				
— Debt securities	4,181	279,111	15,033	298,325
— Equity instruments	9,455	12,657	67,547	89,659
— Fund investments and other	17,664	4,338	40,669	62,671
Financial assets at fair value through other comprehensive income				
— Debt securities	194,225	1,835,817	1,834	2,031,876
— Equity instruments and other	6,801	11,341	4,768	22,910
Financial liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(7,859)	–	(7,859)
Due to customers at fair value	–	(31,341)	–	(31,341)
Bonds issued at fair value	–	(10,271)	–	(10,271)
Short position in debt securities	(2,191)	(10,319)	–	(12,510)
Derivative financial liabilities	(14,093)	(109,178)	–	(123,271)

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	11,635	81,690	10	93,335
Loans and advances to customers at fair value	–	339,687	–	339,687
Financial assets at fair value through profit or loss				
— Debt securities	9,988	345,296	15,948	371,232
— Equity instruments	6,586	1,154	71,716	79,456
— Fund investments and other	21,747	6,879	38,936	67,562
Financial assets at fair value through other comprehensive income				
— Debt securities	230,606	1,964,070	1,676	2,196,352
— Equity instruments and other	7,425	9,077	5,275	21,777
Financial liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(14,767)	–	(14,767)
Due to customers at fair value	–	(17,969)	–	(17,969)
Bonds issued at fair value	–	(26,113)	–	(26,113)
Short position in debt securities	(2,158)	(17,317)	–	(19,475)
Derivative financial liabilities	(9,762)	(80,298)	–	(90,060)

(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 and other
As at 1 January 2020	10	15,948	71,716	38,936	1,676	5,275
Total gains and losses						
— profit	18	534	4,192	412	–	–
— other comprehensive income	–	–	–	–	126	371
Sales	–	(1,665)	(4,355)	(1,678)	(1)	–
Purchases	–	177	7,480	2,966	–	739
Settlements	–	(1)	–	–	–	–
Transfers out of Level 3, net	(28)	–	(11,486)	–	–	(1,617)
Other changes	–	40	–	33	33	–
As at 30 June 2020	–	15,033	67,547	40,669	1,834	4,768
Total gains for the period included in the income statement for assets/liabilities held as at 30 June 2020	–	534	2,594	372	–	–

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 and other
As at 1 January 2019	6	8,417	43,089	34,512	1,422	5,364
Total gains and losses						
— profit/(loss)	10	1,510	(689)	3,245	–	–
— other comprehensive income	–	–	–	–	223	(849)
Sales	–	(175)	(1,002)	(3,649)	(2)	(2)
Purchases	–	6,159	30,318	4,708	–	762
Settlements	–	–	–	–	–	–
Transfers (out)/in of Level 3, net	(6)	–	–	60	–	–
Other changes	–	37	–	60	33	–
As at 31 December 2019	10	15,948	71,716	38,936	1,676	5,275
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2019	10	1,510	(630)	3,235	–	–

Total gains or losses for the six month period ended 30 June 2020 and for the year ended 31 December 2019 included in the income statement as well as total gains or losses included in the income statement relating to financial instruments held as at 30 June 2020 and 31 December 2019 are presented in "Net trading gains", "Net gains on transfers of financial asset" or "Impairment losses on assets" depending on the nature or category of the related financial instruments.

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

	For the six month period ended 30 June					
	2020			2019		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains/(losses) for the period	**1,638**	**3,518**	**5,156**	(48)	2,740	2,692

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 2020.

(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", "Bonds issued at amortised cost" and "lease liabilities".

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 2020		As at 31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities at amortised cost[1]	**2,860,280**	**2,919,084**	2,769,400	2,774,641
Financial liabilities				
Bonds issued[2]	**1,077,635**	**1,082,180**	1,069,974	1,069,309

(1) Debt securities at amortised cost

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

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

(2) Bonds issued

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

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.2 Financial instruments not measured at fair value (Continued)

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

	As at 30 June 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Debt securities at amortised cost	**89,394**	**2,627,837**	**3,703**	**2,720,934**
Financial liabilities				
Bonds issued	**–**	**1,082,180**	**–**	**1,082,180**

	As at 31 December 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Debt securities at amortised cost	71,966	2,505,680	2,062	2,579,708
Financial liabilities				
Bonds issued	–	1,069,309	–	1,069,309

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 statement of financial position is insignificant. Fair value is measured using a discounted cash flow model.

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management

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

- Adequate capital and sustainable development. Follow the lead of the strategic planning of the Group development; and maintain the high quality and adequacy of capital as to meet regulation requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business in the Group.

- Allocation optimisation and benefit augmentation. Allocate capital properly by prioritising the asset businesses with low capital occupancy and high comprehensive income, and steadily improve the efficiency and return of capital, to achieve the reciprocal matchup and dynamic equilibrium among risks, assets and returns.

- Refined management and capital level improvement. Optimise the capital management system by sufficiently identifying, calculating, monitoring, mitigating, and controlling various types of risks; incorporate capital restraints into the whole process of product pricing, resource allocation, structural adjustments, performance evaluation, etc., ensuring that the capital employed is commensurate with the related risks and the level of risk management.

Capital adequacy and regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the 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 8.50%, 9.50% and 11.50%, 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 provisions and eligible portion of minority interests.

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

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management (Continued)

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

	As at 30 June 2020	As at 31 December 2019
Common equity tier 1 capital adequacy ratio	**11.01%**	11.30%
Tier 1 capital adequacy ratio	**12.82%**	12.79%
Capital adequacy ratio	**15.42%**	15.59%
Composition of the Group's capital base		
Common equity tier 1 capital	**1,664,681**	1,620,563
Common shares	**294,388**	294,388
Capital reserve	**134,269**	134,269
Surplus reserve	**174,128**	173,832
General reserve	**246,998**	249,983
Undistributed profits	**756,905**	721,731
Eligible portion of minority interests	**32,725**	30,528
Other[(2)]	**25,268**	15,832
Regulatory deductions	**(24,112)**	(24,185)
Of which:		
Goodwill	**(182)**	(182)
Other intangible assets (except land use rights)	**(12,404)**	(12,936)
Direct or indirect investments in own shares	**(20)**	(7)
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	**(9,994)**	(9,955)
Net common equity tier 1 capital	**1,640,569**	1,596,378
Additional tier 1 capital	**270,095**	210,057
Preference shares and related premium	**179,482**	159,901
Additional capital instruments and related premium	**79,982**	39,992
Eligible portion of minority interests	**10,631**	10,164
Net tier 1 capital	**1,910,664**	1,806,435
Tier 2 capital	**388,182**	394,843
Tier 2 capital instruments issued and related premium	**263,954**	280,092
Excess loan loss provisions	**114,741**	105,127
Eligible portion of minority interests	**9,487**	9,624
Net capital	**2,298,846**	2,201,278
Risk-weighted assets	**14,904,162**	14,123,915

(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 represented exchange differences from the translation of foreign operations and gains/(losses) on financial assets at fair value through other comprehensive income.

Supplementary Information

(Amounts in millions of Renminbi, unless otherwise stated)

I DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL STATEMENTS

There were no differences in the Group's operating results for the six month period ended 30 June 2020 and 2019 or total equity as at 30 June 2020 and as at 31 December 2019 presented in the Group's condensed consolidated financial statements prepared under IFRS and those prepared under CAS.

II UNAUDITED SUPPLEMENTARY INFORMATION

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio

	As at 30 June 2020	As at 31 December 2019
RMB current assets to RMB current liabilities	**53.89%**	54.56%
Foreign currency current assets to foreign currency current liabilities	**58.16%**	60.38%

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

Liquidity coverage ratio

According to the *Disclosure Rules on Liquidity Coverage Ratio of Commercial Banks*, the Group disclosed the information of liquidity coverage ratio ("LCR")[(1)] as follows.

Regulatory requirements of liquidity coverage ratio

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

The Group's liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis[(2)]. In the second quarter of 2020, the Group measured 91-day LCR on this basis, with average ratio[(3)] standing at 140.71%, representing a decrease of 0.61 percentage points over the previous quarter, which was primarily due to the decrease in the high-quality liquid assets ("HQLA").

	2020		2019	
	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December	Quarter ended 30 September
Average value of LCR	**140.71%**	**141.32%**	136.36%	134.76%

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

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

The Group's liquidity coverage ratio (Continued)

The Group's average values[3] of consolidated LCR individual line items in the second quarter of 2020 are as follows:

No.		Total unweighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		4,016,443
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	7,519,451	550,173
3	Stable deposits	3,897,515	187,979
4	Less stable deposits	3,621,936	362,194
5	Unsecured wholesale funding, of which:	9,218,999	3,428,163
6	Operational deposits (excluding those generated from correspondent banking activities)	5,060,314	1,246,790
7	Non-operational deposits (all counterparties)	4,114,099	2,136,787
8	Unsecured debts	44,586	44,586
9	Secured funding		701
10	Additional requirements, of which:	3,072,447	1,848,384
11	Outflows related to derivative exposures and other collateral requirements	1,746,030	1,746,030
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	1,326,417	102,354
14	Other contractual funding obligations	68,481	68,481
15	Other contingent funding obligations	3,020,941	87,074
16	**Total cash outflows**		5,982,976
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	264,203	252,438
18	Inflows from fully performing exposures	1,542,401	962,477
19	Other cash inflows	2,014,037	1,911,356
20	**Total cash inflows**	3,820,641	3,126,271
			Total adjusted value
21	**Total HQLA**		4,016,443
22	**Total net cash outflows**		2,856,705
23	**Liquidity coverage ratio**		140.71%

(1) The LCR aims to ensure that commercial banks have sufficient HQLA that can be converted into cash to meet the liquidity requirements for at least thirty days under stress scenarios determined by the CBIRC.

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

(3) The average of LCR and the averages of all related individual items are the day-end simple arithmetic averages of figures over each quarter.

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

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

Net stable funding ratio

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

Regulatory requirements of net stable funding ratio

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

The Group's net stable funding ratio

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

As at 30 June 2020, the Group's NSFR was 124.58% on a consolidated basis[(2)], representing a decrease of 0.14 percentage points over the previous quarter. As at 31 March 2020, the Group's NSFR was 124.72%, representing an increase of 0.26 percentage points over the previous quarter. The Group's NSFR remained stable, and met the regulatory requirement.

	2020		2019	
	Quarter ended 30 June	Quarter ended 31 March	Quarter ended 31 December	Quarter ended 30 September
Ending value of NSFR[(3)]	**124.58%**	**124.72%**	124.46%	125.28%

(1) NSFR is introduced to ensure commercial banks have sufficient stable funding to meet the requirements of assets and off-balance sheet exposures.

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

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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

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

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the second quarter of 2020 are as follows:

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,225,306	2,225,306
2	Regulatory capital	–	–	–	2,175,306	2,175,306
3	Other capital instruments	–	–	–	50,000	50,000
4	Retail deposits and deposits from small business customers	4,008,150	4,457,645	117,854	22,619	7,959,561
5	Stable deposits	1,752,479	2,431,466	49,209	9,178	4,030,674
6	Less stable deposits	2,255,671	2,026,179	68,645	13,441	3,928,887
7	Wholesale funding	5,209,984	5,821,752	694,603	526,994	5,239,595
8	Operational deposits	4,834,238	225,935	–	–	2,530,086
9	Other wholesale funding	375,746	5,595,817	694,603	526,994	2,709,509
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	107,417	239,228	4,423	437,062	302,300
12	NSFR derivative liabilities				136,973	
13	All other liabilities and equity not included in the above categories	107,417	239,228	4,423	300,089	302,300
14	**Total ASF**					**15,726,762**

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

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

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the second quarter of 2020 are as follows (Continued):

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					537,201
16	Deposits held at other financial institutions for operational purposes	152,884	3,489	–	–	78,186
17	Loans and securities	71,136	4,647,079	2,319,078	9,080,205	10,490,187
18	Loans to financial institutions secured by Level 1 assets	–	22,017	–	–	2,202
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	71,136	1,596,269	399,786	68,570	518,573
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,644,097	1,656,662	4,642,037	5,983,624
21	With a risk weight of less than or equal to 35%	–	281,455	21,453	1,703	42,025
22	Residential mortgages of which:	–	111,402	94,925	4,053,211	3,495,870
23	With a risk weight of less than or equal to 35%	–	6,237	6,360	262,612	176,996
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	273,294	167,705	316,387	489,918
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	667,984	78,851	592	691,730	1,273,694
27	Physical traded commodities, including gold	175,811				149,440
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				538	457
29	NSFR derivative assets				132,915	–
30	NSFR derivative liabilities with additional requirements				27,395*	27,395
31	All other assets not included in the above categories	492,173	78,851	592	558,277	1,096,402
32	Off-balance sheet items				6,092,635	244,464
33	**Total RSF**					**12,623,732**
34	**NSFR**					**124.58%**

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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

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

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the first quarter of 2020 are as follows:

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,199,975	2,199,975
2	Regulatory capital	–	–	–	2,149,975	2,149,975
3	Other capital instruments	–	–	–	50,000	50,000
4	Retail deposits and deposits from small business customers	3,922,841	4,451,296	115,136	22,752	7,869,958
5	Stable deposits	1,684,496	2,402,365	50,326	9,306	3,939,635
6	Less stable deposits	2,238,345	2,048,931	64,810	13,446	3,930,323
7	Wholesale funding	5,282,755	5,743,240	751,410	529,042	5,298,362
8	Operational deposits	4,898,285	342,125	–	–	2,620,205
9	Other wholesale funding	384,470	5,401,115	751,410	529,042	2,678,157
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	83,455	209,468	5,273	493,982	327,192
12	NSFR derivative liabilities				169,427	
13	All other liabilities and equity not included in the above categories	83,455	209,468	5,273	324,555	327,192
14	**Total ASF**					**15,695,487**

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

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

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the first quarter of 2020 are as follows:

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets					629,215
16	Deposits held at other financial institutions for operational purposes	158,353	790	–	–	79,572
17	Loans and securities	88,669	5,023,828	2,209,344	8,975,476	10,498,087
18	Loans to financial institutions secured by Level 1 assets	–	8,711	–	–	871
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	88,669	1,874,994	347,465	110,474	578,756
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,523,764	1,611,466	4,573,170	5,888,953
21	With a risk weight of less than or equal to 35%	–	181,543	19,196	3,379	38,545
22	Residential mortgages of which:	–	105,821	92,191	3,947,090	3,402,096
23	With a risk weight of less than or equal to 35%	–	6,021	6,215	259,680	174,910
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	510,538	158,222	344,742	627,411
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	665,901	105,420	2,401	553,797	1,142,881
27	Physical traded commodities, including gold	189,040				160,684
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				216	183
29	NSFR derivative assets				163,487	–
30	NSFR derivative liabilities with additional requirements				33,885*	33,885
31	All other assets not included in the above categories	476,861	105,420	2,401	390,094	948,129
32	Off-balance sheet items				5,993,203	235,281
33	**Total RSF**					12,585,036
34	**NSFR**					124.72%

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

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

2 Currency concentrations

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

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
As at 30 June 2020				
Spot assets	**4,184,055**	**1,852,719**	**1,933,199**	**7,969,973**
Spot liabilities	**(4,544,403)**	**(2,161,426)**	**(1,714,534)**	**(8,420,363)**
Forward purchases	**5,823,493**	**781,586**	**1,427,593**	**8,032,672**
Forward sales	**(5,350,483)**	**(518,687)**	**(1,649,584)**	**(7,518,754)**
Net option position*	**(55,618)**	**60**	**(448)**	**(56,006)**
Net long/(short) position	**57,044**	**(45,748)**	**(3,774)**	**7,522**
Structural position	**29,421**	**251,743**	**69,306**	**350,470**
As at 31 December 2019				
Spot assets	3,784,665	1,633,488	1,693,247	7,111,400
Spot liabilities	(4,215,368)	(1,916,106)	(1,510,286)	(7,641,760)
Forward purchases	5,535,200	764,557	1,300,956	7,600,713
Forward sales	(5,025,682)	(508,295)	(1,486,820)	(7,020,797)
Net option position*	(43,404)	193	(1,455)	(44,666)
Net long/(short) position	35,411	(26,163)	(4,358)	4,890
Structural position	52,219	207,904	72,658	332,781

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

3 International claims

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

3 International claims (Continued)

	Banks	Official sector	Non-bank private sector	Total
As at 30 June 2020				
Asia Pacific				
Chinese mainland	**639,706**	**237,316**	**809,702**	**1,686,724**
Hong Kong	**49,882**	**89**	**562,662**	**612,633**
Other Asia Pacific locations	**116,666**	**118,165**	**468,465**	**703,296**
Subtotal	**806,254**	**355,570**	**1,840,829**	**3,002,653**
North and South America	**115,589**	**247,138**	**184,503**	**547,230**
Other	**107,766**	**79,784**	**310,734**	**498,284**
Total	**1,029,609**	**682,492**	**2,336,066**	**4,048,167**
As at 31 December 2019				
Asia Pacific				
Chinese mainland	609,837	224,384	695,975	1,530,196
Hong Kong	21,328	116	511,403	532,847
Other Asia Pacific locations	91,641	144,997	419,521	656,159
Subtotal	722,806	369,497	1,626,899	2,719,202
North and South America	99,213	255,953	152,444	507,610
Other	72,504	72,533	252,889	397,926
Total	894,523	697,983	2,032,232	3,624,738

4 Overdue assets

For the purpose of the table below, the entire outstanding balance of "Loans and advances to customers" and "Placements with and loans to banks and other financial institutions" are considered overdue if either principal or interest payment is overdue.

4.1 Total amount of overdue loans and advances to customers

	As at 30 June 2020	As at 31 December 2019
Total loans and advances to customers which have been overdue		
within 3 months	**59,306**	62,838
between 3 and 6 months	**32,550**	22,789
between 6 and 12 months	**39,609**	22,653
over 12 months	**58,280**	54,349
Total	**189,745**	162,629
Percentage		
within 3 months	**0.43%**	0.48%
between 3 and 6 months	**0.23%**	0.17%
between 6 and 12 months	**0.28%**	0.18%
over 12 months	**0.42%**	0.42%
Total	**1.36%**	1.25%

4.2 Total amount of overdue placements with and loans to banks and other financial institutions

The total amount of overdue "Placements with and loans to banks and other financial institutions" as at 30 June 2020 and 31 December 2019 was not considered material.

5 Capital adequacy ratio supplementary information

5.1 Scope of consolidation

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

5.2 Capital adequacy ratio

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

	Group		Bank	
	As at 30 June 2020	**As at 31 December 2019**	**As at 30 June 2020**	**As at 31 December 2019**
Net common equity tier 1 capital	**1,640,569**	1,596,378	**1,361,016**	1,346,623
Net tier 1 capital	**1,910,664**	1,806,435	**1,620,480**	1,546,517
Net capital	**2,298,846**	2,201,278	**1,994,511**	1,927,188
Common equity tier 1 capital adequacy ratio	**11.01%**	11.30%	**10.55%**	10.99%
Tier 1 capital adequacy ratio	**12.82%**	12.79%	**12.56%**	12.62%
Capital adequacy ratio	**15.42%**	15.59%	**15.46%**	15.72%

5.3 Risk-weighted assets

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

	As at 30 June 2020	As at 31 December 2019
Credit risk-weighted assets	**13,893,194**	13,126,382
Market risk-weighted assets	**143,608**	130,173
Operational risk-weighted assets	**867,360**	867,360
Risk-weighted assets increment required to reach capital floor	**–**	–
Total risk-weighted assets	**14,904,162**	14,123,915

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

5.4 Credit risk exposures

The Group's credit risk exposures analyzed by the calculation methods are as follows:

	As at 30 June 2020			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by Internal Ratings-based Approach	**11,091,948**	**1,182,400**	**30,925**	**12,305,273**
Of which: Corporate exposures	**6,559,666**	**973,426**	**30,925**	**7,564,017**
Retail exposures	**4,532,282**	**208,974**	**–**	**4,741,256**
Exposures not covered by Internal Ratings-based Approach	**12,696,552**	**551,911**	**339,386**	**13,587,849**
Of which: Asset securitization	**44,070**	**2,159**	**–**	**46,229**
Total	**23,788,500**	**1,734,311**	**370,311**	**25,893,122**

	As at 31 December 2019			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by Internal Ratings-based Approach	10,381,661	1,162,380	26,962	11,571,003
Of which: Corporate exposures	6,113,281	952,775	26,962	7,093,018
Retail exposures	4,268,380	209,605	–	4,477,985
Exposures not covered by Internal Ratings-based Approach	11,958,037	561,220	274,582	12,793,839
Of which: Asset securitization	47,200	3,807	–	51,007
Total	22,339,698	1,723,600	301,544	24,364,842

5.5 Capital requirements on market risk

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

	Capital requirements	
	As at 30 June 2020	As at 31 December 2019
Covered by Internal Model Approach	**7,757**	7,031
Not covered by Internal Model Approach	**3,732**	3,383
Interest rate risk	**2,886**	2,727
Equity risk	**345**	180
Foreign exchange risk	**–**	–
Commodity risk	**501**	476
Total	**11,489**	10,414

5 Capital adequacy ratio supplementary information (Continued)

5.6 VaR

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

	For the six month period ended 30 June 2020			
	Average	Maximum	Minimum	End
VaR	**974**	**2,211**	**471**	**1,209**
Stressed VaR	**1,182**	**2,211**	**793**	**1,210**

	For the year ended 31 December 2019			
	Average	Maximum	Minimum	End
VaR	646	1,537	452	681
Stressed VaR	1,462	1,847	1,066	1,274

5.7 Operational risk management

During the reporting period, the Group used the Standardised Approach to measure the consolidated operational risk capital requirement, which amounted to RMB69,389 million. Please refer to the section "Management Discussion and Analysis — Risk Management".

5.8 Interest rate risk in the banking book

The Group measures interest rate risk in the banking book mainly through the analysis of interest rate repricing gaps, on which the sensitivity analysis is based. The results are as follows.

Interest rate sensitivity analysis

	Effect on Net Interest Income	
	As at 30 June 2020	As at 31 December 2019
Items		
+25 basis points	**(5,781)**	(4,534)
- 25 basis points	**5,781**	4,534

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital

		As at 30 June 2020	As at 31 December 2019	Code
Common equity tier 1 capital				
1	Paid-in capital	**294,388**	294,388	j
2	Retained earnings	**1,178,031**	1,145,546	
2a	Surplus reserve	**174,128**	173,832	r
2b	General reserve	**246,998**	249,983	s
2c	Undistributed profits	**756,905**	721,731	t
3	Accumulated other comprehensive income (and other reserves)	**159,537**	150,101	
3a	Capital reserve	**134,269**	134,269	m
3b	Currency translation differences	**(9,137)**	(10,111)	q
3c	Others	**34,405**	25,943	o-q
4	Amount attributable to common equity tier 1 capital in the transitional period	**–**	–	
5	Eligible portion of minority interests	**32,725**	30,528	u
6	**Common equity tier 1 capital before regulatory adjustment**	**1,664,681**	1,620,563	
Common equity tier 1 capital: regulatory adjustment				
7	Prudential valuation adjustment	**–**	–	
8	Goodwill (net of deferred tax liabilities deduction)	**(182)**	(182)	-h
9	Other intangible assets (excluding land use rights) (net of deferred tax liabilities deduction)	**(12,404)**	(12,936)	g-f
10	Net deferred tax assets incurred due to operating losses, relying on the bank's future profitability to be realized	**–**	–	
11	Reserve relating to cash-flow hedge items not measured at fair value	**–**	–	-p
12	Shortfall of loan loss provisions	**–**	–	
13	Gains on sale of securitization	**–**	–	
14	Unrealized gains and losses that have been resulted from changes in the fair value of liabilities due to changes in own credit risk	**–**	–	
15	Net pension assets with fixed yield (net of deferred tax liabilities deduction)	**–**	–	
16	Direct or indirect investments in own shares	**(20)**	(7)	n
17	Reciprocal cross holdings in common equity of banks or other financial institutions based on agreement	**–**	–	
18	Non-significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	**–**	–	
19	Significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	**–**	–	
20	Collateralized loan service rights	**Not applicable**	Not applicable	
21	Deductible amount of other net deferred tax assets relying on the bank's future profitability	**–**	–	
22	Deductible amount of the non-deducted part of common equity tier 1 capital of significant minority investments in financial institutions that are outside the scope of regulatory consolidation and other net deferred tax assets relying on the bank's future profitability in excess of 15% of common equity tier 1 capital	**–**	–	

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

		As at 30 June 2020	As at 31 December 2019	Code
23	Of which: Amount deductible out of significant minority investments in financial institutions	**–**	–	
24	Of which: Amount deductible out of collateralized loan service rights	**Not applicable**	Not applicable	
25	Of which: Amount deductible out of other net deferred tax assets relying on the bank's future profitability	**–**	–	
26a	Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	**(9,994)**	(9,955)	-e
26b	Gap of common equity tier 1 capital of controlled but unconsolidated financial institutions	**–**	–	
26c	Total of other items deductible out of common equity tier 1 capital	**(1,512)**	(1,105)	
27	Non-deducted gap deductible out of additional tier 1 capital and tier 2 capital	**–**	–	
28	**Total regulatory adjustment of common equity tier 1 capital**	**(24,112)**	(24,185)	
29	**Net common equity tier 1 capital**	**1,640,569**	1,596,378	
Additional tier 1 capital				
30	Additional tier 1 capital instruments and related premiums	**259,464**	199,893	
31	Of which: Equity part	**259,464**	199,893	k+l
32	Of which: Liability part	**–**	–	
33	Instruments non-attributable to additional tier 1 capital after the transitional period	**–**	–	
34	Eligible portion of minority interests	**10,631**	10,164	v
35	Of which: Part of instruments non-attributable to additional tier 1 capital after the transitional period	**–**	–	
36	**Additional tier 1 capital before regulatory adjustment**	**270,095**	210,057	
Additional tier 1 capital: Regulatory adjustment				
37	Direct or indirect investments in additional tier 1 capital of own banks	**–**	–	
38	Additional tier 1 capital cross-held between banks or between the bank and other financial institutions based on agreement	**–**	–	
39	Non-significant minority investments in additional tier 1 capital of unconsolidated financial institutions (deductible part)	**–**	–	
40	Significant minority investments in additional tier 1 capital of financial institutions that are outside the scope of regulatory consolidation	**–**	–	
41a	Investment in additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	**–**	–	
41b	Gap of additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	**–**	–	
41c	Other deductions from additional tier 1 capital	**–**	–	
42	Non-deducted gaps deductible from tier 2 capital	**–**	–	
43	**Total regulatory adjustment of additional tier 1 capital**	**–**	–	
44	**Net additional tier 1 capital**	**270,095**	210,057	
45	**Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)**	**1,910,664**	1,806,435	

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

		As at 30 June 2020	As at 31 December 2019	Code
Tier 2 capital				
46	Tier 2 capital instruments issued and related premium	**263,954**	280,092	
47	Of which: Part of instruments non-attributable to tier 2 capital after the transitional period	**32,911**	49,367	i
48	Eligible portion of minority interests	**9,487**	9,624	
49	Of which: Part of minority interests non-attributable to tier 2 capital after the transitional period	**–**	–	
50	Excess loan loss provisions included in tier 2 capital	**114,741**	105,127	-b-d
51	**Tier 2 capital before regulatory adjustment**	**388,182**	394,843	
Tier 2 capital: Regulatory adjustment				
52	Tier 2 capital of the bank held directly or indirectly	**–**	–	
53	Tier 2 capital cross-held between banks or between the bank and other financial institutions based on agreement	**–**	–	
54	Non-significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	**–**	–	
55	Significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	**–**	–	
56a	Investment in tier 2 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	**–**	–	
56b	Gap of tier 2 capital of controlled but unconsolidated financial institutions	**–**	–	
56c	Other deductions from tier 2 capital	**–**	–	
57	**Total regulatory adjustment of tier 2 capital**	**–**	–	
58	**Net tier 2 capital**	**388,182**	394,843	
59	**Total net capital (net tier 1 capital + net tier 2 capital)**	**2,298,846**	2,201,278	
60	**Total risk-weighted assets**	**14,904,162**	14,123,915	

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 1: Composition of capital (Continued)

	As at 30 June 2020	As at 31 December 2019	Code
Capital adequacy ratio and reserve capital requirement			
61 Common equity tier 1 capital adequacy ratio	**11.01%**	11.30%	
62 Tier 1 capital adequacy ratio	**12.82%**	12.79%	
63 Capital adequacy ratio	**15.42%**	15.59%	
64 Institution-specific capital requirement	**4.00%**	4.00%	
65 Of which: Capital reserve requirement	**2.50%**	2.50%	
66 Of which: Countercyclical reserve requirement	**–**	–	
67 Of which: Additional capital requirement of G-SIBs	**1.50%**	1.50%	
68 Ratio of common equity tier 1 capital meeting buffer area to risk-weighted assets	**6.01%**	6.30%	
Domestic minimum regulatory capital requirement			
69 Common equity tier 1 capital adequacy ratio	**5.00%**	5.00%	
70 Tier 1 capital adequacy ratio	**6.00%**	6.00%	
71 Capital adequacy ratio	**8.00%**	8.00%	
Non-deducted part of threshold deductibles			
72 Non-significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	**122,807**	115,095	
73 Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	**6,814**	6,699	
74 Collateralized loan service rights (net of deferred tax liabilities deduction)	**Not applicable**	Not applicable	
75 Other net deferred tax assets relying on the bank's future profitability (net of deferred tax liabilities deduction)	**48,931**	42,863	
Limit of excess loan loss provisions attributable to tier 2 capital			
76 Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	**61,164**	34,578	-a
77 Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	**32,243**	17,242	-b
78 Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	**82,498**	87,885	-c
79 Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	**82,498**	87,885	-d
Capital instruments meeting exit arrangement			
80 Amount attributable to common equity tier 1 capital of the current period derived from the transitional period arrangement	**–**	–	
81 Amount non-attributable to common equity tier 1 capital derived from the transitional period arrangement	**–**	–	
82 Amount attributable to additional tier 1 capital of the current period derived from the transitional period arrangement	**–**	–	
83 Amount non-attributable to additional tier 1 capital derived from the transitional period arrangement	**–**	–	
84 Amount attributable to tier 2 capital of the current period derived from the transitional period arrangement	**32,911**	49,367	i
85 Amount non-attributable to tier 2 capital of the current period derived from the transitional period arrangement	**17,089**	25,563	

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 2: Financial and regulatory consolidated balance sheet

	As at 30 June 2020		As at 31 December 2019	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
ASSETS				
Cash and balances with central banks	**2,179,535**	**2,179,535**	2,143,716	2,143,715
Due from banks and other financial institutions	**670,289**	**663,376**	500,560	494,853
Precious metals	**171,501**	**171,501**	206,210	206,210
Placements with and loans to banks and other financial institutions	**825,206**	**822,876**	744,572	743,209
Derivative financial assets	**114,856**	**114,737**	93,335	93,226
Reverse repurchase transactions	**399,967**	**399,630**	154,387	154,049
Loans and advances to customers	**13,670,820**	**13,669,999**	12,743,425	12,741,776
Financial investments	**5,374,301**	**5,176,053**	5,514,062	5,330,311
— financial assets at fair value through profit or loss	**450,655**	**340,481**	518,250	405,233
— financial assets at fair value through other comprehensive income	**2,054,786**	**2,027,895**	2,218,129	2,192,578
— financial assets at amortised cost	**2,868,860**	**2,807,677**	2,777,683	2,732,500
Long term equity investment	**23,012**	**54,102**	23,210	54,052
Investment properties	**23,116**	**16,242**	23,108	16,397
Property and equipment	**252,557**	**96,109**	244,540	99,298
Right-of-use assets	**22,489**	**22,101**	22,822	24,002
Intangible assets	**19,542**	**18,155**	20,255	18,839
Goodwill	**2,719**	**182**	2,686	182
Deferred income tax assets	**50,295**	**48,931**	44,029	42,863
Other assets	**352,650**	**280,819**	288,827	230,814
Total assets	**24,152,855**	**23,734,348**	22,769,744	22,393,796

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

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

	As at 30 June 2020		As at 31 December 2019	
	Financial consolidated	Regulatory consolidated	Financial consolidated	Regulatory consolidated
LIABILITIES				
Due to central banks	**888,627**	**888,627**	846,277	846,277
Due to banks and other financial institutions	**1,611,983**	**1,611,983**	1,668,046	1,668,046
Placements from banks and other financial institutions	**394,443**	**380,622**	462,265	449,705
Financial liabilities held for trading	**12,510**	**12,510**	19,475	19,475
Derivative financial liabilities	**123,271**	**120,813**	90,060	88,210
Repurchase transactions	**142,923**	**142,908**	177,410	177,245
Due to customers	**17,090,217**	**17,095,209**	15,817,548	15,819,400
Employee benefits payable	**29,431**	**28,055**	35,906	34,417
Current tax liabilities	**37,981**	**37,647**	59,102	58,795
Contingent liabilities	**22,821**	**22,722**	24,469	24,370
Lease liabilities	**21,513**	**21,308**	21,590	23,157
Bonds issued	**1,087,906**	**1,009,111**	1,096,087	1,025,807
Deferred income tax liabilities	**6,240**	**1,265**	5,452	976
Other liabilities	**594,376**	**350,664**	469,361	253,352
Total liabilities	**22,064,242**	**21,723,444**	20,793,048	20,489,232
EQUITY				
Share capital	**294,388**	**294,388**	294,388	294,388
Other equity instruments	**259,464**	**259,464**	199,893	199,893
Of which: Preference shares	**179,482**	**179,482**	159,901	159,901
Undated capital bonds	**79,982**	**79,982**	39,992	39,992
Capital reserve	**136,037**	**134,269**	136,012	134,269
Less: Treasury shares	**(20)**	**(20)**	(7)	(7)
Other comprehensive income	**29,997**	**25,268**	19,613	15,832
Surplus reserve	**175,152**	**174,128**	174,762	173,832
General reserve	**247,114**	**246,998**	250,100	249,983
Undistributed profits	**816,310**	**756,905**	776,940	721,731
Capital and reserves attributable to equity holders of the Bank	**1,958,442**	**1,891,400**	1,851,701	1,789,921
Non-controlling interests	**130,171**	**119,504**	124,995	114,643
Total equity	**2,088,613**	**2,010,904**	1,976,696	1,904,564
Total equity and liabilities	**24,152,855**	**23,734,348**	22,769,744	22,393,796

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 3: Reconciliation and illustration of balance sheet items

	As at 30 June 2020	As at 31 December 2019	Code
ASSETS			
Cash and balances with central banks	**2,179,535**	2,143,715	
Due from banks and other financial institutions	**663,376**	494,853	
Precious metals	**171,501**	206,210	
Placements with and loans to banks and other financial institutions	**822,876**	743,209	
Derivative financial assets	**114,737**	93,226	
Reverse repurchase transactions	**399,630**	154,049	
Loans and advances to customers	**13,669,999**	12,741,776	
Of which: Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	**(61,164)**	(34,578)	a
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	**(32,243)**	(17,242)	b
Of which: Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	**(82,498)**	(87,885)	c
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	**(82,498)**	(87,885)	d
Financial investments	**5,176,053**	5,330,311	
— financial assets at fair value through profit or loss	**340,481**	405,233	
— financial assets at fair value through other comprehensive income	**2,027,895**	2,192,578	
— financial assets at amortised cost	**2,807,677**	2,732,500	
Long term equity investment	**54,102**	54,052	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	**9,994**	9,955	e
Investment properties	**16,242**	16,397	
Property and equipment	**96,109**	99,298	
Right-of-use assets	**22,101**	24,002	
Intangible assets	**18,155**	18,839	f
Of which: Land use rights	**5,751**	5,903	g
Goodwill	**182**	182	h
Deferred income tax assets	**48,931**	42,863	
Other assets	**280,819**	230,814	
Total assets	**23,734,348**	22,393,796	

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

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

	As at 30 June 2020	As at 31 December 2019	Code
LIABILITIES			
Due to central banks	**888,627**	846,277	
Due to banks and other financial institutions	**1,611,983**	1,668,046	
Placements from banks and other financial institutions	**380,622**	449,705	
Financial liabilities held for trading	**12,510**	19,475	
Derivative financial liabilities	**120,813**	88,210	
Repurchase transactions	**142,908**	177,245	
Due to customers	**17,095,209**	15,819,400	
Employee benefits payable	**28,055**	34,417	
Current tax liabilities	**37,647**	58,795	
Contingent liabilities	**22,722**	24,370	
Lease liabilities	**21,308**	23,157	
Bonds issued	**1,009,111**	1,025,807	
Of which: Amount attributable to tier 2 capital of the current period derived from the transitional period arrangement	**32,911**	49,367	i
Deferred income tax liabilities	**1,265**	976	
Other liabilities	**350,664**	253,352	
Total liabilities	**21,723,444**	20,489,232	
EQUITY			
Share capital	**294,388**	294,388	j
Other equity instruments	**259,464**	199,893	
Of which: Preference shares	**179,482**	159,901	k
Undated capital bonds	**79,982**	39,992	l
Capital reserve	**134,269**	134,269	m
Less: Treasury shares	**(20)**	(7)	n
Other comprehensive income	**25,268**	15,832	o
Of which: Reserve relating to cash-flow hedge items not measured at fair value	**–**	–	p
Of which: Currency translation differences	**(9,137)**	(10,111)	q
Surplus reserve	**174,128**	173,832	r
General reserve	**246,998**	249,983	s
Undistributed profits	**756,905**	721,731	t
Capital and reserves attributable to equity holders of the Bank	**1,891,400**	1,789,921	
Non-controlling interests	**119,504**	114,643	
Of which: Amount attributable to common equity tier 1 capital	**32,725**	30,528	u
Of which: Amount attributable to additional tier 1 capital	**10,631**	10,164	v
Total equity	**2,010,904**	1,904,564	
Total equity and liabilities	**23,734,348**	22,393,796	

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	601988.SH	3988.HK	360002.SH	360010.SH	360033.SH	360035.SH	4619.HK	1928001.IB	2028014.IB
3	Applicable law	PRC law	Hong Kong SAR law	PRC law	PRC law	PRC law	PRC law	Hong Kong SAR law	PRC law	PRC law
	Regulatory processing									
4	Of which: Applicable to transitional period rules specified by *Capital Rules for Commercial Banks (Provisional)*	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by *Capital Rules for Commercial Banks (Provisional)*	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Common shares	Common shares	Preference shares	Preference shares	Preference shares	Preference shares	Preference shares	Undated capital bonds	Undated capital bonds
8	Amount attributable to regulatory capital (the last reporting day)	282,501	145,603	31,963	27,969	72,979	26,990	19,581	39,992	39,990
9	Par value of instrument	210,766	83,622	32,000	28,000	73,000	27,000	19,787	40,000	40,000
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument
11	Initial issuing date	2006/6/29	2006/6/1 2006/6/9	2014/11/21	2015/3/13	2019/6/24	2019/8/26	2020/3/4	2019/1/25	2020/4/28
12	Term (term or perpetual)	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Not applicable	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Offshore Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No. Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds
Regulatory processing (Continued)									
16 Of which: Subsequent redemption date (if any)	Not applicable	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Offshore Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank may redeem the Bonds in whole or in part on each Distribution Payment Date from and including 5 years after the issuance of the Bonds. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances: After the issuance, the Bonds will no longer qualify as Additional Tier 1 Capital of the issuer as a result of an unforeseeable change or amendment in the relevant provisions of supervisory regulations	Subject to approval by the CBIRC, the Bank may redeem the Bonds in whole or in part on each Distribution Payment Date from and including 5 years after the issuance of the Bonds. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances: After the issuance, the Bonds will no longer qualify as Additional Tier 1 Capital of the issuer as a result of an unforeseeable change or amendment in the relevant provisions of supervisory regulations
Dividend or interest payment									
17 Of which: Fixed or floating dividend or interest payment	Floating	Floating	Fixed	Fixed	Adjustable dividend rate	Adjustable dividend rate	Adjustable dividend rate	Adjustable distribution rate	Adjustable distribution rate
18 Of which: Coupon rate and relevant indicators	Not applicable	Not applicable	6.00% (dividend yield, before tax)	5.50% (dividend yield, before tax)	4.50% (dividend yield, before tax) for the first five years, is reset based on the benchmark rate plus a fixed spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	4.35% (dividend yield, before tax) for the first five years, is reset based on the benchmark rate plus a fixed spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	3.60% (dividend yield, after tax) for the first five years, is reset based on the benchmark rate plus a fixed spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	4.50% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable 5 years Chinese government bonds plus a fixed spread, with a distribution rate adjustment period every 5 years after the payment date. The distribution rate is fixed during each adjustment period	3.40% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable 5 years Chinese government bonds plus a fixed spread, with a distribution rate adjustment period every 5 years after the payment date. The distribution rate is fixed during each adjustment period

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds
	Dividend or interest payment (Continued)									
19	Of which: Existence of dividend brake mechanism	Not applicable	Not applicable	Yes	Yes	Yes	Yes	Yes	Yes	Yes
20	Of which: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	Not applicable	Not applicable	Yes	Yes	Yes	Yes	Yes	No	No
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. "Tier 2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. "Tier 2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. "Tier 2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. "Tier 2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET1 CAR drops to 5.125% or below, the Offshore Preference Shares shall be wholly or partly converted into H Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Offshore Preference Shares shall be converted into H Shares. "Tier 2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	Not applicable	Not applicable

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds
	Dividend or interest payment (Continued)									
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Whole/part	Whole/part	Whole/part	Whole/part	Whole/part	Not applicable	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB2.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds, etc.)), or rights issue for A Shares, the Bank will make an adjustment to the compulsory	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB2.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds, etc.)), or rights issue for A Shares, the Bank will make an adjustment to the compulsory	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB3.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds, etc.)), or rights issue for A Shares, the Bank will make an adjustment to the compulsory	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB3.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds, etc.)), or rights issue for A Shares, the Bank will make an adjustment to the compulsory	The initial compulsory conversion price of the Offshore Preference Shares is the average trading price of H Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to HKD3.31 per H Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds, etc.)), or rights issue for H Shares, the Bank will make an adjustment to the compulsory	Not applicable	Not applicable

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds
	Dividend or interest payment (Continued)									
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed (Continued)			conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary shares	conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary shares	conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary shares	conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary shares	conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary shares		
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Yes	Yes	Yes	Yes	Yes	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	A common share	A common share	A common share	A common share	H common share	Not applicable	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Not applicable	Not applicable
30	Write-down feature	Not applicable	Not applicable	No	No	No	No	No	Yes	Yes
31	Of which: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	1. An Additional Tier 1 capital trigger event refers to the issuer's Common Equity Tier 1 capital adequacy ratio falls to 5.125% (or below) 2. A Tier 2 capital trigger event refers to the earlier of the following events:	A Non-Viability Trigger Event refers to the earlier of the following events: (a) the CBIRC having decided that the issuer would become non-viable without a write-down;

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No. Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	Undated capital bonds
Dividend or interest payment (Continued)									
31 Of which: Please specify the trigger point of write-down, if allowed (Continued)								(a) the CBIRC having decided that the issuer would become non-viable without a write-down; (b) any relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	(b) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable
32 Of which: Please specify write-down in whole or in part, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Write-down in part or in whole	Write-down in part or in whole
33 Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Perpetual write-down	Perpetual write-down
34 Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35 Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, subordinated bond and tier 2 capital bond	The lower priority behind the deposit, general debt, subordinated bond and tier 2 capital bond
36 Does the instrument contain temporary illegible attribute?	No	No	No	No	No	No	No	No	No
37 Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	5828.HK	1728017.IB	1728020.IB	1828006.IB	1828011.IB	1928028.IB	1928029.IB	1928033.IB
3	Applicable law	English law (Provisions relating to subordination shall be governed by PRC law)	PRC law	PRC law	PRC law	PRC law	PRC law	PRC law	PRC law
Regulatory processing									
4	Of which: Applicable to transitional period rules specified by *Capital Rules for Commercial Banks (Provisional)*	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by *Capital Rules for Commercial Banks (Provisional)*	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	21,166	29,968	29,967	39,986	39,984	29,989	9,996	29,987
9	Par value of instrument	USD3.0 billion	30,000	30,000	40,000	40,000	30,000	10,000	30,000
10	Accounting treatment	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued	Bonds issued
11	Initial issuing date	2014/11/13	2017/9/26	2017/10/31	2018/9/3	2018/10/9	2019/9/20	2019/9/20	2019/11/20
12	Term (term or perpetual)	Term	Term	Term	Term	Term	Term	Term	Term
13	Of which: Original maturity date	2024/11/13	2027/9/28	2027/11/2	2028/9/5	2028/10/11	2029/9/24	2034/9/24	2029/11/22
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/9/28)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/11/2)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/9/5)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/10/11)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2024/9/24)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 10 years from the date of issuance (i.e. 2029/9/24)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2024/11/22)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No. Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)								
16 Of which: Subsequent redemption date (if any)	Subject to the Redemption Conditions, the bonds are redeemable at the option of the issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the issuer under the related regulations provided that the issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the issuer under the related regulations provided that the issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the issuer under the related regulations provided that the issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the issuer under the related regulations provided that the issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the issuer under the related regulations provided that the issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the issuer under the related regulations provided that the issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the issuer under the related regulations provided that the issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the issuer under the related regulations provided that the issuer shall obtain the prior written consent and satisfy certain other conditions
Dividend or interest payment								
17 Of which: Fixed or floating dividend or interest payment	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18 Of which: Coupon rate and relevant indicators	5.00%	4.45%	4.45%	4.86%	4.84%	3.98%	4.34%	4.01%
19 Of which: Existence of dividend brake mechanism	No	No	No	No	No	No	No	No
20 Of which: Discretion to cancel dividend or interest payment	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
21 Of which: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No
22 Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23 Conversion into shares	No	No	No	No	No	No	No	No

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Capital adequacy ratio supplementary information (Continued)

Annex 4: Main attributes of capital instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
	Dividend or interest payment (Continued)								
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	Of which: Please specify the trigger point of write-down, if allowed	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable	"Non-Viability Event" means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No	No	No	No
37	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

6 Leverage ratio

The leverage ratios of the Group calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* are as follows[1]:

	2020		2019	
	As at 30 June	As at 31 March	As at 31 December	As at 30 September
Net tier 1 capital	**1,910,664**	**1,886,811**	1,806,435	1,823,977
Adjusted on- and off-balance sheet assets	**25,687,399**	**25,579,088**	24,303,201	24,085,613
Leverage ratio	**7.44%**	**7.38%**	7.43%	7.57%

No.	Items	As at 30 June 2020
1	Total consolidated assets	**24,152,855**
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(9,994)**
3	Adjustments for fiduciary assets	**–**
4	Adjustments for derivative financial instruments	**183,016**
5	Adjustments for securities financing transactions	**93,268**
6	Adjustments for off-balance sheet exposures	**1,700,424**
7	Other adjustments	**(432,170)**
8	Adjusted on- and off-balance sheet assets	**25,687,399**

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

6 Leverage ratio (Continued)

No.	Items	As at 30 June 2020
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	**23,219,980**
2	Less: Tier 1 capital deductions	**(24,112)**
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**23,195,868**
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	**114,737**
5	Add-on amounts for potential future exposure associated with all derivative transactions	**183,135**
6	Gross-up for derivative collateral provided where deducted from the balance sheet assets	**–**
7	Less: Deductions of receivable assets for cash variation margin provided in derivative transactions	**–**
8	Less: Exempted CCP leg of client-cleared trade exposures	**–**
9	Adjusted effective notional amount of written credit derivatives	**–**
10	Less: Deductible amounts for written credit derivatives	**–**
11	**Total derivative exposures**	**297,872**
12	Accounting balance for securities financing transaction assets	**399,630**
13	Less: Deducted amounts for securities financing transaction assets	**–**
14	Counterparty credit risk exposure for securities financing transaction assets	**93,605**
15	Agent transaction exposures	**–**
16	**Balance of assets in securities financing transactions**	**493,235**
17	Off-balance sheet items	**4,866,497**
18	Less: Adjustments for conversion to credit equivalent amounts	**(3,166,073)**
19	**Adjusted off-balance sheet exposures**	**1,700,424**
20	Net tier 1 capital	**1,910,664**
21	Adjusted on- and off-balance sheet exposures	**25,687,399**
22	**Leverage ratio**	**7.44%**

(1) When calculating the consolidated leverage ratio, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

Bank of China Limited

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