

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(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 2022 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2021.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group's consolidated financial statements for the year ended 31 December 2021.

1 Standards and amendments effective in 2022 relevant to and adopted by the Group

On 1 January 2022, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board, which were mandatorily effective for the current interim period.

IFRS 3 Amendments	<i>Business Combination</i>
IAS 16 Amendments	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
IAS 37 Amendments	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018–2020 Cycle (issued in May 2020)	<i>Minor Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16</i>

The adoption of the above standards and amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group for the six month period ended 30 June 2022.

2 Standards and amendments that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group in 2022

		Effective for annual period beginning on or after
IFRS 17 and Amendments	<i>Insurance Contracts</i>	1 January 2023
IAS 1 and IFRS Practice Statement 2 Amendments	<i>Disclosure of Accounting Policies</i>	1 January 2023
IAS 8 Amendments	<i>Definition of Accounting Estimates</i>	1 January 2023
IAS 12 Amendments	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

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

II CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's consolidated financial statements for the year ended 31 December 2021.

III NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	Six month period ended 30 June	
	2022	2021
Interest income		
Loans and advances to customers		
— Corporate loans and advances	168,667	150,661
— Personal loans	139,146	128,133
— Discounted bills	4,144	4,064
Financial investments		
— Financial assets at fair value through other comprehensive income	28,028	26,357
— Financial assets at amortised cost	51,803	49,060
Due from and placements with and loans to banks and other financial institutions and central banks	27,223	28,659
Subtotal	419,011	386,934
Interest expense		
Due to customers	(142,511)	(130,550)
Due to and placements from banks and other financial institutions	(30,258)	(27,064)
Bonds issued and other	(22,249)	(20,547)
Subtotal	(195,018)	(178,161)
Net interest income	223,993	208,773

2 Net fee and commission income

	Six month period ended 30 June	
	2022	2021
Agency commissions	14,224	16,971
Settlement and clearing fees	8,945	8,377
Credit commitment fees	6,296	6,813
Bank card fees	6,061	6,756
Consultancy and advisory fees	4,203	3,827
Custodian and other fiduciary service fees	3,474	3,328
Spread income from foreign exchange business	2,886	2,705
Other	3,828	4,135
Fee and commission income	49,917	52,912
Fee and commission expense	(6,772)	(6,099)
Net fee and commission income	43,145	46,813

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

3 Net trading gains

	Six month period ended 30 June	
	2022	2021
Net gains/(losses) from foreign exchange and foreign exchange products	3,770	(593)
Net gains from interest rate products	5,050	7,806
Net (losses)/gains from fund investments and equity products	(435)	1,946
Net gains from commodity products	559	595
Total ⁽¹⁾	8,944	9,754

- (1) For the six month period ended 30 June 2022, included in "Net trading gains" above were losses of RMB999 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (six month period ended 30 June 2021: losses of RMB311 million).

4 Net gains on transfers of financial assets

	Six month period ended 30 June	
	2022	2021
Net (losses)/gains on derecognition of financial assets at fair value through other comprehensive income	(405)	1,071
Net gains on derecognition of financial assets at amortised cost ⁽¹⁾	962	781
Total	557	1,852

- (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 2022 and 30 June 2021.

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

5 Other operating income

	Six month period ended 30 June	
	2022	2021
Insurance premiums		
— Life insurance contracts	17,432	14,484
— Non-life insurance contracts	2,633	2,616
Aircraft leasing income	5,701	5,996
Revenue from sale of precious metal products	4,970	5,956
Dividend income ⁽¹⁾	3,110	3,423
Changes in fair value of investment properties (Note III.19)	(36)	(116)
Gains on disposals of property and equipment, intangible assets and other assets	292	321
Gains on disposals of subsidiaries, associates and joint ventures	35	839
Other	2,835	2,144
Total	36,972	35,663

- (1) For the six month period ended 30 June 2022, included in the “Dividend income” was related to equity instruments classified as financial assets at fair value through other comprehensive income of RMB267 million (six month period ended 30 June 2021: RMB189 million).

6 Operating expenses

	Six month period ended 30 June	
	2022	2021
Staff costs (Note III.7)	48,263	44,865
General operating and administrative expenses ⁽¹⁾	18,512	16,175
Insurance benefits and claims		
— Life insurance contracts	16,462	14,983
— Non-life insurance contracts	1,992	1,746
Depreciation and amortisation	11,799	11,868
Cost of sales of precious metal products	4,749	5,685
Taxes and surcharges	3,203	2,991
Other	3,932	4,044
Total⁽²⁾	108,912	102,357

- (1) For the six month period ended 30 June 2022, included in the “General operating and administrative expenses” were lease expenses related to short-term operating leases, leases of low-value assets and others of RMB570 million (six month period ended 30 June 2021: RMB634 million).
- (2) For the six month period ended 30 June 2022, included in the “Operating expenses” were premises and equipment-related expenses (mainly comprised property management and building maintenance expenses and taxes) of RMB5,706 million (six month period ended 30 June 2021: RMB5,218 million).

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

7 Staff costs

	Six month period ended 30 June	
	2022	2021
Salary, bonus and subsidy	34,691	31,344
Staff welfare	1,274	1,325
Retirement benefits	11	26
Social insurance		
— Medical	1,736	1,722
— Pension	3,117	3,070
— Annuity	1,780	1,730
— Unemployment	103	106
— Injury at work	41	40
— Maternity insurance	54	69
Housing funds	2,461	2,410
Labour union fee and staff education fee	961	1,071
Reimbursement for cancellation of labour contract	7	13
Other	2,027	1,939
Total	48,263	44,865

8 Impairment losses on assets

	Six month period ended 30 June	
	2022	2021
Loans and advances		
— Loans and advances at amortised cost	45,338	47,712
— Loans and advances at fair value through other comprehensive income	238	38
Subtotal	45,576	47,750
Financial investments		
— Financial assets at amortised cost	(81)	97
— Financial assets at fair value through other comprehensive income	(199)	148
Subtotal	(280)	245
Credit commitments	1,458	(1,675)
Other	534	5,967
Subtotal of impairment losses on credit	47,288	52,287
Other impairment losses on assets	5,522	658
Total	52,810	52,945

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

9 Income tax expense

	Six month period ended 30 June	
	2022	2021
Current income tax		
— Chinese mainland income tax	23,201	14,761
— Hong Kong (China) profits tax	2,470	2,232
— Macao (China), Taiwan (China) and other countries and regions taxation	1,955	1,879
Adjustments in respect of current income tax of prior years	2,736	288
Subtotal	30,362	19,160
Deferred income tax (Note III.24.3)	(2,596)	10,595
Total	27,766	29,755

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

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

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

	Six month period ended 30 June	
	2022	2021
Profit before income tax	152,069	148,302
Tax calculated at the basic Chinese mainland tax rate	38,017	37,076
Effect of different tax rates for Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	(1,213)	(2,417)
Supplementary PRC tax on overseas income	1,873	2,014
Income not subject to tax ⁽¹⁾	(16,118)	(14,792)
Items not deductible for tax purposes ⁽²⁾	3,529	8,450
Other	1,678	(576)
Income tax expense	27,766	29,755

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

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

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(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 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 2022 and 30 June 2021.

	Six month period ended 30 June	
	2022	2021
Profit attributable to equity holders of the Bank	119,924	112,813
Less: dividends/interest on preference shares/ perpetual bonds declared	(9,659)	(7,616)
Profit attributable to ordinary shareholders of the Bank	110,265	105,197
Weighted average number of ordinary shares in issue (in million shares)	294,388	294,380
Basic and diluted earnings per share (in RMB)	0.37	0.36

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

	Six month period ended 30 June	
	2022	2021
Issued ordinary shares as at 1 January	294,388	294,388
Less: weighted average number of treasury shares	—	(8)
Weighted average number of ordinary shares in issue	294,388	294,380

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

11 Other comprehensive income

	Six month period ended 30 June	
	2022	2021
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	44	(38)
Changes in fair value on equity instruments designated at fair value through other comprehensive income	(1,389)	1,125
Less: related income tax impact	282	(303)
Other	1	37
Subtotal	(1,062)	821
Items that may be reclassified to profit or loss		
Changes in fair value on debt instruments measured at fair value through other comprehensive income	(23,550)	(280)
Less: related income tax impact	5,027	157
Amount transferred to the income statement	762	(828)
Less: related income tax impact	(18)	157
	(17,779)	(794)
Allowance for credit losses on debt instruments measured at fair value through other comprehensive income	58	178
Less: related income tax impact	6	(46)
	64	132
Exchange differences from the translation of foreign operations	15,880	(4,204)
Other	622	141
Subtotal	(1,213)	(4,725)
Total	(2,275)	(3,904)

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

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

11 Other comprehensive income (Continued)

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

	Gains/(losses) on financial assets at fair value through other comprehensive income	Exchange differences from the translation of foreign operations	Other	Total
As at 1 January 2021	22,190	(20,457)	2,576	4,309
Changes for the previous year	6,700	(9,782)	190	(2,892)
As at 1 January 2022	28,890	(30,239)	2,766	1,417
Changes for the period	(15,679)	10,715	477	(4,487)
As at 30 June 2022	13,211	(19,524)	3,243	(3,070)

12 Cash and due from banks and other financial institutions

	As at 30 June 2022	As at 31 December 2021
Cash	62,679	59,518
Due from banks in Chinese mainland	505,326	464,417
Due from other financial institutions in Chinese mainland	18,169	8,709
Due from banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	118,259	110,948
Due from other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	1,626	926
Subtotal ⁽¹⁾	643,380	585,000
Accrued interest	1,429	1,835
Less: allowance for impairment losses ⁽¹⁾	(1,296)	(1,537)
Subtotal due from banks and other financial institutions	643,513	585,298
Total	706,192	644,816

(1) As at 30 June 2022 and 31 December 2021, the Group included the predominant majority of due from banks and other financial institutions under Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months ("12-month ECL").

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

13 Balances with central banks

	As at 30 June 2022	As at 31 December 2021
Mandatory reserves ⁽¹⁾	1,510,575	1,478,465
Surplus reserves and others ⁽²⁾	635,248	753,369
Subtotal	2,145,823	2,231,834
Accrued interest	661	672
Less: allowance for impairment losses	(4,086)	(3,780)
Total	2,142,398	2,228,726

- (1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions where it has operations. As at 30 June 2022, mandatory reserve funds placed with the PBOC were calculated at 9.75% (31 December 2021: 10.00%) and 8.00% (31 December 2021: 9.00%) of qualified RMB deposits and foreign currency deposits from customers in Chinese mainland of the Bank, respectively. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve funds placed with the central banks of other jurisdictions are determined by local regulators.
- (2) These represent funds for clearing purposes and balances other than mandatory reserves placed with the PBOC, and the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

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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 2022	As at 31 December 2021
Placements with and loans to:		
Banks in Chinese mainland	106,754	150,556
Other financial institutions in Chinese mainland	610,348	589,919
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	445,662	450,817
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	25,485	67,055
Subtotal ^{(1) (2)}	1,188,249	1,258,347
Accrued interest	2,177	3,109
Less: allowance for impairment losses ⁽²⁾	(4,352)	(4,043)
Total	1,186,074	1,257,413

- (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 2022	As at 31 December 2021
Debt securities		
— Governments	282,199	396,324
— Policy banks	93,409	101,436
— Financial institutions	18,915	6,914
— Corporates	3,231	1,222
Subtotal	397,754	505,896
Less: allowance for impairment losses	(555)	(668)
Total	397,199	505,228

- (2) As at 30 June 2022 and 31 December 2021, the Group included the predominant majority of its placements with and loans to banks and other financial institutions under Stage 1, and measured the impairment losses based on 12-month ECL.

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

15 Derivative financial instruments

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

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

	As at 30 June 2022			As at 31 December 2021		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	6,515,255	101,870	(81,793)	5,966,594	61,172	(52,535)
Currency options	755,104	6,791	(6,590)	593,654	4,996	(4,196)
Currency futures	1,041	2	(1)	1,250	1	(3)
Subtotal	7,271,400	108,663	(88,384)	6,561,498	66,169	(56,734)
Interest rate derivatives						
Interest rate swaps	4,199,592	34,680	(28,986)	4,032,069	23,860	(27,179)
Interest rate options	21,124	299	(296)	22,988	136	(135)
Interest rate futures	85,550	14	–	2,058	2	(4)
Subtotal	4,306,266	34,993	(29,282)	4,057,115	23,998	(27,318)
Equity derivatives	5,972	91	(129)	4,776	185	(120)
Commodity derivatives and other	367,273	12,206	(11,012)	288,773	5,447	(4,979)
Total ⁽¹⁾	11,950,911	155,953	(128,807)	10,912,162	95,799	(89,151)

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

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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 2022	As at 31 December 2021
Measured at amortised cost		
— Corporate loans and advances	10,170,408	9,224,184
— Personal loans	6,249,454	6,093,750
— Discounted bills	1,868	1,460
Measured at fair value through other comprehensive income ⁽¹⁾		
— Corporate loans and advances	9,085	2,254
— Discounted bills	476,536	349,541
Subtotal	16,907,351	15,671,189
Measured at fair value through profit or loss ⁽²⁾		
— Corporate loans and advances	4,255	3,805
Total	16,911,606	15,674,994
Accrued interest	41,615	37,580
Total loans and advances	16,953,221	15,712,574
Less: allowance for loans at amortised cost	(415,732)	(390,090)
Loans and advances to customers, net	16,537,489	15,322,484

(1) As at 30 June 2022, the allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income of the Group amounted to RMB693 million (31 December 2021: RMB451 million) and was credited to other comprehensive income.

(2) During the six month period ended 30 June 2022 and the year ended 31 December 2021, there were no significant movements in the fair value and accumulated fair value changes of loans and advances measured at fair value through profit or loss that are attributable to changes in credit risk of these loans.

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

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

16 Loans and advances to customers (Continued)

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

(1) Allowance for loans at amortised cost

	Six month period ended 30 June 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	166,358	53,832	169,900	390,090
Transfers to Stage 1	4,679	(3,912)	(767)	–
Transfers to Stage 2	(1,391)	3,029	(1,638)	–
Transfers to Stage 3	(458)	(7,667)	8,125	–
Impairment (reversal)/losses of loans with stage transfers	(4,254)	10,774	22,079	28,599
Charge for the period ⁽ⁱ⁾	57,131	7,563	19,096	83,790
Reversal for the period ⁽ⁱⁱ⁾	(35,149)	(10,928)	(20,974)	(67,051)
Write-off and transfer out	(64)	–	(27,272)	(27,336)
Recovery of loans and advances written off	–	–	5,599	5,599
Exchange differences and other	646	381	1,014	2,041
As at 30 June	187,498	53,072	175,162	415,732

	Year ended 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	134,566	70,712	162,895	368,173
Transfers to Stage 1	6,186	(5,205)	(981)	–
Transfers to Stage 2	(989)	1,786	(797)	–
Transfers to Stage 3	(687)	(14,244)	14,931	–
Impairment (reversal)/losses of loans with stage transfers	(5,245)	10,226	32,586	37,567
Charge for the year ⁽ⁱ⁾	84,479	15,132	58,502	158,113
Reversal for the year ⁽ⁱⁱ⁾	(51,399)	(24,087)	(21,905)	(97,391)
Write-off and transfer out	(195)	–	(85,401)	(85,596)
Recovery of loans and advances written off	–	–	11,921	11,921
Exchange differences and other	(358)	(488)	(1,851)	(2,697)
As at 31 December	166,358	53,832	169,900	390,090

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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 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	374	77	–	451
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impairment (reversal)/losses of loans with stage transfers	–	–	–	–
Charge for the period ⁽ⁱ⁾	567	5	–	572
Reversal for the period ⁽ⁱⁱ⁾	(263)	(71)	–	(334)
Exchange differences and other	4	–	–	4
As at 30 June	682	11	–	693

	Year ended 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	441	5	–	446
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impairment (reversal)/losses of loans with stage transfers	–	–	–	–
Charge for the year ⁽ⁱ⁾	276	77	–	353
Reversal for the year ⁽ⁱⁱ⁾	(339)	(5)	–	(344)
Exchange differences and other	(4)	–	–	(4)
As at 31 December	374	77	–	451

- (i) Charge for the period/year comprises impairment losses attributable to new loans granted, brought forward loans without stage transfers, as well as changes to model and risk parameters, during the period/year.
- (ii) Reversal for the period/year comprises impairment losses attributable to loan repaid, brought forward loans without stage transfers, as well as changes to model and risk parameters, during the period/year.

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

17 Financial investments

	As at 30 June 2022	As at 31 December 2021
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	18,356	18,837
— Public sectors and quasi-governments	659	30
— Policy banks	34,748	26,127
— Financial institutions	160,063	204,624
— Corporate	51,278	52,415
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	18,470	13,535
— Public sectors and quasi-governments	109	367
— Financial institutions	8,445	12,982
— Corporate	10,084	9,808
	302,212	338,725
Equity instruments	102,807	102,268
Fund investments and other	109,644	90,733
Total financial assets held for trading and other financial assets at fair value through profit or loss	514,663	531,726
Financial assets designated as at fair value through profit or loss		
Debt securities ⁽¹⁾		
Issuers in Chinese mainland		
— Government	2,477	3,164
— Policy banks	—	516
— Financial institutions	6,851	4,811
— Corporate	370	396
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	6,544	594
— Public sectors and quasi-governments	957	1,164
— Financial institutions	3,619	2,322
— Corporate	4,528	4,770
	25,346	17,737
Other	—	12,179
Total financial assets designated as at fair value through profit or loss	25,346	29,916
Total financial assets at fair value through profit or loss	540,009	561,642

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(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 2022	As at 31 December 2021
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	857,004	752,899
— Public sectors and quasi-governments	100,833	101,562
— Policy banks	364,702	358,807
— Financial institutions	178,148	223,510
— Corporate	155,886	171,294
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	479,038	532,338
— Public sectors and quasi-governments	26,302	28,529
— Financial institutions	95,955	79,214
— Corporate	97,636	114,925
	2,355,504	2,363,078
Equity instruments and other	24,081	26,752
Total financial assets at fair value through other comprehensive income ⁽²⁾	2,379,585	2,389,830
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government	2,451,457	2,417,293
— Public sectors and quasi-governments	68,802	64,724
— Policy banks	155,399	155,338
— Financial institutions	68,853	76,280
— Corporate	44,021	48,959
— China Orient ⁽³⁾	152,433	152,433
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	153,986	101,974
— Public sectors and quasi-governments	80,704	70,107
— Financial institutions	86,302	65,885
— Corporate	25,275	19,058
	3,287,232	3,172,051
Investment trusts, asset management plans and other	13,940	12,010
Accrued interest	37,013	38,865
Less: allowance for impairment losses	(9,708)	(9,727)
Total financial assets at amortised cost	3,328,477	3,213,199
Total financial investments⁽⁵⁾	6,248,071	6,164,671

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

17 Financial investments (Continued)

	As at 30 June 2022	As at 31 December 2021
Analysed as follows:		
Financial assets at fair value through profit or loss		
— Listed in Hong Kong (China)	35,600	33,127
— Listed outside Hong Kong (China) ⁽⁶⁾	300,252	332,549
— Unlisted	204,157	195,966
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong (China)	135,335	154,931
— Listed outside Hong Kong (China) ⁽⁶⁾	1,777,774	1,633,446
— Unlisted	442,395	574,701
Equity instruments and other		
— Listed in Hong Kong (China)	5,723	5,980
— Listed outside Hong Kong (China) ⁽⁶⁾	10,502	11,762
— Unlisted	7,856	9,010
Financial assets at amortised cost⁽⁴⁾		
— Listed in Hong Kong (China)	48,694	38,898
— Listed outside Hong Kong (China) ⁽⁶⁾	3,011,002	2,886,030
— Unlisted	268,781	288,271
Total	6,248,071	6,164,671
Listed in Hong Kong (China)	225,353	232,936
Listed outside Hong Kong (China) ⁽⁶⁾	5,099,533	4,863,787
Unlisted	923,185	1,067,948
Total	6,248,071	6,164,671

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

17 Financial investments (Continued)

- (1) In order to eliminate or significantly reduce accounting mismatches, certain debt securities are designated as financial assets at fair value through profit or loss.
- (2) The Group's accumulated impairment allowance for the debt securities at fair value through other comprehensive income as at 30 June 2022 amounted to RMB6,046 million (31 December 2021: RMB6,230 million).
- (3) The Bank transferred certain non-performing assets to China Orient Asset Management Corporation ("China Orient") in 1999 and 2000 and China Orient issued a bond ("Orient Bond") with a par value of RMB160,000 million to the Bank as consideration. Based on the latest agreement, the Orient Bond will mature on 30 June 2025. The Ministry of Finance of the People's Republic of China (the "MOF") shall continue to provide funding support for the principal and interest of the Orient Bond. The Bank received a notice from the MOF in January 2020, confirming that from 1 January 2020, the interest rate on the unpaid amounts will be verified year by year based on the rate of return of the five-year treasury bond of the previous year. As at 30 June 2022, the Bank had received early repayments of principal amounting to RMB7,567 million cumulatively.
- (4) Market values of the listed debt securities at amortised cost are set out below:

	As at 30 June 2022		As at 31 December 2021	
	Carrying value	Market value	Carrying value	Market value
Debt securities at amortised cost				
— Listed in Hong Kong (China)	48,694	45,448	38,898	39,594
— Listed outside Hong Kong (China) ⁽⁶⁾	3,011,002	3,059,529	2,886,030	2,937,103

- (5) As at 30 June 2022, RMB2,382 million of debt securities measured at fair value through other comprehensive income and at amortised cost of the Group was determined to be impaired and was included under Stage 3 (31 December 2021: RMB2,338 million) with the impairment allowances fully accrued (31 December 2021: fully accrued); RMB6,342 million of debt securities was included under Stage 2 (31 December 2021: RMB816 million), with an impairment allowances of RMB194 million (31 December 2021: RMB5 million); and the remaining debt securities were included under Stage 1, with impairment allowances measured based on 12-month ECL.
- (6) Debt securities traded in the Chinese mainland interbank bond market are included in "Listed outside Hong Kong (China)".

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 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	2,173	4	7,550	9,727
Transfers to Stage 2	(37)	37	–	–
Impairment losses due to stage transfers	–	26	–	26
Impairment losses/(reversal) for the period	310	29	(446)	(107)
Exchange differences and other	10	–	52	62
As at 30 June	2,456	96	7,156	9,708

	Year ended 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	1,907	1	7,015	8,923
Impairment losses during the year	159	3	559	721
Exchange differences and other	107	–	(24)	83
As at 31 December	2,173	4	7,550	9,727

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

	Six month period ended 30 June 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	5,729	1	500	6,230
Transfers to Stage 2	(40)	40	–	–
Impairment losses due to stage transfers	–	55	–	55
Impairment (reversal)/losses for the period	(255)	1	–	(254)
Exchange differences and other	14	1	–	15
As at 30 June	5,448	98	500	6,046

	Year ended 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	4,979	–	500	5,479
Impairment losses during the year	762	1	–	763
Exchange differences and other	(12)	–	–	(12)
As at 31 December	5,729	1	500	6,230

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(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 2022				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	124,989	73,497	27,192	146,901	372,579
Additions	21	900	2,025	2,716	5,662
Transfer from investment properties (Note III.19)	23	–	–	–	23
Construction in progress transfer in/(out)	572	140	(5,367)	4,655	–
Deductions	(268)	(1,153)	(636)	(3,077)	(5,134)
Exchange differences	792	255	923	7,748	9,718
As at 30 June	126,129	73,639	24,137	158,943	382,848
Accumulated depreciation					
As at 1 January	(45,518)	(58,364)	–	(20,022)	(123,904)
Additions	(2,002)	(3,117)	–	(2,559)	(7,678)
Deductions	225	1,118	–	448	1,791
Transfer to investment properties (Note III.19)	4	–	–	–	4
Exchange differences	(214)	(217)	–	(1,140)	(1,571)
As at 30 June	(47,505)	(60,580)	–	(23,273)	(131,358)
Allowance for impairment losses					
As at 1 January	(740)	–	(227)	(1,617)	(2,584)
Additions	–	–	–	(5,531)	(5,531)
Deductions	–	–	–	–	–
Exchange differences	(11)	–	–	(264)	(275)
As at 30 June	(751)	–	(227)	(7,412)	(8,390)
Net book value					
As at 1 January	78,731	15,133	26,965	125,262	246,091
As at 30 June	77,873	13,059	23,910	128,258	243,100

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

18 Property and equipment (Continued)

	Year ended 31 December 2021				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	122,464	73,337	31,281	141,025	368,107
Additions	1,413	5,550	6,247	11,187	24,397
Transfer from investment properties (Note III.19)	960	–	–	–	960
Construction in progress transfer in/(out)	2,806	607	(8,046)	4,633	–
Deductions	(1,736)	(5,748)	(1,788)	(6,737)	(16,009)
Exchange differences	(918)	(249)	(502)	(3,207)	(4,876)
As at 31 December	124,989	73,497	27,192	146,901	372,579
Accumulated depreciation					
As at 1 January	(42,814)	(57,839)	–	(17,302)	(117,955)
Additions	(4,098)	(6,274)	–	(4,911)	(15,283)
Deductions	1,145	5,563	–	1,747	8,455
Transfer to investment properties (Note III.19)	10	–	–	–	10
Exchange differences	239	186	–	444	869
As at 31 December	(45,518)	(58,364)	–	(20,022)	(123,904)
Allowance for impairment losses					
As at 1 January	(746)	–	(227)	(590)	(1,563)
Additions	(3)	–	–	(1,060)	(1,063)
Deductions	8	–	–	10	18
Exchange differences	1	–	–	23	24
As at 31 December	(740)	–	(227)	(1,617)	(2,584)
Net book value					
As at 1 January	78,904	15,498	31,054	123,133	248,589
As at 31 December	78,731	15,133	26,965	125,262	246,091

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(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 2022	Year ended 31 December 2021
As at 1 January	19,554	22,065
Additions	47	720
Transfer to property and equipment, net (Note III.18)	(27)	(970)
Deductions	(6)	(1,324)
Fair value changes (Note III.5)	(36)	(427)
Exchange differences	697	(510)
As at 30 June/31 December	20,229	19,554

20 Other assets

	As at 30 June 2022	As at 31 December 2021
Accounts receivable and prepayments	131,055	123,590
Right-of-use assets ⁽¹⁾	19,480	20,321
Intangible assets	16,737	16,930
Land use rights	5,926	6,122
Long-term deferred expense	3,246	3,329
Interest receivable	2,696	284
Goodwill ⁽²⁾	2,580	2,481
Repossessioned assets ⁽³⁾	2,183	2,043
Other	38,080	28,840
Total	221,983	203,940

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

20 Other assets (Continued)

(1) Right-of-use assets

	Six month period ended 30 June 2022		
	Buildings	Motor vehicles and other	Total
Cost			
As at 1 January	36,447	232	36,679
Additions	2,768	30	2,798
Deductions	(2,046)	(19)	(2,065)
Exchange differences	248	–	248
As at 30 June	37,417	243	37,660
Accumulated depreciation			
As at 1 January	(16,265)	(93)	(16,358)
Additions	(3,328)	(65)	(3,393)
Deductions	1,622	19	1,641
Exchange differences	(70)	–	(70)
As at 30 June	(18,041)	(139)	(18,180)
Net book value			
As at 1 January	20,182	139	20,321
As at 30 June	19,376	104	19,480

	Year ended 31 December 2021		
	Buildings	Motor vehicles and other	Total
Cost			
As at 1 January	35,251	176	35,427
Additions	5,243	119	5,362
Deductions	(3,734)	(61)	(3,795)
Exchange differences	(313)	(2)	(315)
As at 31 December	36,447	232	36,679
Accumulated depreciation			
As at 1 January	(12,477)	(95)	(12,572)
Additions	(7,087)	(58)	(7,145)
Deductions	3,166	58	3,224
Exchange differences	133	2	135
As at 31 December	(16,265)	(93)	(16,358)
Net book value			
As at 1 January	22,774	81	22,855
As at 31 December	20,182	139	20,321

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(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 2022	Year ended 31 December 2021
As at 1 January	2,481	2,525
Addition through acquisition of subsidiaries	–	–
Decrease resulting from disposals of subsidiaries	–	–
Exchange differences	99	(44)
As at 30 June/31 December	2,580	2,481

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,616 million).

(3) Repossessed assets

As at 30 June 2022, the net book amount of repossessed assets was RMB2,183 million (31 December 2021: RMB2,043 million), mainly comprised properties. Related allowance for impairment was RMB873 million (31 December 2021: RMB882 million).

The total book value of the repossessed assets disposed of for the six month period ended 30 June 2022 amounted to RMB32 million (2021: RMB353 million). The Group plans to dispose of the repossessed assets held at 30 June 2022 by auction, bidding or transfer.

21 Financial liabilities held for trading

As at 30 June 2022 and 31 December 2021, financial liabilities held for trading mainly included short position in debt securities.

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

22 Due to customers

	As at 30 June 2022	As at 31 December 2021
Demand deposits		
— Corporate deposits	5,535,251	5,275,514
— Personal deposits	3,693,244	3,487,433
Subtotal	9,228,495	8,762,947
Time deposits		
— Corporate deposits	4,285,330	3,968,527
— Personal deposits	4,789,250	4,299,050
Subtotal	9,074,580	8,267,577
Structured deposits ⁽¹⁾		
— Corporate deposits	398,421	351,445
— Personal deposits	357,240	300,628
Subtotal	755,661	652,073
Certificates of deposit	170,604	160,419
Other deposits	85,070	77,152
Subtotal due to customers	19,314,410	17,920,168
Accrued interest	233,817	222,719
Total ⁽²⁾	19,548,227	18,142,887

(1) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its structured deposits. The Group designates certain structured deposits as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 30 June 2022, the carrying amount of these financial liabilities was RMB25,569 million (31 December 2021: RMB31,311 million). The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 30 June 2022 and 31 December 2021 were not significant. For the six month period ended 30 June 2022 and the year ended 31 December 2021, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.

(2) Due to customers included margin deposits received by the Group as at 30 June 2022 of RMB415,613 million (31 December 2021: RMB330,494 million).

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(Amounts in millions of Renminbi, unless otherwise stated)

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

23 Bonds issued

	Issue date	Maturity date	Annual interest rate	As at 30 June 2022	As at 31 December 2021
Bonds issued at amortised cost					
Subordinated bonds issued					
2012 RMB Debt Securities Second Tranche ⁽¹⁾⁽¹⁷⁾	27 November 2012	29 November 2027	4.99%	18,000	18,000
Tier 2 capital bonds issued					
2014 US Dollar Debt Securities ⁽²⁾	13 November 2014	13 November 2024	5.00%	20,092	19,084
2017 RMB Debt Securities First Tranche ⁽³⁾	26 September 2017	28 September 2027	4.45%	29,974	29,973
2017 RMB Debt Securities Second Tranche ⁽⁴⁾	31 October 2017	2 November 2027	4.45%	29,973	29,974
2018 RMB Debt Securities First Tranche ⁽⁵⁾	3 September 2018	5 September 2028	4.86%	39,987	39,984
2018 RMB Debt Securities Second Tranche ⁽⁶⁾	9 October 2018	11 October 2028	4.84%	39,985	39,986
2019 RMB Debt Securities First Tranche 01 ⁽⁷⁾	20 September 2019	24 September 2029	3.98%	29,990	29,989
2019 RMB Debt Securities First Tranche 02 ⁽⁸⁾	20 September 2019	24 September 2034	4.34%	9,996	9,996
2019 RMB Debt Securities Second Tranche ⁽⁹⁾	20 November 2019	22 November 2029	4.01%	29,988	29,991
2020 RMB Debt Securities First Tranche 01 ⁽¹⁰⁾	17 September 2020	21 September 2030	4.20%	59,977	59,976
2020 RMB Debt Securities First Tranche 02 ⁽¹¹⁾	17 September 2020	21 September 2035	4.47%	14,994	14,994
2021 RMB Debt Securities First Tranche 01 ⁽¹²⁾	17 March 2021	19 March 2031	4.15%	14,994	14,995
2021 RMB Debt Securities First Tranche 02 ⁽¹³⁾	17 March 2021	19 March 2036	4.38%	9,996	9,996
2021 RMB Debt Securities Second Tranche 01 ⁽¹⁴⁾	12 November 2021	16 November 2031	3.60%	39,986	39,989
2021 RMB Debt Securities Second Tranche 02 ⁽¹⁵⁾	12 November 2021	16 November 2036	3.80%	9,996	9,997
2022 RMB Debt Securities First Tranche ⁽¹⁶⁾	20 January 2022	24 January 2032	3.25%	29,990	–
Subtotal ⁽¹⁷⁾				409,918	378,924
Other bonds issued ⁽¹⁸⁾					
US Dollar Debt Securities				192,537	185,618
RMB Debt Securities				161,880	90,604
Other				34,972	49,403
Subtotal				389,389	325,625
Negotiable certificates of deposit				625,815	659,306
Subtotal-bonds issued at amortised cost				1,443,122	1,381,855
Bonds issued at fair value⁽¹⁹⁾					
Subtotal-bonds issued				2	317
Accrued interest					
				14,844	6,506
Total ⁽²⁰⁾				1,457,968	1,388,678

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

23 Bonds issued (Continued)

- (1) The second subordinated bonds issued on 27 November 2012 have a maturity of 15 years with a fixed coupon rate of 4.99%, paid annually. The Bank is entitled to early redeem all the subordinated bonds at the end of the tenth year. If the Bank does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall remain fixed at 4.99%.
- (2) The Bank issued tier 2 capital bonds in an amount of USD3 billion on 13 November 2014. The bonds have a maturity of 10 years with a fixed coupon rate of 5.00%.
- (3) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 26 September 2017. The bonds have a maturity of 10 years with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (4) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 31 October 2017. The bonds have a maturity of 10 years with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (5) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 3 September 2018. The bonds have a maturity of 10 years with a fixed coupon rate of 4.86%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (6) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 9 October 2018. The bonds have a maturity of 10 years with a fixed coupon rate of 4.84%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (7) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 September 2019. The bonds have a maturity of 10 years with a fixed coupon rate of 3.98%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (8) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 20 September 2019. The bonds have a maturity of 15 years with a fixed coupon rate of 4.34%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (9) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 November 2019. The bonds have a maturity of 10 years with a fixed coupon rate of 4.01%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (10) The Bank issued tier 2 capital bonds in an amount of RMB60 billion on 17 September 2020. The bonds have a maturity of 10 years with a fixed coupon rate of 4.20%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (11) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 September 2020. The bonds have a maturity of 15 years with a fixed coupon rate of 4.47%. The Bank is entitled to redeem the bonds at the end of the tenth year.

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

23 Bonds issued (Continued)

- (12) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 March 2021. The bonds have a maturity of 10 years with a fixed coupon rate of 4.15%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (13) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 17 March 2021. The bonds have a maturity of 15 years with a fixed coupon rate of 4.38%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (14) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 12 November 2021. The bonds have a maturity of 10 years with a fixed coupon rate of 3.60%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (15) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 12 November 2021. The bonds have a maturity of 15 years with a fixed coupon rate of 3.80%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (16) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 January 2022. The bonds have a maturity of 10 years with a fixed coupon rate of 3.25%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (17) The claims of the holders of subordinated bonds and tier 2 capital bonds will be subordinated to the claims of depositors and general creditors.
- (18) US Dollar Debt Securities, RMB Debt Securities and other Debt Securities were issued in Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions between 2013 and 30 June 2022 by the Group with dates of maturity ranging from 1 July 2022 to 2030.
- (19) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its bonds issued. The Group designates certain bonds issued as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 30 June 2022, the carrying amount of the above-mentioned bonds issued by the Group was RMB2 million (31 December 2021: RMB317 million). The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 30 June 2022 and 31 December 2021 were not significant. For the six month period ended 30 June 2022 and the year ended 31 December 2021, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.
- (20) For the six month period ended 30 June 2022 and the year ended 31 December 2021, the Group did not default on any principal, interest or redemption amounts with respect to its bonds issued.

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

24 Deferred income taxes

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

	As at 30 June 2022		As at 31 December 2021	
	Temporary differences	Deferred tax assets/(liabilities)	Temporary differences	Deferred tax assets/(liabilities)
Deferred income tax assets	225,881	58,203	197,710	51,172
Deferred income tax liabilities	(35,310)	(6,163)	(40,818)	(7,003)
Net	190,571	52,040	156,892	44,169

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

	As at 30 June 2022		As at 31 December 2021	
	Temporary differences	Deferred tax assets/(liabilities)	Temporary differences	Deferred tax assets/(liabilities)
Deferred income tax assets				
Asset impairment allowances	286,538	70,909	274,503	68,376
Pension, retirement benefits and salary payables	22,752	5,679	24,929	6,238
Financial instruments at fair value through profit or loss and derivative financial instruments	106,634	26,406	65,287	16,237
Financial assets at fair value through other comprehensive income	16,754	3,562	1,224	304
Other temporary differences	41,391	9,755	37,898	8,849
Subtotal	474,069	116,311	403,841	100,004
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	(146,027)	(36,200)	(108,696)	(26,774)
Financial assets at fair value through other comprehensive income	(28,628)	(7,170)	(37,265)	(9,205)
Depreciation and amortisation	(28,522)	(4,980)	(25,978)	(4,530)
Revaluation of property and investment properties	(9,457)	(1,795)	(8,040)	(1,536)
Other temporary differences	(70,864)	(14,126)	(66,970)	(13,790)
Subtotal	(283,498)	(64,271)	(246,949)	(55,835)
Net	190,571	52,040	156,892	44,169

As at 30 June 2022, deferred tax liabilities relating to temporary differences of RMB190,220 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2021: RMB174,351 million).

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

24 Deferred income taxes (Continued)

24.3 Movements of the deferred income tax are as follows:

	Six month period ended 30 June 2022	Year ended 31 December 2021
As at 1 January	44,169	52,417
Credited/(charged) to the income statement (Note III.9)	2,596	(6,702)
Credited/(charged) to other comprehensive income	5,305	(1,557)
Other	(30)	11
As at 30 June/31 December	52,040	44,169

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

	Six month period ended 30 June	
	2022	2021
Asset impairment allowances	2,533	(802)
Financial instruments at fair value through profit or loss and derivative financial instruments	743	(7,366)
Pension, retirement benefits and salary payables	(559)	(835)
Other temporary differences	(121)	(1,592)
Total	2,596	(10,595)

25 Other liabilities

	As at 30 June 2022	As at 31 December 2021
Insurance liabilities		
— Life insurance contracts	168,846	153,677
— Non-life insurance contracts	11,436	9,932
Items in the process of clearance and settlement	97,586	68,229
Dividends payable	68,324	732
Salary and welfare payables	36,164	39,685
Provision		
— Allowance for credit commitments	27,121	25,456
— Allowance for litigation losses (Note III. 28.1)	917	887
Lease liabilities	19,563	19,619
Deferred income	6,110	6,362
Other	115,533	111,976
Total	551,600	436,555

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

26 Other equity instruments

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

	As at 1 January 2022		Increase/(decrease)		As at 30 June 2022	
	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount
Preference Shares						
Domestic Preference Shares (Third Tranche)	730.0	72,979	–	–	730.0	72,979
Domestic Preference Shares (Fourth Tranche)	270.0	26,990	–	–	270.0	26,990
Offshore Preference Shares (Second Tranche)	197.9	19,581	–	–	197.9	19,581
Subtotal ⁽¹⁾	1,197.9	119,550	–	–	1,197.9	119,550
Perpetual Bonds						
2019 Undated Capital Bonds (Series 1)		39,992		–		39,992
2020 Undated Capital Bonds (Series 1)		39,990		–		39,990
2020 Undated Capital Bonds (Series 2)		29,994		–		29,994
2020 Undated Capital Bonds (Series 3)		19,995		–		19,995
2021 Undated Capital Bonds (Series 1)		49,989		–		49,989
2021 Undated Capital Bonds (Series 2)		19,995		–		19,995
2022 Undated Capital Bonds (Series 1) ⁽²⁾		–		29,993		29,993
2022 Undated Capital Bonds (Series 2) ⁽³⁾		–		19,996		19,996
Subtotal ⁽⁴⁾		199,955		49,989		249,944
Total		319,505		49,989		369,494

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

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

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

26 Other equity instruments (Continued)

- (2) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB30,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 8 April 2022 and completed the issuance on 12 April 2022. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.65%, which is reset every 5 years.
- (3) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB20,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 26 April 2022 and completed the issuance on 28 April 2022. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.65%, which is reset every 5 years.
- (4) The above bonds will continue to be outstanding so long as the Bank's business continues to operate. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the above bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance of the above bonds. Upon the occurrence of a triggering event for the write-downs, with the consent of the CBIRC and without the need for the consent of the holders of the above bonds, the Bank has the right to write down the principal amount of the above bonds issued and existing at that time in whole or in part, in accordance with the outstanding principal amount of the bonds. The claims in respect of the above bonds, in the event of a winding-up of the Bank, will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the above bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the above bonds.

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

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

27 Dividends

Dividends for Ordinary Shares

A cash dividend of RMB2.21 per ten ordinary shares (pre-tax) in respect of the profit for the year ended 31 December 2021 amounting to RMB65,060 million (pre-tax) was approved at the Annual General Meeting held on 30 June 2022 and was recorded in "Other liabilities" as at 30 June 2022. Such cash dividend was distributed on 15 July 2022 and 10 August 2022 after the appropriate withholding of individual and enterprise income taxes.

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

27 Dividends (Continued)

Dividends for Preference Shares

Dividend distributions of Domestic Preference Shares (Third Tranche and Fourth Tranche) were approved by the Board of Directors of the Bank at the Board Meeting held on 29 April 2022. Dividend of Domestic Preference Shares (Third Tranche) amounting to RMB3,285 million (pre-tax) was distributed on 27 June 2022. Dividend of Domestic Preference Shares (Fourth Tranche) amounting to RMB1,174.5 million (pre-tax) was distributed on 29 August 2022 and was recorded in "Other liabilities" as at 30 June 2022.

Interest on Perpetual Bonds

The Bank distributed interest on the 2019 Undated Capital Bonds (Series 1) amounting to RMB1,800 million on 29 January 2022.

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 1) amounting to RMB1,360 million on 5 May 2022.

The Bank distributed interest on the 2021 Undated Capital Bonds (Series 1) amounting to RMB2,040 million on 19 May 2022.

28 Contingent liabilities and commitments

28.1 Legal proceedings and arbitrations

As at 30 June 2022, the Group was involved in certain litigation and arbitration cases in the regular course of its business. In the Group's regular business operations in different countries and regions across the world, given the range and scale of its international presence, the Group may be involved in a variety of litigation, arbitration and judicial proceedings within different jurisdictions, and the ultimate outcomes of these proceedings involve various levels of uncertainty. Management makes provisions for potential losses that may arise from these uncertainties based on assessments of potential liabilities, courts' judgements or the opinions of legal counsel, and as at 30 June 2022, the balance of the provisions was RMB917 million (31 December 2021: RMB887 million), as discussed in Note III.25. Based upon the opinions of internal and external legal counsels, the senior management of the Group believes that, at the current stage, these matters will not have a material impact on the financial position or operating results of the Group. Should the ultimate outcomes of these matters differ from the initially estimated amounts, such differences will impact the profit or loss in the period during which such a determination is made.

28.2 Assets pledged

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

	As at 30 June 2022	As at 31 December 2021
Debt securities	689,863	1,050,527
Bills	1,968	1,778
Total	691,831	1,052,305

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

28 Contingent liabilities and commitments (Continued)

28.3 Collateral accepted

The Group accepts securities as collateral that are permitted to be sold or re-pledged in connection with reverse repurchase and derivative agreements with banks and other financial institutions. As at 30 June 2022, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB200,917 million (31 December 2021: RMB299,137 million). As at 30 June 2022, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB2,162 million (31 December 2021: RMB2,384 million). These transactions are conducted under standard terms in the normal course of business.

28.4 Capital commitments

	As at 30 June 2022	As at 31 December 2021
Property and equipment		
— Contracted but not provided for	66,950	34,371
— Authorised but not contracted for	2,178	1,992
Intangible assets		
— Contracted but not provided for	2,282	1,442
— Authorised but not contracted for	233	155
Investment properties and others		
— Contracted but not provided for	683	686
Total	72,326	38,646

28.5 Treasury bonds redemption commitments

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

As at 30 June 2022, the outstanding principal value of the treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB48,409 million (31 December 2021: RMB54,053 million). The original maturities of these treasury bonds vary from 3 to 5 years and management expects the amount of redemption through the Bank prior to the maturity dates of these bonds will not be material.

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

28 Contingent liabilities and commitments (Continued)

28.6 Credit commitments

	As at 30 June 2022	As at 31 December 2021
Loan commitments ⁽¹⁾		
— with an original maturity of less than 1 year	348,703	318,393
— with an original maturity of 1 year or above	2,117,838	1,898,072
Undrawn credit card limits	1,063,743	1,044,469
Letters of guarantee issued ⁽²⁾	1,117,894	1,086,152
Bank bill acceptance	429,368	378,118
Letters of credit issued	174,412	171,018
Accepted bills of exchange under letters of credit	77,778	80,958
Other	185,597	243,974
Total ⁽³⁾	5,515,333	5,221,154

(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 2022, the unconditionally revocable loan commitments of the Group amounted to RMB346,173 million (31 December 2021: RMB338,647 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 2022	As at 31 December 2021
Credit commitments	1,254,845	1,266,950

28.7 Underwriting obligations

As at 30 June 2022, there was no firm commitment in underwriting securities of the Group. (31 December 2021: RMB600 million).

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

29 Note to the condensed consolidated interim statement of cash flows

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

	As at 30 June 2022	As at 30 June 2021
Cash and due from banks and other financial institutions	562,476	470,009
Balances with central banks	609,456	602,670
Placements with and loans to banks and other financial institutions	613,061	795,151
Financial investments	97,321	111,727
Total	1,882,314	1,979,557

30 Related party transactions

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

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

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

30 Related party transactions (Continued)

30.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

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

(2) Transactions with Huijin

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

Transaction balances

	As at 30 June 2022	As at 31 December 2021
Investment in debt securities	32,395	37,842
Due to Huijin	(11,904)	(40,617)

Transaction amounts

	Six month period ended 30 June	
	2022	2021
Interest income	524	598
Interest expense	(283)	(197)

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

30 Related party transactions (Continued)

30.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin

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

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

Transaction balances

	As at 30 June 2022	As at 31 December 2021
Due from banks and other financial institutions	139,126	101,654
Placements with and loans to banks and other financial institutions	204,776	210,826
Financial investments	471,776	498,044
Derivative financial assets	9,178	7,407
Loans and advances to customers	81,919	64,341
Due to customers, banks and other financial institutions	(425,036)	(259,277)
Placements from banks and other financial institutions	(93,228)	(135,319)
Derivative financial liabilities	(9,596)	(8,561)
Credit commitments	48,309	47,175

Transaction amounts

	Six month period ended 30 June	
	2022	2021
Interest income	7,971	7,292
Interest expense	(4,278)	(3,226)

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 through the Group's branch network, 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. The main transactions that the Group entered into with associates and joint ventures are as follows:

Transaction balances

	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers	22,700	18,935
Due to customers, banks and other financial institutions	(25,968)	(16,285)
Credit commitments	26,757	27,408

Transaction amounts

	Six month period ended 30 June	
	2022	2021
Interest income	356	393
Interest expense	(232)	(153)

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

30 Related party transactions (Continued)

30.5 Transactions with the Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the six month period ended 30 June 2022 and the year ended 31 December 2021.

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 2022 and the year ended 31 December 2021, 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 2022, the Bank's balance of loans to the connected natural persons as defined in the regulations issued by the CBIRC, and Shanghai Stock Exchange totalled RMB343 million (31 December 2021: RMB352 million) and RMB12 million (31 December 2021: RMB14 million), respectively.

30.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

Transaction balances

	As at 30 June 2022	As at 31 December 2021
Due from banks and other financial institutions	58,115	98,768
Placements with and loans to banks and other financial institutions	239,396	273,438
Due to banks and other financial institutions	(170,141)	(200,982)
Placements from banks and other financial institutions	(54,252)	(40,061)

Transaction amounts

	Six month period ended 30 June	
	2022	2021
Interest income	1,869	881
Interest expense	(721)	(758)

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

31 Segment reporting

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

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

Geographical segments

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

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

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

Business segments

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

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

31 Segment reporting (Continued)

As at and for the six month period ended 30 June 2022

	Hong Kong (China), Macao (China) and Taiwan (China)				Other countries and regions	Elimination	Total
	Chinese mainland	BOCHK Group	Other	Subtotal			
Interest income	382,814	18,392	11,631	30,023	13,279	(7,105)	419,011
Interest expense	(182,807)	(5,486)	(8,604)	(14,090)	(5,226)	7,105	(195,018)
Net interest income	200,007	12,906	3,027	15,933	8,053	-	223,993
Fee and commission income	41,313	5,524	2,855	8,379	3,107	(2,882)	49,917
Fee and commission expense	(5,181)	(1,427)	(1,483)	(2,910)	(960)	2,279	(6,772)
Net fee and commission income	36,132	4,097	1,372	5,469	2,147	(603)	43,145
Net trading gains	256	5,975	1,643	7,618	1,070	-	8,944
Net gains/(losses) on transfers of financial assets	1,967	(1,702)	299	(1,403)	(7)	-	557
Other operating income ⁽¹⁾	9,329	8,777	19,166	27,943	72	(372)	36,972
Operating income	247,691	30,053	25,507	55,560	11,335	(975)	313,611
Operating expenses ⁽¹⁾	(76,183)	(13,616)	(16,608)	(30,224)	(3,577)	1,072	(108,912)
Impairment losses on assets	(43,317)	(1,424)	(6,495)	(7,919)	(1,574)	-	(52,810)
Operating profit	128,191	15,013	2,404	17,417	6,184	97	151,889
Share of results of associates and joint ventures	273	(129)	36	(93)	-	-	180
Profit before income tax	128,464	14,884	2,440	17,324	6,184	97	152,069
Income tax expense							(27,766)
Profit for the period							124,303
Segment assets	22,480,716	3,067,420	1,562,842	4,630,262	2,267,852	(1,363,424)	28,015,406
Investments in associates and joint ventures	21,841	488	15,023	15,511	-	-	37,352
Total assets	22,502,557	3,067,908	1,577,865	4,645,773	2,267,852	(1,363,424)	28,052,758
Include: non-current assets ⁽²⁾	112,943	27,136	170,949	198,085	8,831	(4,530)	315,329
Segment liabilities	20,534,558	2,811,970	1,426,015	4,237,985	2,198,827	(1,363,364)	25,608,006
Other segment items:							
Inter-segment net interest (expense)/income	(261)	(223)	1,429	1,206	(945)	-	-
Inter-segment net fee and commission income/(expense)	344	141	121	262	(3)	(603)	-
Capital expenditure	2,938	611	4,461	5,072	95	-	8,105
Depreciation and amortisation	10,170	902	3,246	4,148	395	(355)	14,358
Credit commitments	4,682,106	289,381	166,412	455,793	583,151	(205,717)	5,515,333

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

31 Segment reporting (Continued)

As at 31 December 2021 and for the six month period ended 30 June 2021

	Hong Kong (China), Macao (China) and Taiwan (China)				Other countries and regions	Elimination	Total
	Chinese mainland	BOCHK Group	Other	Subtotal			
Interest income	352,839	16,992	11,661	28,653	11,117	(5,675)	386,934
Interest expense	(168,646)	(3,231)	(8,391)	(11,622)	(3,568)	5,675	(178,161)
Net interest income	184,193	13,761	3,270	17,031	7,549	–	208,773
Fee and commission income	41,778	6,520	4,199	10,719	3,030	(2,615)	52,912
Fee and commission expense	(4,732)	(1,243)	(1,142)	(2,385)	(922)	1,940	(6,099)
Net fee and commission income	37,046	5,277	3,057	8,334	2,108	(675)	46,813
Net trading gains	4,439	1,479	3,533	5,012	303	–	9,754
Net gains on transfers of financial assets	1,228	376	28	404	220	–	1,852
Other operating income ⁽¹⁾	11,054	8,276	16,522	24,798	99	(288)	35,663
Operating income	237,960	29,169	26,410	55,579	10,279	(963)	302,855
Operating expenses ⁽¹⁾	(70,762)	(14,314)	(14,576)	(28,890)	(3,728)	1,023	(102,357)
Impairment losses on assets	(49,192)	(985)	(1,312)	(2,297)	(1,456)	–	(52,945)
Operating profit	118,006	13,870	10,522	24,392	5,095	60	147,553
Share of results of associates and joint ventures	322	(111)	538	427	–	–	749
Profit before income tax	118,328	13,759	11,060	24,819	5,095	60	148,302
Income tax expense							(29,755)
Profit for the period							118,547
Segment assets	21,471,302	2,951,526	1,659,173	4,610,699	2,292,838	(1,688,200)	26,686,639
Investments in associates and joint ventures	20,544	598	14,627	15,225	–	–	35,769
Total assets	21,491,846	2,952,124	1,673,800	4,625,924	2,292,838	(1,688,200)	26,722,408
Include: non-current assets ⁽²⁾	117,571	26,383	169,999	196,382	9,021	(4,275)	318,699
Segment liabilities	19,607,634	2,709,070	1,521,145	4,230,215	2,222,113	(1,688,107)	24,371,855
Other segment items:							
Inter-segment net interest (expense)/income	(2,479)	533	2,390	2,923	(444)	–	–
Inter-segment net fee and commission (expense)/income	(142)	208	257	465	352	(675)	–
Capital expenditure	3,012	465	7,554	8,019	102	–	11,133
Depreciation and amortisation	10,085	915	3,140	4,055	438	(274)	14,304
Credit commitments	4,433,323	293,314	171,201	464,515	535,677	(212,361)	5,221,154

(1) Other operating income includes insurance premium income earned, and operating expenses include insurance benefits and claims.

(2) Non-current assets include property and equipment, investment properties, right-of-use assets, intangible assets and other long-term assets.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

31 Segment reporting (Continued)

As at and for the six month period ended 30 June 2022

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	180,705	170,540	102,076	631	2,157	2,525	(39,623)	419,011
Interest expense	(93,254)	(72,559)	(65,194)	(60)	(46)	(3,528)	39,623	(195,018)
Net interest income/(expense)	87,451	97,981	36,882	571	2,111	(1,003)	-	223,993
Fee and commission income	18,940	17,159	10,325	4,168	-	923	(1,598)	49,917
Fee and commission expense	(622)	(3,341)	(644)	(973)	(2,537)	(62)	1,407	(6,772)
Net fee and commission income/(expense)	18,318	13,818	9,681	3,195	(2,537)	861	(191)	43,145
Net trading gains/(losses)	1,043	329	8,510	(59)	(1,641)	718	44	8,944
Net gains/(losses) on transfers of financial assets	908	56	(681)	5	265	5	(1)	557
Other operating income	150	5,103	239	194	21,452	11,697	(1,863)	36,972
Operating income	107,870	117,287	54,631	3,906	19,650	12,278	(2,011)	313,611
Operating expenses	(32,977)	(41,053)	(10,985)	(1,160)	(19,782)	(4,965)	2,010	(108,912)
Impairment losses on assets	(33,626)	(12,832)	(38)	(253)	(88)	(5,870)	(103)	(52,810)
Operating profit	41,267	63,402	43,608	2,493	(220)	1,443	(104)	151,889
Share of results of associates and joint ventures	-	-	-	168	-	37	(25)	180
Profit before income tax	41,267	63,402	43,608	2,661	(220)	1,480	(129)	152,069
Income tax expense								(27,766)
Profit for the period								124,303
Segment assets	10,895,280	6,224,013	9,987,866	94,849	253,431	655,788	(95,821)	28,015,406
Investments in associates and joint ventures	-	-	-	6,922	-	30,576	(146)	37,352
Total assets	10,895,280	6,224,013	9,987,866	101,771	253,431	686,364	(95,967)	28,052,758
Segment liabilities	12,408,882	9,074,200	3,546,896	63,776	234,955	374,890	(95,593)	25,608,006
Other segment items:								
Inter-segment net interest income/(expense)	6,647	32,487	(39,018)	97	1	(214)	-	-
Inter-segment net fee and commission income/(expense)	298	1,104	35	(243)	(1,159)	156	(191)	-
Capital expenditure	909	1,022	52	35	32	6,055	-	8,105
Depreciation and amortisation	4,601	5,390	1,404	194	163	3,066	(460)	14,358
Credit commitments	4,193,727	1,321,606	-	-	-	-	-	5,515,333

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

31 Segment reporting (Continued)

As at 31 December 2021 and for the six month period ended 30 June 2021

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	168,982	152,919	93,559	643	1,873	2,045	(33,087)	386,934
Interest expense	(84,959)	(65,393)	(57,503)	(95)	(83)	(3,215)	33,087	(178,161)
Net interest income/(expense)	84,023	87,526	36,056	548	1,790	(1,170)	–	208,773
Fee and commission income	19,167	20,616	9,846	3,890	–	1,108	(1,715)	52,912
Fee and commission expense	(636)	(3,223)	(647)	(1,166)	(1,857)	(55)	1,485	(6,099)
Net fee and commission income/(expense)	18,531	17,393	9,199	2,724	(1,857)	1,053	(230)	46,813
Net trading gains	971	576	4,336	357	481	2,994	39	9,754
Net gains on transfers of financial assets	933	130	694	16	68	11	–	1,852
Other operating income	240	6,156	188	180	18,296	12,173	(1,570)	35,663
Operating income	104,698	111,781	50,473	3,825	18,778	15,061	(1,761)	302,855
Operating expenses	(30,546)	(39,906)	(9,063)	(1,641)	(17,973)	(5,035)	1,807	(102,357)
Impairment losses on assets	(37,801)	(7,511)	(5,253)	3	(76)	(2,307)	–	(52,945)
Operating profit	36,351	64,364	36,157	2,187	729	7,719	46	147,553
Share of results of associates and joint ventures	–	–	–	192	–	584	(27)	749
Profit before income tax	36,351	64,364	36,157	2,379	729	8,303	19	148,302
Income tax expense								(29,755)
Profit for the period								118,547
Segment assets	10,117,500	6,179,877	9,521,320	92,943	231,683	637,470	(94,154)	26,686,639
Investments in associates and joint ventures	–	–	–	5,779	–	30,130	(140)	35,769
Total assets	10,117,500	6,179,877	9,521,320	98,722	231,683	667,600	(94,294)	26,722,408
Segment liabilities	12,303,472	8,427,530	3,131,945	62,915	211,832	328,198	(94,037)	24,371,855
Other segment items:								
Inter-segment net interest income/(expense)	7,228	25,249	(32,382)	120	5	(220)	–	–
Inter-segment net fee and commission income/(expense)	316	1,007	25	(368)	(944)	194	(230)	–
Capital expenditure	912	1,041	48	57	75	9,000	–	11,133
Depreciation and amortisation	4,583	5,483	1,321	205	128	2,981	(397)	14,304
Credit commitments	3,956,835	1,264,319	–	–	–	–	–	5,221,154

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

32 Transfers of financial assets

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

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. 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. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received.

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

	As at 30 June 2022		As at 31 December 2021	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	634	626	6,655	6,398

Credit asset transfers

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

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB555 million as at 30 June 2022 (31 December 2021: RMB680 million), which also approximates the Group's maximum exposure to loss.

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

32 Transfers of financial assets (Continued)

Credit asset transfers (Continued)

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. 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 RMB13,074 million for the six month period ended 30 June 2022 (six month period ended 30 June 2021: RMB33,434 million) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB23,131 million as at 30 June 2022 (31 December 2021: RMB21,579 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.

33.1 Unconsolidated structured entities

Structured entities sponsored by the Group

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

As at 30 June 2022, the balance of wealth management products sponsored by the Group amounted to RMB1,728,802 million (31 December 2021: RMB1,710,750 million). The balance of funds and asset management plans sponsored by the Group amounted to RMB721,008 million (31 December 2021: RMB739,464 million).

For the six month period ended 30 June 2022, the above-mentioned commission, custodian fees and management fees amounted to RMB4,881 million (six month period ended 30 June 2021: RMB6,079 million).

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. The Group may enter into reverse repurchase and placement transactions with these wealth management products in accordance with market principles. For the six month period ended 30 June 2022, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB9,300 million (six month period ended 30 June 2021: RMB52,516 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 30 June 2022, the balance of the above transactions was RMB8,200 million (31 December 2021: RMB2,600 million). The maximum exposure to loss of those placements approximated to their carrying amount.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(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 Unconsolidated structured entities (Continued)

Structured entities sponsored by the Group (Continued)

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB341 million for the six month period ended 30 June 2022 (six month period ended 30 June 2021: RMB182 million). For the description of the portion of asset-backed securities issued by the above structured entities and held by the Group, refer to Note III.32.

Structured entities sponsored by other financial institutions

The structured entities sponsored by other financial institutions in which the Group holds investments are set out below:

Structured entity type	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Maximum exposure to loss
As at 30 June 2022					
Fund investments	80,108	–	–	80,108	80,108
Investment trusts and asset management plans	2,201	2,222	8,667	13,090	13,090
Asset-backed securitisations	5,907	43,517	69,008	118,432	118,432
As at 31 December 2021					
Fund investments	68,914	–	–	68,914	68,914
Investment trusts and asset management plans	2,745	3,220	6,303	12,268	12,268
Asset-backed securitisations	11,357	45,880	67,844	125,081	125,081

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.

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 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Chinese mainland	14,016,435	82.88%	12,953,259	82.64%
Hong Kong (China), Macao (China) and Taiwan (China)	1,882,221	11.13%	1,752,527	11.18%
Other countries and regions	1,012,950	5.99%	969,208	6.18%
Total	16,911,606	100.00%	15,674,994	100.00%

Chinese mainland

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Northern China	2,003,951	14.30%	1,811,146	13.99%
Northeastern China	574,506	4.10%	548,436	4.23%
Eastern China	5,654,150	40.34%	5,158,395	39.82%
Central and Southern China	3,960,825	28.26%	3,708,815	28.63%
Western China	1,823,003	13.00%	1,726,467	13.33%
Total	14,016,435	100.00%	12,953,259	100.00%

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

	Chinese mainland	Hong Kong (China), Macao (China) and Taiwan (China)	Other countries and regions	Total
As at 30 June 2022				
Corporate loans and advances				
— Trade bills	1,199,810	107,736	138,654	1,446,200
— Other	7,234,042	1,172,124	809,786	9,215,952
Personal loans	5,582,583	602,361	64,510	6,249,454
Total	14,016,435	1,882,221	1,012,950	16,911,606
As at 31 December 2021				
Corporate loans and advances				
— Trade bills	1,021,482	94,900	139,539	1,255,921
— Other	6,469,397	1,087,192	768,734	8,325,323
Personal loans	5,462,380	570,435	60,935	6,093,750
Total	12,953,259	1,752,527	969,208	15,674,994

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Group

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	2,382,066	14.09%	2,043,199	13.04%
Manufacturing	2,155,239	12.74%	1,888,582	12.05%
Transportation, storage and postal services	1,822,805	10.78%	1,729,701	11.03%
Real estate	1,299,621	7.68%	1,212,336	7.73%
Production and supply of electricity, heating, gas and water	907,546	5.37%	836,651	5.34%
Financial services	754,958	4.46%	704,486	4.49%
Construction	366,109	2.17%	296,668	1.89%
Water, environment and public utility management	343,707	2.03%	302,591	1.93%
Mining	292,663	1.73%	268,158	1.71%
Public utilities	198,977	1.18%	170,548	1.09%
Other	138,461	0.82%	128,324	0.82%
Subtotal	10,662,152	63.05%	9,581,244	61.12%
Personal loans				
Mortgages	4,894,173	28.94%	4,826,412	30.79%
Credit cards	507,963	3.00%	507,107	3.24%
Other	847,318	5.01%	760,231	4.85%
Subtotal	6,249,454	36.95%	6,093,750	38.88%
Total	16,911,606	100.00%	15,674,994	100.00%

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Chinese mainland

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	1,884,391	13.45%	1,589,119	12.27%
Manufacturing	1,793,957	12.80%	1,549,639	11.96%
Transportation, storage and postal services	1,678,236	11.97%	1,578,645	12.19%
Real estate	734,769	5.24%	687,186	5.30%
Production and supply of electricity, heating, gas and water	705,072	5.03%	657,020	5.07%
Financial services	564,832	4.03%	500,380	3.86%
Construction	329,072	2.35%	266,775	2.06%
Water, environment and public utility management	336,245	2.40%	295,183	2.28%
Mining	166,993	1.19%	161,473	1.25%
Public utilities	186,441	1.33%	159,284	1.23%
Other	53,844	0.38%	46,175	0.36%
Subtotal	8,433,852	60.17%	7,490,879	57.83%
Personal loans				
Mortgages	4,351,721	31.05%	4,316,325	33.32%
Credit cards	498,152	3.55%	496,299	3.83%
Other	732,710	5.23%	649,756	5.02%
Subtotal	5,582,583	39.83%	5,462,380	42.17%
Total	14,016,435	100.00%	12,953,259	100.00%

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

Group

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Unsecured loans	5,691,474	33.65%	5,008,610	31.95%
Guaranteed loans	2,090,395	12.36%	1,863,868	11.89%
Collateralised and other secured loans	9,129,737	53.99%	8,802,516	56.16%
Total	16,911,606	100.00%	15,674,994	100.00%

Chinese mainland

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Unsecured loans	4,365,193	31.14%	3,801,150	29.35%
Guaranteed loans	1,695,356	12.10%	1,487,175	11.48%
Collateralised and other secured loans	7,955,886	56.76%	7,664,934	59.17%
Total	14,016,435	100.00%	12,953,259	100.00%

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans and advances by geographical area

Group

	As at 30 June 2022			As at 31 December 2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	204,169	89.85%	1.46%	193,030	92.45%	1.49%
Hong Kong(China), Macao (China) and Taiwan (China)	10,498	4.62%	0.56%	6,084	2.91%	0.35%
Other countries and regions	12,565	5.53%	1.24%	9,678	4.64%	1.00%
Total	227,232	100.00%	1.34%	208,792	100.00%	1.33%

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 2022			As at 31 December 2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	45,912	22.49%	2.29%	38,825	20.11%	2.14%
Northeastern China	13,609	6.66%	2.37%	13,939	7.22%	2.54%
Eastern China	57,084	27.96%	1.01%	51,633	26.75%	1.00%
Central and Southern China	69,718	34.15%	1.76%	73,624	38.14%	1.99%
Western China	17,846	8.74%	0.98%	15,009	7.78%	0.87%
Total	204,169	100.00%	1.46%	193,030	100.00%	1.49%

(ii) Impaired loans and advances by customer type

Group

	As at 30 June 2022			As at 31 December 2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	192,647	84.78%	1.81%	179,526	85.98%	1.87%
Personal loans	34,585	15.22%	0.55%	29,266	14.02%	0.48%
Total	227,232	100.00%	1.34%	208,792	100.00%	1.33%

Chinese mainland

	As at 30 June 2022			As at 31 December 2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	170,813	83.66%	2.03%	164,796	85.37%	2.20%
Personal loans	33,356	16.34%	0.60%	28,234	14.63%	0.52%
Total	204,169	100.00%	1.46%	193,030	100.00%	1.49%

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

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

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

	As at 30 June 2022			As at 31 December 2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Commerce and services	34,197	15.05%	1.81%	30,111	14.42%	1.89%
Manufacturing	48,589	21.38%	2.71%	55,341	26.50%	3.57%
Transportation, storage and postal services	18,259	8.03%	1.09%	18,073	8.66%	1.14%
Real estate	41,678	18.34%	5.67%	34,694	16.62%	5.05%
Production and supply of electricity, heating, gas and water	13,558	5.97%	1.92%	13,173	6.31%	2.00%
Financial services	211	0.09%	0.04%	201	0.10%	0.04%
Construction	2,968	1.31%	0.90%	3,406	1.63%	1.28%
Water, environment and public utility management	2,610	1.15%	0.78%	2,257	1.08%	0.76%
Mining	5,348	2.35%	3.20%	4,717	2.26%	2.92%
Public utilities	2,832	1.25%	1.52%	2,215	1.06%	1.39%
Other	563	0.25%	1.05%	608	0.29%	1.32%
Subtotal	170,813	75.17%	2.03%	164,796	78.93%	2.20%
Personal loans						
Mortgages	15,465	6.81%	0.36%	11,628	5.57%	0.27%
Credit cards	9,542	4.20%	1.92%	10,163	4.87%	2.05%
Other	8,349	3.67%	1.14%	6,443	3.08%	0.99%
Subtotal	33,356	14.68%	0.60%	28,234	13.52%	0.52%
Total for Chinese mainland	204,169	89.85%	1.46%	193,030	92.45%	1.49%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions						
	23,063	10.15%	0.80%	15,762	7.55%	0.58%
Total	227,232	100.00%	1.34%	208,792	100.00%	1.33%

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 2022			
Chinese mainland	204,169	(164,328)	39,841
Hong Kong (China), Macao (China) and Taiwan (China)	10,498	(5,451)	5,047
Other countries and regions	12,565	(5,383)	7,182
Total	227,232	(175,162)	52,070
As at 31 December 2021			
Chinese mainland	193,030	(162,182)	30,848
Hong Kong (China), Macao (China) and Taiwan (China)	6,084	(3,708)	2,376
Other countries and regions	9,678	(4,010)	5,668
Total	208,792	(169,900)	38,892

(3) Loans and advances rescheduled

Rescheduled loans refer to loans in which the Group has adjusted the repayment terms of the loan contract for which the borrower is in financial difficulty or unable to repay. The Group reschedules a non-performing loan only if the borrower has good prospects.

Rescheduled loans are subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "Special-mention" upon review if certain criteria are met. If the rescheduled loans fall overdue or if the borrowers are unable to demonstrate their repayment ability, these loans will be reclassified to "Doubtful" or below. All rescheduled loans within the surveillance period were determined to be impaired as at 30 June 2022 and 31 December 2021.

As at 30 June 2022 and 31 December 2021, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.1 Loans and advances (Continued)

(4) Overdue loans and advances to customers

Analysis of overdue loans and advances by geographical area

	As at 30 June 2022	As at 31 December 2021
Chinese mainland	176,240	155,015
Hong Kong (China), Macao (China) and Taiwan (China)	13,075	7,851
Other countries and regions	5,531	4,871
Subtotal	194,846	167,737
Percentage	1.15%	1.07%
Less: total loans and advances to customers which have been overdue for less than 3 months	(62,085)	(44,014)
Total loans and advances to customers which have been overdue for more than 3 months	132,761	123,723

(5) Loans and advances three-staging classification

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

	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2022				
Pass	16,428,474	33,476	–	16,461,950
Special-mention	–	218,776	–	218,776
Substandard	–	–	84,045	84,045
Doubtful	–	–	69,280	69,280
Loss	–	–	73,300	73,300
Total	16,428,474	252,252	226,625	16,907,351
As at 31 December 2021				
Pass	15,207,789	44,401	–	15,252,190
Special-mention	–	210,813	–	210,813
Substandard	–	–	61,184	61,184
Doubtful	–	–	60,718	60,718
Loss	–	–	86,284	86,284
Total	15,207,789	255,214	208,186	15,671,189

As at 30 June 2022 and 31 December 2021, loans and advances by five-category loan classification and stage classification did not include loans and advances to customers measured at fair value through profit or loss.

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.2 Debt securities

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

	Unrated	A to AAA	Lower than A	Total
As at 30 June 2022				
Issuers in Chinese mainland				
— Government	6,454	3,311,890	–	3,318,344
— Public sectors and quasi-governments	157,950	9,209	–	167,159
— Policy banks	–	548,682	–	548,682
— Financial institutions	42,537	188,936	179,190	410,663
— Corporate	98,467	104,289	45,175	247,931
— China Orient	152,433	–	–	152,433
Subtotal	457,841	4,163,006	224,365	4,845,212
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	74,484	567,707	13,280	655,471
— Public sectors and quasi-governments	48,763	59,927	241	108,931
— Financial institutions	6,880	124,820	61,061	192,761
— Corporate	13,932	84,615	37,650	136,197
Subtotal	144,059	837,069	112,232	1,093,360
Total	601,900	5,000,075	336,597	5,938,572
As at 31 December 2021				
Issuers in Chinese mainland				
— Government	5,677	3,177,655	–	3,183,332
— Public sectors and quasi-governments	162,546	2,195	–	164,741
— Policy banks	–	532,783	–	532,783
— Financial institutions	100,964	230,803	173,810	505,577
— Corporate	113,771	108,844	46,730	269,345
— China Orient	152,433	–	–	152,433
Subtotal	535,391	4,052,280	220,540	4,808,211
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	69,390	562,376	14,455	646,221
— Public sectors and quasi-governments	47,621	52,336	115	100,072
— Financial institutions	13,744	97,887	47,109	158,740
— Corporate	17,275	90,712	39,222	147,209
Subtotal	148,030	803,311	100,901	1,052,242
Total	683,421	4,855,591	321,441	5,860,453

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.3 Measurement of expected credit losses ("ECL")

The Group conducted an assessment of ECL according to forward-looking information and used a number of models and assumptions in its measurement of ECL. In assessing the ECL as at 30 June 2022, the Group has taken into account the impact of changes in current economic environment to the ECL model, including: individual borrower's operating and financial conditions and degree of impact from the Covid-19 pandemic, environmental and climate change impact, and industry-specific risks impacted by Covid-19 pandemic.

The critical assumptions and estimation techniques used by the Group in the ECL measurement are consistent with those used in 2021. The Group identifies key macroeconomic indicators that affect the credit risk and ECL of various business types, such as country or region local GDP, Investment in fixed assets, Producer Price Index, Home price index, Consumer Price Index etc. based on the statistical analysis of historical data.

Among the above, the forecast values of the annualized core macroeconomic indicator used in the baseline scenario to evaluate expected credit losses on 30 June 2022 by Chinese Mainland are as follows:

Indicator	Range of value
2022 Annual Growth Rate of China's GDP	4.5%–5%

As at 30 June 2022, the ECL reflected the Group's credit risk and the expectations for macroeconomic development of management.

IV FINANCIAL RISK MANAGEMENT (Continued)

1 Credit risk (Continued)

1.4 Derivatives

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

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

	As at 30 June 2022	As at 31 December 2021
Risk-weighted assets for default risk		
Currency derivatives	88,130	63,151
Interest rate derivatives	5,299	8,683
Equity derivatives	414	553
Commodity derivatives and other	16,095	13,657
	109,938	86,044
Risk-weighted assets for CVA	74,544	62,415
Risk-weighted assets for CCPs	5,227	2,335
Total	189,709	150,794

1.5 Repossessed assets

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

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.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(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 2022 and 30 June 2021:

Unit: USD million

	Six month period ended 30 June					
	2022			2021		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	19.19	27.08	10.90	15.10	18.03	11.24
Foreign exchange risk	41.89	49.40	34.51	28.13	41.51	9.75
Volatility risk	1.24	3.18	0.55	5.31	11.41	1.31
Commodity risk	2.73	7.17	0.18	5.25	10.77	0.82
Total of the Bank's trading VaR	52.24	62.61	45.62	35.45	48.83	19.49

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					
	2022			2021		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	3.94	8.10	2.07	1.78	3.40	0.80
Foreign exchange risk	3.19	5.12	1.90	3.18	5.29	1.77
Equity risk	0.12	0.32	0.03	0.13	0.29	0.05
Commodity risk	0.63	1.57	0.01	1.18	2.93	–
Total BOCHK (Holdings)'s trading VaR	4.89	7.87	2.79	3.65	6.15	2.44
BOCI's trading VaR⁽ⁱ⁾						
Equity derivatives unit	0.73	1.62	0.17	0.78	2.19	0.19
Fixed income unit	1.10	1.77	0.55	0.81	1.33	0.47
Global commodity unit	0.22	0.47	0.12	0.21	0.50	0.17
Total BOCI's trading VaR	2.04	3.14	0.99	1.81	3.58	0.97

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

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

(2) Banking book

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

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

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

	As at 30 June 2022						Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	
Assets							
Cash and due from banks and other financial institutions	507,122	53,349	80,105	2,646	–	62,970	706,192
Balances with central banks	1,974,586	2,647	338	1,322	–	163,505	2,142,398
Placements with and loans to banks and other financial institutions	612,634	146,214	372,679	50,748	–	3,799	1,186,074
Derivative financial assets	–	–	–	–	–	155,953	155,953
Loans and advances to customers, net	3,211,265	2,935,208	9,412,573	555,855	250,152	172,436	16,537,489
Financial investments							
— financial assets at fair value through profit or loss	15,557	36,476	117,876	116,905	52,393	200,802	540,009
— financial assets at fair value through other comprehensive income	210,134	182,280	341,471	1,049,185	567,074	29,441	2,379,585
— financial assets at amortised cost	92,867	247,536	324,761	1,241,198	1,419,502	2,613	3,328,477
Other	5,464	–	–	–	–	1,071,117	1,076,581
Total assets	6,629,629	3,603,710	10,649,803	3,017,859	2,289,121	1,862,636	28,052,758
Liabilities							
Due to banks and other financial institutions	1,709,482	366,016	536,819	17,232	46	35,728	2,665,323
Due to central banks	89,344	94,809	490,283	4,535	–	8,686	687,657
Placements from banks and other financial institutions	152,764	62,472	64,260	–	–	1,795	281,291
Derivative financial liabilities	–	–	–	–	–	128,807	128,807
Due to customers	10,968,016	1,495,487	3,506,904	3,085,220	42	492,558	19,548,227
Bonds issued	85,014	198,117	529,248	561,879	68,866	14,844	1,457,968
Other	10,410	4,942	16,733	32,813	5,278	768,557	838,733
Total liabilities	13,015,030	2,221,843	5,144,247	3,701,679	74,232	1,450,975	25,608,006
Total interest repricing gap	(6,385,401)	1,381,867	5,505,556	(683,820)	2,214,889	411,661	2,444,752

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.2 GAP analysis (Continued)

	As at 31 December 2021						Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non- interest bearing	
Assets							
Cash and due from banks and							
other financial institutions	370,446	66,997	141,347	4,187	–	61,839	644,816
Balances with central banks	1,994,874	5,249	582	630	–	227,391	2,228,726
Placements with and loans to banks and							
other financial institutions	758,329	164,425	283,939	47,392	–	3,328	1,257,413
Derivative financial assets	–	–	–	–	–	95,799	95,799
Loans and advances to customers, net	4,036,896	2,760,256	7,587,288	516,235	254,856	166,953	15,322,484
Financial investments							
— financial assets at fair value through profit or loss	26,362	28,697	93,136	50,591	167,964	194,892	561,642
— financial assets at fair value through other comprehensive income	161,329	308,986	351,443	1,023,935	510,635	33,502	2,389,830
— financial assets at amortised cost	203,421	42,429	380,675	1,313,316	1,270,988	2,370	3,213,199
Other	2,244	–	–	–	–	1,006,255	1,008,499
Total assets	7,553,901	3,377,039	8,838,410	2,956,286	2,204,443	1,792,329	26,722,408
Liabilities							
Due to banks and other financial institutions	1,767,330	256,822	570,038	14,176	258	74,115	2,682,739
Due to central banks	181,247	246,985	509,817	10,833	–	6,675	955,557
Placements from banks and							
other financial institutions	279,785	55,441	71,048	–	–	1,493	407,767
Derivative financial liabilities	–	–	–	–	–	89,151	89,151
Due to customers	10,253,710	1,451,583	2,941,491	2,978,127	32,521	485,455	18,142,887
Bonds issued	44,526	264,056	548,592	455,746	69,250	6,508	1,388,678
Other	6,067	4,728	8,187	34,226	5,838	646,030	705,076
Total liabilities	12,532,665	2,279,615	4,649,173	3,493,108	107,867	1,309,427	24,371,855
Total interest repricing gap	(4,978,764)	1,097,424	4,189,237	(536,822)	2,096,576	482,902	2,350,553

Notes to the Condensed Consolidated Interim Financial Information

for the six month period ended 30 June 2022

(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 2022 and 31 December 2021. 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 2022							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	429,455	169,268	28,535	42,954	5,445	5,249	25,286	706,192
Balances with central banks	1,612,025	264,253	25,884	114,480	25,842	37,848	62,066	2,142,398
Placements with and loans to banks and other financial institutions	725,466	372,360	34,863	7,329	293	1,160	44,603	1,186,074
Derivative financial assets	51,909	57,982	3,055	4,208	14,762	11,502	12,535	155,953
Loans and advances to customers, net	13,406,539	1,293,097	1,149,796	224,764	9,807	83,036	370,450	16,537,489
Financial investments								
— financial assets at fair value through profit or loss	396,379	57,452	75,207	10,235	703	29	4	540,009
— financial assets at fair value through other comprehensive income	1,547,588	391,446	149,260	26,320	166,249	3,366	95,356	2,379,585
— financial assets at amortised cost	2,922,779	334,803	15,484	9,269	1,979	3,209	40,954	3,328,477
Other	328,531	176,861	242,700	2,009	1,158	1,837	323,485	1,076,581
Total assets	21,420,671	3,117,522	1,724,784	441,568	226,238	147,236	974,739	28,052,758
Liabilities								
Due to banks and other financial institutions	1,787,012	426,627	42,759	48,614	19,403	14,569	326,339	2,665,323
Due to central banks	631,834	31,082	6,756	12,360	—	116	5,509	687,657
Placements from banks and other financial institutions	66,469	172,697	13,735	18,419	4,914	2,230	2,827	281,291
Derivative financial liabilities	48,787	49,954	3,755	2,960	2,825	10,424	10,102	128,807
Due to customers	15,330,580	1,892,469	1,393,881	315,370	58,903	62,494	494,530	19,548,227
Bonds issued	1,209,224	213,704	2,493	22,482	391	2,355	7,319	1,457,968
Other	362,874	118,887	306,552	2,275	502	7,267	40,376	838,733
Total liabilities	19,436,780	2,905,420	1,769,931	422,480	86,938	99,455	887,002	25,608,006
Net on-balance sheet position	1,983,891	212,102	(45,147)	19,088	139,300	47,781	87,737	2,444,752
Net off-balance sheet position	87,096	(137,624)	298,678	(8,962)	(125,402)	(44,769)	(37,374)	31,643
Credit commitments	4,101,118	852,087	233,040	155,224	8,744	48,148	116,972	5,515,333

IV FINANCIAL RISK MANAGEMENT (Continued)

2 Market risk (Continued)

2.3 Foreign currency risk (Continued)

	As at 31 December 2021							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	329,908	206,607	25,262	35,395	8,371	12,453	26,820	644,816
Balances with central banks	1,495,927	441,169	37,244	99,077	26,565	83,179	45,565	2,228,726
Placements with and loans to banks and other financial institutions	691,140	475,833	24,126	16,139	341	910	48,924	1,257,413
Derivative financial assets	46,853	23,782	2,533	2,594	3,017	6,908	10,112	95,799
Loans and advances to customers, net	12,418,293	1,219,684	1,060,054	213,634	9,455	69,951	331,413	15,322,484
Financial investments								
— financial assets at fair value through profit or loss	431,627	61,017	64,443	3,405	874	31	245	561,642
— financial assets at fair value through other comprehensive income	1,451,346	492,925	183,066	29,173	140,349	3,842	89,129	2,389,830
— financial assets at amortised cost	2,893,923	247,294	12,571	9,631	5,291	3,406	41,083	3,213,199
Other	311,401	174,209	220,831	2,728	1,091	2,188	296,051	1,008,499
Total assets	20,070,418	3,342,520	1,630,130	411,776	195,354	182,868	889,342	26,722,408
Liabilities								
Due to banks and other financial institutions	1,614,433	649,129	48,540	34,472	12,083	27,625	296,457	2,682,739
Due to central banks	880,695	36,232	19,606	13,329	—	86	5,609	955,557
Placements from banks and other financial institutions	151,620	220,939	11,267	14,686	4,987	2,066	2,202	407,767
Derivative financial liabilities	48,915	20,620	2,054	2,433	344	7,286	7,499	89,151
Due to customers	14,148,220	1,765,005	1,311,343	304,900	49,367	77,964	486,088	18,142,887
Bonds issued	1,135,020	205,952	3,833	28,889	—	3,486	11,498	1,388,678
Other	297,041	111,860	265,626	2,191	345	588	27,425	705,076
Total liabilities	18,275,944	3,009,737	1,662,269	400,900	67,126	119,101	836,778	24,371,855
Net on-balance sheet position	1,794,474	332,783	(32,139)	10,876	128,228	63,767	52,564	2,350,553
Net off-balance sheet position	161,015	(214,771)	264,127	1,674	(124,423)	(61,853)	(10,169)	15,600
Credit commitments	3,835,534	820,586	244,161	148,553	8,275	54,606	109,439	5,221,154

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(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 2022							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	–	252,930	317,160	53,350	80,106	2,646	–	706,192
Balances with central banks	1,536,416	577,985	20,976	5,353	346	1,322	–	2,142,398
Placements with and loans to banks and other financial institutions	1,315	–	589,487	139,845	386,650	68,777	–	1,186,074
Derivative financial assets	–	12,512	25,629	28,522	55,179	24,826	9,285	155,953
Loans and advances to customers, net	56,113	299,775	652,807	1,055,853	4,067,678	4,539,247	5,866,016	16,537,489
Financial investments								
— financial assets at fair value through profit or loss	199,318	–	16,876	34,570	115,477	118,293	55,475	540,009
— financial assets at fair value through other comprehensive income	22,793	–	173,601	164,994	353,213	1,080,768	584,216	2,379,585
— financial assets at amortised cost	2,818	–	74,979	94,312	326,008	1,399,291	1,431,069	3,328,477
Other	361,657	522,190	41,279	7,230	23,426	85,416	35,383	1,076,581
Total assets	2,180,430	1,665,392	1,912,794	1,584,029	5,408,083	7,320,586	7,981,444	28,052,758
Liabilities								
Due to banks and other financial institutions	–	1,632,689	112,515	366,017	536,824	17,232	46	2,665,323
Due to central banks	–	67,978	21,492	84,964	500,492	12,731	–	687,657
Placements from banks and other financial institutions	–	–	151,083	61,600	67,103	1,351	154	281,291
Derivative financial liabilities	–	8,480	20,047	25,960	47,285	20,779	6,256	128,807
Due to customers	–	9,419,703	1,808,553	1,416,833	3,706,658	3,196,412	68	19,548,227
Bonds issued	–	–	67,508	175,182	563,335	583,077	68,866	1,457,968
Other	–	381,153	60,049	74,649	104,248	125,345	93,289	838,733
Total liabilities	–	11,510,003	2,241,247	2,205,205	5,525,945	3,956,927	168,679	25,608,006
Net liquidity gap	2,180,430	(9,844,611)	(328,453)	(621,176)	(117,862)	3,363,659	7,812,765	2,444,752

IV FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity risk (Continued)

	As at 31 December 2021							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and								
other financial institutions	–	269,794	162,489	66,998	141,348	4,187	–	644,816
Balances with central banks	1,488,390	717,908	15,952	5,258	273	945	–	2,228,726
Placements with and loans to banks and								
other financial institutions	863	–	721,152	159,065	309,098	67,235	–	1,257,413
Derivative financial assets	–	9,765	12,558	15,998	27,189	24,500	5,789	95,799
Loans and advances to customers, net	36,911	236,595	648,963	968,575	3,176,279	4,236,421	6,018,740	15,322,484
Financial investments								
— financial assets at fair value through profit or loss	195,025	–	26,323	27,647	90,475	52,874	169,298	561,642
— financial assets at fair value through other comprehensive income	24,515	–	118,945	288,848	369,793	1,057,866	529,863	2,389,830
— financial assets at amortised cost	2,794	–	32,492	44,163	382,282	1,466,314	1,285,154	3,213,199
Other	362,964	479,476	24,765	10,745	19,233	78,603	32,713	1,008,499
Total assets	2,111,462	1,713,538	1,763,639	1,587,297	4,515,970	6,988,945	8,041,557	26,722,408
Liabilities								
Due to banks and other financial institutions	–	1,755,054	86,387	256,824	570,040	14,176	258	2,682,739
Due to central banks	–	60,448	110,267	247,523	515,964	21,355	–	955,557
Placements from banks and								
other financial institutions	–	–	274,022	58,425	72,598	2,566	156	407,767
Derivative financial liabilities	–	6,235	10,648	13,846	27,073	25,003	6,346	89,151
Due to customers	–	9,147,933	1,575,342	1,446,767	2,946,788	2,993,520	32,537	18,142,887
Bonds issued	–	–	26,122	237,121	572,062	483,716	69,657	1,388,678
Other	–	330,167	45,234	12,783	111,628	117,853	87,411	705,076
Total liabilities	–	11,299,837	2,128,022	2,273,289	4,816,153	3,658,189	196,365	24,371,855
Net liquidity gap	2,111,462	(9,586,299)	(364,383)	(685,992)	(300,183)	3,330,756	7,845,192	2,350,553

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value

4.1 Financial instruments measured at fair value

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

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

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

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

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

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity) 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. The main unobservable inputs include liquidity discounts, discount rates and expected dividend. 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 2022			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Due from and placements with banks and other financial institutions at fair value	–	5,137	–	5,137
Derivative financial assets	5,902	150,051	–	155,953
Loans and advances to customers at fair value	–	489,876	–	489,876
Financial assets at fair value through profit or loss				
— Debt securities	12,242	313,816	1,500	327,558
— Equity instruments	25,408	2,656	74,743	102,807
— Fund investments and other	30,825	22,853	55,966	109,644
Financial assets at fair value through other comprehensive income				
— Debt securities	344,428	2,010,211	865	2,355,504
— Equity instruments and other	8,190	8,398	7,493	24,081
Financial liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(67)	–	(67)
Due to customers at fair value	–	(25,569)	–	(25,569)
Bonds issued at fair value	–	(2)	–	(2)
Short position in debt securities	(1,700)	(23,025)	–	(24,725)
Derivative financial liabilities	(5,541)	(123,266)	–	(128,807)
	As at 31 December 2021			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Derivative financial assets	2,373	93,426	–	95,799
Loans and advances to customers at fair value	–	355,600	–	355,600
Financial assets at fair value through profit or loss				
— Debt securities	8,904	321,437	26,121	356,462
— Equity instruments	25,618	2,350	74,300	102,268
— Fund investments and other	29,208	27,573	46,131	102,912
Financial assets at fair value through other comprehensive income				
— Debt securities	385,049	1,977,034	995	2,363,078
— Equity instruments and other	7,774	10,323	8,655	26,752
Financial liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(162)	–	(162)
Due to customers at fair value	–	(31,311)	–	(31,311)
Bonds issued at fair value	–	(315)	(2)	(317)
Short position in debt securities	(1,945)	(10,513)	–	(12,458)
Derivative financial liabilities	(1,961)	(87,190)	–	(89,151)

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(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

4 Fair value (Continued)

4.1 Financial instruments measured at fair value (Continued)

Reconciliation of Level 3 items

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		
	Debt Securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other	Bonds issued at fair value
As at 1 January 2022	26,121	74,300	46,131	995	8,655	(2)
Total gains and losses						
— profit	129	130	4,903	—	—	—
— other comprehensive income	—	—	—	(175)	(243)	—
Sales	(1,854)	(2,439)	(1,547)	—	(999)	—
Purchases	—	3,100	6,287	—	—	—
Settlements	—	—	—	—	—	—
Transfers out of Level 3, net	(22,927)	(356)	—	—	—	2
Other changes	31	8	192	45	80	—
As at 30 June 2022	1,500	74,743	55,966	865	7,493	—
Total gains for the period included in the income statement for assets/liabilities held as at 30 June 2022	181	26	4,904	—	—	—

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		
	Debt securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other	Bonds issued at fair value
As at 1 January 2021	20,881	67,554	42,958	1,373	4,731	–
Total gains and losses						
— profit	413	493	2,954	–	–	–
— other comprehensive income	–	–	–	(57)	37	–
Sales	(355)	(4,576)	(7,489)	(283)	–	–
Purchases	5,202	15,029	7,920	–	3,944	–
Settlements	–	–	–	–	–	–
Issues	–	–	–	–	–	(2)
Transfers out of Level 3, net	–	(4,200)	–	–	–	–
Other changes	(20)	–	(212)	(38)	(57)	–
As at 31 December 2021	26,121	74,300	46,131	995	8,655	(2)
Total gains for the period included in the income statement for assets/liabilities held as at 31 December 2021	413	330	2,686	–	–	–

Total gains or losses arising from financial instruments measured at fair value under Level 3 for the six month period ended 30 June 2022 and the year ended 31 December 2021 were presented in “Net trading gains”, “Net gains on transfers of financial assets” or “Impairment losses on assets” depending on the nature or classification of the related financial instruments.

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

	Six month period ended 30 June					
	2022			2021		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the period	51	5,111	5,162	205	1,723	1,928

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 2022.

A 10% increase in all significant unobservable inputs applied in the valuation technique including liquidity discounts, discount rates and expected dividend would not result in significant variation in fair valuation of Level 3 financial instruments.

Notes to the Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2022

(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 “Due from banks and other financial institutions”, “Balances with central banks”, “Government certificates of indebtedness for bank notes issued”, “Due to banks and other financial institutions”, “Due to central banks”, “Bank notes in circulation”, “Placements with and loans to banks and other financial institutions at amortised cost”, “Loans and advances to customers measured at amortised cost”, “Financial investments measured at amortised cost”, “Placements from banks and other financial institutions at amortised cost”, “Due to customers at amortised cost” and “Bonds issued at amortised cost”.

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

	As at 30 June 2022		As at 31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities at amortised cost ⁽¹⁾	3,319,805	3,360,015	3,206,895	3,262,525
Financial liabilities				
Bonds issued ⁽²⁾	1,457,966	1,457,197	1,388,361	1,395,242

(1) Debt securities at amortised cost

The China Orient Bond and Special Purpose Treasury Bond held by the Bank are non-transferable. As there are no observable market prices or yields reflecting arm's length transactions of a comparable size and tenor, the fair 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 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities at amortised cost	128,261	3,033,105	2,766	3,164,132
Financial liabilities				
Bonds issued	–	1,457,197	–	1,457,197

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities at amortised cost	99,809	2,963,747	3,557	3,067,113
Financial liabilities				
Bonds issued	–	1,395,242	–	1,395,242

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

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for the six month period ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV FINANCIAL RISK MANAGEMENT (Continued)

5 Capital management

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

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

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

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

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

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

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

Goodwill, other intangible assets (excluding land use rights), investments in common equity tier 1 capital of financial institutions with controlling interests but outside of the scope of regulatory consolidation and other deductible items are deducted from common equity tier 1 capital to derive 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 2022	As at 31 December 2021
Common equity tier 1 capital adequacy ratio	11.33%	11.30%
Tier 1 capital adequacy ratio	13.63%	13.32%
Capital adequacy ratio	16.99%	16.53%
Composition of the Group's capital base		
Common equity tier 1 capital	1,908,782	1,870,301
Common shares	294,388	294,388
Capital reserve	133,957	133,951
Surplus reserve	212,770	212,602
General reserve	304,321	303,084
Undistributed profits	930,809	888,419
Eligible portion of minority interests	35,225	33,669
Other ⁽²⁾	(2,688)	4,188
Regulatory deductions	(26,295)	(26,415)
Of which:		
Goodwill	(182)	(182)
Other intangible assets (except for land use rights)	(16,189)	(16,393)
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,867)	(9,785)
Net common equity tier 1 capital	1,882,487	1,843,886
Additional tier 1 capital	380,461	329,845
Preference shares and related premium	119,550	119,550
Additional capital instruments and related premium	249,944	199,955
Eligible portion of minority interests	10,967	10,340
Net tier 1 capital	2,262,948	2,173,731
Tier 2 capital	558,952	525,108
Tier 2 capital instruments issued and related premium	401,882	387,746
Excess loan loss provisions	147,482	128,114
Eligible portion of minority interests	9,588	9,248
Net capital	2,821,900	2,698,839
Risk-weighted assets	16,607,949	16,323,713

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

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