

**BANK OF CHINA INTERNATIONAL LIMITED
(A RESTRICTED LICENCE BANK WHOLLY-OWNED BY
BANK OF CHINA LIMITED)**

中銀國際有限公司
(中國銀行股份有限公司全資附屬之有限牌照銀行)

2023 INTERIM REPORT

BANK OF CHINA INTERNATIONAL LIMITED
(A RESTRICTED LICENCE BANK WHOLLY-OWNED BY BANK OF CHINA LIMITED)
中銀國際有限公司

(中國銀行股份有限公司全資附屬之有限牌照銀行)

The Directors of Bank of China International Limited (A restricted licence bank wholly-owned by Bank of China Limited) ("the Company") are pleased to announce the unaudited results of the Company for the 6-month period ended 30 June 2023.

CONDENSED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June	
		2023 HK\$	2022 HK\$
Interest income	4	102,574,823	51,447,393
Interest expense	4	(46,759,496)	(10,547,328)
Net interest income	4	<u>55,815,327</u>	<u>40,900,065</u>
		-----	-----
Fee and commission income	5	42,836,038	71,424,743
Fee and commission expense	5	(88,051)	(53,994)
Net fee and commission income	5	<u>42,747,987</u>	<u>71,370,749</u>
		-----	-----
Net trading gains/(loss)	6	<u>827,358</u>	<u>(686,750)</u>
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Operating income		99,390,672	111,584,064
Operating expenses	7	(99,903,819)	(98,218,551)
(Loss)/profit before impairment allowances		<u>(513,147)</u>	<u>13,365,513</u>
Net charge of impairment allowances	8	(191,076)	(87,279)
(Loss)/profit before taxation		<u>(704,223)</u>	<u>13,278,234</u>
Income tax credit/(expense)	9	1,973,087	(2,059,240)
Profit for the period		<u><u>1,268,864</u></u>	<u><u>11,218,994</u></u>

The accompanying notes form an integral part of these financial statements.

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$	HK\$
Profit for the period	1,268,864	11,218,994
Total comprehensive income for the period	<u>1,268,864</u>	<u>11,218,994</u>

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CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
ASSETS			
Cash and due from banks	11	1,308,169,470	2,448,791,907
Derivative financial instruments	12	1,411,534	2,520,361
Loans and advances to customers	13	2,528,205,574	2,951,152,732
Debt instruments	14	2,132,939,728	993,212,552
Deferred tax assets		2,009,906	36,819
Tax recoverable		3,834,549	3,834,549
Other assets	15	4,725,567	5,726,354
Total assets		<u>5,981,296,328</u>	<u>6,405,275,274</u>
LIABILITIES			
Deposits from customers	16	3,932,905,920	4,276,284,437
Amounts due to an intermediate holding company	17	183,205,398	87,690,251
Derivative financial instruments	12	19,225,451	3,098,780
Other liabilities	18	51,418,627	244,929,738
Total liabilities		<u>4,186,755,396</u>	<u>4,612,003,206</u>
EQUITY			
Share capital	19	1,000,000,000	1,000,000,000
Retained earnings		794,540,932	793,272,068
Total equity		<u>1,794,540,932</u>	<u>1,793,272,068</u>
Total liabilities and equity		<u>5,981,296,328</u>	<u>6,405,275,274</u>

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CONDENSED STATEMENT OF CHANGES IN EQUITY

	Unaudited		
	Share capital HK\$	Retained earnings HK\$	Total HK\$
Balance at 1 January 2022	1,000,000,000	784,124,798	1,784,124,798
Profit for the period and total comprehensive income for the period	-	11,218,994	11,218,994
Balance at 30 June 2022 and 1 July 2022	1,000,000,000	795,343,792	1,795,343,792
Loss for the period and total comprehensive income for the period	-	(2,071,724)	(2,071,724)
Balance at 31 December 2022 and 1 January 2023	1,000,000,000	793,272,068	1,793,272,068
Profit for the period and total comprehensive income for the period	-	1,268,864	1,268,864
Balance at 30 June 2023	1,000,000,000	794,540,932	794,540,932

¹ As at 30 June 2023, a regulatory reserve of HK\$25,261,498 (31 Decemeber 2022: HK\$29,478,435) was earmarked in the retained earnings above. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose and in consultation with the Hong Kong Monetary Authority (“HKMA”). Movements in the reserves are made directly through retained earnings.

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CONDENSED CASH FLOW STATEMENT

		Unaudited	
	Note	Six months ended 30 June 2023 HK\$	Six months ended 30 June 2022 HK\$
Cash flows from operating activities			
(Loss)/profit before taxation		(704,223)	13,278,234
Net charge of impairment allowances		191,076	87,279
(Increase)/decrease in placements with banks with original maturity over three months		(235,336,107)	687,394,962
Decrease in derivative financial instruments		17,235,498	6,117,547
Decrease in loans and advances to customers		422,947,492	1,029,193,750
Increase in debt instruments		(1,139,899,153)	(199,072,766)
Decrease in other assets		1,000,787	829,662
Decrease in deposits from customers		(343,378,517)	(289,590,644)
Increase in amounts due to an intermediate holding company		95,515,147	92,857,688
(Decrease)/increase in other liabilities		(193,511,111)	5,526,898
Hong Kong profits tax paid		-	(2,472,656)
Net cash (used in)/generated from operating activities		<u>(1,375,939,111)</u>	<u>1,344,149,954</u>
Net (decrease)/increase in cash and cash equivalents		(1,375,939,111)	1,344,149,954
Cash and cash equivalents at 1 January		<u>2,448,809,364</u>	<u>1,133,590,088</u>
Cash and cash equivalents at 30 June	11	<u><u>1,072,870,253</u></u>	<u><u>2,477,740,042</u></u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

The unaudited interim report has been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and also complies with the requirements set out in the Banking (Disclosure) Rules.

(a) New and amended standards adopted by the Company

A number of amended standards became applicable for the current reporting period. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) Standards, amendments and interpretations issued that are not yet mandatorily effective and have not been early adopted by the Company in 2023

The Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements.

Amendments to HKAS 1	<i>Disclosure of non current liabilities with covenants¹</i>
Amendments to HKFRS 16	<i>Lease liability in sales and leasback¹</i>

¹ Effective for annual periods beginning on or after 1 January 2024

The above new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Accounting policies

The accounting policies and methods of computation used in the preparation of the unaudited interim report are consistent with those used in the financial statements for the year ended 31 December 2022 and should be read in conjunction with the annual report for 2022.

3 Critical accounting estimates and judgment in applying accounting policies

The Company makes estimates and assumptions that are consistent with those used in the financial statements for the year ended 31 December 2022.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

4 Net interest income

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$	HK\$
Interest income arising from financial assets that are not measured at fair value through profit or loss		
- loans and advances to customers	58,737,793	35,030,611
- cash and due from banks	23,508,854	15,533,194
- debt instruments at amortised cost	20,328,176	883,588
	<u>102,574,823</u>	<u>51,447,393</u>
Interest expense arising from financial liabilities that are not measured at fair value through profit or loss		
- deposits from customers	(46,651,093)	(10,547,222)
- deposits and balances from banks	(108,403)	(106)
	<u>(46,759,496)</u>	<u>(10,547,328)</u>
Net interest income	<u><u>55,815,327</u></u>	<u><u>40,900,065</u></u>

5 Net fee and commission income

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$	HK\$
Investment services fees received from fellow subsidiaries (Note 22)	42,822,917	71,411,333
Others	13,121	13,410
Fee and commission income	<u>42,836,038</u>	<u>71,424,743</u>
Less: fee and commission expense	<u>(88,051)</u>	<u>(53,994)</u>
Net fee and commission income	<u><u>42,747,987</u></u>	<u><u>71,370,749</u></u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

6 Net trading gains/(loss)

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$	HK\$
Foreign exchange	827,358	(686,750)

The amounts include gains and losses from spot, forward and swap and difference of assets and liabilities denominated in foreign currencies into HK dollars at the end of the reporting period.

7 Operating expenses

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$	HK\$
Management fee paid (Note 22)	43,634,335	41,556,700
Staff costs	45,302,626	49,072,585
Auditor's remuneration	168,750	177,188
Operating lease expenses	771,842	745,136
Information technology and communications expenses	4,120,474	4,069,203
Miscellaneous expenses	5,905,792	2,597,739
	<u>99,903,819</u>	<u>98,218,551</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

8 Net charge of impairment allowances

	Unaudited Six months ended 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
	HK\$	HK\$	HK\$	HK\$
Cash and due from banks	19,433	-	-	19,433
Loans and advances to customers	(334)	-	-	(334)
Debt instruments	171,977	-	-	171,977
Financial assets included in other assets	-	-	-	-
Net impairment charge	191,076	-	-	191,076

	Unaudited Six months ended 30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
	HK\$	HK\$	HK\$	HK\$
Cash and due from banks	34,175	-	-	34,175
Loans and advances to customers	(153)	-	-	(153)
Debt instruments	53,255	-	-	53,255
Financial assets included in other assets	2	-	-	2
Net impairment charge	87,279	-	-	87,279

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

9 Income tax credit/(expense)

Hong Kong profits tax has been provided at the rate of 16.5% (first half of 2022: 16.5%) on the estimated assessable profit for the period.

The amount of taxation credited/(charged) to the condensed income statement represents:

	Unaudited Six months ended 30 June	
	2023	2022
	HK\$	HK\$
Current income tax:		
- Hong Kong profits tax	-	(2,071,904)
- Deferred income tax	1,973,087	12,664
	<u>1,973,087</u>	<u>(2,059,240)</u>

10 Profit attributable to equity holders

The profit attributable to equity holders of the Company is dealt with in the condensed financial statements of the Company to the extent of HK\$1,268,864 (first half of 2022: HK\$11,218,994).

11 Cash and due from banks

	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
Cash and due from banks	228,212,317	1,300,680,053
Placements with banks maturing less than one month	480,497,507	1,148,129,311
Placements with banks maturing greater than one month	599,496,536	-
Less: allowance for impairment losses – Stage 1	(36,890)	(17,457)
	<u>1,308,169,470</u>	<u>2,448,791,907</u>

Included in the balance, there were accrued interest receivable of HK\$1,565,043 as at 30 June 2023 (31 December 2022: HK\$2,297,311).

There were no overdue of cash and due from banks as at 30 June 2023 and 31 December 2022.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

11 Cash and due from banks (continued)

	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
Analysis of balances of cash and cash equivalents:		
Cash and due from banks	228,212,317	1,300,680,053
Placements with banks with original maturity within three month	844,657,936	1,148,129,311
	<u>1,072,870,253</u>	<u>2,448,809,364</u>

The movement in provision for impairment of cash and due from banks is as follows:

	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
<u>Stage 1</u>		
Beginning of the period	17,457	240,643
Net charge/(release) during the period	19,433	(223,186)
At period end	<u>36,890</u>	<u>17,457</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

12 Derivative financial instruments

	Unaudited 30 June 2023		
	Notional amount HK\$'000	Fair value assets HK\$	Fair value liabilities HK\$
Derivatives held for trading			
- Foreign exchange forwards and swaps	1,257,493	1,411,534	19,225,451
		<u>1,411,534</u>	<u>19,225,451</u>
		<u><u>1,411,534</u></u>	<u><u>19,225,451</u></u>
	Audited 31 December 2022		
	Notional amount HK\$'000	Fair value assets HK\$	Fair value liabilities HK\$
Derivatives held for trading			
- Foreign exchange forwards and swaps	687,960	2,520,361	3,098,780
		<u>2,520,361</u>	<u>3,098,780</u>
		<u><u>2,520,361</u></u>	<u><u>3,098,780</u></u>

The contractual/notional amounts and fair values of derivative financial instruments held by the Company are set out in the following tables. The contractual/ notional amounts of these instruments indicate the volume of transactions outstanding at the end of the reporting periods and certain of them provide a basis for comparison with fair value instruments recognised on the statement of financial position. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Company's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial instruments assets and liabilities can fluctuate significantly from time to time.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

13 Loans and advances to customers

	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
Loans and advances to customers:		
- individuals	2,233,542,773	2,526,812,035
- corporates	295,942,892	425,615,062
	<u>2,529,485,665</u>	<u>2,952,427,097</u>
Less: allowance for impairment losses	(1,280,091)	(1,274,365)
Total	<u><u>2,528,205,574</u></u>	<u><u>2,951,152,732</u></u>

The carrying amounts of loans and advances to customers approximated their fair value. Included in the balance, there were overdue loans of HK\$1,279,725 (31 December 2022: HK\$1,273,665) and accrued interest receivable of HK\$2,068,291 (31 December 2022: HK\$3,288,449).

The movement in provision for impairment against loans and advances to customers is as follows:

	Stage 1	Stage 3	Total
	HK\$	HK\$	HK\$
At 1 January 2023	700	1,273,665	1,274,365
Net release during the period	(334)	-	(334)
Exchange difference	-	6,060	6,060
	<u>366</u>	<u>1,279,725</u>	<u>1,280,091</u>
At 30 June 2023	<u><u>366</u></u>	<u><u>1,279,725</u></u>	<u><u>1,280,091</u></u>
	HK\$	HK\$	HK\$
At 1 January 2022	668	1,273,452	1,274,120
Net release during the year	32	-	32
Exchange difference	-	213	213
	<u>700</u>	<u>1,273,665</u>	<u>1,274,365</u>
At 31 December 2022	<u><u>700</u></u>	<u><u>1,273,665</u></u>	<u><u>1,274,365</u></u>

As at 30 June 2023, loans and advances to customers classified under stage 1 and stage 3 amounted to HK\$2,528,205,940 and HK\$1,279,725 (2022: HK\$2,951,153,432 and HK\$1,273,665) respectively.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

14 Debt instruments

	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
<u>Debt instruments at amortised cost</u>		
Hong Kong Exchange Fund Bills, unlisted	199,931,326	797,911,003
Other debt securities, unlisted	1,933,295,218	195,416,388
Less: allowance for impairment losses - Stage 1	(286,816)	(114,839)
	<u>2,132,939,728</u>	<u>993,212,552</u>
Analysed by type of issuers as follows:		
Sovereigns	199,922,916	797,866,087
Public sector entity	976,119,813	195,346,465
Banks	956,896,999	-
	<u>2,132,939,728</u>	<u>993,212,552</u>
Analysed by issue specific credit rating as follows:		
AA+ to AA-	<u>2,132,939,728</u>	<u>993,212,552</u>

Balances include accrued interest receivable of HK\$3,072,975 (31 December 2022: Nil).

The movement in provision for impairment against debt instruments at amortised cost is as follows:

	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
<u>Stage 1:</u>		
Beginning of the period	114,839	18,018
Net charge during the period	171,977	96,821
At period end	<u>286,816</u>	<u>114,839</u>

There were no overdue of debt instruments at amortised cost as at 30 June 2023 and 31 December 2022.

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15 Other assets

	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
Deposits, prepayments and other receivables	4,725,568	5,726,355
Less: allowance for impairment losses - Stage 1	(1)	(1)
	<u>4,725,567</u>	<u>5,726,354</u>

The movement in provision for impairment against other assets is as follows:

	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
Stage 1:		
Beginning of the period	1	-
Net charge during the period	-	1
	<u>1</u>	<u>1</u>

There were no overdue of other assets as at 30 June 2023 and 31 December 2022.

16 Deposits from customers

	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
Time and call deposits		
- Individuals	324,457,328	429,077,465
- Corporates	3,608,448,592	3,847,206,972
	<u>3,932,905,920</u>	<u>4,276,284,437</u>

Balance includes accrued interest payable of HK\$11,519,222 (31 December 2022: HK\$5,354,168).

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

17 Amounts due to an intermediate holding company

The amounts due to an intermediate holding company are interest free, unsecured and repayable on demand.

18 Other liabilities

	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
Payable on pending trade settlement	-	195,416,388
Others ^(Note)	51,418,627	49,513,350
	<u>51,418,627</u>	<u>244,929,738</u>

Note: Included in the amount the provision for bonus as part of employee benefits, other payables and accruals of expenses.

19 Share capital

	Unaudited At 30 June 2023 HK\$	Audited At 31 December 2022 HK\$
Issued and fully paid: 1,000,000 (31 December 2022: 1,000,000) ordinary shares	<u>1,000,000,000</u>	<u>1,000,000,000</u>

20 Contingent liabilities and commitments

The Company has no contingent liabilities, no irrevocable loan commitment and no forward deposits placed as at 30 June 2023 and 31 December 2022.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

21 Segment reporting

All income, profit or loss, assets, liabilities and off-balance sheet items of the Company are derived from Hong Kong.

Private banking	Provides a range of services for high net-worth individual clients and corporate clients
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The Company's business segment results for the six months ended 30 June 2023 and 30 June 2022 are as follows:

	Private banking	
	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$	HK\$
Net interest income	55,815,327	40,900,065
Net fee and commission income	42,747,987	71,370,749
Net trading gain/(loss)	827,358	(686,750)
Operating income	99,390,672	111,584,064
Operating expenses	(99,903,819)	(98,218,551)
(Loss)/profit before impairment allowances	(513,147)	13,365,513
Net charge of impairment allowances	(191,076)	(87,279)
(Loss)/profit before taxation	(704,223)	13,278,234
	Unaudited	Audited
	At 30 June	At 31 December
	2023	2022
	HK\$	HK\$
Segment assets	5,981,296,328	6,405,275,274
Segment liabilities	4,186,755,396	4,612,003,206

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

22 Related-party transactions

Summary of material transactions entered into during the ordinary course of business with fellow subsidiaries in BOC International Holdings Limited and other subsidiaries of Bank of China Limited are as follows:

	Notes	<u>BOC</u> <u>International</u> <u>Holdings</u> <u>Limited and its</u> <u>subsidiaries</u> HK\$	<u>Bank of China</u> <u>Limited and its</u> <u>subsidiaries</u> HK\$
<u>Unaudited condensed</u>			
<u>income statement for the six months ended 30 June 2023</u>			
Interest income	i	-	585,880
Interest expenses	ii	(44,948,852)	2,919,037
Fee and commission income	iii	42,822,917	-
Management fee paid	iv	(43,634,335)	-
Operating lease expenses	v	(759,782)	-
Miscellaneous expenses	vi	-	(951,881)
		<u> </u>	<u> </u>
<u>Unaudited condensed</u>			
<u>income statement for the six months ended 30 June 2022</u>			
Interest income	i	8,611,772	6,043,783
Interest expenses	ii	(9,629,430)	(106)
Fee and commission income	iii	71,411,333	-
Management fee paid	iv	(41,556,700)	-
Operating lease expenses	v	(708,921)	-
Miscellaneous expenses	vi	-	(1,030,550)
		<u> </u>	<u> </u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

22 Related-party transactions (continued)

	Notes	<u>BOC</u> <u>International</u> <u>Holdings</u> <u>Limited and its</u> <u>subsidiaries</u> HK\$	<u>Bank of</u> <u>China</u> <u>Limited and</u> <u>its</u> <u>subsidiaries</u> HK\$
<u>At 30 June 2023 (Unaudited)</u>			
<u>Condensed statement of financial position</u>			
Assets			
Cash and due from banks	i	-	217,551,969
Derivative financial instruments	v	435,362	970,360
Debt instruments	viii	-	233,122,605
		<u> </u>	<u> </u>
Liabilities			
Deposits from customers	ii	85,309,768	2,158,266
Derivative financial instruments	v	18,301,328	923,450
		<u> </u>	<u> </u>
<u>At 31 December 2022 (Audited)</u>			
<u>Statement of financial position</u>			
Assets			
Cash and due from banks	i	-	1,289,305,610
Derivative financial instruments	v	2,490,361	30,000
		<u> </u>	<u> </u>
Liabilities			
Deposits from customers	ii	207,861,763	2,143,386
Derivative financial instruments	v	483,121	2,615,658
		<u> </u>	<u> </u>

- (i) Interest income from bank deposits, bank balances and foreign exchange swap contracts

In the ordinary course of business, the Company placed its cash and due from banks with Bank of China Limited and its related entities. These deposits were conducted at prices and terms that were no more favourable than those contracted with other third party customers.

In the ordinary course of business, the Company entered into foreign exchange swap contracts with related parties for funding purposes. These transactions were executed at the relevant market rates at the time of the transactions.

- (ii) Interest expense on deposits from customers and deposits and balances from banks and foreign exchange swap contracts

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

22 Related-party transactions (continued)

In the ordinary course of business, the Company accepted deposits and borrowing from related parties. These transactions are entered into at the relevant market rates at the time of the transactions and at prices and terms that were no more favourable than those contracted with other third party customers.

In the ordinary course of business, the Company entered into foreign exchange swap contracts with related parties for funding purposes. These transactions were executed at the relevant market rates at the time of the transactions.

- (iii) The Company received investment services fees from its fellow subsidiaries, BOCI Securities Limited and BOCI Private Wealth Management Limited, for the services provided by the Company in the capacity as an agent to introduce client businesses to the fellow subsidiaries.
- (iv) The Company has agreements with its intermediate holding company, BOC International Holdings Limited, under which the intermediate holding company provides administration and support services to the Company in return for a fee which is agreed and reviewed on an annual basis. This agreement can be terminated by both parties giving not less than one month's written notice. During the period, HK\$43,634,355 (first half of 2022: HK\$41,556,700) was paid to the intermediate holding company by the Company (Note 7).
- (v) In the ordinary course of business, the Company entered into exchange rate contracts with related entities. These transactions were executed at the relevant market rates at the time of the transactions.
- (vi) In the ordinary course of business, the intermediate holding company, BOC International Holdings Limited, has lease agreements with Bank of China Limited and its subsidiaries. The Company was recharged for part of the operating lease rental by its intermediate holding company at the relevant market rate at the time of the transaction.
- (vii) The Company paid fees to the Bank of China Limited group for the insurance, training services and welfare provided to the Company.
- (viii) In the ordinary course of business, the Company purchased debt instruments issued by related entities. These transactions were executed at the relevant market prices at the time of the transactions.
- (ix) The Company has entered into an agreement with its fellow subsidiary BOCI Finance Limited, under which the Company grants BOCI Finance Limited a funded participation in all, or as case may be, part of the loans and advances of the Company.

23 Statutory accounts

The information in the interim report is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies and the Hong Kong Monetary Authority. The auditors expressed an unqualified opinion on those statutory accounts in their report dated 20 April 2023.

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

1.1 Key prudential ratios

		30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022
	Regulatory capital (amount)	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
1	Common Equity Tier 1 (CET1)	1,767,269	1,767,559	1,763,757	1,770,852	1,758,138
2	Tier 1	1,767,269	1,767,559	1,763,757	1,770,852	1,758,138
3	Total capital	1,791,026	1,789,105	1,788,109	1,795,318	1,792,105
	RWA (amount)	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
4	Total RWA	2,478,918	2,320,703	2,553,756	2,556,538	3,351,809
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	71.29%	76.16%	69.07%	69.27%	52.45%
6	Tier 1 ratio (%)	71.29%	76.16%	69.07%	69.27%	52.45%
7	Total capital ratio (%)	72.25%	77.09%	70.02%	70.22%	53.47%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%) ¹	0.533%	0.538%	0.496%	0.523%	0.532%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirement (%)	3.033%	3.038%	2.996%	3.023%	3.032%
12	CET1 available after meeting the AI's minimum capital requirements (%)	61.00%	65.84%	58.77%	58.97%	42.22%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure (HKS'000)	6,691,136	6,300,659	7,217,747	7,082,599	9,404,576
14	LR (%)	26.41%	28.05%	24.43%	25.00%	18.69%

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

1.1 Key prudential ratios (continued)

		30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only:					
17a	LMR (%)	87.76%	70.20%	62.17%	59.03%	51.92%
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

In accordance with the Banking (Capital) Rules effective from 1 January 2007, the Company adopts the standardised approach, standardised approach, basic indicator approach and solo basis to calculate its credit risk, market risk, operational risk and capital adequacy ratio respectively.

¹ The applicable jurisdictional countercyclical capital buffer (CCyB) ratio for Hong Kong used in the calculation of CCyB buffer requirement was 1.0% for 2022 Q2 to 2023 Q2.

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

1.2 Overview of risk-weighted amount ("RWA")

(HK\$'000)		RWA		Minimum capital requirements
		As at 30 June 2023	As at 31 March 2023	As at 30 June 2023
1	Credit risk for non-securitization exposures	1,889,310	1,710,063	151,145
2	Of which STC approach	1,889,310	1,710,063	151,145
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	11,274	13,595	902
7	Of which SA-CCR approach	11,274	13,595	902
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	2,313	2,663	185
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA*	N/A	N/A	N/A
13	CIS exposures – MBA*	N/A	N/A	N/A
14	CIS exposures – FBA*	N/A	N/A	N/A
14a	CIS exposures – combination of approaches*	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	31,550	41,650	2,524
21	Of which STM approach	31,550	41,650	2,524
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	N/A	N/A	N/A
24	Operational risk	546,300	557,925	43,704
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	1,829	5,193	146
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	1,829	5,193	146
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
27	Total	2,478,918	2,320,703	198,314

N/A: Not applicable

Items marked with asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, "N/A" is reported in the rows.

During the second quarter in 2023, total RWAs increased by approximate HK\$158 million, which was mainly due to the increase in RWAs on credit risk for non-securitization exposures attributed by the debt portfolio enlargement.

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2.1 Composition of regulatory capital

At 30 June 2023

(In HK\$'000)		Amount	Cross reference to balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,000,000	(1)
2	Retained earnings	769,279	(2)
3	Disclosed reserves	25,262	
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	N/A	N/A
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory adjustments	1,794,541	
CET1 capital: regulatory deductions			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	2,010	(4)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	N/A	N/A
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A	N/A
22	Amount exceeding the 15% threshold	N/A	N/A
23	of which: significant investments in the ordinary share of financial sector entities	N/A	N/A
24	of which: mortgage servicing rights	N/A	N/A
25	of which: deferred tax assets arising from temporary differences	N/A	N/A
26	National specific regulatory adjustments applied to CET1 capital	25,262	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	25,262	
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	27,272	
29	CET1 capital	1,767,269	

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2.1 Composition of regulatory capital (continued)

At 30 June 2023 (continued)

	(In HK\$'000)	Amount	Cross reference to balance sheet under the regulatory scope of consolidation
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements	-	
36	AT1 capital before regulatory deductions	-	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	1,767,269	
Tier 2 capital : instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase out arrangements from Tier2 capital</i>	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	of which: capital instruments issued by subsidiaries subject to phase-out arrangements	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	23,757	(3)
51	Tier 2 capital before regulatory deductions	23,757	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	23,757	
59	Total regulatory capital (TC = T1 + T2)	1,791,026	
60	Total RWA	2,478,918	

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2.1 Composition of regulatory capital (continued)

At 30 June 2023 (continued)

		Amount	Cross reference to balance sheet under the regulatory scope of consolidation
	(In HK\$'000)		
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	71.29%	
62	Tier 1 capital ratio	71.29%	
63	Total capital ratio	72.25%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.033%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.533%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	61.0003%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	N/A	N/A
70	National Tier 1 minimum ratio	N/A	N/A
71	National Total capital minimum ratio	N/A	N/A
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	-	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	N/A	N/A
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A	N/A
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	25,586	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	23,757	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2023)			
80	Current cap on CET1 capital instruments subject to phase out arrangements	N/A	N/A
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A	N/A
82	Current cap on AT1 capital instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

N/A: Not applicable

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2.2 Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published interim report As at 30 June 2023 HK\$	Under regulatory scope of consolidation As at 30 June 2023 HK\$	Reference
ASSETS			
Cash and due from banks	1,308,169,470	1,308,169,470	
Derivative financial instruments	1,411,534	1,411,534	
Loans and advances to customers	2,528,205,574	2,528,205,574	
Debt instruments at amortised cost	2,132,939,728	2,132,939,728	
Deferred tax assets	2,009,906	2,009,906	(4)
Tax recoverable	3,834,549	3,834,549	
Other assets	4,725,567	4,725,567	
Total assets	5,981,296,328	5,981,296,328	
LIABILITIES			
Deposits from customers	3,932,905,920	3,932,905,920	
Amounts due to an intermediate holding company	183,205,398	183,205,398	
Derivative financial instruments	19,225,451	19,225,451	
Other liabilities	51,418,627	51,418,627	
Total liabilities	4,186,755,396	4,186,755,396	
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	1,000,000,000	1,000,000,000	(1)
Reserves	794,540,932	794,540,932	
<i>Of which: Retained earnings (including current period profit or loss)</i>		770,783,932	(2)
<i>Retained earnings earmarked as regulatory reserve eligible for inclusion in Tier 2 capital</i>		23,757,000	(3)
Total equity	1,794,540,932	1,794,540,932	
Total liabilities and equity	5,981,296,328	5,981,296,328	

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2.3 Main features of regulatory capital instruments

Ordinary Shares as at 30 June 2023

1	Issuer	Bank of China International Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	0390704D HK Equity
3	Governing law(s) of the instrument	Hong Kong Law
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	Common Equity Tier 1
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo/group/solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$1,000 million as at 30 June 2023
9	Par value of instrument	N/A
10	Accounting classification	Share capital
11	Original date of issuance	a) 2 ordinary shares issued on 2 March 1979 b) 49,998 ordinary shares issued on 2 April 1979 c) 50,000 ordinary shares issued on 3 February 1989 d) 315,000 ordinary shares issued on 7 April 2009 e) 585,000 ordinary shares issued on 1 November 2011
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A

¹ Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

² Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

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2.3 Main features of regulatory capital instruments (continued)

Ordinary Shares as at 30 June 2023(continued)

	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating dividend amount
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Information relating to the disclosure of the full terms and conditions of the capital instruments issued by the Company can be viewed on the website:

<http://www.bocigroup.com/PrivateBank/en/>

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3 Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

At 30 June 2023

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		(%)	(HK\$'000)	(%)	(HK\$'000)
1	Hong Kong SAR	1.000%	629,692		
2	Sum		629,692		
3	Total		1,180,913	0.533	13,213

The Basel III CCyB, which is built up during periods of excess credit growth to protect against future losses, was phased-in on 1 January 2016 in Hong Kong. The Company's CCyB ratio as at 30 June 2023 was 0.533% as the majority of its private sector credit exposures are attributed to Hong Kong.

4.1 Summary comparison of accounting assets against leverage ratio ("LR") exposure measure

		As at 30 June 2023
	Item	Value under the LR framework (HK\$'000 equivalent)
1	Total consolidated assets as per published financial statements	5,981,296
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	19,713
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	711,056
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(20,929)
8	Leverage ratio exposure measure	6,691,136

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4.2 Leverage ratio ("LR")

		HK\$'000 equivalent	
		As at 30 June 2023	As at 31 March 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	5,985,821	5,552,102
2	Less: Asset amounts deducted in determining Tier 1 capital	(25,262)	(26,581)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	5,960,559	5,525,521
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,968	5,787
5	Add-on amounts for PFE associated with all derivative contracts	19,157	9,892
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	Total exposures arising from derivative contracts	21,125	15,679
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	711,056	760,900
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	Off-balance sheet items	711,056	760,900
Capital and total exposures			
20	Tier 1 capital	1,767,269	1,767,559
20a	Total exposures before adjustments for specific and collective provisions	6,692,740	6,302,100
20b	Adjustments for specific and collective provisions	(1,604)	(1,441)
21	Total exposures after adjustments for specific and collective provisions	6,691,136	6,300,659
Leverage ratio			
22	Leverage ratio	26.41%	28.05%

During the second quarter in 2023, the leverage ratio exposure measure increased by approximately HK\$390 million, resulting in the decrease in leverage ratio from 28.05% to 26.41%. The increase in exposure measure was mainly attributable by the increase in exposure on debt instruments at amortised cost which partially offset by the decrease in customer loans and advances during the period.

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

5 Credit risk

5.1 Credit quality of exposures

		As at 30 June 2023						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
(HK\$'000)		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	1,280	2,528,206	1,280	1,280	-	-	2,528,206
2	Debt securities	-	2,133,226	287	-	287	-	2,132,939
3	Off-balance sheet exposures	-	7,110,558	-	-	-	-	7,110,558
4	Total	1,280	11,771,990	1,567	1,280	287	-	11,771,703

Defaulted exposures refer to unsecured portions of claims past due for more than 90 days or repayment of fully secured principal and accrued interests being overdue for more than 12 months.

5.2 Changes in defaulted loans and debt securities

		As at 30 June 2023
(HK\$'000)		Amount
1	Defaulted loans and debt securities at end of the previous reporting period (31 December 2022)	1,274
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	6
6	Defaulted loans and debt securities at end of the current reporting period (30 June 2023)	1,280

5.3 Overview of recognized credit risk mitigation

		As at 30 June 2023				
(HK\$'000)		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	784,239	1,743,967	1,295,836	-	-
2	Debt securities	2,132,939	-	-	-	-
3	Total	2,917,178	1,743,967	1,295,836	-	-
4	Of which defaulted	-	-	-	-	-

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

5 Credit risk (continued)

5.4 Credit risk exposures and effects of recognized credit risk mitigation – for STC approach

		As at 30 June 2023					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount (HK\$'000)	Off-balance sheet amount (HK\$'000)	On-balance sheet amount (HK\$'000)	Off-balance sheet amount (HK\$'000)	RWA (HK\$'000)	RWA density
1	Sovereign exposures	199,931	-	199,931	-	-	0%
2	PSE exposures	976,251	-	976,251	-	195,250	20%
2a	Of which: domestic PSEs	976,251	-	976,251	-	195,250	20%
2b	Of which: foreign PSEs	-	-	-	-	-	0%
3	Multilateral development bank exposures	-	-	-	-	-	0%
4	Bank exposures	2,265,251	217,303	2,265,251	3,593	524,370	23%
5	Securities firm exposures	-	-	-	-	-	0%
6	Corporate exposures	289,270	1,964,761	140,559	10,555	151,114	100%
7	CIS exposures	-	-	-	-	-	0%
8	Cash items	-	-	-	-	-	0%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0%
10	Regulatory retail exposures	215,792	1,093,614	74,027	-	55,520	75%
11	Residential mortgage loans	86,764	91,653	86,764	-	34,704	40%
12	Other exposures which are not past due exposures	1,944,985	4,996,800	939,626	-	939,626	100%
13	Past due exposures	-	-	-	-	-	0%
14	Significant exposures to commercial entities	-	-	-	-	-	0%
15	Total	5,978,244	8,364,131	4,682,409	14,148	1,900,584	40%

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

5 Credit risk (continued)

5.5 Credit risk exposures by asset classes and by risk weights – for STC approach

(HK\$'000)		As at 30 June 2023										Total credit risk exposures amount (post CCF and post CRM)
Risk Weight	Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
1	Sovereign exposures	199,931	-	-	-	-	-	-	-	-	-	199,931
2	PSE exposures	-	-	976,251	-	-	-	-	-	-	-	976,251
2a	Of which: domestic PSEs	-	-	976,251	-	-	-	-	-	-	-	976,251
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	2,033,508	-	235,336	-	-	-	-	-	2,268,844
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	151,114	-	-	-	151,114
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	74,027	-	-	-	-	74,027
11	Residential mortgage loans	-	-	-	80,092	-	-	6,672	-	-	-	86,764
12	Other exposures which are not past due exposures	-	-	-	-	-	-	939,626	-	-	-	939,626
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	199,931	-	3,009,759	80,092	235,336	74,027	1,097,412	-	-	-	4,696,557

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

6 Counterparty credit risk ("CCR")

6.1 Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

		As at 30 June 2023					
		Replacement cost (RC) (HK\$'000)	PFE (HK\$'000)	Effective EPE (HK\$'000)	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM (HK\$'000)	RWA (HK\$'000)
1	SA-CCR approach (for derivative contracts)	1,406	8,700		1.4	14,148	11,274
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM (CCR) approach			-	N/A	-	-
3	Simple approach (for SFTs)					-	-
4	Comprehensive approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						11,274

The Banking (Capital) (Amendment) Rules 2020 came into effect on 30 June 2021 and the Company replaces the CEM approach with standardised (counterparty credit risk) ("SA-CCR") approach to calculate its default risk exposures accordingly. The change resulted in an increase of default risk exposures generally.

6.2 CVA capital charge

		As at 30 June 2023	
(HK\$'000)		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	14,148	2,313
4	Total	14,148	2,313

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6 Counterparty credit risk ("CCR") (continued)

6.3 Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

(HK\$'000)		As at 30 June 2023										
		Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others
	Exposure class											
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	3,593	-	-	-	-	-	-	-	3,593
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	10,555	-	-	-	10,555
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	3,593	-	-	-	10,555	-	-	-	14,148

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

6 Counterparty credit risk ("CCR") (continued)

6.4 Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

(HK\$'000)	As at 30 June 2023					
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Total	-	-	-	-	-	-

7 Market risk under Standardized approach

(HK\$'000)		As at 30 June 2023 RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	-
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	31,550
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	Total	31,550

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8 Currency concentrations

The below figures are disclosed in accordance with the return relating to foreign currency positions submitted to the HKMA. The Company does not have any structural positions.

	USD HK\$'000	CNY HK\$'000	JPY HK\$'000	CAD HK\$'000	CHF HK\$'000	SGD HK\$'000	AUD HK\$'000	EUR HK\$'000	GBP HK\$'000	Others HK\$'000	Total HK\$'000
As at 30 June 2023											
Spot assets	1,242,917	30,712	38,252	8,154	28,857	6,975	14,586	26,930	16,062	4,356	1,417,801
Spot liabilities	(1,516,751)	(495,644)	-	(8,082)	-	(24,300)	(36,378)	(2)	(69,582)	(1,526)	(2,152,265)
Forward purchases	605,469	462,751	8,112	5,907	-	23,094	20,737	8,496	50,446	-	1,185,012
Forward sales	(294,173)	-	(40,560)	-	(19,132)	-	-	(33,984)	-	-	(387,849)
Net long/(short) position	37,462	(2,181)	5,804	5,979	9,725	5,769	(1,055)	1,440	(3,074)	2,830	62,699
As at 31 December 2022											
Spot assets	1,514,504	86,409	79,019	7,180	13,941	9,286	29,792	112,626	52,652	4,516	1,909,925
Spot liabilities	(1,292,581)	(447,457)	-	(7,769)	-	(24,431)	(36,302)	(2)	(65,415)	(1,566)	(1,875,523)
Forward purchases	233,979	389,516	8,874	5,757	-	23,237	7,944	8,313	10,341	-	687,961
Forward sales	(453,353)	(28,094)	(76,911)	-	(5,457)	-	-	(124,695)	-	-	(688,510)
Net long/(short) position	2,549	374	10,982	5,168	8,484	8,092	1,434	(3,758)	(2,422)	2,950	33,853

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9 Sector analysis of gross advances to customers

(i) Gross advances to customers by industry sector:

At 30 June 2023	Gross advances HK\$'000	% covered by collateral or other security %	Classified or impaired loans ¹ HK\$'000	Overdue loans HK\$'000	Stage 1 impairment allowances HK\$'000	Stage 3 impairment allowances HK\$'000
Loans for use in Hong Kong Individuals						
- Loans for other private purpose	2,231,713	100%	1,280	1,280	-	1,280
Financial concerns						
- Investment companies	295,705	100%	-	-	-	-
	<u>2,527,418</u>					
Loans for use outside Hong Kong	-	-				
	<u><u>2,527,418</u></u>					
At 31 December 2022	Gross advances HK\$'000	% covered by collateral or other security %	Classified or impaired loans ¹ HK\$'000	Overdue loans HK\$'000	Stage 1 impairment allowances HK\$'000	Stage 3 impairment allowances HK\$'000
Loans for use in Hong Kong Individuals						
- Loans for other private purpose	2,523,738	100%	1,274	1,274	-	1,274
Financial concerns						
- Investment companies	425,401	100%	-	-	-	-
	<u>2,949,139</u>					
Loans for use outside Hong Kong	-	-				
	<u><u>2,949,139</u></u>					

Note:

¹ Classified or impaired loans represent loans which are either classified as "substandard", "doubtful" or "loss" under the Company's classification of loan quality, or individually assessed to be impaired.

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9 Sector analysis of gross advances to customers (continued)

(ii) Gross advances to customers by geographical areas:

The following geographical analysis of advances to customers is based on the location of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a country different from the customer, the risk will be transferred to the country of the guarantor. Only regions constituting 10% or more of the aggregate gross advances to customers are separately disclosed.

At 30 June 2023	Gross advances	Classified or impaired loans ¹	Overdue loans	Stage 1 impairment allowances	Stage 3 impairment allowances
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,085,191	1,280	1,280	-	1,280
Mainland China	1,013,396	-	-	-	-
Others	428,831	-	-	-	-
	<u>2,527,418</u>	<u>1,280</u>	<u>1,280</u>	<u>-</u>	<u>1,280</u>
	<u><u>2,527,418</u></u>	<u><u>1,280</u></u>	<u><u>1,280</u></u>	<u><u>-</u></u>	<u><u>1,280</u></u>
At 31 December 2022	Gross advances	Classified or impaired loans ¹	Overdue loans	Stage 1 impairment allowances	Stage 3 impairment allowances
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,315,325	1,274	1,274	-	1,274
Mainland China	1,036,776	-	-	-	-
Others	597,038	-	-	-	-
	<u>2,949,139</u>	<u>1,274</u>	<u>1,274</u>	<u>-</u>	<u>1,274</u>
	<u><u>2,949,139</u></u>	<u><u>1,274</u></u>	<u><u>1,274</u></u>	<u><u>-</u></u>	<u><u>1,274</u></u>

Note:

¹ Classified or impaired loans represent loans which are either classified as "substandard", "doubtful" or "loss" under the Company's classification of loan quality, or individually assessed to be impaired.

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

10 International claims

The information on international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any recognized risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Only regions constituting 10% or more of the aggregate international claims after taking into account any recognized risk transfer are disclosed.

	<u>Non-bank private sector</u>				
	Banks	Official	Non-bank	Non-	
	HK\$	sector	financial	financial	Total
	million	HK\$	institutions	private	HK\$
		million	HK\$	sector	million
			million	HK\$	
				million	
<u>At 30 June 2023</u>					
Developed countries	474	-	-	-	474
Offshore centres	902	-	-	554	1,456
Developing Latin America and Caribbean	-	-	-	11	11
Developing Africa and Middle East	-	-	-	-	-
Developing Asia and Pacific	-	-	-	1,104	1,104
- <i>Of which: China</i>	-	-	-	1,014	1,014
	<u>1,376</u>	<u>-</u>	<u>-</u>	<u>1,669</u>	<u>3,045</u>
<u>At 31 December 2022</u>					
Developed countries	186	-	-	-	186
Offshore centres	914	-	-	812	1,726
Developing Latin America and Caribbean	-	-	-	12	12
Developing Africa and Middle East	-	-	-	16	16
Developing Asia and Pacific	-	-	-	1,135	1,135
- <i>Of which: China</i>	-	-	-	1,038	1,038
	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>1,975</u>	<u>3,075</u>

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

11 Non-bank Mainland China exposures

Below is a breakdown of the Company's Mainland exposures to non-bank counterparties. The below figures are disclosed in accordance with the return relating to Mainland Activities submitted to the HKMA.

Type of counterparties	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
At 30 June 2023			
Central government, central government-owned entities and their subsidiaries and joint ventures	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	966,067	-	966,067
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	102,042	-	102,042
	<u>1,068,109</u>	<u>-</u>	<u>1,068,109</u>
Total assets after provision	<u>5,987,640</u>		
On-balance sheet exposures as percentage of total assets	<u>17.84%</u>		
Type of counterparties	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
At 31 December 2022			
Central government, central government-owned entities and their subsidiaries and joint ventures	-	2,490	2,490
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	978,144	-	978,144
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	108,540	-	108,540
	<u>1,086,684</u>	<u>2,490</u>	<u>1,089,174</u>
Total assets after provision	<u>6,405,275</u>		
On-balance sheet exposures as percentage of total assets	<u>16.97%</u>		

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

12 Overdue and rescheduled assets

	At 30 June 2023		At 31 December 2022	
	Amount HK\$'000	% of gross advances to customers	Amount HK\$'000	% of gross advances to customers
Gross advances to customers which have been overdue for:				
- over one year	1,280	0.05%	1,274	0.03%
Stage 3 individually assessed impairment allowances made in respect of such advances	1,280		1,274	
Covered portion of such advances to customers	-		-	
Uncovered portion of such advances to customers	1,280		1,274	
Current market value of collateral held against the covered portion of such advances to customers	-		-	

Collateral held against overdue or impaired loans is principally represented by charges over business assets such as commercial and residential properties.

There were no rescheduled loans and advances to customers as at 30 June 2023 and 31 December 2022.

There were no rescheduled advances to banks and other financial institutions as at 30 June 2023 and 31 December 2022.

There were no rescheduled debt securities as at 30 June 2023 and 31 December 2022.

There were no repossessed assets as at 30 June 2023 and 31 December 2022.

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BUSINESS REVIEW

The Company's attributable profit for the six months ended 30 June 2023 was HK\$1.3 million, down 88.7%, year-on-year. The decrease was mainly attributable to the decrease in net fee and commission income.

Net interest income increased by 36.4% to HK\$55.8 million, compared with the first half of 2022, primarily due to the increase in debt securities investment.

Compared to the first half of 2022, net fee and commission income decreased by 40.1% to HK\$42.8 million. The decrease was mainly driven by the decrease in investment services fees earned from its fellow subsidiaries, for the services provided by the Company to introduce client businesses to the fellow subsidiaries.

Net trading gains were HK\$0.8 million, up HK\$1.5 million from the first half of 2022. The increase was mainly driven by the increase in net trading gain from foreign exchange and related products.

The asset size of the Company decreased by 6.6% to HK\$5,981 million as a result of decrease in loans and advances to customers. As at 30 June 2023, loans and advances from customers amounted to HK\$2,528 million, representing an decrease of 14.3%, from HK\$2,951 million as of 31 December 2022.

STATEMENT OF COMPLIANCE

The interim report for the first half of 2023 complies with HKAS 34 "Interim Financial Reporting" issued by the HKICPA and the Banking (Disclosure) Rules.

On behalf of the Board



Chief Executive and Director

Hong Kong,

21 SEP 2023