

**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)**

2022 INTERIM REPORT

BANK OF CHINA INTERNATIONAL LIMITED
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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 2022.

CONDENSED INCOME STATEMENT

	Notes	Unaudited	
		Six months ended 30 June	
		2022	2021
		HK\$	HK\$
Interest income	4	51,447,393	56,625,583
Interest expense	4	(10,547,328)	(4,295,151)
Net interest income	4	<u>40,900,065</u>	<u>52,330,432</u>
Fee and commission income	5	71,424,743	137,642,206
Fee and commission expense	5	(53,994)	(87,216)
Net fee and commission income	5	<u>71,370,749</u>	<u>137,554,990</u>
Net trading (losses)/gains	6	<u>(686,750)</u>	<u>1,585,125</u>
Operating income		111,584,064	191,470,547
Operating expenses	7	(98,218,551)	(118,404,714)
Profit before impairment allowances		13,365,513	73,065,833
Net (charge)/release of impairment allowances	8	(87,279)	72,696
Profit before taxation		13,278,234	73,138,529
Income tax expense	9	(2,059,240)	(12,043,108)
Profit after taxation for the period		<u>11,218,994</u>	<u>61,095,421</u>

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
Profit after taxation for the period	11,218,994	61,095,421
Total comprehensive income for the period	<u>11,218,994</u>	<u>61,095,421</u>
Attributable to:		
Equity holders of the Company	<u>11,218,994</u>	<u>61,095,421</u>

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CONDENSED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
ASSETS			
Cash and due from banks	11	2,477,734,344	1,133,588,346
Placements with banks	12	1,416,590,949	2,104,016,130
Derivative financial instruments	13	1,542,657	4,768,569
Loans and advances to customers	14	3,715,463,828	4,744,657,425
Debt instruments at amortised cost	15	898,994,095	699,974,585
Deferred tax assets		73,807	61,143
Other assets	16	5,281,067	6,110,731
Total assets		8,515,680,747	8,693,176,929
LIABILITIES			
Deposits from customers	17	6,488,514,250	6,778,104,894
Amounts due to an intermediate holding company	18	160,867,611	68,009,923
Derivative financial instruments	13	4,809,498	1,917,863
Tax payable		17,190,487	17,591,240
Other liabilities		48,955,109	43,428,211
Total liabilities		6,720,336,955	6,909,052,131
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	1,000,000,000	1,000,000,000
Reserves		795,343,792	784,124,798
Total equity		1,795,343,792	1,784,124,798
Total liabilities and equity		8,515,680,747	8,693,176,929

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CONDENSED STATEMENT OF CHANGES IN EQUITY

	Unaudited			
	Share capital HK\$	Regulatory reserve ¹ HK\$	Retained earnings HK\$	Total HK\$
Balance at 1 January 2021	1,000,000,000	48,887,793	613,344,870	1,662,232,663
Profit for the period	-	-	61,095,421	61,095,421
Total comprehensive income	-	-	61,095,421	61,095,421
Transferred to regulatory reserve ²	-	1,622,469	(1,622,469)	-
Balance at 30 June 2021	1,000,000,000	50,510,262	672,817,822	1,723,328,084
Balance at 1 July 2021	1,000,000,000	50,510,262	672,817,822	1,723,328,084
Profit for the period	-	-	60,796,714	60,796,714
Total comprehensive income	-	-	60,796,714	60,796,714
Transferred from regulatory reserve	-	(3,096,669)	3,096,669	-
Balance at 31 December 2021	1,000,000,000	47,413,593	736,711,205	1,784,124,798
Balance at 1 January 2022	1,000,000,000	47,413,593	736,711,205	1,784,124,798
Profit for the period	-	-	11,218,994	11,218,994
Total comprehensive income	-	-	11,218,994	11,218,994
Transferred from regulatory reserve ²	-	(10,281,443)	10,281,443	-
Balance at 30 June 2022	1,000,000,000	37,132,150	758,211,642	1,795,343,792

¹ As at 30 June 2022, HK\$37,132,150 (31 December 2021: HK\$47,413,593) was set aside as the regulatory reserve. The regulatory reserve is maintained to satisfy the provisions of the Banking Ordinance for prudential supervision purpose. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

² During the period, the Company transferred HK\$10,281,443 from the regulatory reserve to the retained earnings (first half of 2021: the Company transferred HK\$1,622,469 from the retained earnings to the regulatory reserve).

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CONDENSED CASH FLOW STATEMENT

	Note	Unaudited Six months ended 30 June 2022 HK\$	Unaudited Six months ended 30 June 2021 HK\$
Cash flows from operating activities			
Net cash generated from/(used in) operating activities	20	1,542,339,131	(704,354,409)
Cash flows from investing activities			
Purchase of debt instruments at amortised cost		(1,398,189,177)	(1,799,956,373)
Proceeds from redemption of debt instruments at amortised cost		1,200,000,000	1,450,000,000
Net cash used in investing activities		(198,189,177)	(349,956,373)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January		1,133,590,088	2,902,217,017
Cash and cash equivalents at 30 June		2,477,740,042	1,847,906,235
Analysis of balance of cash and cash equivalents:			
Cash and due from banks with original maturity within three months		2,477,740,042	1,847,906,235
Placements with banks with original maturity within three months		-	-

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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.

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 Group's consolidated financial statements for the year ended 31 December 2021 and should be read in conjunction with the Group's annual report for 2021.

3 Critical accounting estimates and judgment in applying accounting policies

The Company makes estimates and assumptions that are consistent with those used in the Group's consolidated financial statements for the year ended 31 December 2021.

4 Net interest income

	Unaudited Six months ended 30 June	
	2022	2021
	HK\$	HK\$
Interest income		
- loans and advances to customers	35,030,611	42,576,197
- cash and due from banks and placements with banks	15,533,194	13,999,788
- debt instruments at amortised cost	883,588	49,598
	<u>51,447,393</u>	<u>56,625,583</u>
Interest expense		
- deposits from customers	(10,547,222)	(4,295,045)
- deposits and balances from banks	(106)	(106)
	<u>(10,547,328)</u>	<u>(4,295,151)</u>
Net interest income	<u>40,900,065</u>	<u>52,330,432</u>

No interest income was recognised on impaired loans and advances to customers for the first half of 2022 and the first half of 2021.

Included within interest income and interest expense are HK\$51,447,393 (first half of 2021: HK\$56,625,583) and HK\$10,547,328 (first half of 2021: HK\$4,295,151) for financial assets and financial liabilities that are not recognised at fair value through profit or loss respectively.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

5 Net fee and commission income

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
Investment services fees received from fellow subsidiaries (Note 23)	71,411,333	137,609,809
Others	13,410	32,397
	<u>71,424,743</u>	<u>137,642,206</u>
Fee and commission income	71,424,743	137,642,206
Less: fee and commission expense	(53,994)	(87,216)
	<u>71,370,749</u>	<u>137,554,990</u>
Net fee and commission income	<u>71,370,749</u>	<u>137,554,990</u>

6 Net trading (losses)/gains

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
Foreign exchange	<u>(686,750)</u>	<u>1,585,125</u>

7 Operating expenses

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
Management fee paid (Note 23)	41,556,700	61,649,000
Staff costs	49,072,585	48,158,908
Auditor's remuneration	177,188	190,050
Operating lease expenses recharged by intermediate holding company	745,136	751,663
Information technology and communications expenses	4,069,203	4,774,561
Miscellaneous expenses	2,597,739	2,880,532
	<u>98,218,551</u>	<u>118,404,714</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

8 Net charge/(release) of impairment allowances

The table below shows the ECL charge/(release) on financial instruments for the period recorded in the condensed income statement:

		Unaudited Six months ended 30 June 2022			
HK\$	Notes	Stage 1	Stage 2	Stage 3	Total
Cash and due from banks	11	3,956	-	-	3,956
Placements with banks	12	30,219	-	-	30,219
Loans and advances to customers	14	(153)	-	-	(153)
Debt instruments at amortised cost	15	53,255	-	-	53,255
Debt instruments at fair value through other comprehensive income		-	-	-	-
Other assets	16	2	-	-	2
Net impairment charge		87,279	-	-	87,279

		Unaudited Six months ended 30 June 2021			
HK\$		Stage 1	Stage 2	Stage 3	Total
Cash and due from banks		(38,751)	-	-	(38,751)
Placements with banks		(29,996)	-	-	(29,996)
Loans and advances to customers		31	-	-	31
Debt instruments at amortised cost		(3,971)	-	-	(3,971)
Debt instruments at fair value through other comprehensive income		(2)	-	-	(2)
Other assets		(7)	-	-	(7)
Net impairment release		(72,696)	-	-	(72,696)

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

9 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (first half of 2021: 16.5%) on the estimated assessable profit for the period.

The amount of taxation charged to the condensed income statement represents:

	Unaudited Six months ended 30 June	
	2022 HK\$	2021 HK\$
Current income tax:		
- Hong Kong profits tax	2,071,904	12,029,001
Deferred income tax	(12,664)	14,107
	<u>2,059,240</u>	<u>12,043,108</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\$11,218,994 (first half of 2021: HK\$61,095,421).

11 Cash and due from banks

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Cash and due from banks	2,477,740,042	1,133,590,088
Less: allowance for impairment losses – Stage 1	(5,698)	(1,742)
	<u>2,477,734,344</u>	<u>1,133,588,346</u>

There were no overdue of cash and due from banks as at 30 June 2022 and 31 December 2021.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

11 Cash and due from banks (continued)

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

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Beginning of the period - Stage 1	1,742	45,995
Net charge/(release) during the period - Stage 1	3,956	(44,253)
At period end	<u>5,698</u>	<u>1,742</u>

12 Placements with banks

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Placements with banks maturing between one and twelve months	1,416,860,069	2,104,255,031
Less: allowance for impairment losses - Stage 1	(269,120)	(238,901)
	<u>1,416,590,949</u>	<u>2,104,016,130</u>

There were no overdue of placements with banks as at 30 June 2022 and 31 December 2021.

The movement in provision for impairment of placements with banks is as follows:

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Beginning of the period - Stage 1	238,901	118,611
Net charge during the period - Stage 1	30,219	120,290
At period end	<u>269,120</u>	<u>238,901</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

13 Derivative financial instruments

	Unaudited 30 June 2022		
	Notional amount HK\$'000	Fair value assets HK\$	Fair value liabilities HK\$
Derivatives held for trading			
- Foreign exchange forwards and swaps	902,230	1,542,657	4,809,498
		<u>1,542,657</u>	<u>4,809,498</u>
		<u><u>1,542,657</u></u>	<u><u>4,809,498</u></u>
	Audited 31 December 2021		
	Notional amount HK\$'000	Fair value Assets HK\$	Fair value liabilities HK\$
Derivatives held for trading			
- Foreign exchange forwards and swaps	1,401,891	4,768,569	1,917,863
		<u>4,768,569</u>	<u>1,917,863</u>
		<u><u>4,768,569</u></u>	<u><u>1,917,863</u></u>

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14 Loans and advances to customers

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Loans and advances to customers:		
- individuals	3,268,865,178	4,023,690,044
- corporates	447,880,621	722,241,501
	<u>3,716,745,799</u>	<u>4,745,931,545</u>
Less: allowance for impairment losses	(1,281,971)	(1,274,120)
	<u>3,715,463,828</u>	<u>4,744,657,425</u>
Total	<u>3,715,463,828</u>	<u>4,744,657,425</u>

The carrying amounts of loans and advances to customers approximated their fair value. Included in the balance, there were overdue loans of HK\$1,281,456 as at 30 June 2022 (31 December 2021: HK\$1,273,452).

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

	HKFRS 9		
HK\$	Stage 1	Stage 3	Total
At 1 January 2022	668	1,273,452	1,274,120
Net release during the period	(153)	-	(153)
Exchange difference	-	8,004	8,004
	<u>515</u>	<u>1,281,456</u>	<u>1,281,971</u>
At 30 June 2022	<u>515</u>	<u>1,281,456</u>	<u>1,281,971</u>
	<u>874</u>	<u>1,266,184</u>	<u>1,267,058</u>
At 1 January 2021	874	1,266,184	1,267,058
Net release during the year	(206)	-	(206)
Exchange difference	-	7,268	7,268
	<u>668</u>	<u>1,273,452</u>	<u>1,274,120</u>
At 31 December 2021	<u>668</u>	<u>1,273,452</u>	<u>1,274,120</u>

As at 30 June 2022, loans and advances to customers classified under stage 1 and stage 3 amounted to HK\$3,715,464,343 (31 December 2021: HK\$4,744,658,093) and HK\$1,281,456 (31 December 2021: HK\$1,273,452) respectively.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

15 Financial assets other than those measured at fair value through profit and loss

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
<u>Debt instruments at amortised cost</u>		
Hong Kong Exchange Fund Bills, unlisted	899,065,368	699,992,603
Less: allowance for impairment losses - Stage 1	(71,273)	(18,018)
	<u>898,994,095</u>	<u>699,974,585</u>
Analysed by type of issuers as follows:		
Sovereigns	<u>898,994,095</u>	<u>699,974,585</u>
Analysed by issue specific credit rating as follows:		
Fitch, AA+ to AA-	<u>898,994,095</u>	<u>699,974,585</u>

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

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Beginning of the period - Stage 1	18,018	15,784
Net charge during the period - Stage 1	53,255	2,234
At period end	<u>71,273</u>	<u>18,018</u>

There were no overdue of debt instruments at amortised cost as at 30 June 2022 and 31 December 2021.

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16 Other assets

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Deposits, prepayments and other receivables	5,281,069	6,110,731
Less: allowance for impairment losses - Stage 1	(2)	-
	<u>5,281,067</u>	<u>6,110,731</u>

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

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Beginning of the period - Stage 1	-	7
Net charge/(release) during the period - Stage 1	2	(7)
At period end	<u>2</u>	<u>-</u>

There were no overdue of other assets as at 30 June 2022 and 31 December 2021.

17 Deposits from customers

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Time and call deposits	6,488,514,250	6,778,104,894
	<u>6,488,514,250</u>	<u>6,778,104,894</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

18 Amounts due to an intermediate holding company

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

19 Share capital

The Company	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Issued and fully paid: 1,000,000 (31 December 2021: 1,000,000) ordinary shares	1,000,000,000	1,000,000,000

20 Cash flows from operating activities

Reconciliation of profit before taxation to net cash generated from/(used in) operating activities:

	Unaudited Six months ended 30 June 2022 HK\$	2021 HK\$
Profit before taxation	13,278,234	73,138,529
Interest income on debt instruments at amortised cost	(883,588)	(49,598)
Net charge/(release) of impairment allowances	87,279	(72,696)
Change in balances and placements with banks with original maturity over three months	687,394,962	(234,510,127)
Change in derivative financial instruments assets	3,225,912	(1,828,479)
Change in loans and advances to customers	1,029,193,750	(163,482,810)
Change in other assets	829,662	1,806,448
Change in deposits from customers	(289,590,644)	(495,656,883)
Change in amounts due to an intermediate holding company	92,857,688	102,196,981
Change in derivative financial instruments liabilities	2,891,635	1,394,457
Change in other liabilities	5,526,898	13,068,420
Hong Kong profits tax paid	(2,472,657)	(358,651)
Net cash generated from/(used in) operating activities	<u>1,542,339,131</u>	<u>(704,354,409)</u>
Cash flows from operating activities include:		
-Interest received	47,812,763	55,718,430
-Interest paid	<u>(6,639,914)</u>	<u>(4,229,397)</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

21 Commitments

The Company has no irrevocable loan commitment and no forward deposits placed as at 30 June 2022 and 31 December 2021.

22 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 2022 and 30 June 2021 are as follows:

	Private banking	
	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Net interest income	40,900	52,331
Net fee and commission income	71,371	137,555
Net trading (losses)/gains	(687)	1,585
Operating income	111,584	191,471
Operating expenses	(98,219)	(118,405)
Profit before impairment allowances	13,365	73,066
Net (charge)/release of impairment allowances	(87)	73
Profit before taxation	13,278	73,139
	Unaudited	Audited
	At 30 June	At 31 December
	2022	2021
	HK\$'000	HK\$'000
Segment assets	8,518,681	8,693,177
Segment liabilities	6,720,337	6,909,052

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

23 Material related-party transactions

Related parties are those parties that have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individuals or other entities.

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 International Holdings Limited and its subsidiaries</u> HK\$	<u>Bank of China Limited and its subsidiaries</u> HK\$
<u>Unaudited condensed income statement for the six months ended 30 June 2022</u>			
Interest income		8,611,772	6,043,783
Interest expenses		(9,629,430)	(106)
Fee and commission income	i	71,411,333	-
Management fee paid	ii	(41,556,700)	-
		<u> </u>	<u> </u>
<u>Unaudited condensed income statement for the six months ended 30 June 2021</u>			
Interest income		-	2,707,391
Interest expenses		(3,243,689)	(106)
Fee and commission income	i	137,609,941	-
Management fee paid	ii	(61,649,000)	-
		<u> </u>	<u> </u>

- (i) 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.
- (ii) 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\$41,556,700 (first half of 2021: HK\$61,649,000) was paid to the intermediate holding company by the Company (Note 7).

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

23 Material related-party transactions (continued)

	<u>BOC International Holdings Limited and its subsidiaries</u> HK\$	<u>Bank of China Limited and its subsidiaries</u> HK\$
<u>At 30 June 2022 (Unaudited)</u>		
<u>Condensed statement of financial position</u>		
Cash and due from banks	-	984,237,021
Placements with banks	-	1,181,099,128
Derivative financial instruments	75,330	1,467,327
	<u>456,252,504</u>	<u>2,138,230</u>
Deposits from customers	4,739,492	70,006
Derivative financial instruments	<u>4,739,492</u>	<u>70,006</u>
<u>At 31 December 2021 (Audited)</u>		
<u>Statement of financial position</u>		
Cash and due from banks	-	1,119,644,429
Placements with banks	-	1,870,272,475
Derivative financial instruments	3,779,052	989,517
	<u>879,762,890</u>	<u>2,138,124</u>
Deposits from customers	1,134,703	783,160
Derivative financial instruments	<u>1,134,703</u>	<u>783,160</u>

24 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 2021 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 28 April 2022.

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

1.1 Key prudential ratios

	30/06/2022	31/03/2022	31/12/2021	30/09/2021	30/06/2021
Regulatory capital (amount)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 Common Equity Tier 1 (CET1)	1,758,138	1,737,969	1,736,650	1,686,800	1,672,780
2 Tier 1	1,758,138	1,737,969	1,736,650	1,686,800	1,672,780
3 Total capital	1,792,105	1,774,718	1,778,901	1,727,711	1,713,742
RWA (amount)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
4 Total RWA	3,351,809	3,571,322	4,011,368	3,896,490	3,877,272
Risk-based regulatory capital ratios (as a percentage of RWA)					
5 CET1 ratio (%)	52.45%	48.66%	43.29%	43.29%	43.14%
6 Tier 1 ratio (%)	52.45%	48.66%	43.29%	43.29%	43.14%
7 Total capital ratio (%)	53.47%	49.69%	44.35%	44.34%	44.20%
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	0.532%	0.516%	0.448%	0.476%	0.549%
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 (%)	3.032%	3.016%	2.948%	2.976%	3.049%
12 CET1 available after meeting the AI's minimum capital requirements (%)	45.47%	41.69%	36.35%	36.34%	36.20%
Basel III leverage ratio					
13 Total leverage ratio (LR) exposure measure (HK\$'000)	9,404,576	8,648,081	9,676,930	8,523,434	8,996,051
14 LR (%)	18.69%	20.10%	17.95%	19.79%	18.59%

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

1.1 Key prudential ratios (continued)

	30/06/2022	31/03/2022	31/12/2021	30/09/2021	30/06/2021
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 (%)	51.92%	52.21%	46.32%	53.51%	53.49%
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, operational risk and capital adequacy ratio respectively, 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 2021 Q2 to 2022 Q2.

As of 30 June 2022, the Company does not have any subsidiaries to consolidate for accounting or regulatory purposes.

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

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

	(HKS'000)	RWA		Minimum capital requirements
		As at 30 June 2022	As at 31 March 2022	As at 30 June 2022
1	Credit risk for non-securitization exposures	2,706,277	2,913,721	216,502
2	Of which STC approach	2,706,277	2,913,721	216,502
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	11,093	26,185	887
7	Of which SA-CCR approach	11,093	26,185	887
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	2,413	5,313	193
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	39,450	48,125	3,156
21	Of which STM approach	39,450	48,125	3,156
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	596,088	581,675	47,687
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	3,512	3,697	281
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	3,512	3,697	281
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	3,351,809	3,571,322	268,144

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 2022, total RWAs decreased by approximately HK\$220million, which was mainly due to the decrease in RWAs on credit risk for non-securitization exposures attributed by the decrement in corporate and individual exposures.

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2.1 Composition of regulatory capital

At 30 June 2022

	(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	758,212	(2)
3	Disclosed reserves	37,132	(3)
4	Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)	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	1,795,344	
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)	74	(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	37,132	
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	37,132	(3)
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	37,206	
29	CET1 capital	1,758,138	

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2.1 Composition of regulatory capital (continued)

At 30 June 2022 (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)	1,758,138	
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 Tier 2 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	33,967	
51 Tier 2 capital before regulatory deductions	33,967	
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	-	

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2.1 Composition of regulatory capital (continued)

At 30 June 2022 (continued)

		Amount	Cross reference to balance sheet under the regulatory scope of consolidation
	(In HK\$'000)		
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)	33,967	
59	Total regulatory capital (TC = T1 + T2)	1,792,105	
60	Total RWA	3,351,809	

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2.1 Composition of regulatory capital (continued)

At 30 June 2022 (continued)

	(In HK\$'000)	Amount	Cross reference to balance sheet under the regulatory scope of consolidation
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	52.45%	
62	Tier 1 capital ratio	52.45%	
63	Total capital ratio	53.47%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.035%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.532%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	45.5%	
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)	37,479	
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	33,967	
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 2022)			
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 2022 HK\$	Under regulatory scope of consolidation As at 30 June 2022 HK\$	Reference
ASSETS			
Cash and due from banks	2,477,734,344	2,477,734,344	
Placements with banks	1,416,590,949	1,416,590,949	
Derivative financial instruments	1,542,657	1,542,657	
Loans and advances to customers	3,715,463,828	3,715,463,828	
Debt instruments at fair value through other comprehensive income	-	-	
Debt instruments at amortised cost	898,994,095	898,994,095	
Deferred tax assets	73,807	73,807	(4)
Other assets	5,281,067	5,281,067	
Total assets	8,515,680,747	8,515,680,747	
LIABILITIES			
Deposits from customers	6,488,514,250	6,488,514,250	
Amounts due to an intermediate holding company	160,867,611	160,867,611	
Derivative financial instruments	4,809,498	4,809,498	
Tax payable	17,190,487	17,190,487	
Other liabilities	48,955,109	48,955,109	
Total liabilities	6,720,336,955	6,720,336,955	
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	1,000,000,000	1,000,000,000	(1)
Reserves	795,343,792	795,343,792	
<i>Of which: Retained earnings (including current period profit or loss)</i>		758,211,641	(2)
<i>Retained earnings earmarked as regulatory reserve eligible for inclusion in Tier 2 capital</i>		37,132,151	(3)
Total equity	1,795,343,792	1,795,343,792	
Total liabilities and equity	8,515,680,747	8,515,680,747	

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2.3 Main features of regulatory capital instruments

Ordinary Shares as at 30 June 2022

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
Regulatory treatment		
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 2022
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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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2.3 Main features of regulatory capital instruments (continued)

Ordinary Shares as at 30 June 2022(continued)

	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Discretionary dividend amount
18	Coupon rate and any related index	The ordinary shareholders receive distributable profits that have been declared as a dividend.
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	Noncumulative 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).	The ordinary shares shall, on the return of capital in a winding-up, entitle the shareholders thereof rights of participation in any surplus profits or assets of the Company after all obligations have been satisfied.
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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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

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

At 30 June 2022

	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%	804,631		
2	Sum		804,631		
3	Total		1,511,142	0.532%	17,832

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 2022 was 0.532% 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 2022
	Item	Value under the LR framework (HK\$'000 equivalent)
1	Total consolidated assets as per published financial statements	8,515,681
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	14,296
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)	911,805
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(37,206)
8	Leverage ratio exposure measure	9,404,576

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

4.2 Leverage ratio ("LR")

		HK\$'000 equivalent	
		As at 30 June 2022	As at 31 March 2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	8,515,692	7,692,048
2	Less: Asset amounts deducted in determining Tier 1 capital	(37,132)	(39,999)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	8,478,560	7,652,049
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)	2,160	12,491
5	Add-on amounts for PFE associated with all derivative contracts	13,679	22,788
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	15,839	35,279
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	911,805	962,478
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	Off-balance sheet items	-	-
Capital and total exposures			
20	Tier 1 capital	1,758,138	1,737,969
20a	Total exposures before adjustments for specific and collective provisions	9,406,204	8,649,806
20b	Adjustments for specific and collective provisions	(1,628)	(1,725)
21	Total exposures after adjustments for specific and collective provisions	9,404,576	8,648,081
Leverage ratio			
22	Leverage ratio	18.69%	20.1%

During the second quarter in 2022, the leverage ratio exposure measure increased by approximately HK\$756 million, resulting in the decrease in leverage ratio from 20.1% to 18.69%. The increase in exposure measure was mainly attributable by the the increase in exposure on Due from bank, 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

(HK\$'000)		As at 30 June 2022						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairment s	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-e)
Defaulted exposures	Non-defaulted exposures	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions					
1	Loans	1,281	3,715,464	1,282	1,281	1	-	3,715,463
2	Debt securities	-	899,065	71	-	71	-	898,994
3	Off-balance sheet exposures		9,118,051		-	-	-	9,118,051
4	Total	1,281	13,732,580	1,353	1,281	72	-	13,732,508

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

(HK\$'000)		As at 30 June 2022	
		Amount	
1	Defaulted loans and debt securities at end of the previous reporting period (31 December 2021)	1,273	
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	8	
6	Defaulted loans and debt securities at end of the current reporting period (30 June 2022)	1,281	

Other changes consisted of exchange difference amounted to HK\$7,699 during the period.

5.3 Overview of recognized credit risk mitigation

(HK\$'000)		As at 30 June 2022				
		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	687,892	3,027,571	2,140,364	-	-
2	Debt securities	898,994			-	-
3	Total	1,586,886	3,027,571	2,140,364	-	-
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 2022					
Exposure classes	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density		
	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	899,065	-	-	899,065	-	0%	
2 PSE exposures	-	-	-	-	-	0%	
2a Of which: domestic PSEs	-	-	-	-	-	0%	
2b Of which: foreign PSEs	-	-	-	-	-	0%	
3 Multilateral development bank exposures	-	-	-	-	-	0%	
4 Bank exposures	3,894,600	9,118,051	3,894,600	3,894,600	1,203,978	31%	
5 Securities firm exposures	-	-	-	-	-	0%	
6 Corporate exposures	439,413	-	127,207	127,207	127,207	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	232,387	-	-	62,224	46,668	75%	
11 Residential mortgage loans	103,247	-	103,247	103,247	40,722	39%	
12 Other exposures which are not past due exposures	2,944,286	-	-	1,287,702	1,287,702	100%	
13 Past due exposures	-	-	-	-	-	0%	
14 Significant exposures to commercial entities	-	-	-	-	-	0%	
15 Total	8,512,998	9,118,051	6,374,045	6,374,045	2,706,2777	42%	

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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

Exposure class		As at 30 June 2022											Total credit risk exposures amount (post CCF and post CRM)		
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others				
1	Sovereign exposures	899,065	-	-	-	-	-	-	-	-	-	-	-	-	899,065
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	2,477,740	-	1,416,860	-	-	-	-	-	-	-	-	3,894,600
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	-	-	127,207	-	-	-	-	127,207
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	-	-	-	-	-	-	-	-	-	-	-	-	-	62,224
11	Residential mortgage loans	-	-	-	96,192	-	-	-	62,224	-	7,055	-	-	-	103,247
12	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	1,287,702	-	-	-	1,287,702
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Total	899,065	-	2,477,740	96,192	1,416,860	62,224	1,421,964	-	-	-	-	-	-	6,374,045

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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 2022					
		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)	1,543	8,844		1.4	14,542	11,093
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						11,093

The Banking (Capital) (Amendment) Rules 2020 came into effect on 30 June 2022 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 2022	
(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	14,542	2,413
4	Total	14,542	2,413

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

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

		As at 30 June 2022											Total default risk exposure after CRM			
		(HK\$'000)	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		-	-	4,311	-	-	-	-	-	-	-	-	-	-	4,311
5	Securities firm exposures		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures		-	-	-	-	-	-	-	10,231	-	-	-	-	-	10,231
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		-	-	4,311	-	-	-	-	10,231	-	-	-	-	-	14,542

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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)

	As at 30 June 2022					
	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		
(HK\$'000)						
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Total	-	-	-	-	-	-

7 Market risk under Standardized approach

		As at 30 June 2022
		RWA
(HK\$'000)		
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	-
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	39,450
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	Total	39,450

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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 net positions in foreign currencies are disclosed when each currency constitutes 10% or more of the respective total net position in all foreign currencies. The Company does not have any structural positions.

	CAD	EUR	JPY	USD	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 June 2022						
Spot assets	5,735	131,014	42,622	4,466,684	134,302	4,780,357
Spot liabilities	(6,701)	-	-	(3,968,947)	(733,036)	(4,708,684)
Forward purchases	6,075	8,187	12,960	219,379	655,629	902,230
Forward sales		(130,991)	(51,839)	(687,609)	(34,953)	(905,392)
Net long position	<u>5,109</u>	<u>8,210</u>	<u>3,743</u>	<u>29,507</u>	<u>21,942</u>	<u>68,511</u>

	USD	CNY	JPY	CAD	CHF	SGD	NZD	EUR	GBP	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31											
December 2021											
Spot assets	3,547,394	24,858	55,534	11,187	12,311	7,056	2,661	179,699	17,987	24,026	3,882,713
Spot liabilities	(2,619,427)	(821,839)	(4,678)	(6,747)	-	(26,583)	-	(208)	(21,081)	(30,201)	(3,530,764)
Forward purchases	256,585	802,379	10,159	6,123	-	23,095	-	13,232	11,589	5,664	1,128,826
Forward sales	(1,139,809)	-	(54,181)	-	(7,680)	-	-	(185,252)	(9,481)	-	(1,396,403)
Net long/(short) position	<u>44,743</u>	<u>5,398</u>	<u>6,834</u>	<u>10,563</u>	<u>4,631</u>	<u>3,568</u>	<u>2,661</u>	<u>7,471</u>	<u>(986)</u>	<u>(511)</u>	<u>84,372</u>

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

9 Sector analysis of gross advances to customers

(i) Gross advances to customers by industry sector:

At 30 June 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	3,268,865	100%	1,281	1,281	1	1,281
Financial concerns						
- Investment companies	447,881	100%	-	-	-	-
	<u>3,716,746</u>					
Loans for use outside Hong Kong	-	-				
	<u><u>3,716,746</u></u>					
At 31 December 2021	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	4,023,690	100%	1,273	1,273	1	1,273
Financial concerns						
- Investment companies	722,242	100%	-	-	-	-
	<u>4,745,932</u>					
Loans for use outside Hong Kong	-	-				
	<u><u>4,745,932</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 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	1,896,610	1,281	1,281	1	1,281
Mainland China	1,463,633	-	-	-	-
Others	356,503	-	-	-	-
	<u>3,716,746</u>	<u>1,281</u>	<u>1,281</u>	<u>1</u>	<u>1,281</u>
	<u><u>3,716,746</u></u>	<u><u>1,281</u></u>	<u><u>1,281</u></u>	<u><u>1</u></u>	<u><u>1,281</u></u>
At 31 December 2021	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	2,030,943	1,273	1,273	1	1,273
Mainland China	2,133,569	-	-	-	-
Others	581,420	-	-	-	-
	<u>4,745,932</u>	<u>1,273</u>	<u>1,273</u>	<u>1</u>	<u>1,273</u>
	<u><u>4,745,932</u></u>	<u><u>1,273</u></u>	<u><u>1,273</u></u>	<u><u>1</u></u>	<u><u>1,273</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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(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)

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>				Total HK\$ million
	Banks HK\$ million	Official sector HK\$ million	Non-bank financial institutions HK\$ million	Non- financial private sector HK\$ million	
<u>At 30 June 2022</u>					
Developed countries	1,501	-	83	11	1,595
Offshore centres	444	-	45	104	593
Developing Latin America and Caribbean	-	-	-	5	5
Developing Africa and Middle East	-	-	-	9	9
Developing Asia and Pacific	1,929	-	15	1,926	3,870
- <i>Of which: China</i>	1,929	-	15	1,856	3,800
	3,874	-	143	2,055	6,072
<u>At 31 December 2021</u>					
Developed countries	313	-	86	58	457
Offshore centres	291	-	29	592	912
Developing Latin America and Caribbean	-	-	-	7	7
Developing Africa and Middle East	-	-	-	48	48
Developing Asia and Pacific	2,118	-	16	2,600	4,734
- <i>Of which: China</i>	2,118	-	16	2,517	4,651
	2,722	-	131	3,305	6,158

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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 2022			
Central government, central government-owned entities and their subsidiaries and joint ventures	-	75	75
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	1,241,954	-	1,241,954
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	130,584	-	130,584
	<u>1,372,538</u>	<u>75</u>	<u>1,372,613</u>
Total assets after provision	<u>8,515,681</u>		
On-balance sheet exposures as percentage of total assets	<u>16.12%</u>		
At 31 December 2021			
Central government, central government-owned entities and their subsidiaries and joint ventures	-	3,779	3,779
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	1,670,877	-	1,670,877
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	201,090	-	201,090
	<u>1,871,967</u>	<u>3,779</u>	<u>1,875,746</u>
Total assets after provision	<u>8,693,177</u>		
On-balance sheet exposures as percentage of total assets	<u>21.53%</u>		

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

12 Overdue and rescheduled assets

	At 30 June 2022		At 31 December 2021	
	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	1,281	0.03%	1,273	0.03%
	<u>1,281</u>		<u>1,273</u>	
Stage 3 individually assessed impairment allowances made in respect of such advances	1,281		1,273	
	<u>1,281</u>		<u>1,273</u>	
Covered portion of such advances to customers	-		-	
Uncovered portion of such advances to customers	1,281		1,273	
	<u>1,281</u>		<u>1,273</u>	
Current market value of collateral held against the covered portion of such advances to customers	-		-	
	<u>-</u>		<u>-</u>	

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 2022 and 31 December 2021.

There were no rescheduled advances to banks and other financial institutions as at 30 June 2022 and 31 December 2021.

There were no rescheduled debt securities as at 30 June 2022 and 31 December 2021.

There were no repossessed assets as at 30 June 2022 and 31 December 2021.

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BUSINESS REVIEW

The Company's attributable profit for the six months ended 30 June 2022 was HK\$11.22 million, down 81.64%, year-on-year. The decrease was mainly driven by the decrease in net fee and commission income.

Net interest income decreased by 21.84% to HK\$40.90 million, compared with the first half of 2021, primarily due to the decrease in customer loan interest income.

Compared to the first half of 2021, net fee and commission income decreased by 48.11% to HK\$71.37 million. The decrease was mainly due to 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 losses were HK\$0.69 million, due to the decrease in net trading gains from foreign exchange and related products as compared with the first half of 2021.

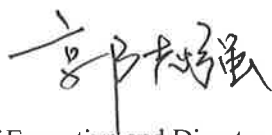
Operating expenses decreased by 17.05% to HK\$98.22 million.

The total assets of the Company decreased by 2.04% to HK\$8,516 million. As at 30 June 2022, the loans and advances to customers amounted to HK\$3,715 million, decreased by 21.69% from 31 December 2021. The deposits from customers decreased to HK\$6,489 million, down 4.27% compared with the balance as at end of 2021.

STATEMENT OF COMPLIANCE

The interim report for the first half of 2022 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, 22 SEP 2022