Bank of China Limited

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

2021 Annual Report

The print version of the Bank's 2021 Annual Report, to be published in April 2022, will supersede this version.

Introduction

Bank of China is the bank with the longest continuous operation among Chinese banks. Formally established in February 1912, the Bank served consecutively as the country's central bank, international exchange bank and specialised international trade bank. After 1949, drawing on its long history as the state-designated specialised foreign exchange and trade bank, the Bank became responsible for managing China's foreign exchange operations and offering international trade settlement, overseas fund transfer and other non-trade foreign exchange services. Restructured into a wholly state-owned commercial bank in 1994, the Bank provides various financial services, and has developed into a large commercial bank delivering services in local and foreign currencies and featuring complete business varieties and strong strength. The Bank was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in 2006, becoming the first Chinese bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets. The Bank is the official banking partner of the Beijing 2008 Summer Olympics and the Beijing 2022 Winter Olympics, thus making it the only bank in China to serve two Olympic Games. In 2011, Bank of China became the first financial institution from an emerging economy to be designated as a Global Systemically Important Bank, a designation it has now maintained for 11 consecutive years. With its growing international status, competitiveness and comprehensive strengths, the Bank has marched forward into the ranks of the world's large banks. In 2022, Bank of China, in celebration of its 110th anniversary of establishment, is striving to form a strategic landscape with its domestic commercial banking services as the business mainstay, its globalised operations and diversified business platforms as the two growth engines, accelerate the building of a first-class global banking group and working hard to write a new chapter in its history of more than hundred years.

As China's most globalised and integrated bank, Bank of China has institutions across the Chinese mainland as well as 62 countries and regions, and BOCHK and the Macau Branch serve as local note-issuing banks in their respective markets. The Bank has a well-established global service network and an integrated service platform based on the pillars of its corporate banking, personal banking, financial markets and other commercial banking business, which covers investment banking, direct investment, securities, insurance, funds, aircraft leasing, asset management, financial technology, financing leasing and other areas, thus providing its customers with financial solutions featuring one-click access, global response and integrated services.

Bank of China embodies a noble sense of duty and commitment. Over its 110 years history, the Bank constantly cared about the nation, dedicated to contribute to the country, and continued to strive for prosperity of the country and rejuvenation of the nation. Being deeply rooted in people and committed to providing excellent services, it has fulfilled its responsibilities of delivering financial services for the people, bringing benefits and convenience to the people, and improving the living standards of the people. Keeping the common good in mind and advocating openness and inclusiveness, the Bank has mobilised domestic and overseas resources to serve the two-way interactions between China and the world. It has always followed the law, innovated with prudence, and upheld the spirit of integrity and innovation to strengthen the Bank. As a large state-owned commercial bank on a new journey towards fully building a modern socialist country, the Bank, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, will carry forward the Bank's century-old tradition of pursuing excellence, take full, accurate and comprehensive implementation of the new development philosophy, contribute to the new development pattern; consciously uphold the mission of "Bridge China and the World for the Common Good"; practice the values of "provide excellent service, innovate with prudence, uphold openness and inclusiveness, collaborate for mutual growth", take the strategic approach of "invigorate, adapt to change and drive for major breakthroughs", and thus strive to build a first-class global banking group, promote higher-standard opening-up and high-quality economic and social development, and make an even greater contribution to realising the Chinese Dream of national rejuvenation.

Outline of 14th Five-Year Development Plan (2021–2025) and Long-Range Objectives through the Year 2035

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will set foot in the new development stage, take full, accurate and comprehensive implementation of the new development philosophy, contribute to the new development pattern. With reform and innovation as the fundamental driver and meeting people's growing needs for a better life as the fundamental purpose, the Bank will adhere to the general principle of seeking progress while maintaining stability, deepen the supply-side structural reform in the financial sector, accelerate the comprehensive digital transformation, and promote high-quality and sustainable development and high-standard opening-up. The Bank will fulfill its responsibility and mission as a large state-owned bank, focus on serving the real economy, and continue to promote technology finance, green finance, inclusive finance, cross-border finance, consumer finance, wealth finance, supply chain finance and county-level finance. The Bank will strengthen risk awareness, stick to the bottom-line thinking, and strengthen prudence and compliance in operation. The Bank will maintain a systematic concept and accelerate the building of a strategic development pattern with its domestic commercial banking services as the business mainstay and its globalised operations and diversified business platforms as two growth engines. The Bank will take the strategic approach of "invigorate, adapt to change and drive for major breakthroughs", and thus strive to build a first-class global banking group.

Corporate Culture Concept System

Our Mission

Bridge China and the World for the Common Good

Our Vision

Build a First-Class Global Banking Group

Our Values

Provide Excellent Service
Innovate with Prudence
Uphold Openness and Inclusiveness
Collaborate for Mutual Growth

Honours and Awards

The Banker	Ranked 4th in Top 1,000 World Banks
	Ranked 4th in Top 500 Global Banking Brands
FORTUNE	Ranked 39th in Global 500 (2021)
Global Finance	Best Private Bank
	Best Sustainable Finance Bank
Asiamoney	Best Transaction Bank for Trade Finance
	Best Green Bond Bank
	Best Bank for Domestic Debt Capital Market
	Best Transaction Bank for Supply Chain Finance
IFF	Global Green Finance Awards — Institutional Annual Award
The Asian Banker	China's Best Investment Advisory Service
	2021 FinTech Innovation Award
FinanceAsia	ESG Financing Institution of the Year
	Best Debt House-Asia
The Asset	Best Sustainable Finance Issuer
Shanghai Futures Exchange	Shanghai Futures Exchange Gold Award for Market Making Business
China Banking Association	Outstanding Contribution Award of the Intermediary Business Professional Committee
China Banking Association, China Association of Small and Medium Enterprises	Excellent Case of Financial Services for Micro, Small and Medium-sized Enterprises
China Internet Information Center	Outstanding Inclusive Finance Bank of the Year
Sina	Best Bank with Responsible Investment
CBN	Best Bank in Wealth Management
Caijing	2021 Most Influential Digitalised Bank
IDC	IDC Financial Industry Technology Application Scenario Innovation Award
CFCA	Best Corporate Mobile Banking Award
Securities Times	Best Board of Directors for Investor Relations
LACP	Annual Report Gold Award
Interbrand	Ranked 6th in the List of Chinese Brands with Best Value
Hurun Research Institute	Ranked 3rd in the List of Brands with Most Historical and Cultural Heritage in China
ChinaHR.com	Best and Most Attractive Employer for College Student
Forbes	2021 Forbes China's Most Popular Employers for College Students

Contents

Definitions

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

The Bank/the Group	Bank of China Limited or its predecessors and, except where the context otherwise requires, all of the subsidiaries of Bank of China Limited
Articles of Association	The performing Articles of Association of the Bank
A Share	Domestic investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on SSE (Stock Code: 601988)
Basis Point (Bp, Bps)	Measurement unit of changes in interest rate or exchange rate. 1 basis point is equivalent to 0.01 percentage point
BOC Asset Investment	BOC Financial Asset Investment Co., Ltd.
BOC Aviation	BOC Aviation Limited, a public company limited by shares incorporated in Singapore under the Singapore Companies Act, the shares of which are listed on the Hong Kong Stock Exchange
BOC Consumer Finance	BOC Consumer Finance Co., Ltd.
BOC Financial Technology	BOC Financial Technology Co., Ltd.
BOC Fullerton Community Bank	BOC Fullerton Community Bank
BOC Insurance	Bank of China Insurance Company Limited
BOC Life	BOC Group Life Assurance Co., Ltd.
BOCG Insurance	Bank of China Group Insurance Company Limited
BOCG Investment	Bank of China Group Investment Limited
BOCHK	Bank of China (Hong Kong) Limited, an authorised financial institution incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK (Holdings)
BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong, the ordinary shares of which are listed on the Hong Kong Stock Exchange

BOCI	BOC International Holdings Limited
BOCIM	Bank of China Investment Management Co., Ltd.
BOCI China	BOC International (China) Co., Ltd., a company incorporated in the Chinese mainland, the ordinary shares of which are listed on the Shanghai Stock Exchange
BOCL	BOC Financial Leasing Co., Ltd.
BOC-Samsung Life	BOC-Samsung Life Ins. Co., Ltd.
BOC Wealth Management	BOC Wealth Management Co., Ltd.
CAS	Chinese Accounting Standards
CBIRC	China Banking and Insurance Regulatory Commission
Central and Southern China	The area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan
Company Law	The Company Law of PRC
CSRC	China Securities Regulatory Commission
Eastern China	The area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi, Shandong and Qingdao
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
H Share	Overseas-listed foreign investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 3988)
Huijin	Central Huijin Investment Ltd.
IFRS	International Financial Reporting Standards

Independent Director	Independent director under the listing rules of SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
MOF	Ministry of Finance, PRC
Northeastern China	The area including, for the purpose of this report, the branches of Heilongjiang, Jilin, Liaoning and Dalian
Northern China	The area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office
PBOC	The People's Bank of China, PRC
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
SAFE	State Administration of Foreign Exchange, PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	The Shanghai Stock Exchange
Western China	The area including, for the purpose of this report, the branches of Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Qinghai, Tibet and Xinjiang

Important Notice

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

The 2021 Annual Report and Annual Results Announcement of the Bank have been reviewed and approved at the meeting of the Board of Directors of the Bank held on 29 March 2022. The number of directors who should attend the meeting is 14, with 14 directors attending the meeting in person. All of the 14 directors of the Bank exercised their voting rights at the meeting. The supervisors and senior management members of the Bank attended the meeting as non-voting attendees.

The 2021 financial statements prepared by the Bank in accordance with CAS and IFRS have been audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with Chinese and international auditing standards, respectively. Both auditors issued an unqualified opinion.

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

The Board of Directors has recommended a final dividend on ordinary shares for 2021 of RMB2.21 per ten shares (before tax), subject to approval in the forthcoming 2021 Annual General Meeting. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

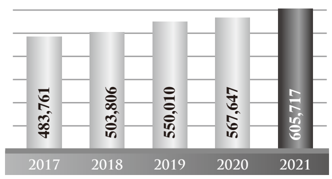
During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that has violated the applicable regulations and procedures.

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

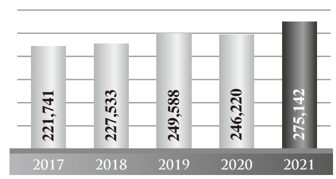
The Bank is faced with risks arising from changes in the macroeconomic environment and from political and economic conditions in different countries and regions as well as risks arising from its day-to-day operations, including the risk arising from changes in the credit status of borrowers, adverse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

Financial Highlights

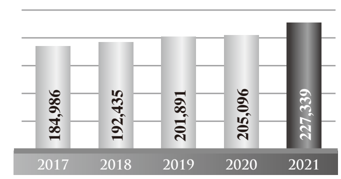
Operating income
RMB Million



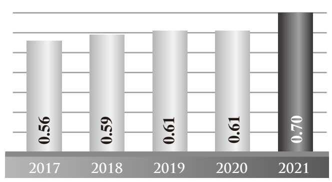
Operating profit
RMB Million



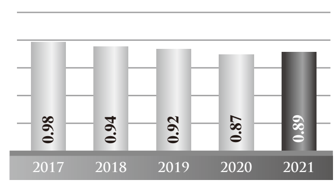
Profit for the year
RMB Million



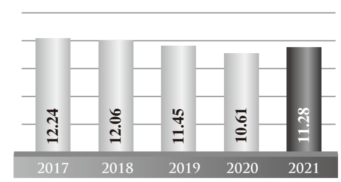
EPS (basic)
RMB



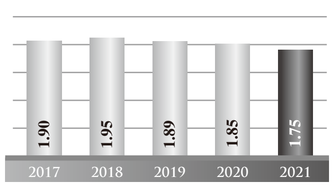
ROA
%



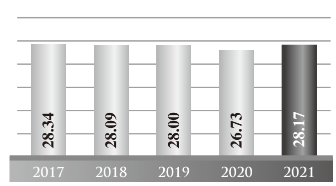
ROE
%



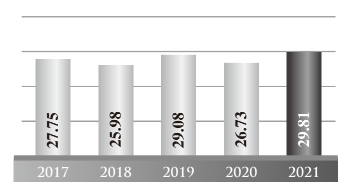
Net interest margin
%



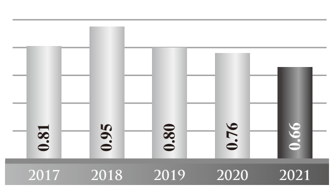
Cost to income ratio (calculated under regulations in the Chinese mainland)
%



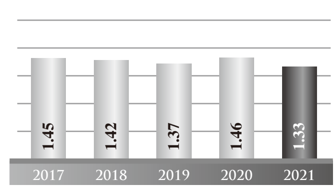
Non-interest income to operating income
%



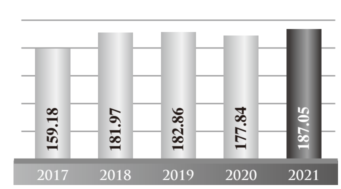
Credit cost
%



Non-performing loans to total loans
%



Allowance for loan impairment losses to non-performing loans
%



Note: The financial information in this report has been prepared in accordance with IFRS[1]. The data are presented in RMB and reflect amounts related to the Group, unless otherwise noted.

Unit: RMB million

	Note	2021	2020	2019	2018	2017
Results of operations						
Net interest income		**425,142**	415,918	390,050	372,930	349,535
Non-interest income	2	**180,575**	151,729	159,960	130,876	134,226
Operating income		**605,717**	567,647	550,010	503,806	483,761
Operating expenses		**(226,355)**	(202,411)	(198,269)	(176,979)	(173,859)
Impairment losses on assets		**(104,220)**	(119,016)	(102,153)	(99,294)	(88,161)
Operating profit		**275,142**	246,220	249,588	227,533	221,741
Profit before income tax		**276,620**	246,378	250,645	229,643	222,903
Profit for the year		**227,339**	205,096	201,891	192,435	184,986
Profit attributable to equity holders of the Bank		**216,559**	192,870	187,405	180,086	172,407
Total dividend of ordinary shares		**N.A.**	57,994	56,228	54,167	51,812
Financial position						
Total assets		**26,722,408**	24,402,659	22,769,744	21,267,275	19,467,424
Loans, gross		**15,712,574**	14,216,477	13,068,785	11,819,272	10,896,558
Allowance for loan impairment losses	3	**(390,541)**	(368,619)	(325,923)	(303,781)	(252,254)
Investments	4	**6,164,671**	5,591,117	5,514,062	5,054,551	4,554,722
Total liabilities		**24,371,855**	22,239,822	20,793,048	19,541,878	17,890,745
Due to customers		**18,142,887**	16,879,171	15,817,548	14,883,596	13,657,924
Capital and reserves attributable to equity holders of the Bank		**2,225,153**	2,038,419	1,851,701	1,612,980	1,496,016
Share capital		**294,388**	294,388	294,388	294,388	294,388
Per share						
Basic earnings per share (RMB)		**0.70**	0.61	0.61	0.59	0.56
Dividend per share (before tax, RMB)	5	**0.221**	0.197	0.191	0.184	0.176
Net assets per share (RMB)	6	**6.47**	5.98	5.61	5.14	4.74
Key financial ratios						
Return on average total assets (%)	7	**0.89**	0.87	0.92	0.94	0.98
Return on average equity (%)	8	**11.28**	10.61	11.45	12.06	12.24
Net interest margin (%)	9	**1.75**	1.85	1.89	1.95	1.90
Non-interest income to operating income (%)	10	**29.81**	26.73	29.08	25.98	27.75
Cost to income ratio (calculated under regulations in the Chinese mainland, %)	11	**28.17**	26.73	28.00	28.09	28.34
Capital ratios	12					
Net common equity tier 1 capital		**1,843,886**	1,704,778	1,596,378	1,465,769	1,356,088
Net additional tier 1 capital		**329,845**	287,843	210,057	109,524	105,002
Net tier 2 capital		**525,108**	458,434	394,843	347,057	264,240
Common equity tier 1 capital adequacy ratio (%)		**11.30**	11.28	11.30	11.41	11.15
Tier 1 capital adequacy ratio (%)		**13.32**	13.19	12.79	12.27	12.02
Capital adequacy ratio (%)		**16.53**	16.22	15.59	14.97	14.19
Asset quality						
Credit-impaired loans to total loans (%)	13	**1.33**	1.46	1.37	1.42	1.45
Non-performing loans to total loans (%)	14	**1.33**	1.46	1.37	1.42	1.45
Allowance for loan impairment losses to non-performing loans (%)	15	**187.05**	177.84	182.86	181.97	159.18
Credit cost (%)	16	**0.66**	0.76	0.80	0.95	0.81
Allowance for loan impairment losses to total loans (%)	17	**2.83**	2.96	2.97	3.07	2.77
Exchange rate						
USD/RMB year-end central parity rate		**6.3757**	6.5249	6.9762	6.8632	6.5342
EUR/RMB year-end central parity rate		**7.2197**	8.0250	7.8155	7.8473	7.8023
HKD/RMB year-end central parity rate		**0.8176**	0.8416	0.8958	0.8762	0.8359

Notes:

1 Starting on 1 January 2018, the Bank has applied *International Financial Reporting Standard No. 9 — Financial Instruments* (IFRS 9) published by the International Accounting Standards Board.

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

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

4 The investments of 2021, 2020, 2019 and 2018 are presented under IFRS 9, which include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost. The comparative data of the previous reporting period was not restated accordingly.

5 Dividend per share is the dividend per ordinary share distributed to ordinary shareholders.

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

7 Return on average total assets = profit for the year ÷ average total assets × 100%. Average total assets = (total assets at the beginning of the year + total assets at year-end) ÷ 2.

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

9 Net interest margin = net interest income ÷ average balance of interest-earning assets × 100%. Average balance is average daily balance derived from the Group's management accounts (unaudited).

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

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

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

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

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

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

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

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

Corporate Information

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

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

Legal Representative and Chairman
LIU Liange

Vice Chairman and President
LIU Jin

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

Listing Affairs Representative
YU Ke
Office Address:
No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: ir@bankofchina.com

Registered Address
No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China

Office Address
No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China, 100818
Telephone: (86) 10-6659 6688
Facsimile: (86) 10-6601 6871
Website: www.boc.cn
Customer Service and Complaint Hotline:
(86) Area Code-95566

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

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

Website of SSE for Publication of the Annual Report
www.sse.com.cn

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

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

Legal Advisor
King & Wood Mallesons
Clifford Chance

Auditors
Domestic Auditor
PricewaterhouseCoopers Zhong Tian LLP
Office Address:
Room 01, Unit 507, DBS Bank Tower,
1318 Lu Jia Zui Ring Road,
Pudong New Area, Shanghai, China
Certified Public Accountants who signed the auditor's report:
Ms. Ho Shuk Ching Margarita,
Mr. Zhu Yu, Mr. Li Dan

International Auditor
PricewaterhouseCoopers
Office Address:
22/F, Prince's Building,
Central, Hong Kong, PRC

Unified Social Credit Code
911000001000013428

Financial Institution Licence Serial Number
B0003H111000001

Registered Capital
RMB294,387,791,241

Securities Information

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

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

Domestic Preference Share
Shanghai Stock Exchange

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

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

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

Message from the Chairman

2021 was a critical year as we've summed up the past and gained new strength, while laying out plans for the future. We witnessed the historic convergence of the "Two Centenary Goals" of our country, and the resounding success in eliminating extreme poverty for all Chinese. We withstood a global pandemic in its second year, while still managing to advance our support to the real economy, accelerate reform and innovation, and increase our resilience against risks. The Bank delivered solid financial performance in 2021: the Group achieved a profit for the year of RMB227.339 billion — an increase of 10.85% year-on-year; a profit attributable to equity holders of the Bank was RMB216.559 billion, up 12.28% from the previous year; ratio of non-performing loans was 1.33%, down 0.13 percentage point from the prior year end; and the allowance for loan impairment losses to non-performing loans was 187.05%, up 9.21 percentage points from the prior year end. The Board of Directors has proposed a cash dividend of RMB2.21 per ten ordinary shares for 2021, representing a dividend payout ratio of 30%.

Also in the year, a new blueprint has been drawn for the Group's development during the 14th Five-Year-Plan period, in line with strategies and policies of the country and of the Party, which will guide and inspire our over 300,000 colleagues, united under the vision of building a first-class global banking group, to continue working hard to live up to the mission of bridging China and the world for the common good.

Broader support to the real economy from the "Eight Priority Areas"

We've adopted the new development philosophy and identified technology finance, green finance, inclusive finance, cross-border services, consumer finance, wealth management, supply chain finance, and county-level financial services, as the "Eight Priority Areas" where we will increase our presence and build new growth drivers. Doing so allows us to optimise the structure of our offerings of financial services, and better support high-quality development of the economy. Throughout the year, we continued to step up support to corporate customers in the technology sector, extending credit facilities to over 33 thousands of them; meanwhile, our debt-equity combination financing for tech firms also gained traction. A full line-up of diverse green financial products, was established and still growing, while our green credit balance experienced a surge. In inclusive finance, we integrated our corporate and retail functions for higher efficiency, which drove a drastic growth in inclusive loans. Progress was made in our cross-border services as well, as we pioneered the H-Share full circulation program, the Southbound Bond Connect, the Cross-border Wealth Management Connect, and many other initiatives, securing our lead in the market. Similarly, our presence in consumer finance and wealth management increased, with more offerings launched in the market and the AUM in the retail business exceeding RMB11 trillion. We also upgraded our supply chain finance services, now branded "BOC Smart Chain", which contributed to strengthening the supply chain of many key industries. And finally, leveraging our resources at the county level, we took well-targeted actions to facilitate the poverty alleviation campaign and support rural revitalisation program.

New "One Mainstay, Two Engines" strategy to build on century-long legacy

As the new development pattern in China starts to take hold, whereby the domestic and international economic circulations reinforce each other, we've located our new strategy to focus on our competitive advantages, which features domestic commercial banking as the mainstay of our Group, and globalised operations and diversified business platforms as two growth engines. The goal is to allow our customers access to the Bank's global resources and services at any point of contact. In 2021, domestic contribution to our total revenue increased, with steady growth reported both in key businesses and key regions. On the side of our overseas network, we demonstrated resilience against the pandemic and managed to maintain stable operations. We also promoted the synergy between our banking arms and non-banking business platforms and turned it into as a key enabler of business and growth, as evidenced in the improved profitability and higher contribution to the Group reported by the latter. In addition, we provided high-quality financial services to the 2022 Beijing Winter Olympic Games as its official banking partner. Having sponsored the 2008 Beijing Summer Olympic Games, we are the only bank in the world to sponsor both the Winter and Summer Games; and we've seized this opportunity to launch a series of Olympics-related banking services, to help promote the national campaign of engaging 300 million people in winter sports.

Digital transformation to accelerate future-facing innovation

We've always watched technological advancements and industrial trends with keen interest, and invested heavily in digital transformation and other key innovations that will better position us for the future. We achieved initial success in promoting the four strategic scenarios, including cross-border facilitation, education, sports, and silver economy; helped by our publication of the *White Paper on the Development of Scenario-based Financial Services Ecosystem*, the first of its kind. We also launched an updated mobile banking APP with additional functions, and registered an exponential growth in e-CNY wallet activation. In addition, we've gone all out to accelerate the development of enterprise-level architectures, and foster mindsets and systems compatible with digital transformation. With many of the enterprise-level capabilities being formed and an initial version of the "Three Horizontals, Two Verticals and One Line" data governance framework now in place, we expected sizable flows of dividend from data assets in the years ahead.

Comprehensive risk management for a stronger footing

As uncertainty and complexity grew in the external environment, we continued to exercise caution and promoted a proactive approach to risk prevention and control, with equal emphasis on stability and growth. We strengthened the comprehensive risk management system of the Group and significantly reduced vulnerabilities; especially, we enhanced differentiated support to overseas institutions and look-through management of non-banking arms. We also optimised credit policies for inclusive finance and retail customers, and launched pilot reform programs for credit management in overseas markets. In addition, further improvements were made to our anti-money laundering system. Risk levels, including that of liquidity risk and market risk, remained stable at the moment.

Culture building to promote shared values

Rooted deeply in over a century of history and traditions, the Bank's values of "providing excellent service, innovating with prudence, upholding openness and inclusiveness, and collaborating for mutual growth" form the foundation of our corporate culture; and we've taken measures to institutionalise and translate these values and culture into true competitiveness. In addition, we integrated the leadership of the Party into corporate governance, giving full play to its core function of "setting the right direction, overseeing the big picture, and ensuring implementation of policies and principles"; we also leveraged the Party's political strength, organisation strength, as well as its strength in mass work to advance reforms and support the Bank's development. We encouraged benchmarking and best practice sharing at all levels, which yielded good results especially in raising the mentality of providing excellent service. We stepped up efforts to upgrade systems, optimise workflows, and promote differentiated management, in order to enhance our capacity for innovating with prudence. As a consequence, various types of flexible organisations were established to pick up customer needs at speed, by making extensive and full use of standardised modular products and services, contributing towards an open and inclusive ecosystem. Moreover, nearly 260 financing projects were executed jointly by banking and non-banking platforms within the Group, which has further demonstrated the effect and benefits of collaborating for mutual growth, and paved the way for future breakthrough in the synergy between culture building and business development.

2022 marks the 110th anniversary of Bank of China. 110 years ago, the Bank set its purpose to serve the social and economic development of the country through finance. To that end, our people have since worked hard and tirelessly to overcome all headwinds and challenges, and charted a course for a better future through both tenacity and ingenuity. Now in its second century of operation, the Bank remains a living witness to the great rejuvenation of our nation, and has left a rich legacy of its own that grows more relevant by the day.

Service to the country is the way to prosperity

From an early history punctuated by turmoil and upheaval, the Bank emerged strong as a national champion in finance. A period of fast growth ensued, thanks to the peace and stability brought by the founding of the People's Republic of China. The Bank received a further boost from the reform and opening-up campaign afterwards, and has now renewed its aspiration of excellence in the new development stage. It has been clear from the start that the Bank has always found strength in the development of, and more importantly, in its service to the country, as was pledged in its founding mission — "promoting the welfare of the society and bringing prosperity to the nation". We continue to be inspired by such purpose and resolve, and will carry through our duty to the national rejuvenation while pursuing business growth.

People-centered approach leads to excellence

We've long put customers in the centre of everything we do, a fine tradition that dates back to the 1930s, when the Bank proclaimed "Bank of China by nature is a bank for all 400 million fellow Chinese". It was then attested by our perseverance with providing cash delivery and payment services to people in front-line cities during Japanese aggression in the Second World War; and has since been carried over to this day, as we accelerate the building of strategic scenario-based business ecosystems, including cross-border facilitation, education, sports and silver economy, to create better customer experience. As always, we will continue to "provide excellent services" to our customers, to increase their wealth and bring convenience to their life; we've also installed a people-oriented mentality in taking care of our own staff. We believe this consistency on people centricity enhances our reputation and serves as a source of our strength. This approach will create more value not only for our external customers, but also for our own employees and our organisation.

Adaptability sustains a long-standing business

The Bank owes its success throughout different periods to its clear understanding and respect of the general patterns or principles of economic and financial activities, as well as deep insights into market trends and customer needs. Now that we find ourselves in a new world of constant changes and great uncertainty, it has become even more important for us to observe the rules and patterns while adapting to the trends of times; and to stick to the path of financial development with Chinese characteristics, featuring the rule of law and market mechanisms. Such an approach will equip us with the global perspective and keen receptiveness required to adapt, and maintain confidence and composure while navigating challenges.

Prudence and integrity as our unshakable tenets

Banks are a special type of commercial organisation in that the commodities banks deal in — currencies, capital, and credit — play a distinct role in the functioning of the society, warranting prudence and integrity, which we have taken as our ironclad tenets from the very beginning. Facing profound changes unseen in a century now, we've exercised extra cautions, stayed vigilant against potential risks, and further strengthened our comprehensive risk management system, as we believe this is the only and sure way to protect our customers' interest, ensure financial and social stability, while sustaining long-term growth across economic cycles.

As an old saying in Chinese goes, the power of will knows no bounds, not even summits unattempted or oceans most profound. Our people have time and again proved their strong will as well as their professionalism in the past 110 years of excellence, and are now ready to write a new chapter with renewed commitment. In 2022, we will continue to find guidance and inspiration from Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and our century-long legacy, and focus our efforts on: making our financial services more adaptive, inclusive, and competitive; facilitating higher-level opening-up; fully utilising our strength in overseas network for better integration into global finance governance; and launching cross-border products or solutions that are more efficient and accessible. These initiatives will aid our ongoing campaign of building a first-class global banking group and contributing to the national rejuvenation, while helping us deliver greater results and satisfy the expectations of not only the times, but also our country and its people, and our clients and shareholders.

LIU Liange
Chairman
29 March 2022

Message from the President

2021 again saw BOC rising to the challenges and making steady progress on all fronts: we reported record asset, liability, and operating income; broke new ground in key business areas; and gathered momentum in transition and reform. The good financial performance we achieved in 2021, which inaugurates our 14th Five-Year Plan development period, has set the stage for sustained growth and development in the years ahead.

Supporting the real economy remained our steadfast commitment and sharpened our competitive edge in 2021. We maintained a well-managed and robust credit portfolio, and grew our domestic lending both in yuan and in foreign currencies by RMB1,451.468 billion, the fastest in a decade. We expanded the Group's asset management business, with an AUM of RMB3.2 trillion, and channeled financial resources into national strategic initiatives for development, with enhanced efficiency for resource allocation. We especially ramped up support to some critical or underserved sectors in the economy: inclusive loans granted to micro and small enterprises (MSEs) grew by RMB305.9 billion, with the number of first-time borrowers up by over 40,000; the use of our special credit scheme for enterprises working on advanced technologies and innovations increased to cover over 15,000 clients; and newly extended loans processed online stood above RMB100 billion for the first time. Unlocking funding for supply chain was another key task to further energise participants of the economy. In 2021, we grew our financing for core enterprises on the supply chain, as well as for their up and downstream MSEs, by 20%. On the sustainability side, we joined UN's Principles for Responsible Banking (PRB) and became the first Chinese bank to have pledged to cease financing new coal-mining and coal-fired power projects outside Chinese Mainland, except for those projects already contracted; meanwhile, remained the leading investor and underwriter of green bonds in the domestic market. Additionally, benefiting from our alignment with China's regional development policies, we reported faster growth in RMB deposits and loans in several key regions than the national average.

Our standing as the most globalised bank in China was enhanced as we continued to serve the higher-level opening-up. As the world emerges from the pandemic and settles into a reshaped landscape for business in the post-COVID era, we change and adapt as well, by scaling up our cross-border service capabilities while featuring more of the "China elements". We adopted a market-by-market approach in managing and optimising our global network, and made substantive progress in advancing regionalised management, business consolidation, and integrated operation; moreover, we extended our overseas operations to 62 countries and regions outside Chinese mainland. We also leveraged our global reach and expertise in cross-border finance to support a series of international events, including the CIIE, CIFTIS, the Canto Fair, and the Hainan Expo, and financed or facilitated large volumes of cross-border trade and commerce through our services. All these efforts have contributed to the highest growth in years with respect to international settlement within the country and cross-border RMB settlement.

We accelerated product innovation and created better customer experience. A front runner in promoting e-CNY and its use cases, we expanded our platform to cover 34% of all activated use scenarios and 36% of the total merchants; both are the highest among all operators. We launched the 7.0 version of our mobile banking APP, which drove up our monthly active users by 17.8%; at the same time, the number of our corporate customers using online banking and mobile banking services increased by 24% and 113.85% respectively. We issued the world's first biodiversity-themed bonds and introduced many other innovative green financial instruments. We also brought online a public service platform of mutual aid for the elderly, and worked with over 70 governmental agencies, nursing homes, enterprises or social organisations, to help build an elderly-friendly society.

We ensured sound operation in spite of mounting risks and challenges. The complex and fast-changing external environment provided us an incentive to take a more forward-looking and rigorous stance on industry research, and timely update industry credit policies, which has enabled us to identify and avert potential risks effectively thus far. We've moved steadily forward with risky assets disposal as well. In our domestic operations, we've reduced the gross non-performing assets by RMB147.5 billion; and the percentages of non-performing loans, overdue loans, and special-mention loans were all declining. 2021 was also our "year of internal control and compliance". We enhanced efforts in internal control and precautions, and strengthened protection of consumer rights. Throughout the year, we organised public activities raising awareness of consumer protection that reached near 570 million people. In addition, we kept tracking the latest developments of COVID and regulatory requirements, and took measures to ensure the safety of our staff and business continuity of our operations overseas.

Not long ago, Bank of China celebrated its 110th anniversary. Our long legacy of success and excellence has provided us with renewed commitment and confidence on the new journey ahead, where we will go on to serve the real economy and help people in their pursuit of a better life. We will carry forward our century-long enterprising spirit, follow the 14th Five-Year Plan to continuously grow our comprehensive strength, with the aspiration to facilitate the new development pattern and contribute to the stability of the macro economy.

We will promote the synergy between domestic commercial banking and our globalised operations and diversified business platforms. Defined as the "mainstay" of our business, our commercial banking in the home market will be further enhanced to play a bigger role in attracting investment and resources worldwide. We will also serve and coordinate both "high-quality bringing-in" and "high-level going-global", and improve the interactions between our commercial and investment banking arms both at home and abroad. In doing so, we hope that we could provide our global customers with a one-stop and full package of financial services. **We will invest heavily in the "Eight Priority Areas"** by perfecting service modes and systems, with special attention on new growth drivers, new business forms, and new service scenarios, so as to lead a new path of high-quality development that suits us in the "blue ocean" of brand new opportunities in the economy. **We will further accelerate digital transformation,** starting with our internal systems. The new enterprise architecture that we are building will enable us to have more powerful middle offices for business, data, technology and operation, and drive self-evolution of operation and management. We will also use this opportunity to integrate and optimise business processes, make risk control more intelligent and effective, and reduce unproductive workload of staff and institutions to boost efficiency. Externally, we will empower our partners, upgrade the supply chain with digital financial services, and promote transitions of industries with open and shared services. **We will double down on comprehensive risk management.** By building our own core competence of risk control, we will move towards an "all-inclusive, coordinated, digitalised, and professional" risk management system. We will speed up building and applying the intelligent risk control centers, with greater emphasis on credit and market risks. We will also continue to promote internal control and precautionary measures, as well as the long-effect mechanism for anti-money laundering and compliance, to ensure stable and healthy operation.

For over a century, Bank of China has bridged China and the world for the common good — a commitment that we still share and a noble cause that we're so proud to carry on to this day and onwards. And I will, together with all other members of the senior management of the Bank, continue to be guided by the policies of the CPC Central Committee and the State Council, faithfully fulfill the resolutions by the Board of Directors, and subject ourselves to the scrutiny of the Board of Supervisors. We will adhere to the highest ethical and professional codes, and act with the diligence, enterprise and ingenuity expected of us, to lead the efforts to build ourselves into a first-class global banking group that in turn, will deliver enhanced returns and create greater social values for all our customers, investors and stakeholders, whose support and trust we are grateful for.

LIU Jin
President
29 March 2022

Message from the Chairwoman of the Board of Supervisors

In 2021, with the aim of building a first-class global banking group, and in compliance with relevant laws and regulations, regulatory requirements and the Articles of Association of the Bank, the Board of Supervisors aligned itself with national decisions and plans on economic and financial work, Bank-wide work priorities and core supervisory responsibilities. It duly supervised the Bank's strategies, duty performance, financial management, risk management and internal control, and enhanced its capabilities as well as the quality and effectiveness of supervision, thus continuously contributing to the high-quality development of the Bank.

In 2021, the Board of Supervisors adhered to the strategies and priorities of the country and constantly improved its supervision quality and efficiency. **It focused on major national decisions and plans and intensified supervisory and prompting efforts.** The Board of Supervisors focused on strengthening the Bank's capacity to serve the real economy, ensure stability on six key fronts and security in six key areas, and provide financial support for the implementation of policies and measures, such as green and low-carbon economic development, high-level scientific and technological self-reliance, rural revitalisation, common prosperity, the Belt and Road Initiative, as well as major regional development strategies of the country. Moreover, it carried out special surveys regarding the Bank's implementation of national decisions and plans for serving the real economy, and worked to ensure that these policies are delivered across the Bank. **It focused on the Group's 14th Five-Year Plan and actively provided insights and suggestions.** The Board of Supervisors actively participated in and supervised the research on, formulation and implementation of the Group's 14th Five-Year Plan, with a focus on the development of key strategic areas such as inclusive finance, green finance and cross-border finance, and oversaw that the Bank made an effort to better meet people's diverse financial needs. In addition, it conducted special surveys on strategic management, to make sure that the Group's development strategies are aligned with the national 14th Five-Year Plan and are properly implemented across the Bank. **It focused on key areas and links to firmly safeguard the bottom line of risks.** The Board of Supervisors actively studied and analysed the evolving trend in risk, and oversaw that under the new situation, the Bank strengthened credit risk prevention and control, internal control and compliance management of overseas institutions, risk management of non-banking subsidiaries in a penetrating approach, and improve mechanisms for major risk screening and emergency response. Furthermore, it conducted special surveys on the effectiveness of comprehensive risk management and internal control, so as to promote risk management with a view to better serve the Bank's development and ensure its sound operation. **It focused on core duties and earnestly performed routine supervision.** The Board of Supervisors conscientiously conducted regular supervision and annual evaluation of the duty performance of the Board of Directors, the Senior Management and their members, strengthened supervision on financial management based on the review of regular reports, and deepened supervision of risk management and internal control through a problem-oriented approach. **It focused on creating supervision synergy and enhanced coordination and integration.** The Board of Supervisors oversaw the effective rectification of problems identified in disciplinary inspections tours, audits and all kinds of regulatory inspections, and puts in place a longstanding rectification mechanism for common problems. It continuously reinforced its communication and coordination with the Board of Directors and the Senior Management, deepened its coordination with the Bank's second and third lines of defence and comprehensive management departments, and visited regulators, shareholders and major peers to broaden its supervision horizons and improve supervision performance.

In 2021, the Board of Supervisors further strengthened itself. It optimised its procedural rules and improved the quality and efficiency of its meetings. It also improved its policies and expanded its team. Meanwhile, it strengthened the training of supervisors to ensure that supervision keeps pace with changes in the overall situation as well as market requirements. All members of the Board of Supervisors performed their supervisory duties faithfully and diligently, and provided suggestions and supervisory opinions on the operation and management of the Bank. These contributions were forward-looking, targeted and pragmatic, and were highly valued, earnestly responded to, and widely adopted by the Board of Directors and the Senior Management. In this way, the results of supervision by the Board of Supervisors were effectively communicated, implemented and applied across the Bank.

In 2021, the Board of Supervisors completed changes to some of its members, in compliance with laws and regulations and the Articles of Association of the Bank. On behalf of the Board of Supervisors, I would like to express our sincere gratitude to Mr. WANG Zhiheng and Mr. LI Changlin, who no longer serve as supervisors of the Bank, for their efforts and contributions to the Bank during their tenure, and extend our warm welcome to Ms. WEI Hanguang, Mr. ZHOU Hehua and Mr. HUI Ping as new supervisors of the Bank!

In 2022, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Board of Supervisors will earnestly implement the national decisions and plans, and regulatory requirements, and adhere to the general principle of seeking progress while maintaining stability. Meanwhile, with its focus on the central tasks of the Bank, it will conduct effective supervision of strategies, duty performance, financial management, risk management and internal control, so as to better play its constructive supervisory role in the Bank's corporate governance system, and make greater contributions to the Bank's drive towards building a first-class global banking group.

ZHANG Keqiu
Chairwoman of the Board of Supervisors
29 March 2022

Management Discussion and Analysis

FINANCIAL REVIEW

Economic and Financial Environment

In 2021, the global economy showed signs of recovery with the pace of growth gradually returning to normal. Industrial production and trade in goods steadily improved, overtaking pre-pandemic levels, while the digital economy and green transformation provided new drivers for the global economy. However, the global economy remained complex and in a serious situation due to repeated COVID-19 outbreaks, supply-chain disruptions, increasing inflation pressure and other factors.

Global monetary policies gradually moved away from their emergency pandemic response stance and returned to normal, while shifts in the monetary policies of the world's major developed economies accelerated. The US Federal Reserve began to taper its bond-buying programme, the European Central Bank slowed down the implementation of its Pandemic Emergency Purchase Programme (PEPP), and the Bank of England initiated procedures to raise interest rates. Several emerging economies repeatedly raised interest rates to cope with inflation pressures and to mitigate risks triggered by capital outflows and currency depreciation. International financial markets remained generally stable, but the financial vulnerability of some emerging economies increased. US dollar liquidity remained ample and global stock markets fluctuated upwards, albeit with significant divergence between stock markets in developed and emerging economies. The commodity markets performed robustly as energy prices soared, industrial metal prices hit record highs, and prices of safe-haven assets such as gold fell. The US dollar index rebounded along a volatile trajectory, while the currencies of emerging economies generally came under pressure.

China properly coordinated and promoted pandemic containment and economic and social development, and continued to ensure stability on six key fronts (namely employment, financial sector, foreign trade, foreign investment, domestic investment, and expectations) and maintain security in six key areas (namely employment, the people's basic livelihood, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments). As a result, China's economy maintained a stable recovery, new progress was made in high-quality development, and the 14th Five-Year Plan got off to a great start. In 2021, China's gross domestic product (GDP) increased by 8.1%. Total retail sales of consumer goods (TRSCG) increased by 12.5%, total fixed asset investments (TFAI) (excluding those by rural households) grew by 4.9%, imports and exports rose by 21.4%, and the consumer price index (CPI) went up by 0.9%. The trade surplus was RMB4,368.7 billion.

The PBOC adhered to a sound monetary policy that was flexible, targeted, reasonable and appropriate, reinforced cross-cyclical adjustment, played roles of monetary policy tools in adjusting both the aggregate and the structure, and further intensified policy support for scientific and technological innovations, micro, small, and medium-sized enterprises, green development and manufacturing, thus safeguarding the overall stability of the macro economy and fostering a favourable monetary and financial environment for high-quality economic development. Overall, financial markets operated smoothly, liquidity was maintained at an adequate and reasonable level, and RMB exchange rates remained generally stable at an appropriate and balanced level. The outstanding broad money supply (M2) grew by 9.0% year-on-year. RMB loans increased by RMB19.95 trillion, RMB315.0 billion more than the increase of the prior year. The aggregate financing to the real economy (AFRE) was RMB314.13 trillion, an increase of 10.3% year-on-year. The cumulative value of bond issuance expanded to a total of RMB61.4 trillion, an increase of 7.8% year-on-year. The central parity rate of RMB against USD appreciated by 2.3% compared with the prior year-end. The Shanghai Stock Exchange Composite Index increased 166.7 points compared with the prior year-end. The combined market capitalisation of the Shanghai and Shenzhen Stock Exchanges stood at RMB75.16 trillion, an increase of 16.78% year-on-year.

China's banking institutions made every effort to promote the new dual-circulation development pattern, enhanced their support to the real economy, and adopted various measures to help micro and small-sized enterprises and stimulate the vitality of private businesses, in order to advance high-quality economic development. They took targeted measures to support national development strategies and the construction of key projects, and strived to meet the financial demands of various fields such as infrastructure, advanced manufacturing, and scientific and technological innovation. The banking sector applied the new development philosophy, facilitated green and low-carbon transformation, ensured stable energy prices and supply, actively served rural revitalisation, promoted common prosperity, and bolstered technological empowerment to support high-level opening-up. The banking industry improved financial risk management, replenished capital through multiple channels and defended the bottom line that no systemic risk should occur. As at the end of 2021, the total assets of China's banking industry grew by 7.8% from the prior year-end to RMB344.8 trillion, while total liabilities increased by 7.6% to RMB315.3 trillion. Commercial banking institutions recorded an aggregate profit after tax of RMB2.2 trillion. Outstanding non-performing loans (NPLs) stood at RMB2.8 trillion at the year-end, with an NPL ratio of 1.73%.

Income Statement Analysis

Closely adhering to the requirements of the Group's 14th Five-year Plan, the Bank coordinated its work in responding to the pandemic and advancing its operations and management, gave full play to the synergies of the "One Mainstay, Two Engines" strategy, and focused on all aspects of the "Eight Priority Areas for Enhancing Financial Services Capabilities", thus pursuing progress while ensuring stability in business performance. In 2021, the Group achieved a profit for the year of RMB227.339 billion, an increase of RMB22.243 billion or 10.85% compared with the prior year. It realised a profit attributable to equity holders of the Bank of RMB216.559 billion, an increase of RMB23.689 billion or 12.28% compared with the prior year. Return on average total assets (ROA) was 0.89% and return on average equity (ROE) was 11.28%.

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

Unit: RMB million, except percentages

Items	2021	2020	Change	Change (%)
Net interest income	**425,142**	415,918	9,224	2.22%
Non-interest income	**180,575**	151,729	28,846	19.01%
Including: net fee and commission income	**81,426**	75,522	5,904	7.82%
Operating income	**605,717**	567,647	38,070	6.71%
Operating expenses	**(226,355)**	(202,411)	(23,944)	11.83%
Impairment losses on assets	**(104,220)**	(119,016)	14,796	(12.43%)
Operating profit	**275,142**	246,220	28,922	11.75%
Profit before income tax	**276,620**	246,378	30,242	12.27%
Income tax expense	**(49,281)**	(41,282)	(7,999)	19.38%
Profit for the year	**227,339**	205,096	22,243	10.85%
Profit attributable to equity holders of the Bank	**216,559**	192,870	23,689	12.28%

A detailed review of the Group's principal items in each quarter of 2021 is summarised in the following table:

Unit: RMB million

Items	For the three-month period ended 31 December 2021	30 September 2021	30 June 2021	31 March 2021
Operating income	149,820	153,042	144,989	157,866
Profit attributable to equity holders of the Bank	53,036	50,710	58,824	53,989
Net cash inflow/(outflow) from operating activities	395,589	(240,907)	108,072	580,504

Net Interest Income and Net Interest Margin

In 2021, the Group achieved net interest income of RMB425.142 billion, an increase of RMB9.224 billion or 2.22% compared with the prior year. Specifically, interest income grew by RMB29.418 billion or 3.87% to RMB789.488 billion, and interest expense stood at RMB364.346 billion, an increase of RMB20.194 billion or 5.87% compared with the prior year.

Interest Income

In 2021, interest income on loans was RMB581.000 billion, an increase of RMB30.646 billion or 5.57% compared with the prior year, which was primarily attributable to an increase in loan scale.

Interest income on investments amounted to RMB153.859 billion, an increase of RMB3.306 billion or 2.20% compared with the prior year, mainly due to an increase in investment scale.

Interest income on balances with central banks and due from and placements with banks and other financial institutions was RMB54.629 billion, a decrease of RMB4.534 billion or 7.66% compared with the prior year, mainly due to a decrease in yield of balances with central banks and due from and placements with banks and other financial institutions.

Interest Expense

In 2021, interest expense on due to customers was RMB263.599 billion, an increase of RMB5.160 billion or 2.00% compared with the prior year, principally due to an increase in the scale of deposits.

Interest expense on due to and placements from banks and other financial institutions was RMB58.911 billion, an increase of RMB8.917 billion or 17.84% compared with the prior year, primarily attributable to increases in the scale and the interest rate of due to and placements from banks and other financial institutions.

Interest expense on bonds issued was RMB41.836 billion, an increase of RMB6.117 billion or 17.13% compared with the prior year, mainly attributable to an increase in the scale of bonds issued.

Net Interest Margin

In 2021, the Group's net interest margin was 1.75%, a decrease of 10 basis points compared with the prior year, mainly due to declining yields from RMB loans in the Chinese mainland. To mitigate the impact of falling asset yields, the Bank continued to optimise its asset and liability structure. On the one hand, it remained committed to improving both the scale and pricing of deposits quantity and price and continued to optimise deposit structure, striving to control deposit costs at a reasonable level. On the other hand, it increased the granting of medium and long-term loans. The proportion of the average balance of RMB medium and long-term loans to RMB loan business in the Chinese mainland increased by 1.31 percentage points compared with the prior year.

The average balances[1] and average interest rates of the major interest-earning assets and interest-bearing liabilities of the Group, as well as the impact on interest income/expense of variances in the volume factor and the interest rate factor[2], are summarised in the following table:

Unit: RMB million, except percentages

	2021			2020			Analysis of changes in interest income/expense		
Items	**Average balance**	**Interest income/ expense**	**Average interest rate**	Average balance	Interest income/ expense	Average interest rate	Volume factor	Interest rate factor	Total
Interest-earning assets									
Loans	**15,173,295**	**581,000**	**3.83%**	13,883,933	550,354	3.96%	51,059	(20,413)	30,646
Investments	**5,237,687**	**153,859**	**2.94%**	4,850,972	150,553	3.10%	11,988	(8,682)	3,306
Balances with central banks and due from and placements with banks and other financial institutions	**3,860,706**	**54,629**	**1.42%**	3,726,838	59,163	1.59%	2,129	(6,663)	(4,534)
Total	**24,271,688**	**789,488**	**3.25%**	22,461,743	760,070	3.38%	65,176	(35,758)	29,418
Interest-bearing liabilities									
Due to customers	**17,356,352**	**263,599**	**1.52%**	16,351,229	258,439	1.58%	15,881	(10,721)	5,160
Due to and placements from banks and other financial institutions	**3,739,854**	**58,911**	**1.58%**	3,247,899	49,994	1.54%	7,576	1,341	8,917
Bonds issued	**1,313,387**	**41,836**	**3.19%**	1,129,581	35,719	3.16%	5,808	309	6,117
Total	**22,409,593**	**364,346**	**1.63%**	20,728,709	344,152	1.66%	29,265	(9,071)	20,194
Net interest income		**425,142**			415,918		35,911	(26,687)	9,224
Net interest margin			**1.75%**			1.85%			(10)Bps

Notes:

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

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

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

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

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

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

Items	2021		2020		Change	
	Average balance	**Average interest rate**	Average balance	Average interest rate	Average balance	Average interest rate
RMB businesses in the Chinese mainland				Unit: RMB million, except percentages		
Loans						
Corporate loans	**6,535,897**	**4.08%**	5,632,658	4.27%	903,239	(19) Bps
Personal loans	**5,243,820**	**4.83%**	4,710,348	4.88%	533,472	(5) Bps
Trade bills	**287,532**	**2.66%**	334,182	2.65%	(46,650)	1 Bp
Total	**12,067,249**	**4.38%**	10,677,188	4.49%	1,390,061	(11) Bps
Including:						
Medium and long-term loans	**9,072,085**	**4.73%**	7,887,644	4.83%	1,184,441	(10) Bps
Short-term loans within 1 year and others	**2,995,164**	**3.31%**	2,789,544	3.52%	205,620	(21) Bps
Due to customers						
Corporate demand deposits	**3,693,355**	**0.82%**	3,469,983	0.75%	223,372	7 Bps
Corporate time deposits	**2,614,618**	**2.85%**	2,417,325	2.82%	197,293	3 Bps
Personal demand deposits	**2,387,414**	**0.35%**	2,266,307	0.39%	121,107	(4) Bps
Personal time deposits	**3,671,859**	**3.07%**	3,092,794	3.00%	579,065	7 Bps
Other	**664,564**	**3.22%**	816,731	3.40%	(152,167)	(18) Bps
Total	**13,031,810**	**1.90%**	12,063,140	1.85%	968,670	5 Bps
Foreign currency businesses in the Chinese mainland				Unit: USD million, except percentages		
Loans	**45,029**	**0.97%**	43,182	1.69%	1,847	(72) Bps
Due to customers						
Corporate demand deposits	**76,620**	**0.25%**	52,111	0.46%	24,509	(21) Bps
Corporate time deposits	**31,506**	**0.78%**	31,931	1.76%	(425)	(98) Bps
Personal demand deposits	**26,307**	**0.01%**	26,516	0.02%	(209)	(1) Bp
Personal time deposits	**16,390**	**0.40%**	17,835	0.69%	(1,445)	(29) Bps
Other	**2,605**	**1.73%**	1,799	2.06%	806	(33) Bps
Total	**153,428**	**0.36%**	130,192	0.74%	23,236	(38) Bps

Note: “Due to customers — Other” includes structured deposits.

Non-interest Income

In 2021, the Group reported non-interest income of RMB180.575 billion, an increase of RMB28.846 billion or 19.01% compared with the prior year. Non-interest income represented 29.81% of operating income.

Net Fee and Commission Income

The Group earned net fee and commission income of RMB81.426 billion, an increase of RMB5.904 billion or 7.82% compared with the prior year. Net fee and commission income represented 13.44% of operating income. The Bank actively seized market opportunities and tapped into businesses with strong potential. As a result, it realised robust growth in income from its fund distribution and custody businesses.

Changes in net fee and commission income are set out below:

Unit: RMB million, except percentages

Items	2021	2020	Change	Change (%)
Group				
Agency commissions	**29,875**	25,367	4,508	17.77%
Bank card fees	**12,717**	13,825	(1,108)	(8.01%)
Settlement and clearing fees	**15,371**	14,383	988	6.87%
Credit commitment fees	**11,868**	11,912	(44)	(0.37%)
Consultancy and advisory fees	**4,576**	3,535	1,041	29.45%
Spread income from foreign exchange business	**5,520**	5,871	(351)	(5.98%)
Custodian and other fiduciary service fees	**6,400**	4,831	1,569	32.48%
Other	**8,126**	8,916	(790)	(8.86%)
Fee and commission income	**94,453**	88,640	5,813	6.56%
Fee and commission expense	**(13,027)**	(13,118)	91	(0.69%)
Net fee and commission income	**81,426**	75,522	5,904	7.82%
Chinese mainland				
Agency commissions	**22,869**	18,289	4,580	25.04%
Bank card fees	**10,490**	11,772	(1,282)	(10.89%)
Settlement and clearing fees	**13,799**	12,913	886	6.86%
Credit commitment fees	**5,733**	5,779	(46)	(0.80%)
Consultancy and advisory fees	**4,466**	3,320	1,146	34.52%
Spread income from foreign exchange business	**5,307**	5,556	(249)	(4.48%)
Custodian and other fiduciary service fees	**6,232**	4,675	1,557	33.30%
Other	**8,031**	4,883	3,148	64.47%
Fee and commission income	**76,927**	67,187	9,740	14.50%
Fee and commission expense	**(12,587)**	(9,030)	(3,557)	39.39%
Net fee and commission income	**64,340**	58,157	6,183	10.63%

Other Non-interest Income

The Group realised other non-interest income of RMB99.149 billion, an increase of RMB22.942 billion or 30.10% compared with the prior year. This was primarily attributable to an increase in net trading gains compared with the prior year as a result of market price fluctuations. Please refer to Notes V.3, 4, 5 to the Consolidated Financial Statements for detailed information.

Unit: RMB million, except percentages

Items	2021	2020	Change	Change (%)
Net trading gains	**28,291**	8,055	20,236	251.22%
Net gains on transfers of financial asset	**3,197**	9,547	(6,350)	(66.51%)
Other operating income	**67,661**	58,605	9,056	15.45%
Total	**99,149**	76,207	22,942	30.10%

Operating Expenses

The Bank continued to operate its business in a prudent manner. It optimised its cost structure, increased investment in technological innovation, and allocated greater resources to key products, areas and regions, thus further improving input and output efficiency. In 2021, the Group recorded operating expenses of RMB226.355 billion, an increase of RMB23.944 billion or 11.83% compared with the prior year. The Group's cost to income ratio (calculated in accordance with regulations in the Chinese mainland) was 28.17%. Please refer to Notes V.6, 7 to the Consolidated Financial Statements for detailed information.

Unit: RMB million, except percentages

Items	2021	2020	Change	Change (%)
Staff costs	**99,317**	89,334	9,983	11.17%
General operating and administrative expenses	**47,403**	38,944	8,459	21.72%
Depreciation and amortisation	**23,882**	22,871	1,011	4.42%
Taxes and surcharges	**5,715**	5,465	250	4.57%
Insurance benefits and claims	**31,579**	30,581	998	3.26%
Other	**18,459**	15,216	3,243	21.31%
Total	**226,355**	202,411	23,944	11.83%

Impairment Losses on Assets

The Bank continued to improve its comprehensive risk management system and adopted a proactive and forward-looking risk management approach, thus ensuring generally stable credit asset quality. It stringently implemented a prudent and solid risk provisioning policy and maintained adequate capacity for risk mitigation. In 2021, the Group's impairment losses on assets totalled RMB104.220 billion, a decrease of RMB14.796 billion or 12.43% compared with the prior year. Please refer to the section "Risk Management — Credit Risk Management" and Notes V.9, 17 and VI.2 to the Consolidated Financial Statements for more information on loan quality and allowance for loan impairment losses.

Income Tax Expense

In 2021, the Group incurred income tax of RMB49.281 billion, an increase of RMB7.999 billion or 19.38% compared with the prior year. The Group's effective tax rate was 17.82%. Please refer to Note V.10 to the Consolidated Financial Statements for the reconciliation of statutory income tax expense to effective income tax expense.

Financial Position Analysis

The Bank committed itself to the nation's new development philosophy, dynamically adjusted its business strategies and continuously improved its business structure, thus achieving steady growth in asset and liability scale. As at the end of 2021, the Group's total assets amounted to RMB26,722.408 billion, an increase of RMB2,319.749 billion or 9.51% compared with the prior year-end. The Group's total liabilities amounted to RMB24,371.855 billion, an increase of RMB2,132.033 billion or 9.59% compared with the prior year-end.

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

Unit: RMB million, except percentages

	As at 31 December 2021		As at 31 December 2020	
Items	**Amount**	**% of total**	Amount	% of total
Assets				
Loans and advances to customers, net	**15,322,484**	**57.34%**	13,848,304	56.75%
Investments	**6,164,671**	**23.07%**	5,591,117	22.91%
Balances with central banks	**2,228,726**	**8.34%**	2,076,840	8.51%
Due from and placements with banks and other financial institutions	**1,842,711**	**6.90%**	1,663,640	6.82%
Other assets	**1,163,816**	**4.35%**	1,222,758	5.01%
Total assets	**26,722,408**	**100.00%**	24,402,659	100.00%
Liabilities				
Due to customers	**18,142,887**	**74.44%**	16,879,171	75.90%
Due to and placements from banks and other financial institutions and due to central banks	**4,046,063**	**16.60%**	3,216,763	14.46%
Other borrowed funds	**1,415,032**	**5.81%**	1,270,437	5.71%
Other liabilities	**767,873**	**3.15%**	873,451	3.93%
Total liabilities	**24,371,855**	**100.00%**	22,239,822	100.00%

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

Loans and Advances to Customers

The Bank earnestly fulfilled its responsibilities as a large state-owned bank, increased support for the real economy, achieved solid growth in lending scale, bolstered support for business expansion in such key areas as inclusive finance, green finance and strategic emerging industries, continued to improve its credit structure, thoroughly implemented major regional strategies and coordinated regional development strategies, and effectively served the development of local economies and people's livelihoods. As at the end of 2021, the Group's loan and advances to customers amounted to RMB15,712.574 billion, an increase of RMB1,496.097 billion or 10.52% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB12,758.658 billion, an increase of RMB1,419.668 billion or 12.52% compared with the prior year-end, while its foreign currency loans amounted to USD463.309 billion, an increase of USD22.308 billion or 5.06% compared with the prior year-end. Please refer to Note V.17 to the Consolidated Financial Statements for detailed information.

The Bank further improved its risk management system, paid close attention to changes in the macroeconomic situation, strengthened risk identification and management in key areas and made greater efforts in the disposal of non-performing assets, thus maintaining generally stable asset quality. As at the end of 2021, the balance of the Group's allowance for loan impairment losses amounted to RMB390.541 billion, an increase of RMB21.922 billion compared with the prior year-end. The balance of the Group's restructured loans amounted to RMB23.213 billion, an increase of RMB1.521 billion compared with the prior year-end.

Loans and Advances to Customers by Geography

Unit: RMB million, except percentages

Items	**As at 31 December 2021**		As at 31 December 2020	
	Amount	**% of total**	Amount	% of total
Corporate loans				
Chinese mainland: RMB	**7,161,416**	**45.58%**	6,266,331	44.08%
Foreign currency	**329,463**	**2.10%**	255,601	1.80%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**2,090,365**	**13.30%**	2,078,158	14.62%
Subtotal	**9,581,244**	**60.98%**	8,600,090	60.50%
Personal loans				
Chinese mainland: RMB	**5,461,645**	**34.76%**	4,979,214	35.02%
Foreign currency	**735**	**0.00%**	645	0.01%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**631,370**	**4.02%**	603,436	4.24%
Subtotal	**6,093,750**	**38.78%**	5,583,295	39.27%
Accrued interest	**37,580**	**0.24%**	33,092	0.23%
Total loans	**15,712,574**	**100.00%**	14,216,477	100.00%

Investments

The Bank closely tracked financial market dynamics, maintained investment activity at a reasonable pace and continuously improved its investment structure. As at the end of 2021, the Group held investments of RMB6,164.671 billion, an increase of RMB573.554 billion or 10.26% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB4,776.896 billion, an increase of RMB410.586 billion or 9.40% compared with the prior year-end, while foreign currency investments totalled USD217.666 billion, an increase of USD29.953 billion or 15.96% compared with the prior year-end.

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

Unit: RMB million, except percentages

Items	As at 31 December 2021 Amount	As at 31 December 2021 % of total	As at 31 December 2020 Amount	As at 31 December 2020 % of total
Financial assets at fair value through profit or loss	**561,642**	**9.11%**	504,549	9.02%
Financial assets at fair value through other comprehensive income	**2,389,830**	**38.77%**	2,107,790	37.70%
Financial assets at amortised cost	**3,213,199**	**52.12%**	2,978,778	53.28%
Total	**6,164,671**	**100.00%**	5,591,117	100.00%

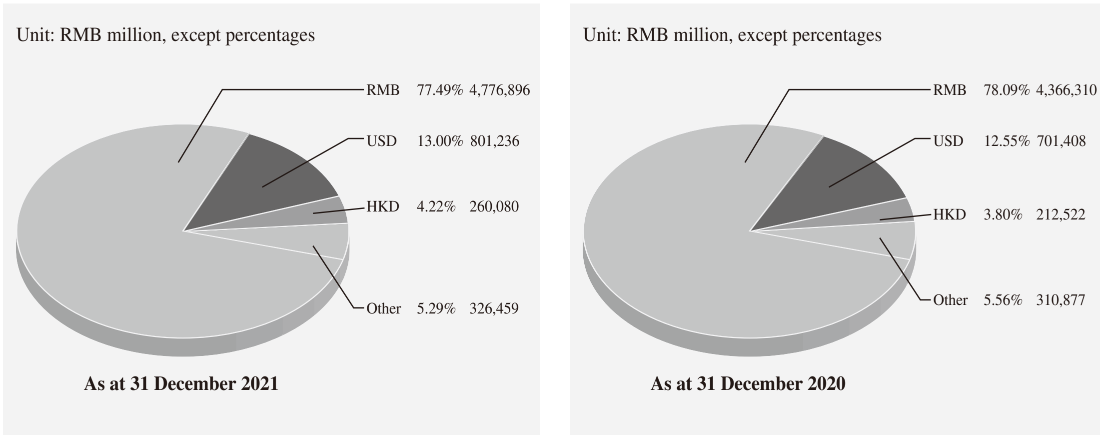
Investments by Issuer Type

Unit: RMB million, except percentages

Items	As at 31 December 2021 Amount	As at 31 December 2021 % of total	As at 31 December 2020 Amount	As at 31 December 2020 % of total
Debt securities				
Issuers in the Chinese mainland				
Government	**3,183,332**	**51.64%**	3,033,111	54.25%
Public sector and quasi-governments	**164,741**	**2.67%**	130,695	2.34%
Policy banks	**532,783**	**8.64%**	447,037	7.99%
Financial institutions	**505,577**	**8.21%**	424,672	7.59%
Corporates	**269,345**	**4.37%**	216,751	3.88%
China Orient Asset Management Corporation	**152,433**	**2.47%**	152,433	2.73%
Subtotal	**4,808,211**	**78.00%**	4,404,699	78.78%
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
Governments	**646,221**	**10.48%**	556,612	9.95%
Public sector and quasi-governments	**100,072**	**1.62%**	65,825	1.18%
Financial institutions	**158,740**	**2.58%**	172,107	3.08%
Corporates	**147,209**	**2.39%**	141,476	2.53%
Subtotal	**1,052,242**	**17.07%**	936,020	16.74%
Equity instruments and others	**304,218**	**4.93%**	250,398	4.48%
Total	**6,164,671**	**100.00%**	5,591,117	100.00%

Note: "Equity instruments and others" includes accrual interest.

Investments by Currency



Top Ten Financial Bonds by Value Held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual Rate	Maturity Date	Impairment Allowance
Bond issued by policy banks in 2018	13,370	4.98%	2025-01-12	–
Bond issued by policy banks in 2019	12,826	3.48%	2029-01-08	–
Bond issued by policy banks in 2020	12,610	2.96%	2030-04-17	–
Bond issued by policy banks in 2019	12,576	3.65%	2029-05-21	–
Bond issued by policy banks in 2017	12,510	4.39%	2027-09-08	–
Bond issued by policy banks in 2018	11,092	4.88%	2028-02-09	–
Bond issued by policy banks in 2018	10,730	4.73%	2025-04-02	–
Bond issued by policy banks in 2020	10,008	3.23%	2030-03-23	–
Bond issued by policy banks in 2019	8,725	3.75%	2029-01-25	–
Bond issued by policy banks in 2017	8,580	4.02%	2022-04-17	–

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

Due to Customers

In order to improve both the scale and pricing of deposits, the Bank continuously accelerated product and service innovation, improved scenario building, enhanced its financial services offering and expanded the scale of customers' financial assets. It actively expanded the sources of its deposits, including from salary payment agency, third-party custody, cash management and social security cards, with the increment of domestic RMB deposits reaching a record high. The Bank also improved management modes for its liability business, including certificates of deposit (CDs), structured deposits and negotiated deposits. It effectively controlled interest rates paid on deposits, leading to continuous improvement in the development quality of its deposit business. As at the end of 2021, the Group's due to customers amounted to RMB18,142.887 billion, an increase of RMB1,263.716 billion or 7.49% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB14,148.220 billion, an increase of RMB1,145.193 billion or 8.81% compared with the prior year-end, while its foreign currency due to customers stood at USD626.546 billion, an increase of USD32.492 billion or 5.47% compared with the prior year-end.

The principal components of due to customers of the Group and its institutions in the Chinese mainland are set out below:

Unit: RMB million, except percentages

Items	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Group				
Corporate deposits				
Demand deposits	**5,275,514**	**29.08%**	4,956,751	29.37%
Time deposits	**3,968,527**	**21.87%**	3,621,775	21.46%
Structured deposits	**351,445**	**1.94%**	254,553	1.50%
Subtotal	**9,595,486**	**52.89%**	8,833,079	52.33%
Personal deposits				
Demand deposits	**3,487,433**	**19.22%**	3,355,893	19.88%
Time deposits	**4,299,050**	**23.70%**	3,854,531	22.84%
Structured deposits	**300,628**	**1.66%**	379,680	2.25%
Subtotal	**8,087,111**	**44.58%**	7,590,104	44.97%
Certificates of deposit	**160,419**	**0.88%**	206,146	1.22%
Others	**299,871**	**1.65%**	249,842	1.48%
Total	**18,142,887**	**100.00%**	16,879,171	100.00%
Chinese mainland				
Corporate deposits				
Demand deposits	**4,482,516**	**30.06%**	4,165,682	30.43%
Time deposits	**2,892,996**	**19.40%**	2,616,098	19.11%
Structured deposits	**320,078**	**2.15%**	232,736	1.70%
Subtotal	**7,695,590**	**51.61%**	7,014,516	51.24%
Personal deposits				
Demand deposits	**2,711,693**	**18.19%**	2,597,483	18.97%
Time deposits	**3,920,101**	**26.29%**	3,463,984	25.30%
Structured deposits	**297,935**	**2.00%**	375,812	2.75%
Subtotal	**6,929,729**	**46.48%**	6,437,279	47.02%
Others	**285,430**	**1.91%**	238,943	1.74%
Total	**14,910,749**	**100.00%**	13,690,738	100.00%

Note: "Others" is inclusive of accrued interest.

Due to Customers by Geography

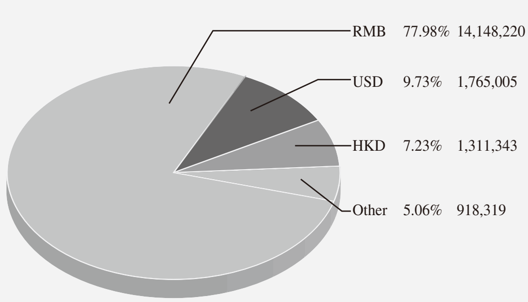
Unit: RMB million, except percentages

Items	As at 31 December 2021		As at 31 December 2020	
	Amount	**% of total**	Amount	% of total
Corporate deposits				
Chinese mainland: RMB	**6,949,089**	**38.30%**	6,453,523	38.23%
Foreign currency	**746,501**	**4.12%**	560,993	3.32%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**1,899,896**	**10.47%**	1,818,563	10.78%
Subtotal	**9,595,486**	**52.89%**	8,833,079	52.33%
Personal deposits				
Chinese mainland: RMB	**6,635,794**	**36.58%**	6,136,873	36.36%
Foreign currency	**293,935**	**1.62%**	300,406	1.78%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**1,157,382**	**6.38%**	1,152,825	6.83%
Subtotal	**8,087,111**	**44.58%**	7,590,104	44.97%
Certificates of deposit	**160,419**	**0.88%**	206,146	1.22%
Others	**299,871**	**1.65%**	249,842	1.48%
Total deposits	**18,142,887**	**100.00%**	16,879,171	100.00%

Note: "Others" includes accrued interest.

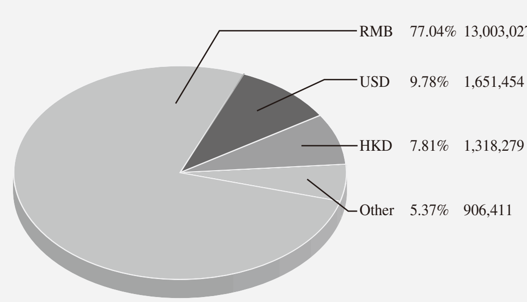
Due to Customers by Currency

Unit: RMB million, except percentages



As at 31 December 2021

Unit: RMB million, except percentages



As at 31 December 2020

Liability Quality Management

The Bank earnestly implemented regulatory requirements on liability quality management and optimised its governance structure for liability quality management. It formulated measures and improved its internal control and indicator systems for liability quality management, periodically re-examining indicator limits. It effectively managed the source, structure and cost of its liabilities in accordance with its business strategy, risk appetite, business characteristics and other factors, and continuously monitored and analysed the status of its liability quality management, thus ensuring an appropriate balance between safety, liquidity and profitability.

The Bank constantly strengthened its liability quality management, with relevant indicators meeting internal and external management requirements. It streamlined relevant systems and mechanisms, optimised product functions, and increased the expansion of customer deposits. It strengthened internal and external pricing management, effectively controlled increases in costs, improved its market financing capability to allow for greater initiative in acquiring liabilities, and controlled the mismatch in liabilities' terms and currencies at a reasonable level in order to support the comprehensive and balanced development of its assets and liabilities, thus effectively improving liability quality management.

Equity

As at the end of 2021, the Group's total equity stood at RMB2,350.553 billion, an increase of RMB187.716 billion or 8.68% compared with the prior year-end. This was primarily attributable to the following factors: (1) In 2021, the Group realised a profit for the year of RMB227.339 billion, among which profit attributable to equity holders of the Bank amounted to RMB216.559 billion. (2) The Bank pushed forward its external capital replenishment projects in a proactive and prudent manner, successfully issuing RMB70.0 billion of undated capital bonds. It also strengthened the management of existing capital instruments and redeemed RMB28.0 billion of domestic preference shares. (3) As per the 2020 profit distribution plan approved at the Annual General Meeting, a cash dividend of RMB57.994 billion was paid out on ordinary shares. (4) The Bank paid a dividend on its preference shares of RMB5.1895 billion. Please refer to the "Consolidated Statement of Changes in Equity" in the Consolidated Financial Statements for detailed information.

Off-balance Sheet Items

Off-balance sheet items include derivative financial instruments, contingent liabilities and commitments, etc.

The Group entered into various derivative financial instruments relating to foreign currency exchange rates, interest rates, equity, credit, precious metals and other commodities for trading, hedging, asset and liability management and on behalf of customers. Please refer to Note V.16 to the Consolidated Financial Statements for the contractual/notional amounts and fair values of derivative instruments.

Contingent liabilities and commitments include legal proceedings and arbitrations, assets pledged, collateral accepted, capital commitments, operating leases, Treasury bond redemption commitments, credit commitments and underwriting obligations, etc. Please refer to Note V.40 to the Consolidated Financial Statements for more detailed information on contingent liabilities and commitments.

Cash Flow Analysis

As at the end of 2021, the balance of the Group's cash and cash equivalents was RMB1,975.631 billion, an increase of RMB480.763 billion compared with the prior year-end.

In 2021, net cash flow from operating activities was an inflow of RMB843.258 billion, an increase of RMB770.230 billion compared with the prior year. This was mainly attributable to a net increase in due to banks and other financial institutions, and a net decrease of due from and placements with banks and other financial institutions as compared to a net increase in the prior year.

Net cash flow from investing activities was an outflow of RMB395.561 billion, an increase of RMB378.495 billion compared with the prior year. This was mainly attributable to a decrease in proceeds from disposal/maturity of financial investments and an increase in purchase of financial investments compared with the prior year.

Net cash flow from financing activities was an inflow of RMB74.344 billion, a decrease of RMB52.273 billion compared with the prior year. This was mainly attributable to a decrease in proceeds from issuance of bonds compared with the prior year.

Segment Reporting by Geography

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

A geographical analysis of profit contribution and related assets and liabilities is set forth in the following table:

Unit: RMB million

Items	Chinese mainland		Hong Kong (China), Macao (China) and Taiwan (China)		Other countries and regions		Elimination		Group	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Net interest income	**375,906**	362,993	**34,053**	37,560	**15,183**	15,365	**–**	–	**425,142**	415,918
Non-interest income	**105,139**	73,641	**72,855**	73,807	**5,129**	6,637	**(2,548)**	(2,356)	**180,575**	151,729
Including: net fee and commission income	**64,340**	58,157	**14,480**	14,662	**3,959**	4,135	**(1,353)**	(1,432)	**81,426**	75,522
Operating expenses	**(163,673)**	(140,087)	**(57,445)**	(56,479)	**(7,843)**	(8,201)	**2,606**	2,356	**(226,355)**	(202,411)
Impairment losses on assets	**(99,622)**	(107,622)	**(4,317)**	(4,981)	**(281)**	(6,413)	**–**	–	**(104,220)**	(119,016)
Profit before income tax	**218,529**	188,740	**45,845**	50,250	**12,188**	7,388	**58**	–	**276,620**	246,378
As at the year-end										
Assets	**21,491,846**	19,454,269	**4,625,924**	4,306,679	**2,292,838**	2,090,165	**(1,688,200)**	(1,448,454)	**26,722,408**	24,402,659
Liabilities	**19,607,634**	17,753,122	**4,230,215**	3,917,100	**2,222,113**	2,017,915	**(1,688,107)**	(1,448,315)	**24,371,855**	22,239,822

As at the end of 2021, total assets[3] of the Bank's Chinese mainland segment amounted to RMB21,491.846 billion, an increase of RMB2,037.577 billion or 10.47% compared with the prior year-end, representing 75.65% of the Group's total assets. In 2021, this segment recorded a profit before income tax of RMB218.529 billion, an increase of RMB29.789 billion or 15.78% compared with the prior year, representing 79.01% of the Group's profit before income tax.

[3] The figures for segment assets, segment profit before income tax and their respective proportions are prior to intragroup elimination.

Total assets of the Hong Kong (China), Macao (China) and Taiwan (China) segment amounted to RMB4,625.924 billion, an increase of RMB319.245 billion or 7.41% compared with the prior year-end, representing 16.28% of the Group's total assets. In 2021, this segment recorded a profit before income tax of RMB45.845 billion, a decrease of RMB4.405 billion or 8.77% compared with the prior year, representing 16.58% of the Group's profit before income tax.

Total assets of the other countries and regions segment amounted to RMB2,292.838 billion, an increase of RMB202.673 billion or 9.70% compared with the prior year-end, representing 8.07% of the Group's total assets. In 2021, this segment recorded a profit before income tax of RMB12.188 billion, an increase of RMB4.800 billion or 64.97% compared with the prior year, representing 4.41% of the Group's profit before income tax.

Operating income for the main business segments of the Group is set forth in the following table:

Unit: RMB million, except percentages

	2021		2020	
Items	**Amount**	**% of total**	Amount	% of total
Commercial banking business	**528,041**	**87.17%**	507,110	89.33%
Including: Corporate banking	**203,654**	**33.62%**	217,590	38.33%
Personal banking	**216,450**	**35.73%**	221,634	39.04%
Treasury operations	**107,937**	**17.82%**	67,886	11.96%
Investment banking and insurance	**45,122**	**7.45%**	41,017	7.23%
Others and elimination	**32,554**	**5.38%**	19,520	3.44%
Total	**605,717**	**100.00%**	567,647	100.00%

Please refer to Note V.43 to the Consolidated Financial Statements for more detailed information related to the Group's other operating results and financial position in terms of geographic segments and business segments categories.

Critical Accounting Estimates and Judgements

The accounting estimates and judgements made by the Group will generally affect the carrying amounts of assets and liabilities of the next financial year. These estimates and judgements are continually evaluated and are based on historical experience, expectations of future events that are believed to be reasonable under the circumstances and other factors. The management believes that the accounting estimates and judgements have properly reflected the Bank's operating environment. Please refer to Notes II and III to the Consolidated Financial Statements for more detailed information related to the Bank's accounting policies and accounting estimates.

Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value

Unit: RMB million

Items	**As at 31 December 2021**	As at 31 December 2020	Change
Financial assets at fair value through profit or loss			
Debt securities	**356,462**	347,243	9,219
Equity instruments	**102,268**	88,025	14,243
Fund investments and other	**102,912**	69,281	33,631
Loans and advances to customers at fair value	**355,600**	363,637	(8,037)
Financial assets at fair value through other comprehensive income			
Debt securities	**2,363,078**	2,086,362	276,716
Equity instruments and other	**26,752**	21,428	5,324
Derivative financial assets	**95,799**	171,738	(75,939)
Derivative financial liabilities	**(89,151)**	(212,052)	122,901
Due to and placements from banks and other financial institutions at fair value	**(162)**	(3,831)	3,669
Due to customers at fair value	**(31,311)**	(25,742)	(5,569)
Bonds issued at fair value	**(317)**	(6,162)	5,845
Short position in debt securities	**(12,458)**	(17,912)	5,454

The Bank has put a sound internal control mechanism for fair value measurement in place. In accordance with the *Guidelines on Market Risk Management in Commercial Banks*, the *Regulatory Guidelines on Valuation of Financial Instruments in Commercial Banks*, CAS and IFRS, with reference to the New Basel Capital Accord, and drawing on the best practices of leading international banks regarding valuations, the Bank formulated the *Valuation Policy of Financial Instrument Fair Values of Bank of China Limited* to standardise the fair value measurement of financial instruments and enable timely and accurate financial information disclosure. Please refer to Note VI.5 to the Consolidated Financial Statements for more detailed information related to the fair value measurement.

Other Financial Information

There are no differences in the equity and profit for the year of the Group prepared in accordance with IFRS to those prepared in accordance with CAS. Please refer to Supplementary Information I to the Consolidated Financial Statements for detailed information.

BUSINESS REVIEW

Overview of Strategic Progress

In 2021, the Bank closely followed national strategies, keenly sharpened its market positioning and comparative advantages, formulated the Group's 14th Five-Year Plan, and made every effort to push forward high-quality development.

During the year, the Bank coordinated the COVID-19 response with business development to make sure that the 14th Five-Year Plan was well implemented. As a result, the plan has got off to a great start. Leveraging both domestic and international markets and resources, the Bank accelerated the efforts to foster a strategic development pattern with domestic commercial banks as the "One Mainstay" and globalisation and integration as the "Two Engines" in order to ensure smooth flows in the domestic economy and positive interplay between domestic circulation and international circulation. Adhering to its original aspiration of serving the real economy, the Bank continued to apply the new development philosophy fully, faithfully and comprehensively, in a precise and comprehensive manner. It also took necessary steps to deepen supply-side structural reform in the financial sector, with emphasis given to the development of the "Eight Priority Areas for Enhancing Financial Services Capabilities". To embrace the digital era, it intensified the application of various technologies such as big data, cloud computing, artificial intelligence, block-chain and 5G mobile communications, as part of its efforts to accelerate digital transformation. Keeping bottom-line thinking firmly in mind, the Bank worked to advance its comprehensive risk management, build a stronger line of defence against risks, and mitigate risks and challenges, thus continuously improving the efficiency of its comprehensive risk management. The Bank strengthened the corporate culture fostering as a driver of good conduct outcomes, expanding common ground and the convergence of interests towards transformation and reform.

In 2021, the Bank's efforts towards the "Eight Priority Areas for Enhancing Financial Services Capabilities", namely technology finance, green finance, inclusive finance, cross-border finance, consumer finance, wealth finance, supply chain finance and county-level finance, bore rich fruit, allowing it to serve the real economy with improved quality and efficiency. The Bank's progress across all aspects is as follows:

Technology Finance

To better integrate itself into building the country as a global leader in science and technology, the Bank prioritised technology finance in its first development strategy under the "Eight Priority Areas for Enhancing Financial Services Capabilities", committing to becoming an all-elements integrator, a full-chain innovator and a full-cycle provider of technology finance, with the aim of becoming the leading bank for technology finance in the new development stage.

- ✧ **Intensifying comprehensive support.** The Bank promoted transformation across its technology finance business, expanding its client base from mature corporates to businesses in the start-up and growth stage, evolving its available products from bank credit to comprehensive financial services, and refining its risk system from traditional modes to become more adaptive to scientific and technological innovation. As at the end of 2021, comprehensive technology finance support exceeded RMB1.26 trillion, including over RMB820.0 billion[4] credit support to nearly 36,000 customers, more than RMB130.0 billion capital input such as equity investment, bond investment and leasing, and more than RMB300.0 billion non-capital input such as undertaking and asset management. The number of outlets offering technology finance services grew to 93.

✧ **Developing featured products and services.** The Bank conducted in-depth research on high-tech industries, explored innovative business models for credit granting and implemented differentiated risk management systems, thus improving the financing experience for technological enterprises. It developed unique products for scientific and technological innovation, provided featured products and services such as option loans and intellectual property pledge financing for technology companies, and facilitated high-quality business linkages between commercial and investment banks. The Bank built a comprehensive spectrum of financial products, providing full-lifecycle services for technological enterprises and all-round financial support for technological practitioners.

✧ **Continuing to deepen cooperation with governments.** The Bank has established strategic cooperative relations with the Ministry of Science and Technology, the Ministry of Industry and Information Technology, China National Intellectual Property Administration and China Association for Science and Technology, reaching consensus on various aspects including collaborative efforts to support national strategic scientific and technological strengths, deepen the service system for "specialised, refined, featured and innovative" enterprises, increase the application of scientific and technological achievements, and promote the popularisation of "science + finance".

4 Including national high-tech enterprises and technology-based small and medium-sized enterprises.

Green Finance

The Bank achieved leapfrogging progress in green finance in strict adherence with the national development goals of "carbon peaking and carbon neutrality", and integrated itself into global green governance, building the bank of first choice for green finance.

✧ **Rapid growth in green credit.** At the end of 2021, the Bank's domestic green credit balance reached RMB1,408.6 billion according to CBIRC statistics, a year-on-year increase of 57%. The Bank participated in landmark projects such as the Dogger Bank Wind Farm, which is the world's largest offshore wind power project currently under construction. The Bank ranked first among Chinese banks in Bloomberg's Global Green Loans and Sustainability-Linked Loan list in 2021.

✧ **A leading position in the green bond market.** The Bank issued the world's first publicly offered Transition Bonds in financial institutions, the world's first Biodiversity Themed Green Bonds in financial institutions, and the world's first Sustainability Re-Linked Bond, while the cumulative amount of overseas green bonds issuance reached USD10.7 billion equivalent. During 2021, the Bank underwrote domestic and overseas green bonds for RMB129.4 billion and USD23.4 billion equivalent respectively. The Bank ranked the first in NAFMII's List of Investors in Green Debt Financing Instruments in 2021.

✧ **Abundant and diversified green products and services.** The Bank opened a Chinese Certified Emission Reduction (CCER) registration account and launched a range of emission products and services to comprehensively address and support customers' low-carbon transformation requirements. These included loans secured against renewable energy subsidy rights, carbon emission allowance collateral loans, "Inclusive Loan for Low-Carbon Development" inclusive green services, the first batch green and low-carbon themed personal UnionPay platinum card, the retail green and new energy vehicle instalment, the personal green mortgage loan, the carbon emission registration and settlement services, and other green products related to funds, wealth management, deposits, leasing, insurance, supply chain finance, custody and equity investment.

✧ **Sustainable finance collaboration.** In 2021, the Bank signed the UN Principles for Responsible Banking (PRB), became a supporting institution for the Task Force on Climate-related Financial Disclosures (TCFD) and solidly took up its duties. Furthering local and international collaboration, the Bank participated in the organising activities of the 15th Conference of the Parties of the Convention on Biological Diversity (COP15) and the 26th Conference of the Parties of the United Nations Framework Convention on Climate Change (COP26).

✧ **Green finance capacity building.** During the year, the Bank established the BOC Green Finance Academy, compiled the *Basic Knowledge on Green Finance of Bank of China Training Manual*, set up digitalised green finance cloud learning platform, held a number of multi-tiered online and offline training sessions on green finance, and formulated green finance talent training plan in the 14th Five-Year Plan of BOC for Talents.

Inclusive Finance

The Bank treats inclusive finance as a strategic business and fulfils its mission as a large state-owned bank by focusing on serving the real economy and promoting the high-quality development of inclusive finance.

- ✧ **Improving the quality and coverage of inclusive finance services.** As at the end of 2021, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises[5] reached a record high of RMB881.5 billion, an increase of 53.15% compared with the prior year-end, outpacing the growth rate of the Bank's total loans. The number of micro and small-sized customers stood at nearly 620,000, higher than the beginning of the year. The average interest rate of new inclusive finance loans to micro and small-sized enterprises was 3.96%. The Bank established an inclusive finance outlet system and advanced the development of its inclusive finance outlets.

- ✧ **Accelerating the digital transformation of inclusive finance services.** With a view to build a business model that integrates online and offline services and ensures a sufficient supply of online products and diversified application scenarios, the Bank improved its system of online products and services for inclusive finance, which comprised of five product series: "Unsecured Loan", "Bank Tax Loan", "Mortgage Loan", "Business Loan" and "Tax Loan". Its online inclusive finance products won a gold award for "Special Field Innovation" in the Digital Finance and FinTech Innovation Competition, as well as the "FinTech Award" and "Mobile Banking Award" at the Asia-Pacific Bank Digital Innovation Expo. Moreover, the Bank upgraded and improved its credit factory model so as to fully realise the capacity of its offline businesses, and created a dynamic environment in which online and offline channels mutually reinforce each other's progress.

- ✧ **Developing featured products and services.** The Bank developed its "Inclusive Loan" which is an inclusive finance brand and established a product system comprised of eight product series that covers more than 50 sectors. It launched product and services such as "New Year Benefit" and the "MSE Benefit Loan" etc. Efforts were made to build a new ecosystem for intellectual property finance, and carve out a position as the preferred bank for intellectual property financing services. The Bank improved its services for "specialised, refined, featured and innovative" enterprises and supported the development of key enterprises. In addition, the Bank improved cross-border matchmaking services and served a number of important national economic and trade events. As at the end of 2021, the Bank has held 89 matchmaking events for enterprises, providing value-added financial services featuring "financing + intelligence" for more than 40,000 enterprises from 126 countries and regions worldwide.

(Please refer to the section "Inclusive Finance" for detailed information about inclusive finance.)

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5 Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the Notice of the General Office of China Banking and Insurance Regulatory Commission on Further Promoting the High-quality Development of Financial Services for Micro and Small-sized Enterprises in 2021 (Yin Bao Jian Ban Fa [2021] No. 49).

Cross-Border Finance

The Bank actively implemented the national strategy of high-level opening-up, fully leveraged the advantages of the "One Mainstay, Two Engines" strategy, and adopted differentiated development tactics for key customers, key products and key regions. Based on its cross-border scenario-based financial service ecosystem, the Bank reinforced its leading position for cross-border banking services with prominent features and advantages.

✧ **Consolidating competitive advantages in cross-border finance.** Giving full play to the Bank's role as the main channel of financial services for foreign trade and economic cooperation, the Bank's institutions in the Chinese mainland realised rapid growth in the volume of international settlement and cross-border RMB settlement. The Bank's cross-border customers continued to grow in size and maintained the leading position in the industry in terms of international trade settlement, cross-border RMB settlement, cross-border guarantee and cross-border cash pool business. The Bank firstly launched a pilot business for the integrated cash pooling of local and foreign currencies in Shenzhen and Beijing, and completed the first business transaction under the China-Indonesia Local Currency Settlement mechanism. It maintained a leading position in terms of personal cross-border business income, foreign currency personal deposits and the market share of foreign currency exchange against RMB. The Bank was also approved among the first to launch the Cross-boundary Wealth Management Connect scheme. As at the end of 2021, the Bank held a market share more than 60% for the total number of WMC Northbound and Southbound subscribers.

✧ **Leading innovation in cross-border financial services.** The Bank enriched and improved product and service solutions for new trade patterns such as cross-border e-commerce, market procurement trade and comprehensive foreign trade service platforms. The Bank upgraded the "BOC Cross-border E-commerce" to achieve full coverage of cross-border e-commerce including import and export scenarios, as well as local and foreign currency transactions. Connected to the market procurement trade information platform in the pilot areas and launch "BOC Cross-border E-market-procurement" to provide convenient online collection and settlement of foreign exchange for market procurement trade. The Bank built a comprehensive financial service system for new foreign trade forms, thus supporting the high-quality development of new foreign trade forms and models. TradeGo commodity blockchain platform was jointly established with key stakeholders in the commodity industry to improve the circulation efficiency of commodity trade. Furthermore, the Bank continuously improved the innovative products such as online foreign exchange purchase and remittance for studying abroad and reservation of foreign currency change. The Bank upgraded its foreign currency cash reservation service, to cover major cities in the Chinese mainland via multiple channels such as mobile banking, WeChat banking and online banking. The service was integrated into platforms such as China's online government affairs service platform, HUAWEI HarmonyOS and JegoTrip APP. The Bank also expanded special cross-border businesses and opened 167 thousand accounts via the BOCHK's "Greater Bay Area Account Opening" service in the Guangdong-Hong Kong-Macao Greater Bay Area.

- **Enhancing the brand value of cross-border finance.** Acting as a strategic partner, the Bank successfully served and supported major exhibitions such as the 4th China International Import Expo (CIIE), the 2021 China International Fair for Trade in Services (CIFTIS), the 129th and 130th China Import and Export Fair ("Canton Fair"), the 1st China International Consumer Products Expo (CICPE), and the 21st China International Fair for Investment & Trade (CIFIT). Fully leveraging the advantages arising from its globalised operations, the Bank assisted in attracting investment and exhibition activities and provided comprehensive financial service solutions to facilitate the matchmaking of trade and investment, in order to build a financial services bridge for foreign trade and economic cooperation.

Consumer Finance Business

Adhering to digital drivers, structural optimisation, overall risk control and effective development synergies, the Bank focused on strengthening capacity building, optimised the customer experience and bolstered its sound reputation. It achieved a market-leading position in consumer finance products, realised rapid growth in consumer finance business and highlighted the overall role of consumer finance as a growth driver, thus contributing to the high-quality development of the Group.

- **Improving the product system.** The Bank leveraged its advantages in group-level coordination and capitalised on the effective synergies of its personal loan, credit card and consumer finance businesses to create multi-category consumer finance product system that covers customers across the entire life-cycle.

- **Accelerating digital transformation.** The Bank continuously strengthened the data application and improved the model effectiveness in an effort to accelerate the pace of digital transformation in its consumer finance business. By actively developing integrated scenarios and closely following customers' livelihood and consumption demands, the Bank provided a variety of consumer finance products covering clothing, food, shelter, transportation, medical care, learning, tourism and entertainment. As at the end of 2021, the Bank's commercial banks in the Chinese mainland had achieved a leading position in RMB consumer loans. The growth rate of the Bank's credit card instalment transaction volume outperformed the market and achieved a steady increase in market share. BOC Consumer Finance has grown rapidly and secured a leading position in the industry in terms of comprehensive competitiveness.

Wealth Finance Business

The Bank actively implemented the national strategy of "common prosperity". Based on "One Mainstay, Two Engines" strategy, it served as a display window for personal wealth finance services and pushed forward the high-quality development of the wealth finance business.

- **Highlighting platform-based operation and asset allocation.** The Bank built "Group-wide + Market-wide" product open shelf and launched the "BOC Selection" fund brand. Focusing on asset allocation concepts and services, the Bank optimised its "Investment Strategy Portfolio" service to help the customers diversify their asset allocation and increase non-salary yields. As at the end of 2021, the balance of agency sales of personal customers' wealth management products increased by 75.30%, and the scale of asset allocation products exclusive to private banking, such as fund-of-funds and tailored asset management products for individual HNW clients, grew by 246.50% compared with the prior year-end.

- **Highlighting specialised and digitalised operations.** With the aim of delivering high-quality professional services, the Bank built an investment strategy information service system and published the *BOC White Paper on Personal Banking Global Asset Allocation* for the fourth consecutive year, with annual portfolio returns far surpassing comparable benchmarks over the previous two years. In addition, it intensified team building in a bid to improve customer reach and professional service quality. With a focus on digital empowerment, the Bank sped up building its digital channel system and optimised digital marketing and mobile service tools. As at the end of 2021, the Bank's medium to high-end customer base grew at the fastest pace among that of the past three years, and its private banking customer base had reached 147,300.

- **Highlighting globalised and integrated operations.** Focusing on the key customer groups of entrepreneurs, the Bank leveraged the Group's advantages in integrated operations to boost service synergies. It further developed family trust services and the number of family trust service customers grew by 82% compared with that at the prior year-end. It accelerated building the Asia-Pacific private banking platform and enhanced its service capacity for "private banking + investment banking + commercial banking", thus improving its high-end, cutting-edge private banking services.

Supply Chain Finance

The Bank gave full play to its advantages in globalised, integrated and specialised operations to promote the development of digitalised, platform-based, scenario-based and intelligent supply chain finance, and spared no efforts to build itself into a first-class global bank for supply chain financial services.

✧ During the 2021 CIFTIS, the Group launched the new supply chain finance brand "BOC Smart Chain" and four industry sub-chains, namely "BOC Medical Chain", "BOC Auto Chain", "BOC Equipment Chain" and "BOC Construction Chain", to meet the individual needs of customers in different industries for supply chain finance. Through its own supply chain finance platform, core enterprise platform and third-party platforms, the Bank provided all-rounded online supply chain financial services for core enterprises and their upstream and downstream enterprises.

✧ Focusing on the eight key industries of new energy, new materials, new infrastructure, modern agriculture, bio medicine, high-end equipment, information and communication, and transportation, as well as the five major areas of green and low-carbon, medical and health, equipment manufacturing, people's livelihood consumption and cross-border trade, the Bank stepped up its support for national key areas such as strategic emerging industries, advanced manufacturing, and modern service industries. In 2021, the Group comprehensively utilised corporate credit, trade finance, negotiable instruments, bonds and other financial instruments to provide RMB2.16 trillion of liquidity support to core supply chain enterprises.

✧ Relying on the supply chain financial service system covering domestic and overseas operation, local and foreign currency, online and offline channel, the Bank strengthened financing support for enterprises in the upstream and downstream of the supply chain. It launched a batch customer marketing model named "Inclusive Loan for Supply Chain" aiming at upstream and downstream inclusive customer group, and successfully underwrote asset-backed securitisation products for a number of core supply chain customers.

County-level Finance

The Bank focused on key customers and businesses at the county level to address the changing development needs of the real economy in county areas. It accelerated improvements to local financial services infrastructure and explored the construction of a digitalised, scenario-driven, platform-based and featured county-level financial service model.

- ✧ **Improving the county-level financial service system.** Drawing on the strength of its globalised operations, the Bank leveraged the BOC E-cooperation matchmaking platform to help county-level industries in terms of "Going Out" and "Bringing In". It also strengthened and improved the integration of its operations so as to provide diversified and comprehensive financial services.

- ✧ **Building diversified county-level service channels.** With a focus on the development of online channels, the Bank intensified its efforts to extend online and mobile banking services while continuing to optimise its offline channels. In 2021, 40 new county-level institutions were opened, serving 17 counties where no offline financial service channels were previously available.

- ✧ **Launching new financial products to support "agriculture, rural areas and farmers".** The Bank surpassed the original ambitions of its agriculture-related loan plan which effectively promoted poverty alleviation and rural revitalisation. It enriched the product and service system of "Rural Revitalisation — Prosperity Loan", launched products such as Farmland Loan, Xinnong Loan and Huinong Loan and participated in the "Credit Express" programme of the PRC Ministry of Agriculture and Rural Affairs to advance the high quality development of rural revitalisation.

Commercial Banking in the Chinese Mainland

Actively serving national strategies, the Bank honed its market positioning and comparative advantages in the domestic circulation as well as in the interplay between domestic and international dual circulations, formed synergies and stimulated momentum. The Bank's commercial banking in the Chinese mainland has made steady progress, operating efficiency has risen steadily, and the primary role of a domestic commercial bank has been further highlighted. In 2021, the Group's commercial banking business in the Chinese mainland achieved an operating income of RMB469.346 billion, an increase of RMB40.313 billion or 9.40% compared with the prior year. Details are summarised in the table below:

Unit: RMB million, except percentages

	2021		2020	
Items	**Amount**	**% of total**	Amount	% of total
Corporate banking business	**176,662**	**37.64%**	186,956	43.58%
Personal banking business	**199,157**	**42.43%**	199,508	46.50%
Treasury operations	**83,336**	**17.76%**	41,763	9.73%
Others	**10,191**	**2.17%**	806	0.19%
Total	**469,346**	**100.00%**	429,033	100.00%

Corporate Banking

With a focus on high-quality development, the Bank continued to advance the transformation of its corporate financial services so as to serve the real economy more efficiently and effectively. It gave priority to supporting high-quality development in key areas such as technology finance, green finance, inclusive finance, supply chain finance, county-level finance, strategic emerging industries and manufacturing, thus contributing to the transformation and upgrading of the national economy. It also proactively expanded core customer groups in the advanced manufacturing and digital economy-related industries, so as to help improve the country's strategic scientific and technological strengths. In addition, the Bank accelerated progress in the development of the Beijing-Tianjin-Hebei region, Xiongan New Area, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, Hainan Free Trade Port and other key areas by virtue of its financial resources, thus supporting national strategies for coordinated regional development. Centring on customers' needs and experience, the Bank accelerated the growth of customer assets under management (AUM), closely cooperated with its comprehensive operation companies, and implemented differentiated precision marketing based on refined customer group classification. It also promoted the management of financial product aggregates (FPA), strengthened linkages and coordination by giving full play to the advantages of the Group's comprehensive operations, and provided integrated service solutions covering the whole product line of "investment, loans, bonds, equity, insurance and leasing" to meet the diversified financing needs of all customers. In 2021, the Bank's corporate banking business in the Chinese mainland realised an operating income of RMB176.662 billion.

Corporate Deposits

Upholding its customer-centric approach, the Bank continued to consolidate its development foundations and remained committed to building a comprehensive and tiered marketing management system through scientific classification and targeted policy implementation. Focusing on customers' diversified financial needs, it further enhanced its cross-industry services, comprehensive marketing awareness and comprehensive service capabilities. Furthermore, by proactively integrating into the domestic and international dual circulations, the Bank strived to connect its business product channels for domestic settlement and international settlement, increased business volumes in payments and settlements, enhanced fund retention capacity, and boosted the sound and sustainable development of its deposit business. Centring on the key industries and key customer groups of the administrative institutions sector, the Bank developed differentiated marketing strategies and sharpened its market competitiveness in key areas by improving scenario-based marketing across the entire industrial chain so as to assist the digital transformation of administrative institutions sector customers. As at the end of 2021, RMB corporate deposits in the Bank's operations in the Chinese mainland totalled RMB6,948.925 billion, an increase of RMB495.437 billion or 7.68% compared with the prior year-end. Foreign currency corporate deposits amounted to USD117.085 billion, an increase of USD31.108 billion or 36.18% compared with the prior year-end.

Corporate Loans

The Bank fully implemented the national development strategy and the national goal of "ensuring stability on six fronts and security in six areas", adhered to the general principle of "pursuing progress while ensuring stability" and increased its investment in high-quality credit, effectively improving its services to the real economy. The Bank devoted itself to the development of the modern industrial system; backed efforts to bolster the nation's strategic strengths in science and technology; and actively promoted a shift in service focus from traditional industries to new industries, new business forms and new business models. It strived to promote the nation's coordinated regional development strategy, supporting industrial upgrading and transfer as well as the development of city clusters in the Beijing-Tianjin-Hebei region and Xiongan New Area. The Bank also increased its investment in the advanced manufacturing sector, high-quality service sector, new infrastructure construction, new urbanisation and other sectors in the Yangtze River Delta, and vigorously seized the opportunities arising from the technology finance, industry finance and cross-border finance sectors of the Guangdong-Hong Kong-Macao Greater Bay Area. The Bank adopted policies tailored to local conditions and pursued accelerated development in the ecological protection of the Yellow River basin, the development of modern agriculture and animal husbandry, new urbanisation, infrastructure connectivity, and the upgrading and transformation of traditional industries. It further stepped up its efforts to promote the financial connectivity in the Chengdu-Chongqing economic circle, and energetically supported new forms of consumption. In addition, the Bank contributed to the development of the Hainan Free Trade Port and Smart Hainan, positioning itself as the first-choice bank for the port. To serve the national strategy of expanding domestic demand, it capitalised on the new trend of consumption upgrading and sped up the building of scenario ecosystems. To serve common prosperity for all, the Bank continuously strengthened its inclusive finance services and made breakthroughs in online products. It also actively integrated into the national rural revitalisation strategy and increased support for agricultural modernisation. To serve the nation's ecological conservation strategy, it further boosted the development of green finance and improved relevant products and services, which in turn helped the Bank to build a brand reputation for green finance. The Bank contributed to the high-quality opening-up of the Chinese economy by providing solid financial services to the Belt and Road initiative and strengthening Chinese enterprises' "Going Global" efforts and overseas economic and trade cooperation. As at the end of 2021, RMB corporate loans of the Bank's operations in the Chinese mainland totalled RMB7,123.647 billion, an increase of RMB867.375 billion or 13.86% compared with the prior year-end. Foreign currency corporate loans totalled USD51.675 billion, an increase of USD12.502 billion or 31.91% compared with the prior year-end.

Financial Institutions Business

The Bank continued to deepen all-round cooperation with various financial institutions and built up its integrated financial services platform, maintaining a leading position in terms of financial institution customer coverage. It has established correspondent relationships with about 1,100 institutions around the world and opened 1,402 cross-border RMB clearing accounts for correspondent banks from 116 countries and regions, thus securing a leading position among domestic banks. It promoted the RMB Cross-Border Interbank Payment System (CIPS) and acted as an agent in the capacity of direct participant for 507 domestic and overseas financial institutions, seizing the largest market share among peers. It was awarded "Best Renminbi Bank" in the U.S. by *The Asset*, the first Chinese bank to win such an award. The Bank's custodian service for Qualified Foreign Investors (QFI) and its agency service for overseas central banks and other sovereign institutions held leading positions in the industry in terms of both customer base and business scale. The Bank helped the Shanghai Headquarters of China Central Depository & Clearing Co., Ltd. (CCDC) to transfer the proceeds from the first offshore bond issued by an overseas institution in the pilot free trade zone. It succeeded in winning the exclusive settlement bank for the centralised clearing of RMB-USD trades via Shanghai Clearing House. It also succeeded in convincing the China Foreign Exchange Trade System by its excellent service for sending and receiving agency instructions in relation to foreign currency lending business. It participated deeply in Southbound trading under the Bond Connect programme, further consolidated its leading position in the H-Share full circulation market, enhancing its brand name in serving the financial infrastructure clients. The Bank successfully held the 2021 Shanghai Global Asset Management Forum and the London & Shanghai Dialogue on Innovation and Cooperation in the Asset Management Industry to introduce investment opportunities in China's asset management market to global investors, receiving a positive market response. The Bank also strengthened its cooperation with the Asian Infrastructure Investment Bank (AIIB), the New Development Bank, Silk Road Fund, etc. It assisted AIIB with the issuance of offshore USD bonds, served as lead underwriter and bookrunner for the New Development Bank's pricing and issuance of two Panda bond issuances, and acted as lead underwriter and lead bookrunner for the issuance of Asian Development Bank's Panda bond. As at the end of 2021, the Bank had the largest market share in foreign currency deposits from financial institutions and led its peers in terms of market share increase for third-party funds under custody.

Transaction Banking

In response to digital transformation trends and customers' integrated financial needs, the Bank adhered to the three major development concepts of data standardisation, portfolio-based products and scenario-based services, and built a transaction banking product and service system featuring online and offline coordination, diverse scenarios, a satisfactory user experience and innovative and flexible portfolios, thus driving the steady development of its transaction banking business.

Leveraging its role as the main financial services channel for foreign trade and economic cooperation, the Bank contributed to the smooth domestic and international dual circulations. In 2021, the Group's international settlement volume reached USD7.26 trillion, an increase of 26.26% compared with the prior year. The Bank's institutions in the Chinese mainland registered USD3.32 trillion in international settlement volume, representing an increase of 38.9% compared with the prior year and securing the largest market share. It also provided import and export trade settlement services for nearly half of all enterprises holding import and export customs records nationwide. The Bank maintained its leading position among peers in cross-border guarantee business. It cooperated to complete the upgrading of SWIFT's guarantee messaging standards and the reform of customs duty guarantees. Vigorously supporting the development of new foreign trade forms, the Bank has introduced a number of measures to support the high-quality development of new forms and modes of foreign trade. The Bank upgraded the "BOC Cross-border E-commerce" product to include the function of collecting export proceeds for cross-border e-commerce enterprises, launched the "BOC Cross-Border E-Market-Procurement" product to support exports through the online collection of proceeds from market procurement programmes, and received approval for a cross-border e-commerce direct collection and exchange settlement service. Moreover, the Bank signed the *Special Agreement on Supporting the High-Quality Development of New Forms and New Models of Foreign Trade* with China Export & Credit Insurance Corporation, inputting funds to facilitate foreign trade enterprises to realise new momentum. As a strategic partner, the Bank gave full play to its advantages in globalised operations by actively supporting the smooth operation of major exhibitions such as the 4th CIIE, the 2021 CIFTIS, the 129th and 130th Canton Fair, the 1st CICPE and the 21st CIFIT. In addition, it provided all-round financial service solutions to facilitate the matchmaking of trade and investment, thus effectively expanding its influence.

The Bank continuously advanced RMB internationalisation. It served as the main channel for RMB cross-border flows and acted as a market leader in service innovation. In 2021, the Group's transaction volume of cross-border RMB payment reached RMB11.26 trillion, up 22.36% compared with the prior year, of which the Bank's institutions in the Chinese mainland settled RMB8.41 trillion, an increase of 24.45% compared with the prior year, thus maintaining the largest market share. The number of cross-border RMB business customers served by the Bank's institutions in the Chinese mainland increased by nearly 24% compared with the previous year. The Bank continuously expanded its cooperation efforts in Local Currency Settlement based on the cross-border use of RMB, including transacting the first business under the China-Indonesia Local Currency Settlement mechanism, maintaining a leading position in the industry in terms of exchange volume and settlement scale. It also continued to publish the BOC Cross-border RMB Index (CRI), BOC Offshore RMB Index (ORI) and the *White Paper on RMB Internationalisation*, providing global customers with strong, comprehensive and professional support to understand and use RMB.

The Bank actively improved its product and service system and enhanced the quality and efficiency of its services for the real economy. It piloted a unified corporate settlement account system for local and foreign currencies and improved its account, payment and settlement services so as to continuously enhance multi-channel account services. In response to policy guidance, it took multiple measures to optimise account services for micro and small-sized enterprises and provided them with an "easy account opening" service to help improve the business environment. The Bank devoted great efforts to promoting the expansion of supply chain finance, vigorously supported SME financing, and deepened innovation in supply chain finance service solutions for key industries. Meanwhile, the Bank successfully expanded its "blockchain + supply chain" service solution in medical scenarios and launched a policy finance application scenario on the cross-border finance blockchain platform of the State Administration of Foreign Exchange in many provinces and regions. It also enriched and improved the comprehensive product system of its "Global Cash Management Platform+" and launched the innovative "BOC Intelligent Funds Supervision Service" product to provide customers with integrated and multi-scenario fund supervision solutions. In addition, the Bank launched a multi-bank cloud service platform to provide standardised fund management services, and piloted an integrated cash pool of local and foreign currencies in Shenzhen and Beijing. It also successfully rolled out an RMB Cross-border Interbank Payment System (CIPS) standard transceiver product and completed its first RMB international remittance business via CIPS.

The Bank was recognised as "Best Transaction Bank for Trade Finance" and "Best Transaction Bank for Supply Chain Finance" by *Asiamoney*, and "Best Trade Finance Bank" and "Best Renminbi Bank" by *The Asset*. It received a special award for "Electronic Letter of Credit Information Exchange System" from China Financial Publishing House, and "BOC Global Cash Management" was selected as a case study for "Global Service — Global Service Practice Cases" at the China International Fair for Trade in Services, demonstrating the Bank's professional advantages in transaction banking.

Inclusive Finance

Implementing national policy measures to support the development of micro and small-sized enterprises, the Bank constantly promoted the development of inclusive finance in line with relevant regulatory requirements. It continued to improve its inclusive finance services by focusing on the overall requirements of "increasing volume, expanding coverage, improving quality, promoting efficiency". Taking product innovation as its key breakthrough driver, model upgrading as its basis and digitalised inclusive finance as its objective, the Bank developed a service model that integrates online and offline services and made every effort to build the BOC inclusive finance brand to improve the quality and efficiency of its inclusive finance services. It successfully upgraded its credit factory model, optimised the credit management mechanism for corporate customers, strengthened model-based, intelligent, automatic and batch-based operation, and improved its agile response capabilities. By replicating the credit factory model in Macao (China), it supported SMEs in Macao (China) to integrate into the overall national development.

The Bank strengthened financial support for key sectors through its "Inclusive Loan" inclusive finance brand. It also developed a service system for "specialised, refined, featured and innovative" enterprises, providing credit support to more than 15,000 such businesses. It carried out a special campaign promoting "BOC Inclusive Services for Specialised, Refined, Featured and Innovative Enterprises", and hosted the first cross-border matchmaking event for "specialised, refined, featured and innovative" SMEs. In addition, the Bank signed a strategic cooperation agreement with China National Intellectual Property Administration (CNIPA) to establish the Innovative Intellectual Property Financing Laboratory and released the "Inclusive Loan for Intellectual Property", an intellectual property pledge loan product. Through special marketing activities such as "Campus Enterprise Benefit Plan", "Enterprise Benefit Plan" and "Elite Benefit Plan", the Bank provided comprehensive financial services for micro and small-sized enterprises, including lectures on intellectual property investment and financing, inclusive finance knowledge, etc., which also served as an excellent growth platform to boost entrepreneurship and innovation among college students.

In response to the national policy of "staying local for the Spring Festival", the Bank launched the "New Year Benefit" financial service programme to provide financial services to those micro and small-sized enterprises and their employees that continued working over the Spring Festival to ensure supply and stabilise production, with more than 7,500 customers benefiting from the service. To implement the loan policy of promoting "borrowing and repayment at any time", the Bank launched the "MSE Benefit Loan" to provide flexible financing services to micro and small-sized enterprises. It launched and upgraded the "BOC E-cooperation" intelligent matching platform and built an integrated "online + offline" bank-government-enterprise ecosystem. As the sole invited financial institution, the Bank joined with the Ministry of Commerce to carry out the "Business Integrity Publicity Month" campaign. Based on the theme of "Strengthening Business Integrity with Financial Services", it prepared and promoted the "BOC Business Integrity Credit" scheme to provide targeted support for enterprises with good commercial credit records.

Pension Business

The Bank provided a range of products including enterprise annuities, occupational annuities and employee benefit plans, and intensified efforts in the building of inclusive pension finance and other scenario-based financial services ecosystems, thus supporting the development of the silver economy on all fronts. As at the end of 2021, pension funds held in trust by the Bank reached RMB141.545 billion, an increase of RMB39.753 billion or 39.05% compared with the prior year-end. The total number of enterprise annuity individual accounts held by the Bank reached 3.6759 million, an increase of 0.2623 million or 7.68% compared with the prior year-end. Pension assets under custody amounted to RMB783.502 billion, an increase of RMB190.630 billion or 32.15% compared with the prior year-end. The Bank provided enterprise annuity services for more than 16,000 institutional clients.

Digital Transformation

Focused on implementing the comprehensive digital transformation objectives set forth in the Group's 14th Five-Year Plan, the Bank emphasised improving the digitalisation of corporate banking in three aspects: digital transformation, globalised operations and comprehensive services. By carrying forward the Group's four core digitalisation projects and relying on the OASIS project to promote the transformation of the corporate banking business, it built a customer marketing mode based on collaboration between the Bank and the Group's comprehensive operation companies as well as cooperation among different positions within the various institutions that comprise the corporate banking global service platform. It also realised intelligent post-lending management, strengthened data analysis and improved the application of data elements in marketing, risk control and management.

Personal Banking

Guided by its customer-centric philosophy, the Bank continued to shape its retail banking business into one with wealth finance as its core, cross-border finance and consumer finance as its features, and key regions as its breakthrough drivers. It remained committed to bolstering its development momentum, comprehensively accelerated digital transformation, deeply promoted the reform of its management model, and unlocked the value of structural reform in order to drive the high-quality development of its personal banking business. In 2021, the Bank's personal banking business in the Chinese mainland realised an operating income of RMB199.157 billion.

Account Management Business

Upholding the concept of "finance for the people", the Bank solidly promoted the use of smart accounts and made remarkable achievements in the comprehensive reform of its cardless personal banking services. It completed the R&D phase of its "digital debit card" and put it into pilot operation. Services such as account opening, cash deposit and withdrawal, transaction record printing, foreign currency exchange and investment and wealth management can now be provided without the customers presenting their card. The Bank created a brand-new service model that features "accounts and mobile banking as one" and extended its cardless services to cover all high-frequency scenarios. The Bank also worked to enrich products and services for elderly customers and launched "BOC Care Debit Card" for customers with wealth inheritance needs, based on the functionality of principal and supplementary debit cards, enabling the sharing of family funds and wealth inheritance. As the only official banking partner of both Winter and Summer Olympic Games, the Bank made preparations to promote a Winter Olympics themed debit card to cross-border customers and provided services such as account opening, mobile payment, local and foreign currency cash, e-CNY and domestic acceptance of overseas bank cards for short-term visitors to China during the Winter Olympics, thus enhancing the convenience of domestic payment and settlement. It optimised its personal accounts service, introduced easy personal account opening services, and established a classified and tiered management system for personal accounts to effectively prevent telephone and internet fraud risks. The Bank was awarded "Retail Bank with Excellent Competitiveness" by *China Business Journal*, while its "Comprehensive Cardless Application of Personal Banking Business and Smart Counter 4.0" programme was recognised as the "2021 Best Frictionless Customer Experience Initiative in China" by *The Asian Banker*.

Wealth Finance Business

Actively implementing the strategic requirements of pursuing "common prosperity", the Bank upheld the concept of value creation and pressed ahead with reform and innovation, achieving sound development momentum in its wealth finance business. As at the end of 2021, the total financial assets under management of the Group's personal customers exceeded RMB11 trillion and the income generated from its wealth finance business increased by 33% compared with the prior year-end, achieving the highest growth rate of the last three years in terms of both customer numbers and financial assets under management for medium and high-end customers. Adhering to platform-based, allocation-oriented, specialised, digitalised, globalised and integrated development, the Bank built a "group-wide + market-wide" wealth finance platform to create value for both the Bank and its customers. It introduced seven wealth management companies to the platform, including BOC Wealth Management, Amundi BOC and CMB Wealth Management etc., and registered an increase of 75.30% in the balance of wealth management products for personal customers. It launched the "BOC Selection" brand and cooperated with 12 third parties such as BOCIM and Guohua Life. The Bank published the *BOC White Paper on Personal Banking Global Asset Allocation* for the fourth consecutive year and launched "BOC Investment Strategy", a global investment advisory service system covering global stocks, bonds, currencies and commodities, and consisting of daily, weekly, monthly, quarterly and annual reports. It refreshed the visual branding of medium and high-end customer service brands such as "BOC Wealth Management" and "BOC Prestigious Wealth Management" in an effort to drive market competitiveness through brand influence. It developed six benefit areas (namely health care, study abroad/cross-border, ice and snow sports, business travel, better life and member mart), improved its privilege benefit service platform and provided more than 170 privilege benefit services to meet the needs of customers in non-financial scenarios including clothing, food, accommodation, transportation, tourism, entertainment, learning and pensions. As at the end of 2021, the Bank had established 8,239 wealth management centres and 1,092 prestigious wealth management centres in the Chinese mainland. It was recognised as the "Best Bank in Wealth Management" by *CBN* and honoured as the "Most Influential Financial Brand — BOC Wealth Management" by *Caijing Magazine*.

Consumer Finance Business

In strict compliance with national policies, the Bank intensified its efforts to support residents' consumption and serve the real economy. It conscientiously put in place concentration management requirements for residential mortgage loans, strived to meet the reasonable demands of those who sought loans for house purchase, and maintained reasonable and steady growth in its residential mortgage business. Constantly advancing migration towards online mortgage loans, the Bank put into operation functions such as online order taking, online mortgage and online repayment. In addition, the Bank accelerated the development of its consumer loan business and targeted the needs of niche customer groups to build consumer loan brands such as "BOC E-Credit" and "Youth E-Credit", thus enriching its consumer loan product system. Giving full play to its role as the only bank to provide government-sponsored loans to universities directly under the State Council and its institutions, it promoted the implementation of new policies on government-sponsored student loans. As at the end of 2021, the RMB personal loan balance of the Group's commercial banks in the Chinese mainland totalled RMB5,461.645 billion, an increase of RMB482.431 billion or 9.69% compared with the prior year-end. Within this increase, the proportion of new non-housing loans to all new personal loans rose by 9.5 percentage points compared with the prior year.

In line with the service concept of "scenario-based customer acquisition and payment financing", the Bank's credit card business was fully integrated into its consumer finance scenarios. The Bank launched the "Family Consumption Reserve Fund" and supported large-amount consumption scenarios such as automobile purchase and home decoration through the "Head Office-headquarters" cooperation model. This model involves three product systems, namely automobile instalment, home decoration instalment and BOC E-instalment, which serves multiple scenarios, thus boosting consumption upgrading. As at the end of 2021, the Bank has now entered into "Head Office-headquarters" cooperation agreements with many automobile manufacturers and home decoration companies, covering more than 10,000 dealerships.

Private Banking Business

The Bank accelerated the development of its private banking business. Adhering to the philosophy of professional and innovation-driven development, it provided high-net-worth customers with professional, comprehensive and globalised financial services. As at the end of 2021, the Group had 147.3 thousand private banking customers with RMB2.16 trillion of financial assets under management. Fully embracing the concept of asset allocation, the Bank deepened the research into global investment strategies and created a platform of private banking products held on consignment and drawn from all sections of the market. With a focus on the key customer group of entrepreneurs, the Bank researched and published the *Report on Value of Wealth for Founders of Chinese Listed Companies*. It made progress towards building its Asia-Pacific private banking platform and established an integrated service mechanism integrating corporate and personal business, domestic and overseas operations, and commercial banking and investment banking, thus forming a multi-layered private banking service system of "private banking + investment banking + commercial banking". It further developed family trust services, improved insurance premium trust and charitable trust services, and established a family wealth management service ecosystem with the governance and inheritance of family enterprises at its core. The number of family trust service customers grew by 82% compared with the prior year-end. Moreover, the Bank further expanded the network of private banking centres in key cities by establishing 151 private banking centres in the Chinese mainland and rapidly cultivating teams of relationship managers, private bankers and investment advisors, thus continuously improving its professional private banking services. The Bank was awarded "Best National Private Bank in China" once again by *Asian Private Banker*, "Best private bank for international network" organised by *Asiamoney*, and "Stars of China-Best Private Bank" by *Global Finance*.

Personal Foreign Exchange Business

The Bank actively adapted to a changing market environment and shifting customer needs, consolidated its leading edge in cross-border finance and continued to optimise its personal foreign exchange services. As at the end of 2021, the personal foreign currency deposits of the Group's commercial banking business in the Chinese mainland amounted to USD46.102 billion, representing the largest market share among peers. The Bank offered personal foreign currency deposit and withdrawal services in 25 currencies and personal foreign exchange services in 39 currencies, securing the leading position among peers. In addition, it promoted online processes for traditional business services and was the only bank in the industry to support the self-service conversion of foreign currencies into e-CNY. Its foreign exchange cash reservation service was available in major cities in the Chinese mainland and via multiple channels such as mobile banking, WeChat banking and online banking, and was integrated into external data interfaces such as China's online government affairs service platform, HUAWEI HarmonyOS and JegoTrip APP. It made efforts to improve the micro-payment experience for visitors to China and realised the networked systems and unified operation and management of authorised foreign currency exchange hotels, thus effectively serving major events such as the Beijing 2022 Winter Olympics and CIIE.

Bank Card Business

As part of its digital transformation strategy, the Bank accelerated digital transformation and scenario building for its bank card business. It steadily pressed ahead with its debit card business and expanded scenario-based applications for mobile payment, thus continuing to improve customer experience. Leveraging its advantages in higher education institution services, the Bank made efforts to create a "Whole Education" scenario. It also enriched its integrated "online + offline" and "financial + non-financial" services, issued social security cards equipped with financial functions in cooperation with local Human Resources and Social Security Bureaux, and expanded the functions of electronic social security cards and medical insurance e-vouchers. As at the end of 2021, the Bank had cumulatively issued 116.4572 million physical social security cards and 8.2999 million electronic cards. It endeavoured to improve rail travel services and extended Railway e-Card coverage to 50 railway lines, including in such national strategic regions as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan Free Trade Port, and serving over 3 million customers.

The Bank promoted brand building for the Olympic Games and snow and ice sports, and continued to bolster its market reputation as the official banking partner of both Winter and Summer Olympic Games. Leveraging its strengths as a Winter Olympics partner, the Bank issued and promoted Beijing 2022 Winter Olympics-themed debit card and credit card, provided offshore bank card acceptance services to cross-border customers. It also provided services for the construction of a card acceptance environment for the Beijing Zone and Zhangjiakou Zone of the Beijing 2022 Winter Olympics.

The Bank implemented an innovation strategy for green financial products, issued green and low-carbon digital credit cards and built a green and low-carbon bonus point system. It also established “Head Office to headquarters” cooperation agreements regarding automobile purchase instalments with a number of new-energy vehicle brands and jointly launched a preferential interest rate policy to boost the sales growth of new-energy vehicles. Moreover, the Bank further implemented the nation’s rural revitalisation strategy and launched rural revitalisation-themed credit cards on a pilot basis. It put in place a policy of fee reduction and profit concession to benefit micro and small-sized businesses and private enterprises, and reduced debit card fees for standard merchants. In response to the nation’s key regional development strategies, the Bank supported special marketing activities such as the CIIE and CICPE, as well as marketing activities related to the Chengdu-Chongqing economic circle, the Yangtze River Delta and the Greater Bay Area business district. Integrating high-frequency small-amount transaction scenarios into the “BOC Benefit Day” brand, the Bank continuously carried out the “Thousand Stores in a Hundred Cities” campaign, covering livelihood consumption sectors including restaurants, department stores, convenience stores, petrol, public transportation and subways. Adhering to the principle of high-quality development, the Bank focused on increasing the activity rate of new customers and promoting the improvement of credit card asset quality.

The Bank’s bank card issuance and transaction volumes as at the end of 2021 are set forth below:

Unit: million cards/RMB billion, except percentages

Items	**As at 31 December 2021**	As at 31 December 2020	Change (%)
Cumulative number of debit cards	**621.0535**	594.2693	4.51%
Cumulative number of credit cards	**135.0722**	131.7439	2.53%
Cumulative number of social security cards with financial functions	**116.4572**	111.5483	4.40%
Balance of credit card loans	**496.299**	488.086	1.68%
	2021	2020	Change (%)
Transaction amount of debit cards	**9,262.792**	8,031.941	15.32%
Transaction amount of credit cards	**1,562.469**	1,639.427	(4.69%)
Instalments volume of credit cards	**358.240**	363.798	(1.53%)

Digital Transformation of Personal Banking

The Bank coordinated and promoted the digitalisation of the front, middle and back offices of its personal banking business so as to empower high-quality development. It built an agile front office, improved its integrated and collaborative channel management and enhanced its open and shared scenario ecosystem capabilities. In 2021, the volume of the Bank's mobile banking transactions reached RMB39.38 trillion, up 22.00% compared with the prior year. The number of non-financial mobile banking scenarios totalled 612, and the number of monthly active mobile banking customers stood at 71.04 million. The Bank created a smart middle office to develop its capabilities in accurate customer insight, full-process digital marketing, specialised products and services, and in-depth data asset mining and application. The Bank created an efficient back office to build efficient intelligent operational capabilities and intelligent internal control and risk management capabilities. In 2021, the "Cyber Defence" smart risk control and prevention system monitored 7.69 billion transactions through online channels, up 24.1% year-on-year. As at the end of 2021, the number of customers using mobile banking-oriented digitalised authorisation tools reached 20.20 million, up 66.94% from the end of the prior year. By comprehensively enhancing the digital capabilities of its personal banking business, the Bank embedded a digital "DNA" into all products, processes, sectors and business lines.

Emphasising reform of organisational structure, the Bank continued to deepen the digitalisation process of its personal banking business, implementing hundreds of phased measures to comprehensively enhance the digital capabilities of various business areas. It also developed an indicator system to quantify the progress of digital transformation across all aspects of its personal banking business. During the year, it was recognised as "2021 Most Influential Digitalised Bank" by *Caijing Magazine*.

Financial Markets Business

The Bank actively aligned itself with trends towards the two-way opening-up of financial markets, national strategies and the development direction of the real economy, it continuously improved its business structure and stepped-up efforts to ensure compliance with regulatory requirements, thus maintaining its leading position in financial markets business.

Securities Investment

By strengthening its forecasting and analysis regarding the macroeconomic situation and market interest rates, the Bank proactively seized market opportunities and dynamically adjusted its investment portfolio in a bid to mitigate risk. It supported the development of the real economy and actively participated in local government bond investments. Following trends in global bond markets, the Bank optimised its foreign currency bond investment portfolio. Moreover, it supported the development of green finance and led the market in terms of investment volume of green debt financing instruments.

Trading

The Bank continuously improved its financial markets business systems, consolidated its business development foundations and enhanced its comprehensive customer service capabilities. It outperformed peers in terms of market share of foreign currency exchange against RMB by providing 40 currency pairs available for exchange, as well as launching interbank regional trading for the Indonesian Rupiah. It also led the domestic market in terms of the total number of tradable foreign currencies. To fulfil the hedging needs of the real economy, the Bank actively improved its FX risk management services and used financial market trading instruments to help enterprises enhance their risk management. It also improved its online service capabilities to make customer transactions more convenient, achieving rapid growth in online corporate transaction volumes and customer scale. Seizing opportunities arising from the two-way opening-up of financial markets and relying on a multi-tier service system integrating trading, sales and research, the Bank took steps to expand its overseas institutional investor customer base and provide high-quality trading services for domestic bonds and derivatives. It pressed ahead with the implementation of the infrastructure connections to the Bond Connect (Southbound) programme, with related trading volumes leading the market. It also strengthened its quantitative trading capacity, pushed forward the building of its quantitative trading platform and refined its quantitative strategy. Closely tracking the reform of international benchmark interest rates, the Bank promoted hedging transactions that adopt the new benchmark interest rates and undertook several of the first transactions adopting new benchmark interest rates in domestic markets. It also improved infrastructure construction, strengthened risk control capability, and implemented mandatory initial margins. Furthermore, the Bank fully implemented the FX conduct code, continuously aligned trading business towards best practices and took the lead in finishing liquidity provider disclosure in FX market as guided by FX Global Code with peer banks in the Chinese mainland, under the coordination of China Foreign Exchange Committee.

Investment Banking

Fully leveraging the advantages arising from its globalised operations and diversified business platform, the Bank followed its mission to serve the real economy and provided its clients with comprehensive, professional, and customised "onshore + offshore" and "financing + intelligence" integrated financial services plans, including financial products and services such as bond underwriting and distribution, asset-backed securitisation (ABS), and professional financial advisory services, etc. To facilitate the development of China's multi-layered capital markets and support customers in their direct financing, the Bank underwrote bonds in the China interbank market of a total amount of RMB1,608.947 billion. It actively supported green finance, as shown by the Bank's dominant position in both onshore and offshore green bond underwriting. It underwrote pioneering green deals including the first batch of carbon-neutral bonds and sustainability-linked bonds, the first sovereign green Panda bond, and the first local government offshore green RMB bond. It strongly boosted its underwriting business for financial institutions, with its financial bond underwriting amount and market share continuing to lead the market. The Bank further built its competitiveness in cross-border underwriting business. It helped Hungary, Asian Development Bank and other overseas issuers to issue Panda bonds and maintained the largest market share in Panda bond underwriting. Acting as the lead underwriter and bookrunner, the Bank assisted the MOF in successfully issuing USD and EUR sovereign bonds, totalling USD8.5 billion equivalent. These issuances further improved the yield curve of foreign currency-denominated sovereign bonds and strengthened international investors' confidence in China's economy. The Bank maintained the largest market share in China's offshore bond underwriting. It also helped to deepen the two-way opening up of financial markets. It participated in the launch of Southbound trading under Bond Connect and the inaugural issuance of the Yulan bonds, thus contributing to the building of both domestic and international market infrastructure. It held a leading market share in terms of asset-backed securitisation underwriting business in the interbank market, while its sales volume of NAFMII credit bonds continued to rank first among peers. The Bank was awarded "China Bond House" by *IFR Asia*; "Best Bank for Domestic Debt Capital Markets", "Best Green Bond Bank", and "Best Domestic Bank for Securitisation" by *Asiamoney*; "Best Bond Adviser — Global" by *The Asset*; "Best Debt House — Asia" by *FinanceAsia*, and "Best Panda Bond House" by *GlobalCapital China*. In this way, the brand influence of "BOC Debt Capital Markets" was continuously enhanced.

The Bank actively promoted asset-backed securitisation business, optimised assets structure, issuing 11 credit asset-backed securitisations during the year, including 5 residential mortgage-backed securities (RMBS) transactions with a total issuance volume of RMB46.442 billion and 6 NPL transactions with a total issuance volume of RMB3.476 billion.

The Bank continued to build its professional financial advisory service system and strengthened the group-level coordination. It provided clients with professional advisory services such as M&A, debt restructuring, divestitures, equity financing and project financing. It served clients including central state-owned enterprises, local state-owned enterprises and private enterprises in relation to several major acquisitions and project financing.

Asset Management

Giving full play to the advantages arising from its globalised operations and comprehensive business platform, the Bank seized market opportunities brought by the continuous increase of residents' wealth and accelerated the establishment of a first-class asset management business. With the aim of serving the real economy and preservating and appreciating residents' wealth, the Bank effectively connected investment and financing, actively served areas including green finance, cross-border finance, wealth finance and so on. The Bank continuously accelerated the issuance of various special themed innovative products, enriched its themed product systems such as green, technology and cross-border. Its cross-border wealth management products led the industry in terms of scale.

The Bank strictly followed the new regulations on asset management and other regulatory requirements to advance the rectification of existing wealth management products, completing the aforesaid rectification at the end of 2021.

The Asset Management Committee of the Bank is responsible for the top-level design and overall management of the asset management business line. The Bank carried out asset management business through BOC Wealth Management, BOCIM, BOCI China, BOC Asset Investment, BOC Hong Kong Asset Management, BOC International Prudential, its Luxembourg Branch and other institutions, providing individual and institutional investors with access to local and foreign currency products with a comprehensive range of asset classes, diversified investment strategies and complete investment cycle. The Bank's business scale and market share continued to grow. At the end of 2021, the Bank's AUM reached RMB3.2 trillion, of which BOC Wealth Management's AUM was RMB1.71 trillion, an increase of 23.17% over the beginning of the year. The market influence of the Bank's asset management business also improved. During the year, BOC Wealth Management received the Golden Bull Award from *China Securities Journal*, the Golden Reputation Award from PYSTANDARD, and Best Asset Management Company for Responsible Investment from Sina Finance. BOCI China received Junding Award for Fixed-income Asset Management Team, Junding Award for Fixed-income Asset Management Plan in China from Securities Times. BOCHK AM was awarded Best RMB Manager, Best CNY Bonds, Offshore (5 Years) by Asia Asset Management. BOC International Prudential received Awards of Excellence — ETF Management from *Hong Kong Economic Journal* and Best Pension Fund over 3 Years from Refinitiv Lipper Fund Awards Hong Kong.

Custody Business

Adhering to the principles of serving the real economy and enhancing value creation, the Bank continued to promote the comprehensive and high-quality development of its custody business with a focus on achieving breakthroughs in key areas. As at the end of 2021, total assets of the Group's custody business amounted to RMB15.23 trillion, an increase of 29.22% year-on-year. The scale and income of its custody business continuously increased, and its market share improved. The Bank achieved a leading growth rate among major Chinese peers in terms of the size of mutual funds under custody and ranked among the top in the industry in terms of the number and size of newly-issued mutual funds under custody. It supported the multi-tier social security system and provided services for key pension security custody projects, including the first batch of pilot projects for pension finance products. The Bank provided custody services and support for green bond issuance funds, green industry funds and green asset-backed security (ABS) products, and served as the custody bank for the first carbon-neutral mutual fund in the market. It continuously worked to refine the operation and service quality of its custody business, enhance its comprehensive risk management system, and improved its service capabilities for innovative businesses.

Village Bank

As an important platform for implementing inclusive finance and the rural revitalisation strategy, BOC Fullerton Community Bank is committed to providing modern financial services to county-level micro and small-sized enterprises, individual merchants, wage earners and farmers with the aim of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". As at the end of 2021, BOC Fullerton Community Bank controlled 124 village banks with 185 sub-branches, making it the largest domestic village bank group in terms of total institutions. Its registered capital amounted to RMB8.618 billion, with total assets and net assets standing at RMB98.317 billion and RMB13.825 billion respectively. In 2021, BOC Fullerton Community Bank achieved a profit for the year of RMB990 million.

BOC Fullerton Community Bank continuously improved its product and service system, further expanding its customer base and business scale. As at the end of 2021, the balances of total deposits and loans of its banks stood at RMB54.557 billion and RMB69.239 billion respectively, an increase of 17.11% and 25.50% compared with the prior year-end. BOC Fullerton Community Bank also set up and optimised a comprehensive risk management system for business lines that support farmers and small-sized enterprises, thus maintaining good asset quality. The NPL ratio was 1.30%, and the ratio of allowance for loan impairment losses to NPLs was 261.78%. With a focus on rural industry development, rural infrastructure construction, improvement to living environments and other key areas, BOC Fullerton Community Bank actively provided support for specialised cooperatives, family farms, large specialised households and other new business entities. In addition, it recorded notable achievements in using digital means to upgrade its services in order to unblock "last mile" barriers to delivering county-level financial services. For its "credit under village-by-village promotion" service, it successfully automated the whole process of approval, contracting and disbursement, as well as integrating the post-lending function into its digitally-enabled whole-process mobile business platform. Mobile handling across the whole process, from customer visits to application for deposits and loans, was realised for all business scenarios.

BOC Fullerton Community Bank pushed forward with equity integration, enhancing its intensive and specialised operations. In November 2021, CBIRC Hebei Office approved a private placement plan of BOC Fullerton Community Bank Co., Ltd., a rural investment management bank. The Bank was thus approved to increase the capital of BOC Fullerton Community Bank Co., Ltd. by RMB9.332 billion, using its own funds and the equity it holds in 126 rural banks.

BOC Fullerton Community Bank won a number of awards and honours during the year, including the "People's Inventive Service Award", "Outstanding Contribution Award for Supporting Rural Revitalisation", "Excellent Case of Financial Services for Micro, Small and Medium-sized Enterprises" and "Demonstration Institution for Rural Revitalisation with Excellent Competitiveness", etc.

Globalised Operation

As the most globalised Chinese bank, the Bank solidly pushed forward its globalised operations and continually improved its global services and global management capabilities. It actively served China's new development pattern and the national strategy of higher standard opening-up, tapped into business opportunities and helped to smooth flows in the domestic economy and promote positive interplay between domestic and international circulation that complement each other. Through cross-border collaboration and coordination, the Bank better served two-way investment, pushed forward high-quality "Bringing In" and high-level "Going Global", and continuously realised value creation. As at the end of 2021, the Bank's overseas commercial banking business realised customer deposits and loans of USD501.325 billion and USD423.937 billion respectively, an increase of 3.34% and 3.96% from the prior year-end. In 2021, the Bank's overseas commercial banking business achieved a profit before income tax of USD7.124 billion, accounting for 16.60% of the Group's total profit before income tax.

The Bank continued to optimise its global network and further enhanced its capability to provide globalised services to customers. As at the end of 2021, the Bank had 550 overseas institutions covering 62 countries and regions, including 41 countries under the Belt and Road initiative. In October 2021, BOC Geneva Branch officially launched operations.

The Bank continued to optimise its overseas network management architecture and operating mechanism, pressed forward with the management and construction of overseas regional headquarters in regions such as Southeast Asia and Europe, Middle East and Africa (EMEA), and at the same time promoted the operational streamlining of its business lines. It continued to implement the categorisation of its branches and subsidiaries outside the Chinese mainland, and developed market-by-market strategies for its overseas operations. This differentiation approach enables our overseas institutions to gain a stronger footing to pursue differentiated growth, generate greater synergy among our global presence, and continue to sharpen our competitiveness in the global markets.

Corporate Banking

Keeping a close eye on market changes, the Bank strengthened its risk management, took effective measures in line with local conditions, and gave full play to its advantages in globalised operations to actively serve "Bringing In" and "Going Global" customers, World Top 500 and local corporate customers. The Bank fully utilised syndicated loans, M&A financing, project financing and other advantageous products to support key areas and projects such as infrastructure construction, green industries and international production capacity cooperation, and continued to promote the high-quality development of Belt and Road initiative, and promoted positive interplay between domestic and international circulation through high-quality, efficient, personalised and comprehensive financial services. As a result, overseas corporate deposits and loans maintained stable growth and the Bank's industry and customer structure continuously improved.

The Bank focused on the bilateral trade business and related customers, and gave full play to its unique advantages in both domestic and foreign markets to mobilise the domestic and overseas resources of the Group, thus achieving steady growth in overseas international settlement and trade finance business and improving its global strategic synergies and the quality and effectiveness of its customer services. It continuously improved the overseas functions of cash management, and better leveraged the advantages of global cash management products, to provide cross-border centralised fund management services for multinational enterprises. It further enhanced its integrated services, with the global cash management services reaching 35 countries and regions.

In line with the global trend of attaching great importance to environmental, social, governance (ESG) and the rapid development of green industries, the Bank explored business opportunities contained in the infrastructure investment and transformation needs in the process of realising the "carbon peaking and carbon neutrality" goal, and promoted the green transformation of business.

Giving full play to the role of "attracting intelligence", the Bank focused on scientific and technological achievements to meet people's needs for a better life and improve people's living standards and quality. By means of SME matchmaking, the Bank introduced overseas mature and replicable experience, practices or models to build a bridge for cross-border intellectual financing.

Personal Banking

The Bank continued to leverage its advantages in globalised operations and expanded its business to cover over 6 million customers in more than 30 countries and regions. It continued to improve its overseas service system for personal customers, providing customers with more comprehensive services such as account management, settlement and electronic channels. It offered wealth management and private banking services in Hong Kong (China), Macao (China) and Singapore. It gave full play to the characteristics of its cross-border services and consolidated the development of its personal banking business in key regions. It built the "Three-in-One" cross-border platform, launched the "BOC Cross-border Services" app, upgraded the cross-border section of its mobile banking service and launched the "BOC Compass" WeChat applet to strengthen the foundations of its cross-border financial services. The Bank continuously pushed forward product innovation and process optimisation, and continued to refine functions such as online foreign exchange purchase and remittance for studying abroad, self-service exchange machines, foreign exchange cash reservation and collection of foreign currency reservation. Through scenario-based financial services ecosystem of cross-border facilitation, it provided one-stop information and financial services for students studying abroad, travellers and non-resident customers. Seizing emerging business opportunities, the Bank accelerated growth in personal customers with trade and capital accounts, including for China's market procurement trade pilot programme and H-Share full circulation. Fully leveraging the brand advantages of its cross-border business, the Bank placed emphasis on maintaining customer segments such as cross-border online shoppers and students studying abroad, and continuously carried out "Global Wonderful" credit card cross-border themed marketing activities, with its cross-border market share increasing compared with the prior year-end. It focused on key areas and continued to improve its featured cross-border service system in the Guangdong-Hong Kong-Macao Greater Bay Area. As at the end of 2021, the Bank opened over a total of 167 thousand accounts via its

“Greater Bay Area Account Opening” service in the region, and a total of 13 thousand customers were contracted for Northbound and Southbound trading under the Bond Connect programme. The “Macao Cross-border Wallet” marketing campaign was launched to ensure a stable acceptance environment for merchants and provide users with a good payment experience.

Meeting the needs of overseas customers for personal loans and card usage, the Bank’s overseas commercial banking operations achieved healthy, sound and regulated development in the personal loan business and realised solid growth despite the continued spread of COVID-19, tightening regulatory environments and intensified market competition. The Macau Branch developed and launched the BOC Jinsha Fashion co-branded credit card, and the Singapore Branch upgraded its credit card business by launching a convenient bill payment function.

The Bank made solid efforts to advance the development of overseas wealth management and private banking, and sped up the building of its global “Private Banking”, “BOC Prestigious Wealth Management” and “BOC Wealth Management” brands. Based on the development pattern of “One Mainstay, Two Engines”, it made concerted efforts to promote its Asia-Pacific private banking platform and established an integrated service mechanism linking corporate and personal business, domestic and overseas operations, and commercial banking and investment banking, forming a multi-layered private banking service system of “private banking + investment banking + commercial banking”. During the year, it was recognised as “Best Private Bank for International Network” organised by *Asiamoney*.

Financial Markets Business

The Bank actively carried out bond investment business while steadily improving the global integrated management of its investment operations and strengthened risk control. The Bank took full advantage of its globalised operations to provide stable and continuous quotation services worldwide and steadily improved its global service capabilities. The Bank continued to provide RMB market making and quotation services in Singapore, South Korea, Kazakhstan, Russia and other countries as well as Taiwan (China) and other regions, in a bid to facilitate the internationalisation of RMB. It consolidated the advantages of its globally integrated trading business and strengthened capacity building in its overseas trading centres. The Hong Kong Offshore RMB Trading Centre continued to improve its market-making and operational capabilities. The London Trading Centre implemented centralised trading operations to strengthen business support for the Bank’s institutions in Europe and Africa.

In 2021, the Bank underwrote Panda bonds with a total volume of RMB27.251 billion, representing a market share of 31.82% and ranking first in the market. It underwrote offshore China bonds with a total volume of USD9.095 billion and a market share of 5.39%, also ranking first in the market. In addition, it underwrote USD11.309 billion of Asia (excluding Japan) G3 currency bonds, achieving a market share of 2.78% and ranking first among Chinese banks.

The Bank continued to take the lead among Chinese peers in terms of cross-border custody business, with its cross-border custody assets ranking first among Chinese banks. Being one of the first three pilot banks participating in Southbound trading under the Bond Connect programme, the Bank actively provided custody services for domestic investors investing in overseas bond markets.

Clearing Business

The Bank continuously improved its cross-border RMB clearing capabilities and strongly promoted the cross-border application of RMB, thus further consolidating its leading edge in international payments. As at the end of 2021, the Bank accounted for 13 of the world's 27 authorised RMB clearing banks, continuing to lead its peers. It provided continuous support to expand the global coverage of RMB CIPS and ranked first in terms of the number of CIPS direct participants and indirect participants. In 2021, the Group's cross-border RMB clearing transactions totalled RMB632 trillion, an increase of more than 34% compared with the prior year, maintaining the leading position in the global market.

Digital Transformation and Online Service Channels

The Bank continuously increased its IT investment in overseas institutions, devoted solid efforts to infrastructure upgrading and renovation, and pushed forward the function optimisation and product promotion of its overseas systems, so as to meet local business needs and adapt to regulatory requirements related to new business patterns such as open banking and Payment Service Directive 2 (PSD2).

The Bank accelerated digital transformation, emphasised on customer experience improvement and online business process rebuilding, and improved its product and service systems. The Bank further consolidated its leading position among Chinese banks in overseas corporate online banking services, covering 51 countries and regions, with 15 languages available including Chinese, English, Korean, Japanese, German, French and Russian.

The Bank strived to build its technology-enabled platform and accelerated iteration and upgrading. Based on its Global Service Platform (GSP), the Bank upgraded and improved functions related to customer marketing and product management and developed a unified platform for group customer management, single customer management, marketing management and performance management. It improved the post-lending management platform for corporate banking, developed a mobile version, and enhanced online, process-oriented, standardised and intelligent post-lending management. It also optimised the risk warning system and quantitative scoring system for potential risks to improve the hit rate and accuracy of risk early warning.

The Bank strengthened the development of mobile finance, providing services covering 30 countries and regions and available in 12 languages. It enhanced overseas personal mobile banking and continued to iterate and upgrade service functions to improve customer experience. In addition, the Bank launched mobile banking services in Panama, Luxembourg, the Netherlands, Belgium, Portugal, Sweden and other countries. It optimised public mechanisms, further enriched online channel services, and rolled out new services such as password-free small-amount transfer, online application for online banking and mobile banking, online activation and loss reporting for credit cards, online change of debit card passwords, and online reminders of document expiration, thus improving customer experience in an all-round way.

Measures for Business Continuity

Faced with the COVID-19 pandemic, the Bank established the steering group mechanism for business continuity management and implemented the business continuity management requirement, ensuring business continuity. It enhanced the building of basic systems and drew business continuity plan and contingency plan. It also strengthened the construction of supporting function that features high risk level and wide range of influence. Fully leveraging the advantages of its globalised services, the Bank enhanced the online service capability of its overseas institutions with the help of mobile banking. It built a global trading network according to product line and time zone, instituting backup facilities in Beijing, Shanghai, Hong Kong, London and New York to ensure business continuity.

BOCHK

Against the backdrop of a complex and challenging market situation, BOCHK remained focused on high-quality development by strengthening execution of its strategic plans and leveraging its regional synergies. It fostered ESG concepts and promoted the development of green finance. BOCHK optimised its regional integrated business system and upgraded the service capabilities of its Southeast Asian entities. It strengthened its integrated financial service capabilities in order to further develop its core market in Hong Kong, while vigorously capturing market opportunities arising from the financial policies of the Guangdong-Hong Kong-Macao Greater Bay Area and reinforcing its competitive edge in cross-border services. By deepening digital empowerment, BOCHK optimised its risk management and regulatory compliance mechanisms and increased the application of FinTech in its products and services. As at the end of 2021, BOCHK’s issued share capital was HKD52.864 billion. Its total assets amounted to HKD3,639.430 billion and net assets reached HKD327.461 billion. Its profit for the year was HKD24.999 billion.

BOCHK fostered ESG concepts and actively promoted green finance. Adhering to the concept of sustainable development, BOCHK enriched its green financial products and services suite, pushed forward low-carbon and highly efficient operations, and capitalised on its reputation as a pioneering bank in sustainable development. In line with the market and client trends towards low-carbon transition, BOCHK actively promoted green finance by launching Hong Kong’s first green mortgage plan with a large real estate company, offering its corporate clients green bonds, green loans, green consulting and certification services, and supporting green and low-carbon retail spending, with the aim of meeting customers’ financial needs for business transformation towards low-carbon and sustainable development. It also launched the BOCHK All Weather ESG Multi-Asset Fund, its first ESG fund to be authorised by Hong Kong’s Securities and Futures Commission, and successfully issued “sustainable and smart living” themed green bonds. BOCHK has been a constituent of the Hang Seng Corporate Sustainability Index Series for 11 consecutive years and was named “Best Bank for CSR in Hong Kong” by *Asiamoney* for the third consecutive year.

BOCHK pushed forward integration and collaboration, giving full play to its regional synergies in Southeast Asia. Striving to continuously enhance its product innovation, customer acquisition, business promotion and technological capabilities in the Southeast Asian region, BOCHK enhanced its role as a regional headquarters for management, deepened intra-group collaboration and implemented market-by-market strategies according to the local conditions of each of its Southeast Asian entities. In addition, it actively arranged or participated in a number of syndicated loan projects in the Southeast Asian region. BOCHK remained committed to enhancing digital channel functions and online financial product innovation. It achieved full coverage of its personal mobile banking across Southeast Asia while gradually rolling out a number of other digital services in the region, including its intelligent Global Transaction Banking (iGTB) Platform, Enterprise Resources Planning Integration service, BoC Bill and the FXall Digital Transaction Platform. Bank of China (Thai) Public Company Limited received the "2021 Best of Cross Border Business Services Award" in Thailand. Bank of China (Malaysia) Berhad successfully launched the FXall Digital Transaction Platform, introduced "eWealth Banking", the first mobile application in the local market to provide one-stop investment and wealth management services, and launched the e-Pocket remote account opening service via mobile banking. Meanwhile, BOCHK Jakarta Branch successfully initiated services under the bilateral local currency settlement (LCS) agreement between China and Indonesia, outperforming market peers in terms of the value of RMB/IDR exchange transactions handled, and continuing to rank first among all foreign banks in Indonesia. BOCHK Phnom Penh Branch launched a Wealth Management service, enabling mutual brand recognition across regions and countries including Hong Kong (China), Malaysia and Cambodia. Adhering to stringent risk management, BOCHK closely monitored changes in its asset quality so as to enhance its risk management capabilities in credit risk, market risk, interest rate risk and liquidity risk. In 2021, BOCHK's Southeast Asian entities registered solid growth, recording a steady increase in customer deposits and loans and maintaining benign asset quality.

BOCHK actively explored opportunities in its domestic market of Hong Kong and met a full range of customer needs. The growth of BOCHK's total customer deposits and loans was above the market average, and the asset quality of its loan portfolio outperformed local peers in Hong Kong. It continued to enhance internal and external collaboration to provide support to major projects and maintained its top market share in the Hong Kong-Macao syndicated loan market. Seizing opportunities arising from the secondary listing of China concept stocks and the development of capital markets, BOCHK retained its top market position as an IPO receiving bank. It also upgraded its Home Expert mobile application with functional enhancements, which helped BOCHK to capture direct mortgage business opportunities and maintain its top market position in terms of the total number of new mortgage loans. In addition, it expanded its cash management, trade finance and treasury businesses, and secured market leadership in the cash pooling business. BOCHK continued to promote its premium Private Wealth service to high-end customers, featuring online services for investment and insurance alongside its RM Chat services. As a result, it recorded significant year-on-year growth in the related number of customers and amount of assets under management. It also revamped the image of its Wealth Management service by injecting vitality and digital elements, thus providing customers with a more diversified experience.

BOCHK deepened collaboration across key areas and reinforced its competitive edge in cross-border services. Seizing opportunities from financial policies relating to cross-border RMB services, BOCHK proactively engaged in the development of major regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei region, with a view to fulfilling the cross-border financial needs of technology and innovation companies by offering them diversified products and services. BOCHK made solid progress in promoting mutual financial market access. It successfully launched Southbound trading under Bond Connect and Cross-Boundary Wealth Management Connect services, with the trading volume of both ranking among the top tier in Hong Kong. It continuously optimised the cross-border customer service experience, including that of the "Greater Bay Area Account Opening Service" and "Personal Loan" mortgage service, promoted the Bay Area Social Security Service and introduced "GBA Youth Card", offering integrated service solutions to meet personal customers' needs for wealth management, investment and spending as well as other cross-border financial services. It optimised the coordination and management mechanism of its RMB business and established a cross-departmental on-demand RMB working unit. By applying an agile working methodology, its new product development and marketing achieved concrete results. Focusing on its key corporate customers, business segments and regions, BOCHK actively explored business opportunities, with its RMB deposits and loans recording steady growth. Leveraging its strong franchise as Hong Kong's RMB clearing bank, BOCHK contributed to the refinement of cross-border financial infrastructure and enhanced the quality and efficiency of its clearing service, with the aim of proactively supporting and cultivating the offshore RMB market. BOCHK launched a number of products and services denominated in RMB, including a CNH PBoC bills repo service, green deposits and loans, and the ESG Multi-Asset Fund. It continuously promoted RMB business in the Southeast Asian region, with both Bank of China (Malaysia) Berhad and BOCHK Manila Branch being granted direct participant qualification by the CIPS, BOCHK Manila Branch officially launching its RMB clearing bank service, and BOCHK Brunei Branch successfully introducing its RMB cross-border salary direct remittance service, thus achieving steady development in its regional RMB business.

BOCHK deepened digital empowerment and expanded financial services outreach. With a view to improving customer experience in a comprehensive manner, BOCHK closely monitored market trends and empowered its businesses through digital transformation, drawing on digital, intelligent and ecological support. It expanded the reach of its financial services by actively promoting open banking and strengthening scenario-based applications of FinTech innovations. BOCHK accelerated the expansion of intelligent technology applications, thereby reducing processing times, enhancing employee productivity and improving operational efficiency. It constantly refined the building blocks of its database, further strengthening its risk control capabilities in intelligent anti-fraud and anti-money laundering. BOCHK also continuously optimised its agile working methodology and fostered digital talent, with a view to building a full-scale digital bank.

During the year, BOCHK was named "Bank of the Year in Hong Kong" by *The Banker*; "Strongest Bank in Hong Kong and Asia Pacific", "Best Transaction Bank in Hong Kong" and "Best Cash Management Bank in Hong Kong" by *The Asian Banker*; "Most Outstanding Company in Hong Kong — Banking Sector", "Hong Kong's Best Digital Bank 2021" and "Best Chinese Bank for the Greater Bay Area" by *Asiamoney*; and "Hong Kong Domestic Cash Management Bank of the Year", "Hong Kong Domestic Trade Finance Bank of the Year" and "Hong Kong Domestic RMB Internationalisation Initiative of the Year" by *Asian Banking & Finance*, as well as receiving the "Best SME's Partner Award" from the Hong Kong General Chamber of Small and Medium Business.

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

Comprehensive Operation

The Bank implemented national strategies and supported the development of the real economy through high-quality integrated financial services. It remained committed to sharpening the Group's differentiated advantages based on its integrated operations and serving as a driver of value creation, functional innovation and mechanism exploration for the Group.

The Bank actively explored and strengthened the synergistic mechanism between the Bank and its comprehensive operation companies, promoted new modes of integrated synergy and set up integrated operation and synergy offices in ten key areas. Leveraging its advantages in integrated operations, the Bank carried out marketing focused on the "Eight Priority Areas for Enhancing Financial Services Capabilities" and enhanced the brand influence of the Group's integrated financial services by implementing several prestigious projects such as the IPO of Zhengyuan Geomatics Group Co., Ltd. on the Science and Technology Innovation Board of the SSE, mixed ownership reform of China Baowu Steel Group Co., Ltd., and Series A funding of SVOLT.

The Bank continuously improved the group-wide management and control mechanism of its integrated operations, strengthened the comprehensive development of a "strong headquarters", drew up special plans for integrated development and optimised its performance evaluation mechanism. It pressed ahead with the building of its comprehensive risk management system, improved the audit management mechanism of its integrated operations, and advanced relevant digital transformation. Furthermore, the Bank refined its corporate governance structure and improved the quality and efficiency of its corporate governance.

Investment Banking Business

BOCI

The Bank is engaged in investment banking business through BOCI. As at the end of 2021, BOCI had an issued share capital of HKD3.539 billion, total assets of HKD96.875 billion, and net assets of HKD22.658 billion. In 2021, BOCI realised a profit for the year of HKD1.489 billion.

BOCI consolidated its advantages in traditional investment banking and accelerated the development of wealth management and asset management business. It refined its risk management system to support business innovation, and fostered the new development pattern in which domestic and international circulations reinforce each other through its activities in equity and bond financing, cross-border wealth management, M&A, asset management, ESOP and global commodities. BOCI enhanced its globalised and integrated investment banking capabilities and assisted with the secondary or dual listing of a number of China concept stocks in Hong Kong. It participated in the issuance of Saudi Aramco's first USD sukuk and was the only Chinese investment bank to participate in the issuance of Pakistan's overseas USD sovereign bond. BOCI acted as the joint sell-side financial advisor to Kerry Properties in relation to the partial offer made by S.F. Holding for a stake in Kerry Logistics, supported Cathay Pacific in selling convertible bonds related to its corporate restructuring, and participated in the issuance of several Chinese institutions' overseas green bonds. It optimised its cross-border wealth management service, enhanced its mobile securities services, pushed forward the digital transformation of its securities services, and promoted artificial intelligent driven investment advisory services and other FinTech applications. As a result, the brokerage business and the trading volume of over-the-counter equity derivatives maintained steady performance. The "BOCI Greater Bay Area Leaders Index" continued to outperform its peers. BOCI continued to improve its asset management capabilities by developing and promoting ESG indices and asset management products. BOCI-Prudential Asset Management Limited, a subsidiary of BOCI, maintained its position as a top-ranked service provider in the Hong Kong Mandatory Provident Fund (MPF) and Macao Pension Fund businesses. Eleven eligible funds under the Cross-boundary Wealth Management Connect scheme have been listed on the product platforms of the first batch of Hong Kong banks authorised to carry out Cross-boundary Wealth Management Connect business in the Guangdong-Hong Kong-Macao Greater Bay Area. In addition, BOCI accelerated development of its global commodity centre. It proactively facilitated the internationalisation of the onshore commodities futures market, and assisted Shanghai International Energy Exchange in promoting its crude oil products and futures.

BOCI was again awarded “Best DCM House (Hong Kong — Chinese Financial Institutions)” in the 2021 Country Awards and “Best Debt House, Asia” in the 2021 Achievement Awards organised by *FinanceAsia*. It was also recognised as “2021 Best Private Bank for HNWIs Hong Kong” by *The Asset* and received the “Awards of Excellence — ETF Management” in the 2021 Financial Services Awards of Excellence organised by *Hong Kong Economic Journal*. In addition, BOCI’s mixed-asset HKD balanced MPF was awarded “Best Pension Fund over 3 Years” in the 2021 Refinitiv Lipper Fund Awards Hong Kong.

BOCI China

BOCI China is engaged in securities-related business in the Chinese mainland. As at the end of 2021, the registered capital was RMB2.778 billion.

BOCI China promoted business transformation through technological empowerment and refined its comprehensive wealth management service process with a focus on serving the wealth management needs of individual customers, constructing a customer-centric product system, and improving the service capability of its investment advisors. Deepening its synergistic advantages of “investment banking + commercial banking”, “investment banking + investment” and “domestic + overseas”, and targeting key clients and key industries, BOCI China drew up blueprints for technology finance, green finance, rural revitalisation and other national strategic areas, achieving breakthroughs in terms of “pioneering deals” in those areas and shifting its investment banking business focus towards transaction-driven comprehensive financial services. It further improved its customer service capabilities, shifting its asset management business focus towards active management services. In addition, the brand reputation of its research products was further enhanced. BOCI China ranked 12th for bond lead underwriting volume (excluding local government bonds), as well as 3rd and 14th for assets under management and net income respectively, highlighting its continuously increasing market influence.

BOCI China received numerous awards from authoritative media, such as “Best Local Investment Bank”, “Best Bond Underwriting Investment Bank”, “Best IPO Project” and “Most Creative Project” from *New Fortune* for its investment banking business; “Junding Award for Fixed-income Asset Management Team in China”, “Junding Award for ABS Asset Management Team in China” and “Junding Award for Fixed-income Asset Management Plan in China” from *Securities Times*, and “Best ABS Asset Management Securities Company” and “Best Innovative Asset Management Product of Securities Companies” from *China Fund* for its asset management business, as well as the “Most Progressed Research Institution” in the Crystal Ball Awards for sell-side analysts for its research and sales business, among others.

(Please refer to the results report of BOCI China for a full review of BOCI China’s business performance and related information)

Asset Management Business

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at the end of 2021, BOCIM’s registered capital amounted to RMB100 million, its total assets stood at RMB5.579 billion and its net assets totalled RMB4.309 billion. In 2021, its profit for the year reached RMB1.026 billion.

BOCIM steadily expanded its asset management business, continuously improved its profitability, maintained sound risk management, constantly improved its brand and market reputation, and further enhanced its comprehensive strengths. BOCIM expanded its business and focused on the field of green finance, issued an interest rate bond index fund linked to Shanghai Clearing House, and actively promoted the implementation of low-carbon themed funds, ESG China bonds and other fund products. BOCIM strengthened investment research and fund issued in science and technology related sectors, promoted the take-up of "specialised, refined, featured and innovative" themed products, and provided fund products to help investors share in the growth of science and technology. Building on its "The Global Manager of Global Assets" brand, it laid out various fund products such as Hong Kong stock connect funds, QDII funds and mutual recognition funds. BOCIM accelerated the issuance of new funds, launching 18 funds during the year. As at the end of 2021, BOCIM's AUM reached RMB499.3 billion. Specifically, its public-offered funds reached RMB398.3 billion and its public-offered funds excluding money market funds reached RMB286.6 billion.

BOC Wealth Management

The Bank is engaged in wealth management business in the Chinese mainland through BOC Wealth Management. BOC Wealth Management's business includes wealth management products for the general public, wealth management products for qualified investors, advisory and consulting, and other asset management-related products and services. As at the end of 2021, BOC Wealth Management's registered capital was RMB10.000 billion, its total assets amounted to RMB14.429 billion and its net assets totalled RMB13.082 billion. In 2021, BOC Wealth Management's profit for year reached RMB2.609 billion.

BOC Wealth Management implemented the Group's "One Mainstay, Two Engines" strategy, achieved sound success in business development, and steadily increased its contribution to the Group. As at the end of 2021, its total assets under management reached more than RMB1.71 trillion, up 23.17% compared with the prior year-end. BOC Wealth Management continued to expand its product line, establishing the five major investment categories of cash management, fixed income, fixed income plus, hybrid, and equity products. This product line covered all mainstream product structures, terms and strategies, thus realising strong performance and creating value for investors. It also developed products focused on the "Eight Priority Areas for Enhancing Financial Services", supporting high-quality development in fields such as technology finance, green finance and inclusive finance. BOC Wealth Management actively participated in the Bond Connect programme between the Chinese mainland and Hong Kong, launching a series of Cross-border Wealth Management Connect products and fixed-income Southbound Bond Connect products. Its foreign currency and cross-border products ranked first in the industry in terms of both product variety and total balance. BOC Wealth Management also achieved breakthroughs in expanding its third-party sales channels, realising product sales at twelve bank institutions and attracting over million customers from third party sales channels. At the same time, it continued to improve its asset allocation, and its investment in strategic emerging industries grew by 77% compared with the prior year. BOC Wealth Management steadily promoted the development of its comprehensive risk management system, ensuring that its business development was in accordance with regulatory requirements and risk prevention was successful and effective.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at the end of 2021, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD9.980 billion and net assets of HKD4.407 billion. In 2021, BOCG Insurance recorded gross written premiums of HKD2.727 billion and realised a profit for the year of HKD226 million. Its gross written premiums continued to be at the forefront of the general insurance market in Hong Kong, while its premium quality was higher than the market average.

BOCG Insurance thoroughly implemented the Group's strategies. Centring on the Group's strategic development pattern of "One Mainstay, Two Engines", it developed the strategic positioning of "a regional high-tech property insurance company with market leadership and commercial bank characteristics". Leveraging the advantages of the Group, BOCG Insurance deepened bank-insurance coordination and pushed forward the transition from list marketing to in-depth development. It consolidated its advantages in traditional property insurance business alongside a focus on health insurance business, made efforts to shift from being a financial risk-taker to acting as a health manager, and rolled out an online application platform for its first personal health insurance product. BOCG Insurance continued to tap the potential of group clients and promoted the general application of its B2B2C marketing model. It advanced digital transformation across the board, officially launched a new-generation core system and developed peripheral systems in an orderly manner. Its online product system was also improved, with the "online insurance shopping mall" beginning to take shape. In 2021, BOCG Insurance launched online application platforms for five products, namely, "GoStudy Student Insurance Plan", "Motor Insurance-Private Car", "Premier Home Comprehensive Insurance", "Healthy Medical Comprehensive Protection" and "KeepMovIns Sports Insurance". It continuously streamlined and optimised its business processes, significantly improving customer service quality. It also improved its "Cloud Service" and offered an online green channel for clients to settle claims. It launched "Customs Clearance Series" and "Greater Bay Area Series" products and was among the first to complete the development of mandatory traffic insurance and commercial insurance products for Hong Kong private cars travelling to Guangdong, which have been duly filed with the Insurance Authority (IA). Furthermore, BOCG Insurance embraced ESG concepts and vigorously promoted green insurance, green investment and green workplaces.

BOC Life

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at the end of 2021, BOC Life's issued share capital was HKD3.538 billion. Its total assets amounted to HKD197.899 billion and net assets amounted to HKD11.626 billion. Its profit for the year was HKD954 million. BOC Life maintained its leading position in the life insurance sector and remained the market leader in RMB insurance business in Hong Kong.

BOC Life continued to promote the transformation and upgrading of its product structure and launched a number of higher value-added whole life savings protection plans, including the "Forever Fortune Whole Life Insurance Plan", "SmartViva Flexi VHIS" and "Glamorous Glow Whole Life Insurance Plan". It also continued to expand the coverage of its online channels, actively promoted intra-group cross-selling collaborations, and maintained its leading position in the Qualifying Deferred Annuity Policy market. To create a brand-new wellness ecosystem, BOC Life strengthened collaboration with cross-industry business partners including the world's leading smartwatch brand, innovative technology companies in Asia and Hong Kong, online social platforms, charities and social enterprises, with the aim of creating win-win situations for all and helping customers to create new value and gain a brand-new experience. BOC Life introduced the exclusive "Biological Age Model BAM" algorithm which was incorporated into a platform featuring gamification, charity and social elements, encouraging users to engage in healthy and "bio age"-reducing lifestyles together with their families and friends. To construct a retirement scenario ecosystem, BOC Life and Macao-based HN Group entered into a strategic cooperation agreement to promote "Serensia Woods", a high-end wellness project in Hengqin, Zhuhai.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at the end of 2021, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB13.712 billion and net assets of RMB4.920 billion. In 2021, it realised written premiums of RMB5.771 billion and a profit for the year of RMB320 million.

BOC Insurance thoroughly put into practice the new development philosophy, continuously served the national development strategy, and pushed forward transformation in quality, efficiency and impetus according to the Group's 14th Five-year Plan, with a view to achieving high-quality and sustainable development. Supporting the development of the real economy, BOC Insurance took advantage of its featured products such as tariff guarantee insurance and domestic trade credit insurance to facilitate financing for small and medium-sized enterprises. In response to the national innovation strategy, BOC Insurance applied the first (set of) comprehensive insurance to support the development of enterprises engaged in scientific and technological innovation, with the aim of promoting the innovation of the country's major technical equipment and intelligent manufacturing technology. It deeply participated in the modernisation of national governance systems and capacity, scaled up the supply of liability insurance products in areas such as emergency management and production safety, and gave full play to the role of insurance in social governance. To serve the development strategies of key regions, BOC Insurance carried out supporting policies in a differentiated manner so as to enable the coordinated development of all regions. Fully implementing the Group's comprehensive operation strategy, it proactively participated in the development of the "Eight Priority Areas for Enhancing Financial Services Capabilities" and "Four Scenario-based Financial Services Ecosystem", and helped to provide a comprehensive financial services package for group customers. It deepened the application of FinTech in insurance, accelerated digital transformation, and boosted the building of a smart operation system. BOC Insurance also worked to improve its consumer protection mechanism and strengthened consumer protection publicity and education campaigns as well as risk alerts. It was recognised as an excellent organiser of the "3.15 Month of Financial Knowledge Popularisation" for the third consecutive year.

BOC Insurance received an "A" integrated risk rating (classified regulation) from the CBIRC for the 21st consecutive quarter and was rated "B" for corporate governance in the supervisory assessment for the 2nd consecutive year. It also maintained an "A-" rating and "stable" outlook from Standard & Poor's for the eighth consecutive year. It was awarded "Influential Insurance Company in 2021", "Insurance Service Brand Deserving Attention in 2021" and "Insurance Innovation Project Deserving Attention in 2021" in the China Finance Billboard published by Hexun.

BOC-Samsung Life

The Bank is engaged in life insurance business in the Chinese mainland through BOC-Samsung Life. As at the end of 2021, BOC-Samsung Life's registered capital stood at RMB2.467 billion, total assets amounted to RMB49.275 billion and net assets amounted to RMB3.090 billion. In 2021, BOC-Samsung Life recorded written premiums and premium deposits of RMB17.762 billion and a profit for the year of RMB126 million.

BOC-Samsung Life maintained rapid business growth, realising a year-on-year increase of 35% in annual premiums and continuously sharpening its market competitiveness. It improved its business structure, developed its long-term savings and protection business and realised a year-on-year increase of 99% in first-year premiums of high-value regular policies. BOC-Samsung Life continued to expand its online and offline business channels by launching an online insurance mall on WeChat and establishing new provincial-level branches in Liaoning and Anhui province. It accelerated digital transformation, established an online insurance ecosystem and completed the deployment of a private cloud. Other basic platforms completed include a data middle office and an open ecological platform, etc. BOC-Samsung Life deepened its technology empowerment, launched artificial intelligence (AI) applications such as customer service AI and pre-underwriting AI to realise 24/7 self-service for mobile customers, and comprehensively promoted online and intelligent services. Sticking to its core purpose of providing insurance services, BOC-Samsung Life launched "BOC ZunXiangJiaChuan Whole Life Insurance", "BOC AiJiaBao (21 Edition) Specific Diseases Insurance", "JianKangXing Critical Illness Insurance (internet business exclusive)", "ShouHuXing Medical Insurance (internet business exclusive)" and other featured products, and expanded the insurance coverage of 16 products to include COVID-19. In the 2021 Golden Censer Prize, BOC-Samsung Life won "Excellent Life Insurance Company" for a consecutive year. It was also awarded the "Annual Technological Innovation Prize" at the Sixth China's Insurance Industry Ranking 2021 organised by *National Business Daily*, and was honoured with the "Excellent Social Venture" award at the Eighth CSR Summit of Financial Enterprises organised by XinhuaNet, and the "2021 Most Valuable Enterprise in ESG Investment" award at the Fourth Summit Forum on CSR in China held by *International Financial News* under *People's Daily*.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment's business scope includes private equity investment, fund investment and management, real estate investment and management and special situation investment. As at the end of 2021, BOCG Investment recorded issued share capital of HKD34.052 billion, total assets of HKD142.171 billion and net assets of HKD74.798 billion. In 2021, it recorded a profit for the year of HKD6.906 billion.

BOCG Investment actively coped with the complex environment with repeated resurgence of the COVID-19 pandemic and capital market fluctuations, implemented the "One Mainstay, Two Engines" strategy, integrated into the nation's new development pattern, brought into full play its advantages in integrated operations, and pushed forward transformation and development. Centring on technology finance and green finance, BOCG Investment increased investment in technology enterprises, focused on investing in "specialised, refined, featured and innovative" small and medium-sized enterprises, and organised research and investment in clean energy, new-energy vehicles, green technology for traditional industries and other fields in line with the national goal of "carbon peaking and carbon neutrality". It invested in such projects as SVOLT Energy Technology, Shenzhen New Degree Technology, XParadigm, NASN Auto, MediTrust Health, Xingshengyouxuan and Hzymes Biotech, and successfully exited from certain existing investment projects. It issued its first USD600 million green bond and made progress in establishing the second tranche of the Yangtze River Delta Fund and the second tranche of the Greater Bay Area Fund. It also provided support for the growth of Hong Kong-based science and technology innovation enterprises, focused on the construction and investment opportunities arising from the development of the Northern Metropolis Plan, and played its role as a Chinese enterprise in the economic and social development of Hong Kong.

BOC Asset Investment

The Bank is engaged in debt-for-equity swap and related business in the Chinese mainland through BOC Asset Investment. As at the end of 2021, the registered capital of BOC Asset Investment was RMB14.500 billion, with total assets and net assets standing at RMB84.868 billion and RMB17.966 billion respectively. In 2021, it realised a profit for the year of RMB2.050 billion.

BOC Asset Investment conducted debt-for-equity swap business based on market-oriented and rule-of-law principles, with the aim of improving enterprises' business operations and helping them to reduce leverage ratios and enhance market value. Committed to the development of green finance, it raised social investment capital by private equity investment funds for debt-to-equity swaps to implement a number of debt-to-equity swaps projects of enterprises in new energy industries including wind power, photovoltaic and waste incineration power generation, achieving economic, environmental and social benefits. BOC Asset Investment supported the healthy development of high-quality emerging technology enterprises, improving their performance by meeting the growing technology enterprises' equity financing demands with debt-for-equity swap projects. BOC Asset Investment also orderly coordinated the Group's non-performing assets disposal work by means of shareholding platforms and so on, serving as a professional and experienced platform for risk asset restructuring. As at the end of 2021, the Bank's cumulative market-oriented debt-for-equity swap business reached RMB186.068 billion, representing an increase of RMB27.266 billion during the year.

Leasing Business

BOC Aviation

BOC Aviation is engaged in the aircraft leasing business. BOC Aviation is one of the world's leading aircraft operating leasing companies and is the largest aircraft operating leasing company headquartered in Asia, as measured by value of owned aircraft. As at 31 December 2021, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD23.879 billion and net assets of USD5.266 billion. It recorded a profit for the year of USD561 million, as the Company recognised the effects of the COVID-19 downturn on the value of its aircraft and on airline customer cash flows and receivables.

Committed to pursuing sustainable growth, BOC Aviation continuously implemented its proactive business strategy and steadily promoted its standing in the aircraft leasing industry. Actively supporting the Belt and Road Initiative, it had leased 64% of its aircraft to airlines of Belt and Road countries and regions as at the end of 2021. Continuing to closely develop customer demand, the Company took delivery of 52 aircraft, including seven aircraft that airline customers purchased at delivery, as it expanded its owned fleet. All of these aircraft have been placed on long-term leases. During the year, BOC Aviation signed 74 leases and added five new customers, totalling 86 customers in 38 countries and regions. BOC Aviation consistently sought to optimise its asset structure and improve its sustainable development. It sold 23 owned aircraft during 2021, leaving it with an average owned fleet age of 3.9 years (weighted by net book value) as at 31 December of 2021, one of the youngest aircraft portfolios in the aircraft leasing industry.

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

BOCL

The Bank is engaged in financial leasing, transfer and receiving of financial leasing assets and other related businesses through BOCL. As at the end of 2021, BOCL recorded registered capital of RMB10.800 billion, total assets of RMB37.214 billion and net assets of RMB10.684 billion. It recorded a profit for the year of RMB34 million.

Following the strategic objectives of the Group, BOCL focused on national strategic regions and key industries, upheld the development philosophy of specialisation, differentiation and featured characteristics, highlighted the featured characteristics of financial leasing, and refined and strengthened its leasing brand. BOCL's leasing business involved transportation, water conservancy, energy production and supply, construction, manufacturing and other industries, taking practical steps to improve the quality and efficiency of its service to the real economy. As at the end of 2021, BOCL had conducted a cumulative total of more than RMB40 billion of financial leasing business, specifically, the proportion of green leasing in the total leasing business was 28%.

Consumer Finance

BOC Consumer Finance

The Bank is engaged in consumer loan business in the Chinese mainland through BOC Consumer Finance. As at the end of 2021, BOC Consumer Finance's registered capital stood at RMB1.514 billion, total assets amounted to RMB54.326 billion and net assets were RMB7.862 billion. In 2021, it recorded a profit for the year of RMB844 million.

Upholding the philosophy of "building a high-quality consumer finance company in the new era", BOC Consumer Finance fulfilled its responsibilities and obligations as a state-owned licensed consumer finance company. Driven by technological applications, it continuously improved its customer service capacity through technological empowerment, thus safeguarding the legitimate rights and interests of its customers. As at the end of 2021, BOC Consumer Finance has set up 27 regional centres, covers about 400 cities and 900 counties nationwide through its offline and online businesses, and has created an integrated operation platform featuring the integration of "online + offline" and "finance + technology". BOC Consumer Finance registered a loan balance of RMB52.435 billion, an increase of 56.9% compared with the prior year-end. Preliminary achievements were made in the online migration of loans, with the balance of online loans accounting for 35.06% of all loans, an increase of 28 percentage points compared with the prior year-end. Placing equal emphasis on consolidating its foundations and pushing forward transformational development, it strived to develop its business ecosystem and enhance its technological and risk control capacities.

BOC Consumer Finance received many awards from authoritative industry publications during the year, including the "Tian Ji Award — 2021 Outstanding Consumer Finance Company" from *Securities Times*, "2021 Financial Institution Practicing Inclusive Finance with Excellent Competitiveness" from *China Business Journal*, and "2021 Reassurance Award — Consumer Finance Brand" from Jiemian.com, Shanghai United Media Group.

Financial Technology

BOC Financial Technology

The Bank is engaged in financial technology innovation, software development, platform operation and technical consulting services through BOC Financial Technology. As at the end of 2021, the registered capital of BOC Financial Technology was RMB600 million, with total assets and net assets standing at RMB988 million and RMB658 million respectively.

BOC Financial Technology served the domestic and international dual-circulation development strategy, supported significant projects and bolstered the development in key regions. It participated in the construction of enterprise-level architecture, undertook key projects such as anti-money laundering programmes, reform of the Bank's credit authorisation system, intelligent risk control and inclusive finance, and participated in the construction of scenario-based financial service ecosystem of silver, education, sports, transportation, cultural tourism, medical care, religion, housing construction and other scenarios. It served the Group's integrated development strategy and developed a comprehensive business management system and business data and assets management platform so as to enhance synergistic effects and promote the high-quality development of the Bank's comprehensive operations. It supported economic development in key areas, set up R&D bases in Wuhan, Hubei Province; Chengdu, Sichuan Province; and Hainan Province, and promoted the construction of Smart Hainan, the Xiongan New Area, the Yangtze River Delta, the Chengdu-Chongqing economic circle, the Guangdong-Hong Kong-Macao Greater Bay Area and other key cities by leveraging its overall financial technology strengths and focusing on regional economic development. It expanded service outputs, focused on building a talent pool management system for banking associations, and exported technological services in areas such as anti-money laundering and credit risk control for domestic and foreign banks. It accelerated internal digital construction, promoted engineering process reform, and won the CMMI5 software maturity advanced qualification certification.

Listed on the International Data Corporation (IDC) "2021 IDC China FinTech 50 List", BOC Financial Technology continued to promote innovative research and won several awards during the year for its self-developed products. "BOC Smart Investment" won the 2021 "China's Best Investment Advisory Service" award from *The Asian Banker*; while "Chainmore Blockchain Service Platform" and "THE REJUVENATION PLATFORM" won the "Comprehensive Intelligent Platform Award Silver Award" and "Digital Technology Innovation Award" respectively in the 2021 China Financial Digital Technology Innovation Competition.

Service Channels

Focusing on customer experience, the Bank accelerated the transformation and upgrading of all service channels using digital transformation as the key driver, building online channels with stronger scenario integration capabilities and offline channels with greater value creation capacity. As a result, it cultivated an ecosystem in which online and offline channels are integrated and financial and non-financial scenarios are seamlessly connected.

Online Channels

Following a "Mobile First" strategy and embracing digital transformation trends, the Bank continued to intensify efforts to expand its online channels and upgrade its mobile banking services, thus realising rapid growth in online business. In 2021, its e-channel transaction volume reached RMB324.97 trillion, an increase of 18.18% compared with the prior year. Among this, mobile banking transaction volumes reached RMB39.38 trillion, an increase of 22.00% compared with the prior year; the number of non-financial mobile banking scenarios totalled 612, and the number of monthly active mobile banking customers stood at 71.04 million, making mobile banking the online channel with the most active customers.

Unit: million customers, except percentages

Items	As at 31 December 2021	As at 31 December 2020	Change (%)
Number of corporate online banking customers	**6.4812**	5.4351	19.25%
Number of personal online banking customers	**198.7857**	194.2267	2.35%
Number of mobile banking customers	**235.1805**	210.5524	11.70%

Unit: RMB billion, except percentages

Items	2021	2020	Change (%)
Transaction amount of corporate online banking	**277,090.186**	232,166.028	19.35%
Transaction amount of personal e-banking	**45,674.406**	40,520.497	12.72%
Transaction amount of mobile banking	**39,376.511**	32,277.028	22.00%

For corporate banking customers, the Bank accelerated digital transformation, continuously improved the functions of its electronic channels and constructed a comprehensive Group-wide financial e-portal. It launched 24 products on corporate online banking, including BOC Wealth Management products, domestic foreign exchange remittance, certificates of deposit (CDs) and e-CNY batch payment. As at the end of 2021, BOC's corporate online banking service can provide more than a hundred products and services under 12 categories. Its Intelligent Global Transaction Banking system, centred on the new corporate online banking service, received a second prize award in the 2020 PBOC FinTech Development Awards. With the aim of creating a comprehensive mobile financial services portal that is convenient, efficient, intelligent, interactive and scenario-integrated, the Bank's corporate mobile banking offered over 50 high-frequency products and services such as fund transfer, inclusive financing, investment and wealth management. Focusing on "scenario integration", the corporate mobile banking bridged the gaps between the Bank's financial service system and its inclusive finance services Wechat applets, as well as its cross-border matchmaking Wechat applets, thus providing more convenient and flexible channels to support scenario building. In 2021, the Bank achieved year-on-year growth of 113.85% in corporate mobile banking transaction customers, and its corporate mobile banking service was granted the "Best Corporate Mobile Banking" award by the China Financial Certification Authority (CFCA).

For personal customers, the Bank adhered to its mobile banking development strategy of "integrated, intelligent, open, interactive and featured", and continued to improve personal mobile banking functions and user experience, thus actively facilitating the digital transformation of personal banking. It also released the brand-new Mobile Banking Version 7.0. Centring on the key customer groups of credit card, private banking and elderly care, it launched targeted services such as a credit card section, a private banking zone and an Elderly Version for its mobile banking. Focusing on wealth finance, the Bank revised its mobile banking fund modules, launched functions such as fund PK and fund diagnosis, added new features such as online audio and video recording and notice deposit "Smart Deposit" contracting, and strengthened customer information integration by adding information integration services such as "Earnings Report", "My Ledger" and Monthly Statement. It enriched third-party merchant services and content information, with its Mobile Banking Life Channel expanding its circle of partners and covering lifestyle convenience, fresh food, transportation, audio-visual entertainment, online medical consultation and so on, thus facilitating the building of better lifestyle scenarios. In addition, the Bank created the "Lucky" branding concept to demonstrate its new service image of warm, considerate, intelligent, convenient, safe and reliable. The Bank was granted the "Gold Award for Comprehensive Intelligent Platform" by China Electronic Banking Network and received the "Mobile Banking with Excellent Competitiveness" award from *China Business Journal*, and the "2021 Excellent Mobile Payment Bank" award from *The Economic Observer*.

The Bank enhanced the digital risk control capacity of its online channels and accumulatively monitored 7.69 billion transactions through its "Cyber Defence" smart risk control and prevention system in 2021, an increase of 24.1% year-on-year. As at the end of 2021, the number of customers using mobile banking-oriented digitalised authorisation tools reached 20.20 million, up 66.94% compared with the prior year-end. "The Application Practice of Real-time Anti-fraud Machine Learning Model for Mobile Banking of Cyber Defence" won the "Full Honor Award" of China Electronic Banking Network.

Offline Channels

The Bank pushed forward the transformation of its outlets and continued to enrich its intelligent service ecosystem, in a bid to transform its outlets into integrated marketing and service entities encompassing all channels, scenarios and ecosystems.

The Bank accelerated the digital transformation of its outlets. Closely following the pace of digital reform in government services, it constructed a "government service + financial service" dual-purpose system and successively expanded more than 300 government affairs scenarios such as social security and tax services to its smart counters. In this way, it promoted the operation of smart outlets by embedding financial services into the building of digital government and smart cities. The Bank rolled out the "Yangtze River Delta Smart Government Affairs" service, realising the interconnectivity of government affairs services between Shanghai Municipality and Anhui Province and thus facilitating the integrated development of the two regions. It also delivered non-resident smart social security card services in the Hengqin-Guangdong-Macao In-Depth Cooperation Zone to boost the accelerated integration of people's livelihood in Guangdong and Macao. Furthermore, the Bank deepened cross-border scenario-based ecosystem development, expanded non-resident service scenarios at smart counters, supported passport-based business handling and launched multilingual services. It expanded service stations and launched tablet-version smart counters to support outlets' "Going Out" service marketing and increase the availability of financial services. The Bank constantly optimised its products and services, introducing digital debit card issuance and cardless services at smart counters to improve customer experience. Focusing on the elderly and other key customer groups, the Bank launched an elderly version of its smart counters to help older people adapt to the digital world and make intelligent financial services more inclusive.

The Bank made fresh innovations in outlet business models. It rolled out the "5G Intelligence + Greater Bay Area Pavilion" in Guangdong Province, the "5G Intelligence + Culture and Tourism Pavilion" in Shanxi Province and the "5G Intelligence + Ecosystem Pavilion" in Anhui Province, and built smart outlets that combine technology application, service experience, scenario linking and ecosystem integration. Furthermore, the Bank improved its differentiated outlet management system and developed featured outlet development plans based on local conditions. It also built outlets with unique features based on the "Eight Priority Areas for Enhancing Financial Services Capabilities", including technology finance, green finance, inclusive finance and cross-border services, etc., as well as demonstration outlets for education, sports and elderly services. It refined its differentiated outlet resource allocation strategy, and improved outlets' capabilities for integrating into scenario-based ecosystems and realising value creation.

The Bank enhanced its enterprise-level intensive operation capacity. It upgraded its intensive operations platform and rolled it out across its domestic branches, improved the production lines in its operation centres, completed the first batch of business centralisation, and sped up the development of an intensive and shared smart operation service system.

As at the end of 2021, the Bank's commercial banking network in the Chinese mainland (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised 10,382 branches and outlets. Its comprehensive operation institutions in the Chinese mainland totalled 520, and the number of its institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions totalled 550.

Unit: single item, except percentages

Items	**As at 31 December 2021**	As at 31 December 2020	Change (%)
ATM	**27,729**	33,314	(16.76%)
Smart counter	**32,367**	31,960	1.27%

Information Technology Development

Committed to enhancing its competitiveness in "technology + ecosystem + experience + data" in the digital economy era, the Bank accelerated its digital transformation, cultivated new technology-led growth drivers, and created new financial services patterns. In 2021, the number of employees in the IT line of the Bank stood at 12,873, accounting for 4.20% of the total, of which 8,189 were employees of domestic commercial banks, accounting for 3.07% of the total. These employees had an average age of 37, with 94% holding Bachelor's degrees or above. The Bank invested RMB18.618 billion in information technology during the year.

The Bank adapted to FinTech development trends by strengthening top-level design. It formulated the *14th Five-Year Plan of BOC for FinTech* in accordance with the strategic requirements for all-round digital transformation contained in the Group's 14th Five-Year Plan. Based on the main priorities of "consolidating foundational support, empowering business development and laying out future capabilities", the plan took data as the driving force and FinTech as the means to transform the traditional commercial banking mode, and promoted the reshaping of the Group's marketing, products, channels, operations, services, risk control and management, thus building the "Digital BOC".

The Bank improved its technological governance structure to push forward transformation and development in a coordinated manner. It set up the Financial Digitalisation Committee to push forward the development of the Group's digitalisation, FinTech, data governance, IT risk management system, etc. To optimise the layout of its R&D institutions, BOC Financial Technology set up R&D bases in Wuhan, Hubei Province; Chengdu, Sichuan Province; and Hainan Province in 2021, so as to support the development of key regions and shoulder responsibility for the implementation of scenarios such as "finance + industry" and "finance + government affairs".

The Bank developed the new IT infrastructure to enhance its digital foundations. It made every effort to promote the OASIS project, strengthened the top-level design of enterprise-level business architecture and IT architecture, and established the concept of enterprise-level middle office development. In addition, it improved capacity for Group-wide sharing and reuse, and enhanced support for both strategic objectives and agile responses related to business development, product innovation and market changes. The feasibility studies, business modelling, and IT development and testing of the first group of projects in the first phase were completed, with the Bank now having entered the production preparation stage. Significant progress was made in the development of basic technology platforms, with many of them put into production, including the independently developed enterprise-level distributed technology platform "Hong Hu", the DevOps cloud platform "Fu Yao", the smart operation and maintenance platform "Jiu Tian", the mobile development framework "Han Hai" and the big data development framework "Xing Han". As a result, the fundamental support capacity, independent control capacity and agile development capacity of the Bank's scientific and technological strengths were significantly improved, and preliminary achievements were made in the transformation towards a platform-based, service-oriented and standardised IT framework.

The Bank accelerated technological empowerment to improve the quality and development pace of its businesses. It launched its Mobile Banking Version 7.0, developed the features of "finance + scenario", "technology + care", "intelligent + professional" and "global + panorama", and built an integrated marketing service platform, thus creating a closed-loop digital marketing system. The BOC Intelligent Global Transaction Banking service platform (iGTB platform), an online, intelligent and open portal offering integrated financial services for corporate banking customers, began to take shape, realising online processing for cross-border remittance, supply chain finance and other services. The Bank continued to enrich its online inclusive finance products, with its online inclusive financing balance growing more than 26 times compared with the prior year-end. Its quantitative trading platform was certified as a qualified trading institution by the Foreign Exchange Trade System, and precious metals, foreign exchange settlement, cash securities and RMB interest rate swap (IRS) businesses were put into operation through the platform. To prevent and mitigate telecom and online fraud, the Bank continued to optimise the risk monitoring and interception model of its "Cyber Defence" smart risk control and prevention system for bank accounts involved in fraud, with an average daily monitoring volume of hundreds of millions of transactions. A centralised operations platform was promoted across the Bank, realising the unified sharing of processes, data and risk control, with business processing efficiency increasing by more than 60%. The mobile office platform "BOC Messaging" had 280 thousand users and supported 217 applications, realising online organisation, communication and processes, and significantly improving the capacity of the Bank's online collaborative office function.

The Bank built an open financial ecosystem and promoted business model innovation. Focusing on cross-border facilitation, education, sports, silver economy and other scenarios related to people's livelihood, it reached over 100 million users in total. Moreover, it launched the "BOC Cross-border Services" APP and "BOC Compass" applets for non-residents, further consolidating the special advantages of its cross-border ecosystem. The BOC University for the Elderly was launched, attracting a total of 800,000 views, making a positive contribution to serving elderly customers. The total number of headquarters-level merchants linked to the Bank's mobile banking service continuously increased. The growth rate of monthly active transaction users ranked top among major peers.

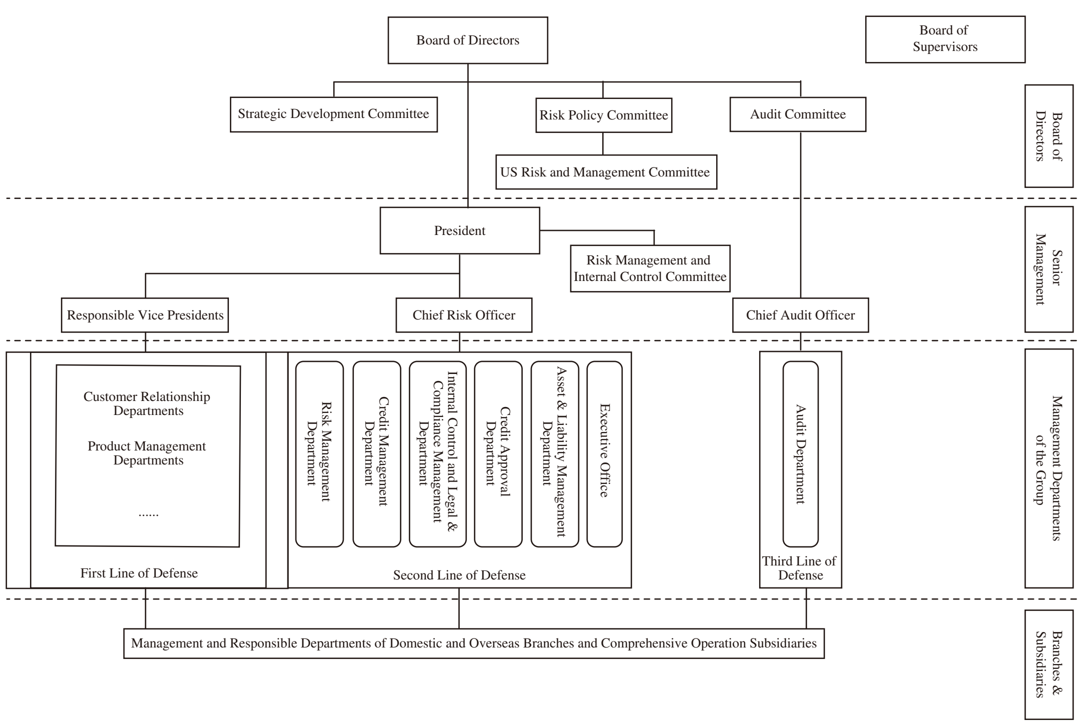
The Bank deepened the application of new technologies and highlighted the value of technological transfer. It further enriched its enterprise-level AI technology service system and built the five platforms of machine learning, biometrics, voice recognition, robotics and knowledge base, which were widely applied in business areas such as intelligent operations, intelligent marketing, intelligent investment and intelligent risk control. The data governance framework was basically completed, realising "unified data, unified architecture and unified ecosystem". The Bank's data lake and data warehouse have now accumulated about 15PB of data assets, and it provided analyst platforms, unified data portals and other services. The Bank's data analysis and mining capabilities achieved a closer fit to the frontline requirements of business and customer services, and the potential of data elements was further realised. The blockchain technology platform continued to be upgraded and 15 patents were granted, supporting business applications such as cross-border settlement, trade finance, people's livelihood, poverty alleviation and bond issuance. Moreover, the Bank applied advanced technologies such as 5G messaging, foreign language translation and service robots in innovative ways to support the smart and green Winter Olympics.

Six of the Bank's technological achievements won PBOC Financial Technology Development Awards, among which the overseas distributed core banking project was granted the first prize. The cumulative number of patent applications reached 4,569, with 194 patents granted in 2021, placing the Bank first among its domestic peers in terms of patent quality, influence and R&D capability.

RISK MANAGEMENT

The Bank continued to improve its risk management system in line with the Group's strategies and refine its risk management structure, mechanism, process, tools and foundations, thus ensuring the sustainable and robust operation of the Group. Anticipating how risk management will develop over the next three to five years, the Bank formulated the Group's 14th Five-year Plan and action scheme for the Group's risk management. In addition, it followed regulatory requirements and responded positively to the implementation of Basel III and international benchmark interest rate reform. It also enhanced rectification accountability to ensure compliance in operations. The Bank intensified the risk control of overseas institutions and comprehensive operation companies and facilitated the development of the "Two Engines". It continuously investigated major potential risks, established a multi-tier smart risk control and early warning system, and enhanced its capabilities in identifying, warning, discovering and disposing of risks at an earlier stage. Furthermore, the Bank launched risk data governance and accelerated the digital transformation of risk management. It actively carried out special campaigns on risk culture, in order to cultivate a risk culture that supports its sustainable development.

The risk management framework of the Bank is set forth below:



Credit Risk Management

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

The Bank continuously optimised its credit structure. Aiming to advance strategic implementation and balance risk, capital and return, it pushed forward the establishment of an industrial policy system, formulated industry guidelines for credit granting, and improved the management scheme for its asset portfolios. In line with the 14th Five-year Plan of the country and that of the Bank, as well as requirements for the development of the "Eight Priority Areas for Enhancing Financial Services Capabilities", the Bank highlighted the four segments of scientific and technological innovation, domestic demand expansion, regional coordination and infrastructure construction. It also focused on the ten pillars of strategic emerging industries, new infrastructure, advanced manufacturing, digital economy, people's livelihood consumption, modern services, rural revitalisation, new urbanisation, traditional infrastructure and traditional manufacturing.

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

In terms of corporate banking, the Bank further strengthened risk identification, control and mitigation in key fields, strictly controlled the aggregate amount and orientation of loans through limit management, and prevented and mitigated risk associated with projects in high energy consumption and high carbon emission industries. In addition, it implemented the government's macro-control policies and regulatory measures in the real estate sector to strengthen the risk management of real estate loans. In terms of personal banking, the Bank improved its personal credit approval mechanism, strengthened authorisation management, and refined approver management. It set strict access standards, enhanced process monitoring and prevented excessive credit risk and the cross-spreading of risks while supporting the development of its personal credit business.

The Bank stepped up efforts in the mitigation of NPAs, consolidated asset quality, and prevented and resolved financial risks. It continued to adopt the tiered and classified management of NPA projects to drive for major breakthroughs and improve the quality and efficiency of disposal. The Bank expanded disposal channels, and applied the pilot regulatory policy on NPA transfer, achieved breakthroughs in single corporate transfers and batch individual transfers. It also intensified the securitisation of non-performing personal and bank card assets, with disposals reaching a record high.

The Bank scientifically measured and managed the quality of credit assets based on the *Guidelines for Loan Credit Risk Classification*, which requires Chinese commercial banks to classify loans into the following five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified as substandard, doubtful and loss are recognised as NPLs. In order to further refine its credit asset risk management, the Bank used a 13-tier risk classification criteria scheme for corporate loans to companies in the Chinese mainland, covering on-balance sheet and off-balance sheet credit assets. In addition, the Bank strengthened risk classification management of key industries, regions and material risk events, and dynamically adjusted classification results. It strengthened the management of loan terms, managed overdue loans by the name list system and made timely adjustments to risk classification results, so as to truly reflect asset quality.

As at the end of 2021, the Group's NPLs[6] totalled RMB208.792 billion, an increase of RMB1.519 billion compared with the prior year-end. The NPL ratio was 1.33%, a decrease of 0.13 percentage point compared with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB390.541 billion, an increase of RMB21.922 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 187.05%, an increase of 9.21 percentage points compared with the prior year-end. The NPLs of the Bank's institutions in the Chinese mainland totalled RMB193.030 billion, an increase of RMB3.045 billion compared with the prior year-end. The NPL ratio of the Bank's institutions in the Chinese mainland was 1.49%, a decrease of 0.16 percentage point compared with the prior year-end. The Group's outstanding special-mention loans stood at RMB210.813 billion, a decrease of RMB53.781 billion compared with the prior year-end, and accounted for 1.35% of total loans and advances, down by 0.52 percentage point from the prior year-end.

[6] Total loans and advances to customers in the "Risk Management — Credit risk management" section are exclusive of accrued interest.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 31 December 2021 Amount	As at 31 December 2021 % of total	As at 31 December 2020 Amount	As at 31 December 2020 % of total
Group				
Pass	**15,255,389**	**97.32%**	13,711,518	96.67%
Special-mention	**210,813**	**1.35%**	264,594	1.87%
Substandard	**61,790**	**0.39%**	125,118	0.88%
Doubtful	**60,718**	**0.39%**	33,823	0.24%
Loss	**86,284**	**0.55%**	48,332	0.34%
Total	**15,674,994**	**100.00%**	14,183,385	100.00%
NPLs	**208,792**	**1.33%**	207,273	1.46%
Chinese mainland				
Pass	**12,586,668**	**97.17%**	11,089,055	96.41%
Special-mention	**173,561**	**1.34%**	222,751	1.94%
Substandard	**53,591**	**0.41%**	115,873	1.01%
Doubtful	**55,923**	**0.43%**	31,078	0.27%
Loss	**83,516**	**0.65%**	43,034	0.37%
Total	**12,953,259**	**100.00%**	11,501,791	100.00%
NPLs	**193,030**	**1.49%**	189,985	1.65%

Migration Ratio

Unit: %

Items	2021	2020	2019
Pass	**1.18**	1.21	1.40
Special-mention	**32.91**	32.66	21.45
Substandard	**83.68**	24.68	40.86
Doubtful	**23.06**	28.62	18.76

Distribution of Loans and NPLs by Industry

Unit: RMB million, except percentages

	As at 31 December 2021				As at 31 December 2020			
	Loans	**% of total**	**NPLs**	**NPL ratio**	Loans	% of total	NPLs	NPL ratio
Chinese mainland								
Corporate Loans								
Commerce and services	**1,589,119**	**10.14%**	**30,111**	**1.89%**	1,395,690	9.83%	42,010	3.01%
Manufacturing	**1,549,639**	**9.89%**	**55,341**	**3.57%**	1,329,778	9.38%	56,696	4.26%
Transportation, storage and postal services	**1,578,645**	**10.07%**	**18,073**	**1.14%**	1,313,457	9.26%	14,276	1.09%
Real estate	**687,186**	**4.38%**	**34,694**	**5.05%**	639,777	4.51%	29,952	4.68%
Production and supply of electricity, heating, gas and water	**657,020**	**4.19%**	**13,173**	**2.00%**	554,626	3.91%	2,374	0.43%
Financial services	**500,380**	**3.19%**	**201**	**0.04%**	487,488	3.44%	42	0.01%
Mining	**161,473**	**1.03%**	**4,717**	**2.92%**	163,193	1.15%	4,537	2.78%
Construction	**266,775**	**1.70%**	**3,406**	**1.28%**	218,541	1.54%	3,806	1.74%
Water conservancy, environment and public utility administration	**295,183**	**1.88%**	**2,257**	**0.76%**	243,268	1.72%	2,319	0.95%
Public utilities	**159,284**	**1.02%**	**2,215**	**1.39%**	136,444	0.96%	894	0.66%
Others	**46,175**	**0.30%**	**608**	**1.32%**	39,670	0.28%	861	2.17%
Total	**7,490,879**	**47.79%**	**164,796**	**2.20%**	6,521,932	45.98%	157,767	2.42%
Personal loans	**5,462,380**	**34.85%**	**28,234**	**0.52%**	4,979,859	35.11%	32,218	0.65%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**2,721,735**	**17.36%**	**15,762**	**0.58%**	2,681,594	18.91%	17,288	0.64%
Total of the Group	**15,674,994**	**100.00%**	**208,792**	**1.33%**	14,183,385	100.00%	207,273	1.46%

The Bank continued to optimise the credit structure and stepped up efforts to support the real economy. As at the end of 2021, loans for transportation, storage and postal services industry totalled RMB1,578.645 billion, an increase of RMB265.188 billion or 20.19% compared with the prior year-end. Loans for manufacturing industry totalled RMB1,549.639 billion, an increase of RMB219.861 billion or 16.53% compared with the prior year-end. The NPL ratios of commerce and services industry and manufacturing industry decreased by 1.12 percentage points and 0.69 percentage point respectively.

In accordance with IFRS 9, the Bank assesses expected credit losses with forward-looking information and makes relevant allowances. In particular, it makes allowances for assets classified as Stage 1 and assets classified as Stage 2 and Stage 3 according to the expected credit losses over 12 months and the expected credit losses over the entire lifetime of the asset, respectively. As at the end of 2021, the Group's Stage 1 loans totalled RMB15,207.789 billion, accounting for 97.04% of total loans; Stage 2 loans totalled RMB255.214 billion, accounting for 1.63% of total loans; and Stage 3 loans totalled RMB208.186 billion, accounting for 1.33% of total loans.

As at the end of 2021, the Group's credit-impaired loans totalled RMB208.792 billion, an increase of RMB1.519 billion compared with the prior year-end. The credit-impaired loans to total loans ratio was 1.33%, a decrease of 0.13 percentage point compared with the prior year-end. Credit-impaired loans of the Bank's institutions in the Chinese mainland totalled RMB193.030 billion, an increase of RMB3.045 billion compared with the prior year-end. The credit-impaired loans to total loans ratio of the Bank's institutions in the Chinese mainland was 1.49%, a decrease of 0.16 percentage point compared with the prior year-end. The Bank's operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions reported credit-impaired loans of RMB15.762 billion and a credit-impaired loans to total loans ratio of 0.58%, a decrease of RMB1.526 billion and 0.06 percentage point, respectively, compared with the prior year-end.

Movement of Credit-impaired Loans

Unit: RMB million

Items	2021	2020	2019
Group			
Balance at the beginning of the year	**207,273**	178,235	166,952
Increase during the year	**86,583**	100,392	94,870
Decrease during the year	**(85,064)**	(71,354)	(83,587)
Balance at the end of the year	**208,792**	207,273	178,235
Chinese mainland			
Balance at the beginning of the year	**189,985**	169,951	162,778
Increase during the year	**77,098**	86,209	88,658
Decrease during the year	**(74,053)**	(66,175)	(81,485)
Balance at the end of the year	**193,030**	189,985	169,951

Loans and Credit-impaired Loans by Currency

Unit: RMB million

Items	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
	Total loans	**Impaired loans**	Total loans	Impaired loans	Total loans	Impaired loans
Group						
RMB	**12,727,437**	**170,103**	11,313,067	164,072	10,125,083	150,532
Foreign currency	**2,947,557**	**38,689**	2,870,318	43,201	2,909,106	27,703
Total	**15,674,994**	**208,792**	14,183,385	207,273	13,034,189	178,235
Chinese mainland						
RMB	**12,623,061**	**170,102**	11,245,545	161,651	10,041,692	149,808
Foreign currency	**330,198**	**22,928**	256,246	28,334	260,716	20,143
Total	**12,953,259**	**193,030**	11,501,791	189,985	10,302,408	169,951

The Bank makes timely and adequate allowances for loan impairment losses based on the expected credit loss (ECL) module in accordance with the principles of authenticity and forward-lookingness. Please refer to Notes II.4 and VI.2 to the Consolidated Financial Statements for the accounting policy in relation to allowances for impairment losses.

In 2021, the Group's impairment losses on loans and advances stood at RMB98.298 billion, a decrease of RMB5.332 billion compared with the prior year. The credit cost was 0.66%, down 0.10 percentage point compared with the prior year. Specifically, the Bank's institutions in the Chinese mainland registered impairment losses on loans and advances of RMB95.308 billion, an increase of RMB1.723 billion compared with the prior year. The credit cost of the Bank's institutions in the Chinese mainland was 0.78%, down 0.08 percentage point compared with the prior year.

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

Unit: %

Indicators	Regulatory Standard	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Loan concentration ratio of the largest single borrower	≤10	**2.3**	2.8	3.2
Loan concentration ratio of the ten largest borrowers	≤50	**12.8**	13.9	14.5

Notes:

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

Please refer to Notes V.17 and VI.2 to the Consolidated Financial Statements for detailed information regarding loan classification, stage determination, credit-impaired loans and allowance for loan impairment losses.

The following table shows the top ten individual borrowers as at the end of 2021.

Unit: RMB million, except percentages

	Industry	Related Parties or not	Outstanding loans	% of total loans
Customer A	Transportation, storage and postal services	No	60,766	0.39%
Customer B	Commerce and services	No	42,968	0.27%
Customer C	Manufacturing	No	41,403	0.26%
Customer D	Transportation, storage and postal services	No	40,600	0.26%
Customer E	Transportation, storage and postal services	No	35,320	0.23%
Customer F	Transportation, storage and postal services	No	31,246	0.20%
Customer G	Transportation, storage and postal services	No	24,300	0.16%
Customer H	Transportation, storage and postal services	No	23,566	0.15%
Customer I	Manufacturing	No	22,294	0.14%
Customer J	Real estate	No	22,000	0.14%

Market Risk Management

In response to changes in the market environment, the Bank continued to refine its market risk management system in order to control its market risk.

The Bank followed regulatory requirements and advanced the implementation of the new regulatory rules for market risk. It strengthened its market judgement and analysis, and made its risk management more flexible, proactive and forward-looking. It strengthened the transmission of the market risk appetite mechanism, actively pushed forward risk authorisation management, and optimised the mode of limit management. In addition, the Bank intensified efforts in the development of a market risk management system, optimised risk measurement models, and improved intelligent and refined risk management. It also actively carried out risk investigation and strengthened the overall management and control of the Group's market risk. It improved the emergency planning system and enhanced its capacity to handle market risk emergencies. Please refer to Note VI.3 to the Consolidated Financial Statements for detailed information regarding market risk.

The Bank improved the market risk limit system for its bond investment business and strengthened cross-risk management. It continued to strengthen risk control of its securities investment activities, bolstered the early warning of domestic bond market default risks and the tracking of the Chinese offshore USD bond market, and enhanced its post-investment monitoring and early-warning capabilities.

In terms of exchange rate risk management, the Bank sought to achieve currency matching between fund source and application. It controlled its foreign exchange exposure through currency conversion and hedging, thus maintaining its exchange rate risk at a reasonable level.

Management of Interest Rate Risk in the Banking Book

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

The Bank assessed the interest rate risk in the banking book mainly through the analysis of interest rate repricing gaps. Based on changes in the market situation, it made timely adjustments to the structure of its assets and liabilities, optimised its internal and external pricing strategy or implemented risk hedging. Assuming that the yield curves of all currencies were to shift up or down by 25 basis points in parallel, the Group's sensitivity analysis of net interest income on all currencies is as follows[7].

Unit: RMB million

	As at 31 December 2021				As at 31 December 2020			
Items	**RMB**	**USD**	**HKD**	**Other**	RMB	USD	HKD	Other
Up 25 bps	**(3,846)**	**(816)**	**160**	**151**	(3,405)	(921)	16	203
Down 25 bps	**3,846**	**816**	**(160)**	**(151)**	3,405	921	(16)	(203)

The Bank attached great importance to the reform of interest rate benchmarks, proactively participated in the establishment of the global benchmark rate market by capitalising on its advantages in globalised operations, and took a crucial part in the invention and promotion of alternative benchmark rate products. It also pressed ahead with the transition of remaining LIBOR contracts as scheduled by strengthening customer communication, and the overall transition risk is under effective control.

7 This analysis includes interest-sensitive off-balance sheet positions.

Liquidity Risk Management

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

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

As at the end of 2021, the Group's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio is shown in the table below (in accordance with the relevant provisions of regulatory authorities in the Chinese mainland):

Unit: %

Ratio		Regulatory standard	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Liquidity ratio	RMB	≥25	**49.6**	54.5	54.6
	Foreign currency	≥25	**69.9**	58.6	60.4

Liquidity gap analysis is one of the methods used by the Bank to assess liquidity risk. Liquidity gap results are periodically calculated, monitored and used for sensitivity analysis and stress testing. As at the end of 2021, the Bank's liquidity gap was as follows (please refer to Note VI.4 to the Consolidated Financial Statements):

Unit: RMB million

Items	As at 31 December 2021	As at 31 December 2020
Overdue/undated	**2,111,462**	2,036,554
On demand	**(9,586,299)**	(8,932,662)
Up to 1 month	**(364,383)**	(693,580)
1–3 months (inclusive)	**(685,992)**	(143,909)
3–12 months (inclusive)	**(300,183)**	70,657
1–5 years (inclusive)	**3,330,756**	2,895,333
Over 5 years	**7,845,192**	6,930,444
Total	**2,350,553**	2,162,837

Note: Liquidity gap = assets that mature in a certain period – liabilities that mature in the same period.

Reputational Risk Management

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

Internal Control and Operational Risk Management

Internal Control

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

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

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

The third line of defence rests in the audit department of the Bank. The audit department is responsible for performing internal audits of the Bank's internal control and risk management in respect of its adequacy and effectiveness. Adhering to the risk-oriented principle and focusing on the implementation of national policies, regulatory requirements and the Group's strategies, the audit department concentrated its efforts on the main responsibilities of audit supervision, closely monitored material potential risks and weak links, and carried out audit inspections as scheduled. It carried out audits in a more forward-looking and proactive manner, and improved the capabilities of the first and second lines of defence for preventing problems, hence nipping problems in the bud. The audit department attached equal importance to problem revelation and rectification supervision. It further improved its rectification supervision mechanism for audit findings, strengthened the tracking, inspection and prioritised supervision of audit findings rectification, and promoted the application of audit results and the improvement of rectification quality and efficiency. The Bank also stepped up overall audit planning, deepened audit system reform, continued to enhance audit team building and promoted IT applications in audit, thus further reinforcing the efficiency of audit supervision.

The Bank devoted great efforts to internal control and case prevention management, consolidated the liabilities of primary responsible parties and took multiple control measures. It consistently improved internal control rules, processes and systems, formulated the policy and measures for case prevention management, and refined the management measures for internal control inspection. It also stepped up efforts in the building of its internal control inspection team, organised Bank-wide risk screening, and carried out the campaign of "Year for Improving Internal Control and Compliance Management", thereby continuously improving its internal control and compliance management. The Bank also focused on the rectification of issues and findings, conducted warning and education activities on a regular basis, raised employees' compliance awareness and fostered an internal control compliance culture.

The Bank continued to implement the *Basic Standard for Enterprise Internal Control* and its supporting guidelines, and implemented the *Guidelines for Internal Control of Commercial Banks* by following the basic principles of "complete coverage, checks and balances, prudence and correspondence", so as to promote internal control governance and an organisational structure characterised by a reasonable delegation of work, well-defined responsibilities and clear reporting lines.

The Bank established and implemented a systematic financial accounting policy framework in accordance with relevant accounting laws and regulations. As such, its accounting basis was solidified and the level of standardisation and refinement of its financial accounting management was further improved. From 2019 to 2021, the Bank endeavoured to implement sound accounting standards and establish a long-term accounting management mechanism. It continuously strengthened the quality management of its accounting information to ensure internal control effectiveness over financial reporting. The financial statements of the Bank were prepared in accordance with the applicable accounting standards and related accounting regulations, and the financial position, operational performance and cash flows of the Bank were fairly presented in all material respects.

The Bank paid close attention to fraud risk prevention and control, proactively identifying, assessing, controlling and mitigating risks. In 2021, the Bank succeeded in preventing 127 external cases involving RMB79.03 million.

Operational Risk Management

The Bank continuously improved its operational risk management system. It promoted the application of operational risk management tools, including Risk and Control Assessment (RACA), Key Risk Indicators (KRI), Loss Data Collection (LDC), etc., carried out the identification, assessment and monitoring of operational risk, and further standardised its operational risk reporting mechanism, thus continuously improving its risk management measures. The Bank enhanced its IT system support capabilities by optimising its operational risk management information system. It strengthened its business continuity management system, optimised its operating mechanism, enhanced its business continuity policies, and performed business impact analysis. The Bank also refined contingency plans, carried out business continuity drills, proactively addressed the COVID-19 pandemic and improved the Group's business continuity capacity.

Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the Group's sound operation and sustainable development. It improved its anti-money laundering (AML) and sanctions compliance management mechanism, strengthened refined management, optimised institutional money laundering risk assessment, and reinforced transaction monitoring and reporting. It further enhanced its system and model building and improved system functionality. The Bank continuously strengthened the establishment of a long-term robust management framework for overseas institutions compliance and consolidated its compliance management foundations, thus enhancing the compliance management capabilities of its overseas institutions. It improved its AML and sanction compliance training management mechanism and conducted various forms of compliance training, so as to enhance all employees' compliance awareness and abilities.

The Bank enhanced the management of its connected transactions and internal transactions. It continuously improved the management of connected parties and consolidated the foundation of its connected transaction management. It strengthened the routine monitoring and examination of connected transactions and strictly controlled their risks. In addition, it continuously strengthened its internal transaction management mechanism, implemented internal transaction monitoring and reporting. It was also committed to improving its connected transaction monitoring system and internal transaction management system, and thereby enhanced IT applications in compliance management.

Country Risk Management

The Bank incorporates country risk into its comprehensive risk management system in strict accordance with regulatory requirements. It manages and controls country risk through a series of management tools, including country risk rating, country risk limit, statistics and monitoring of country risk exposures, and provisioning of allowances.

Facing the extremely complicated international political and economic situation, the Bank continued to strengthen country risk management in strict accordance with regulatory requirements and based on business development needs. It optimised the rules for country risk rating and limit determination, and made country rating and limit management more science-based and efficient. It also strengthened country risk monitoring, improved country risk analysis and reporting, and enhanced the country risk management system. The Bank actively pushed forward the provisioning of country risk allowances and enhanced its ability to offset country risk. Country risk exposures were mainly concentrated in countries and regions with low and relatively low country risk, and the overall country risk was controlled at a reasonable level.

CAPITAL MANAGEMENT

The Bank's capital management objectives are to ensure reasonable capital adequacy, support the implementation of the Group's strategies, resist various risks including credit risk, market risk and operational risk, ensure the compliance of the Group and related institutions with capital regulatory requirements, promote the Group's transformation towards capital-light business development and improve its capital use efficiency and value creation capabilities.

To achieve the above objectives, the Bank formulated a capital management plan for the 14th Five-year Plan period which was approved by the Shareholders' Meeting. Focusing on the "One Mainstay, Two Engines" strategy and the "Eight Priority Areas for Enhancing Financial Services Capabilities", the capital management plan clarified the principles, objectives and measures of medium- and long-term capital management. In accordance with regulatory policies, the Bank regularly carried out its internal capital adequacy assessment process, revised its capital management rules, and continuously improved its capital management governance structure. It improved the economic capital budget and assessment mechanism, strengthened the application of value creation indicators in resource allocation, and heightened the Group's awareness of capital saving and value creation in order to enhance its capability for endogenous capital accumulation. The Bank expanded the application of advanced approaches of capital measurement, optimised its on- and off-balance sheet asset structure, strived to reduce capital consumption, actively developed capital-light businesses, and reasonably controlled the risk weight of assets. The Bank replenished capital through external financing channels in a prudent manner in order to consolidate its capital base, strengthened researching and planning on policies on total loss-absorbing capacity, and prepared for those policies' implementation.

In 2021, the Bank successfully issued RMB70.0 billion of undated capital bonds and RMB75.0 billion of tier 2 capital bonds, further enhancing its capital strength. It reinforced the management of existing capital instruments and redeemed RMB28.0 billion of domestic preference shares, effectively reducing the cost of capital. The Bank continually reinforced internal management, with RWA growing at a slower pace than total assets. As at the end of 2021, the Group's capital adequacy ratio reached 16.53%, an increase of 0.31 percentage point from the end of 2020, remaining at a robust and reasonable level in compliance with the objectives of the Group's 14th Five-Year Plan. The Bank shall, as per the principle of attaching equal importance to endogenous accumulation and external replenishment, increase the cohesion of strategic planning, capital replenishment, and performance assessment, continue to enhance risk resistance, and better support the development of the real economy.

Capital Adequacy Ratios

As at the end of 2021, the capital adequacy ratios calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* are listed below:

Unit: RMB million, except percentages

Items	Group		Bank	
	As at 31 December 2021	As at 31 December 2020	**As at 31 December 2021**	As at 31 December 2020
Net common equity tier 1 capital	**1,843,886**	1,704,778	**1,563,789**	1,441,977
Net tier 1 capital	**2,173,731**	1,992,621	**1,883,294**	1,719,467
Net capital	**2,698,839**	2,451,055	**2,391,365**	2,162,054
Common equity tier 1 capital adequacy ratio	**11.30%**	11.28%	**11.06%**	10.99%
Tier 1 capital adequacy ratio	**13.32%**	13.19%	**13.32%**	13.10%
Capital adequacy ratio	**16.53%**	16.22%	**16.91%**	16.47%

Please refer to Note VI.6 to the Consolidated Financial Statements for detailed information.

Leverage Ratio

As at the end of 2021, the leverage ratio calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* is listed below:

Unit: RMB million, except percentages

Items	**As at 31 December 2021**	As at 31 December 2020
Net tier 1 capital	**2,173,731**	1,992,621
Adjusted on- and off-balance sheet assets	**28,425,377**	25,880,515
Leverage ratio	**7.65%**	7.70%

Please refer to Supplementary Information II.5 to the Consolidated Financial Statements for detailed information.

ORGANISATIONAL MANAGEMENT, HUMAN RESOURCES DEVELOPMENT AND MANAGEMENT

Organisational Management

In 2021, focusing on the national "big picture" and the Group's 14th Five-Year Plan, the Bank further advanced the reform of its organisational structure and management mechanism. It optimised the functional structure of its inclusive finance business, integrated the functions of corporate and personal inclusive finance, and set up the Rural Revitalisation Finance Department to continuously improve the quality and efficiency of its financial services for the real economy. The Bank further pushed forward digital transformation and continuously improved the working mechanism and resource guarantee for enterprise-level architecture establishment, strategic scenario-building and e-CNY operation, so as to drive high-quality development through innovation. In addition, the Bank optimised its comprehensive risk management system, refined the functions, responsibilities and operating mechanism of its comprehensive risk management, accelerated the digital transformation of risk management, and further improved the effectiveness of the Group's comprehensive risk management.

As at the end of 2021, the Bank had a total of 11,452 institutions worldwide, including 10,902 institutions in the Chinese mainland and 550 institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. Its commercial banking business in the Chinese mainland comprised 10,382 institutions, including 38 tier-1 and direct branches, 371 tier-2 branches and 9,972 outlets.

The geographic distribution of the organisations and employees of the Bank is set forth below:

Unit: RMB million/unit/person, except percentages

	Assets		Organisations		Employees	
Items	**Total assets**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Northern China	8,044,867	28.26%	2,074	18.11%	62,774	20.49%
Northeastern China	884,049	3.11%	899	7.85%	23,606	7.71%
Eastern China	6,217,175	21.84%	3,484	30.42%	91,095	29.74%
Central and Southern China	4,327,271	15.20%	2,746	23.98%	65,983	21.53%
Western China	2,076,633	7.29%	1,699	14.84%	37,450	12.23%
Hong Kong (China), Macao (China) and Taiwan (China)	4,625,924	16.25%	420	3.67%	19,445	6.35%
Other countries and regions	2,292,838	8.05%	130	1.13%	5,969	1.95%
Elimination	(1,746,349)					
Total	26,722,408	100.00%	11,452	100.00%	306,322	100.00%

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

Human Resources Development and Management

The Bank formulated the *14th Five-Year Plan for Talent Development of Bank of China* in an effort to align with the nation's and the Bank's 14th Five-Year Plans. Focusing on strategic tasks such as "One Mainstay, Two Engines", "Eight Priority Areas for Enhancing Financial Services Capabilities", digital transformation, comprehensive risk management and culture development, it laid out a plan for talent development and the continued deep reform of personnel development systems and mechanisms, in order to stimulate the vitality of employees. It formulated and implemented the "Hundred, Thousand and Ten Thousand Talent Programme" for fostering young officials, focusing efforts on training, selecting and appointing young officials thus supporting their growth. It vigorously strengthened team building for science and technology personnel and increased the pool of versatile personnel who were fluent in both science and technology and business. It continued to consolidate the features and advantages of its international and comprehensive personnel pool and strengthened the training of personnel with minority-language abilities. Implementing the national strategic plan of prioritising employment, the Bank initiated a global campus recruitment programme and continued to expand the scale of its recruitment so as to ensure stable employment for college graduates. In addition, the Bank selected and dispatched officials to carry out targeted assistance in Xianyang, Shaanxi Province, for the purpose of consolidating and expanding the achievements of poverty alleviation and promoting rural revitalisation in a comprehensive manner.

As at the end of 2021, the Bank had 306,322 employees. There were 280,908 employees in the Chinese mainland, of which 267,037 worked in the Bank's commercial banking business in the Chinese mainland. The Bank had 25,414 employees in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. As at the end of 2021, the Bank bore costs for a total of 4,934 retirees.

Composition of Staff by Age Group and Education Level

Items	**The Group**	**Commercial banking business in the Chinese mainland**	**Overseas institutions and affiliated companies**
Composition of Staff by Age Group			
Up to 30	21.87%	20.59%	30.55%
Between 31 and 40	36.87%	36.74%	37.80%
Between 41 and 50	23.83%	24.60%	18.53%
51 and above	17.43%	18.07%	13.12%
Composition of Staff by Education Level			
Master's degree and above	10.55%	8.67%	23.34%
Bachelor's degree	68.48%	70.64%	53.78%
Associate degree	16.92%	17.23%	14.79%
Other	4.05%	3.46%	8.09%

Composition of Staff by Job Function (Commercial banking business in the Chinese mainland)

Items	**Commercial banking business in the Chinese mainland**	**Items**	**Commercial banking business in the Chinese mainland**
Corporate banking	16.26%	Operation services and financial management	7.61%
Personal banking	18.86%	Risk and internal control management	9.05%
Financial markets	0.35%	Information technology	3.07%
Cross-marketing and teller	34.91%	Other	9.89%

Remuneration

The Bank continuously improved its incentive and constraint mechanism, established an assessment mechanism combining "annual assessment + long/short-cycle assessment" and "performance assessment + value assessment", strengthened its assessment of employees' contributions to serving the real economy, developing inclusive finance and supporting private enterprises, and guided the establishment of an appropriate perspective on performance.

The Bank's remuneration policy is in line with corporate governance requirements, business development strategies, market positioning and talent competition strategies. The Board of Directors of the Bank has set up the Personnel and Remuneration Committee to assist it in reviewing the Bank's human resources and remuneration strategies. An independent director serves as the Chairman of the Committee. Please refer to the section "Corporate Governance — Special Committees of the Board of Directors" for details of the work progress of the Personnel and Remuneration Committee. Based on the human resources and remuneration strategies determined by the Board of Directors, the senior management of the Bank is responsible for formulating rules and regulations for remuneration management.

The Bank's remuneration distribution policy follows the principle of "remuneration by post, payment by performance". Employee remuneration consists of basic salary, performance-based remuneration and benefits. Basic salary is determined by the value of the position and the ability of employees to perform their duties. Performance-based remuneration depends on performance evaluation results of the Group, the institution or department of the employee, and the employee, and is linked to performance, risk, internal control, ability and other factors. Deferred payment is required for more than 40% of the performance-based remuneration of personnel who are responsible for the Group's major risk management and control functions, with a deferred payment period of not less than three years. The Bank has formulated and implemented a recourse and recovery mechanism for performance-based remuneration of senior management members and personnel in key posts. If risk losses falling within such employees' remit and responsibility are clearly exposed during the term of service, the Bank may recover part or all of the performance-based remuneration paid within the corresponding period, and stop the payment of the part that has not been paid. Benefits mainly include social insurance, housing provident fund, enterprise annuity and other non-cash remuneration, and are managed in accordance with local regulatory policies. The Bank's remuneration policy applies to all employees who have established a labour contract relationship with the Bank, with no exceptions beyond the remuneration policy.

The Bank has formulated an allocation mechanism for total remuneration. The distribution of total remuneration resources to branches is linked to their completion of comprehensive contribution goals, taking full consideration of risk factors so as to focus on risk-adjusted value creation and enhance long-term performance. The Bank continued to improve its internal remuneration distribution structure and allocated more remuneration resources to primary-level institutions and employees in order to effectively boost the driving force that fuels the sustainable development of the Bank.

Staff Education and Training

The Bank determined its priorities for education and training according to the 14th Five-Year Plan of the country and the Bank, formulating and implementing the *14th Five-Year Plan for Education and Training* and thus making a fresh start for the new period. To empower employees and the Group, it established a Bank-wide training system that reflects the Bank's strategies and growth performance targets, with a focus on strategic mission training, core competence and key personnel training, qualifications and post competence training, and daily business training. Efforts were made to promote training methods such as action learning and case-based teaching, and to implement training programmes for accelerated leadership reform, core professional abilities and talent cultivation for digitalised development. The Bank carried out learning activities under the brands of "BOC Lecture Hall", "Staff Learning Day", "New Employee Development Community", and so on. To empower customers and society, the training programmes of "School of Smart Government Services", "Rural Revitalisation School" and "New Finance School" were launched for local government officials, people working in rural revitalisation industries and corporate customers. The governance and management mechanisms for education and training were improved, teaching staff and training resources were enhanced, and the digital transformation of education and training was expedited, allowing the Bank to accelerate the construction of an education and training system befitting a first-class global banking group. In addition, the Bank's online training capability was further strengthened against the backdrop of COVID-19 prevention and control. On an accumulative basis, the Bank's online training platform offered more than 25,000 courses, and the employees' total online learning time reached 9.35 million hours.

KEY ISSUES OF CONCERN TO THE CAPITAL MARKET

I. Serve the Real Economy

The financial industry is responsible for providing high-quality financial services to support economic and social development as well as people's productivity and livelihoods. Closely aligning with prevailing trends, the Bank has given full play to its financial strengths as a major state-owned bank in terms of serving national strategies and supporting the development of the real economy. In 2021, the Bank took multiple measures to earnestly implement the requirements of "ensuring stability on six fronts and security in six areas", made comprehensive efforts to serve the real economy, and enhanced support to key areas such as inclusive finance, green finance, strategic emerging industries and manufacturing. Upholding the concept of "innovation, coordination, green development, opening up and sharing", it supported the development of major projects, key regions, and new infrastructure and new urbanisation initiatives; assisted in building a new development pattern of "dual circulations reinforcing each other", and applied its professional strengths to "financing" and "intelligence".

As at the end of 2021, the balance of domestic RMB corporate loans was RMB7,161.416 billion, up RMB895.085 billion or 14.28% from the beginning of the year. Both the increment and the growth rate achieved a record high compared to previous years. The balance of inclusive loans granted to micro and small enterprises under the CBIRC target of "two no-less-than and two control" amounted to RMB881.5 billion, up RMB305.9 billion or 53.15% compared with the prior year-end, ranking first among the four major domestic banks. Specifically, the balance of inclusive loans granted to micro and small enterprises was RMB516.2 billion, an increase of RMB207.5 billion or 67.2% from the prior year-end.

In terms of industry, the Bank actively supported the high-quality development of key areas such as green finance, strategic emerging industries, manufacturing and private enterprises. The balance of new green loans granted to corporate customers[8] grew by RMB419.7 billion or 45.86% from the beginning of the year, ranking first among the four major peers. The balance of financial instruments used for carbon emission reduction was RMB27.1 billion and the balance of loans granted for clean and efficient utilisation of coal was RMB2.5 billion. In addition, according to CBIRC statistics, compared with the beginning of the year, the balance of loans granted to strategic emerging industries grew by RMB299.3 billion or 135%, and medium and long-term loans to manufacturing industries increasing by RMB129.1 billion or 28.8%. The balance of loans granted to private enterprises was RMB2.44 trillion, up RMB326.8 billion or 15.46% over the prior year-end. The accumulated total of new private enterprise loans was RMB2.69 trillion, accounting for 41.57% of total accumulated new corporate loans, an increase of 1.44 percentage points compared with the prior year-end.

[8] According to the PBOC statistics

In 2022, the Bank will continue to implement the requirements of the national 14th Five-Year Plan, focus on serving the real economy, seize business opportunities in key areas, and maintain reasonable growth in loans while preventing credit risks. It will serve national strategies by continuously improving its corporate credit structure and strengthening its support for key areas such as green credit, strategic emerging industries, manufacturing, private enterprises and rural revitalisation. Moreover, it will increase inclusive finance support for micro and small enterprises, vigorously develop technology finance, and step up its support for "specialised, refined, featured and innovative" enterprises within the advanced manufacturing industries, as well as micro and small enterprises engaged in scientific and technological innovation. It will put in place improved industry policies and supporting resources, further enhance its credit selection and allocation capabilities for industries, regions, customers and projects, strengthen its market competitiveness in corporate banking and build a high-quality development model for its corporate banking business, thus continuously stimulating the vitality of a wide range of market players.

II. Asset Quality

In recent years, the Bank has actively responded to the changes in internal and external situations and taken multiple measures to effectively prevent and defuse risks, with its asset quality remaining at a high level among its peers. As at the end of 2021, the Group's outstanding non-performing loans (NPLs) stood at RMB208.792 billion, an increase of RMB1.519 billion compared with the prior year-end; while its NPL ratio was 1.33%, down 0.13 percentage point compared with the prior year-end. Outstanding special mention loans registered RMB210.813 billion, a decrease of RMB53.781 billion compared with the prior year-end; the special mention loans accounted for 1.35% of the total, a decrease of 0.52 percentage point compared with the prior year-end. Overdue loans were RMB167.737 billion, down RMB11.647 billion compared with the prior year-end; the overdue rate was 1.07%, a decrease of 0.19 percentage point compared with the prior year-end. The main risk indicators improved stably, and the asset quality remained healthy and steady.

Looking into 2022, the international political and economic landscapes are undergoing profound evolution. Spillover effects of the US Federal Reserve's policy of shrinking the balance sheet and raising interest rates will exacerbate turbulence in the global financial market, and emerging market countries are facing the impact of overlapping factors such as heavy debt burden, high external dependence and recurring pandemic. Uncertainties in the external environment will persist for a long time to come. From the domestic perspective, the general principle of prioritising stability while pursuing progress and the long-term positive fundamentals will remain unchanged. At the same time, however, the economy is still facing certain downward pressure, and uncertainties affecting the quality of bank assets still exist. The Bank will continue to better integrate the prevention and diffusion of financial risks with serving the real economy, intensify risk identification and control in key areas, and make forward-looking judgement and take multiple measures to do its best in credit risk control. The asset quality of the Group is expected to remain relatively stable.

III. Digital Transformation

As the tide of digitalisation surges forward, now is the time for transformation and change. In 2021, the Bank released the Group's 14th Five-Year Plan, which made digital transformation central to how its business development mode will evolve during the current period. It also formulated two important action plans for fintech and data strategy, respectively. The Financial Digitalisation Committee has carried out its routine responsibilities for coordinating and advancing the Group's digitalised development, financial technology and data governance. By innovating its service models, enriching customer experience and reducing operating costs, the comprehensive digital transformation of the Bank has been continuously deepened across a number of aspects.

First, the Bank's online business system continued to mature, driving improvement in service quality and efficiency. In transaction banking, an integrated financial service platform for corporate customers was launched, with services such as cross-border remittance and supply chain financing now available online. Online inclusive financial products such as mortgage loans, foreign trade loans and preferential loans for farmers were released. The E-Cooperation global enterprise ecosystem provided all-round and 24/7 cross-border matchmaking services for global enterprises. The Bank launched Mobile Banking Version 7.0 and promoted the iteration of basic and frequently-used functions as well as improved accessibility for the elderly, so as to provide customers with a frictionless, 360-degree convenient banking experience. The "Cyber Defence" smart risk control and prevention system was refined, and artificial intelligence models were applied to enhance the safety of online financial services.

Second, the Bank's diversified scenario ecosystem highlighted BOC's core strengths and gave full play to the value of opening-up and sharing. The basic platform for strategic scenarios was further developed, and the promotion of innovation application across the Bank's businesses was steadily accelerated. The Bank launched the "BOC Cross-Border Go" app and "BOC Compass" mini-programme to serve cross-border customers. It built platforms themed on "smart campus" and alumni public welfare, and launched "Baby Money Box" to help children develop good saving habits. It connected into nearly 1,500 sports stadiums, and its "Winter Sports with BOC" campaign became increasingly popular. The BOC University for the Elderly and the public service platform of mutual aid for the elderly helped make the lives of the elderly more colourful. E-CNY payment allowed customers to meet a variety of daily needs such as ordering takeaway meals, paying electricity bills, charging public transport cards and buying licensed products of the Beijing 2022 Winter Olympic Games.

Third, digital operation and management was integrated into the Bank's day-to-day routines to improve the efficiency of organisational synergies. The Bank created digital management tools directly penetrating to outlets, put into operation a digital management platform and a unified staff channel for outlets, and launched smart screens in outlet halls. It built a comprehensive operations platform to promote electronic flows, an "assembly line" approach to operations and standardised management, thus enhancing business processing efficiency by more than 60%. A total of 217 mobile office platform applications were made available to employees, promoting online communication, processes and management, and enhancing the Bank's agile response capabilities.

Fourth, the Bank's digital infrastructure capacity was continuously consolidated to promote technological data empowerment. The Oasis project, a next-generation enterprise-level technology platform, was successfully put into operation. The Bank's data governance framework was basically completed, and its data assets continued to realise greater value. Emerging technology platforms continued to be iterated and upgraded, injecting new momentum for business development. Furthermore, the Bank improved its mechanism for tackling key innovation problems and promoted the application and R&D of new technologies, the replication and scaling of key achievements, and the securing of a leading position in industry rankings. A total of six awards for fintech development and 194 patents were granted in 2021, all of which exceeded the previous years' level.

In 2022, guided by the Group's 14th Five-Year Plan, centered on the driver of comprehensive digital transformation, the Bank will focus on building the "two pillars" of enterprise-level business architecture and enterprise-level IT architecture, and strive for breakthroughs in the "three main lines" of empowering business development, consolidating basic support, and planning for future capabilities. Centring on changes in customer demand and industrial upgrading and transformation. It will enhance the competitiveness of key products, promote the green and efficient operation of financial technology, and accelerate the scaled integration and application of new technologies, thus writing a new chapter for the "SMART BOC+" brand, building up momentum and energy towards the high-quality development of the Group, and contributing to the development of a digital China.

IV. Globalised Development

In 2021, the Bank embraced the new development stage and delivered on the "One Mainstay, Two Engines" strategy through more efficient policy execution and further advancement in globalised operations. In serving China's new development paradigm and higher-level opening up, the Bank tapped into new business opportunities and improved our capacity to offer financial services around the world. As a result, the Bank's development plan during the 14th Five-Year period was set off to a good start.

The Bank continued to optimise its global network, expanding overseas presence to 62 countries and regions outside Chinese mainland, including 41 Belt and Road members. Last year witnessed the opening of the Yangon Branch in Myanmar, Hanoi Representative Office in Vietnam and Geneva Branch in Switzerland. In managing its international network, the Bank further improved the matrix-based approach combining Regionalised Management and Integrated Operation. BOCHK, boasting network in nine Southeast Asian countries, worked to take regional integration further with fruitful results, as testified by the rising market influence of these branches and subsidiaries and their growing capacity to serve customers and support local economies. Institutions in Europe, Africa and the Middle East also advanced Regionalised Management and business consolidation as planned, leading to greater synergy, higher quality and efficiency in this region. Integrated Operation was steadily carried out, and our competence and capacity to serve global clients continued to grow.

To drive business growth, the Bank recognised and acted on opportunities in cross-border trade and investment, such as those emerged in the nation's high-quality "Bringing In" and "Going Global" initiatives. In addition, we rode the trend of China's two-way opening up of the financial sector, the development of financial factor market. The Bank also promoted green finance, cross-border finance, wealth management and supply chain finance in overseas markets, thus elevating our ability to provide global services. The Bank categorised its overseas institutions strategically based on their historical status and market positions, and adopted a market-by-market strategy to reflect their respective business goals and operational priorities. In line with the Group's new "One Mainstay, Two Engines" strategy, the Bank further coordinated its services at home and abroad to better support our clients in their globalised endeavours. Taking it a bottom line to ensure workplace safety, the Bank did its best to protect the physical and psychological well-being of its employees and keep its institutions safe, thus maintaining business continuity around the world.

Looking into 2022, the global economic situation is becoming more complex and severe and our overseas operations face both opportunities and challenges. It is all the more important for our overseas network to place greater emphasis on stability while pursuing growth. While positioning themselves to better address risks in the financial markets, overseas institutions will bolster their balance sheets through proper and timely asset and liability management, to seize opportunities for growth and maintain steady improvement in operating efficiency.

OUTLOOK

In 2022, the banking industry will face a complicated operating environment. From an international perspective, the global economic situation is becoming more complex and severe, with the pandemic, inflation and developed economies' monetary policy adjustments acting as three major sources of global economic uncertainty. From a domestic perspective, despite pressures from demand contraction, supply shocks and weakening expectations for economic development, the economic fundamentals that will sustain long-term growth and the favourable conditions for fostering a new pattern of development remain unchanged. The major economic indicators will continually keep within an appropriate range.

The year 2022 marks the 110 anniversary of the Bank's establishment, the Bank will adhere to place an utmost priority on stability and pursue progress while ensuring stability, apply the new development philosophy fully, faithfully and comprehensively, and support the creation of the new development pattern. It will uphold the philosophy of serving the country through financial services, fulfil its responsibilities as a large bank, continue to invigorate, adapt to change and drive for major breakthroughs, steadily push forward the implementation of the 14th Five-Year Plan, and thus making sustained progress in its new journey towards building a first-class global banking group.

First, the Bank will actively integrate into the big picture of national development and serve the real economy. Focusing on promoting high-quality development, the Bank will serve supply-side structural reform of the financial sector, concentrate efforts on developing the "Eight Priority Areas for Enhancing Financial Services Capabilities", and further improve the quality and efficiency of its support to the real economy. It will serve the nation's innovation-driven development strategy, increase the scale of loans granted to strategic emerging industries, support for green and low-carbon development, and accelerate the innovation and application of green credit products. It will increase financial support for new infrastructure and new urbanisation initiatives as well as major projects, optimise the supply of wealth finance products and services, strengthen the building of scenarios related to people's livelihood, and support the national plan of ensuring the supply of goods and materials and major agricultural products as well as agricultural modernisation. In 2022, the Bank's RMB loans in the Chinese mainland are expected to grow by approximately 10%.

Second, the Bank will continue to improve its development pattern and sharpen its comprehensive services capabilities. It will give full play to the dominant position of domestic commercial banks, enhancing resources and institutional support, actively making innovations in products and services, so as to enhance market competitiveness. It will continue to consolidate its distinctive advantages and improve its market-by-market strategies for overseas institutions, steadily advance globalisation by shifting focus from quantitative growth to qualitative improvement. It will strengthen and enhance its integrated operations, give full play to the advantages of commercial banking, investment banking, direct investment, wealth management, insurance, leasing and other comprehensive financial services, in order to sharpen its market competitiveness capabilities and improve its contribution to the Group. It will accelerate the building of "One Mainstay, Two Engines", and strive to satisfy our customers by ensuring that they are able to access the Bank's global resources and services at any point of contact.

Third, the Bank will accelerate digital transformation and enhance the new momentum of development. It will speed up the implementation of Enterprise Architecture, deepen the integration of business with science and technology, and substantially improve scientific and technological response speed and output efficiency. It will rapidly advance the integrated development of a strategic scenario ecosystem and strengthen the integration of financial products and scenarios, so as to widen industry coverage and penetration. It will accelerate the building of mobile banking and online banking, promote smart operations and outlet transformation, and establish online and offline channels featuring intelligent interaction, distinctive services and diverse scenarios, in a bid to constantly improve service quality and efficiency.

Fourth, the Bank will forestall and defuse financial risks and reinforce its development protection network. It will deepen the establishment of a comprehensive risk management system and improve its multi-tier early-warning system in order to drive business development in a safe and stable manner. It will accurately identify major risks in the context of the new situation, improve risk prevention and control mechanisms, and maintain stable asset quality. It will continue to concentrate on the establishment of a long-term compliance mechanism for internal control in order to prevent cases of financial risk and anti-money laundering and carry out special governance in key areas. It will closely guard against information technology risk and improve its emergency response effectiveness. Moreover, it will upgrade its mechanisms for safeguarding consumers' rights and interests, so as to deliver better protection.

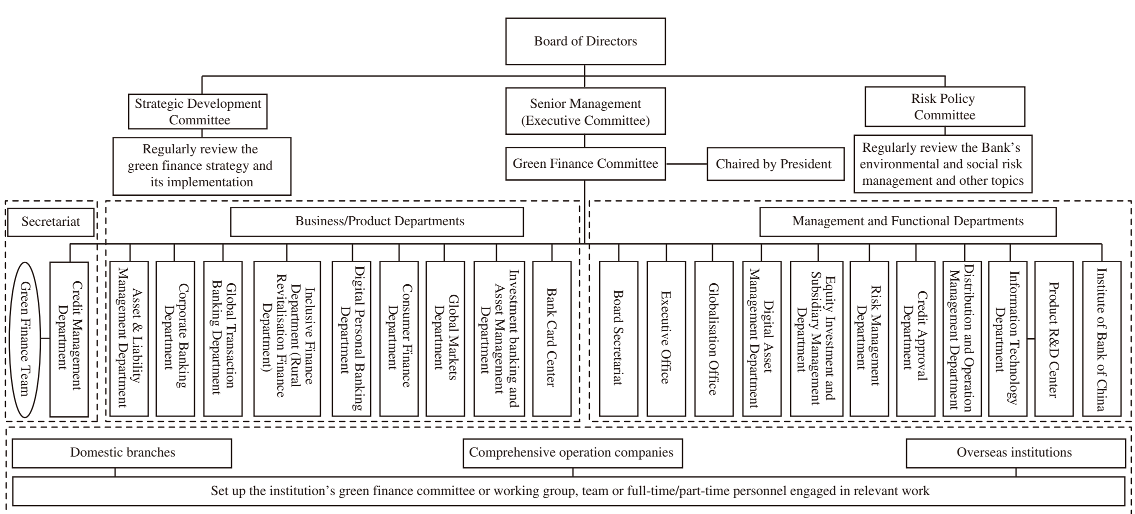
Environmental and Social Responsibilities

In 2021, the Bank actively undertook its responsibilities and missions as a major state-owned bank and integrated environmental, social and governance (ESG) concepts into all facets of its business management. Committed to deepening reform on all fronts and promoting business transformation, it made continuous efforts to strengthen the adaptability, competitiveness and inclusiveness of its financial services, and effectively enhanced its capabilities and performance in terms of serving the economic, social and environmental development, with the aim of creating value together with stakeholders while achieving high-quality and sustainable development.

Environment Responsibilities

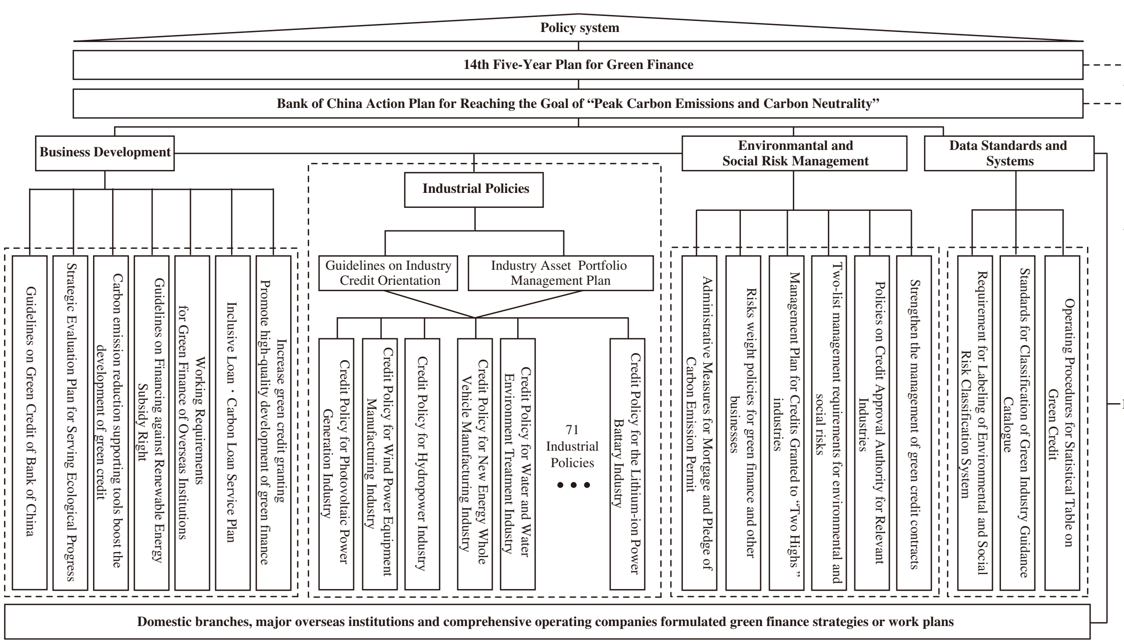
Governance Structure

The Bank has placed great importance on green finance, and continuously improved its governance structure. In early 2021, the Bank set up the Steering Group for Green Finance and Industrial Planning and Development at the Group level that is led by the Chairman of the Board of Directors. In 2021, four Steering Group meetings were organised to study and communicate the national green finance policies and review the Group's major green finance strategies and policies. The Board of Directors regularly reviewed issues related to green finance, guided and supervised major green finance tasks. It also heard the report on green finance development in 2020, reviewed and approved the Bank's 14th Five-Year Plan for Green Finance, covering the development of green finance business, environmental and social risk management and the Bank's green performance. The Bank incorporated green development, the environmental and social risk management and other factors into the performance appraisal system for senior staff, and allocated resources for green finance business to ensure the efficacy of green finance management. The Green Finance Committee was set up under the Executive Committee, with the President acting as the committee chairman, to advance the green finance work. The Bank continuously strengthened the building of a professional team, and created full-time/part-time green finance roles or set up teams in each branch/subsidiary.



Strategy and Policy Systems

With the aim to achieve the national goal of "peak carbon emissions and carbon neutrality", the Bank established a "1+1+N" green finance policy system and conducted the in-depth analysis over green finance development associated opportunities and challenges faced by the Bank. It developed the *14th Five-Year Plan of Bank of China for Green Finance*, which put forward four strategic objectives, namely, striving to become the bank of choice for green finance services, achieving leapfrog development of green finance business, properly managing environmental and social risks, and formulating the carbon neutrality action plan for operation and asset portfolios, as so to create a "One Body with Two Wings" pattern for green finance. The Bank rolled out *Bank of China Action Plan for Reaching the Goal of "Peak Carbon Emissions and Carbon Neutrality"*, setting detailed roadmaps in 15 aspects including organisational structure, business development strategy, product innovation, green operation, stress test, international cooperation, capacity building and technology empowerment, to form a solid basis of green finance policy system with multiple pillars. Furthermore, the Bank enhanced support for green finance in terms of differentiated authorisation, innovative mitigation methods, optimisation of risk weight and economic capital management, green approval channel and preferential price application. It formulated credit management policies to target high energy consumption and high carbon emission ("Two Highs") industries in China, strengthened credit structural adjustment, and put restrictions on blind expansions of projects in "Two Highs" industries. The Bank also took stringent management and control measures on financing new coal mining and coal-fired power projects outside of China, and ceased to provide financing for those projects from Q4 2021, except for contracted projects.



Environmental Risk Management

The Bank intensified efforts in the identification, analysis, mitigation, control and reporting of environmental and climate risks, amended the *Comprehensive Risk Management Policy of Bank of China Limited*, and incorporated environmental and climate risks into the comprehensive risk management system. It comprehensively reviewed and streamlined the environmental and social risks of business processes, covering target customer access, business initiation, due diligence, credit approval, contract management and duration management. Restrictive requirements for environmental and social risk management were added in the credit policies on 71 industries such as agriculture, forestry, animal husbandry and fisheries, mining and metallurgical industry, oil and gas, rail transit and material manufacturing, prohibiting credit support for projects that would damage biodiversity.

The Bank adopted stratified management for corporate customers according to their environmental and social risk levels, and imposed stricter assessment and review measures over high-risk customers. It formulated the *List of Environmental and Social Risk Compliance Documents* and the *Checklist of Potential Compliance Risks* for medium and high-risk customers, imposing higher project assessment standards over aspects of climate change and energy management, cultural heritage preservation, labor conditions and community environmental health management, biodiversity and sustainable resource protection. It also adopted the "One Vote Veto System" to stop credit support for projects that failed in national environmental impact assessment and other relevant standards. It carried out regular internal control compliance inspections to review and evaluate customers' environmental and social risk levels and green credit labels. It also strengthened the communication with stakeholders, strictly complied with local laws and regulations on environmental protection, and integrated eco-environmental cost, risks and other factors into the management procedure to lower environmental and social risks. BOC Zhejiang Branch has established an ESG assessment system to integrate customers' ESG assessment results into due diligence, project review etc. BOC Wealth Management and BOCI both incorporated ESG factors into their project screening, review and other relevant procedures as a reference for investment.

The Bank participated in stress tests on climate risk organised by the PBOC, and evaluated the potential impact of transition under the goal of "peak carbon emissions and carbon neutrality" on credit assets. The results show that the credit risks of customers in thermal power generation, steel and cement industries increased under the stress scenario, and the impact on capital adequacy is controllable. The Bank's overseas institutions successively conducted stress tests. Bank of China (UK) Limited integrated the stress test in the climate risk scenario into the 2021 ICAAP report; BOCHK completed stress tests on transition risks and physical risks for several industries; Singapore Branch, Frankfurt Branch and Sydney Branch also have commenced work relating to climate risk stress test.

Performance of Green Finance

The Bank's major green finance targets and the performance in 2021 are shown below:

14th Five-Year Plan Period

Objectives		Completion Progress
RMB 1 trillion Providing financial support of no less than RMB 1 trillion for green industries	✔	An increase of RMB500 billion, overfulfilling the phased goal with the 2021 balance of green credits reaching RMB1,408.6 billion (CBIRC statistics)
Balance of green credits increase on a yearly basis	✔	Year-on-year growth of 57% (CBIRC statistics)
No less than 30% striving for 60% Annual average growth rate of personal green consumption credits by domestic operations	✔	Year-on-year growth of over 60%
Assets quality was maintained at a good level	✔	Non-performing ratio of green credits was lower than 0.5% (CBIRC statistics), lower than the overall NPL ratio of the Group level

Other Indicators

Green bonds

- Investment — No. 1
ranking first on NAFMII's list of investors with green bonds in 2021
- Undertaking — No. 1
— The amount of domestic green bonds underwritten reached RMB129.4 billion, ranking first among commercial banks
— The amount of overseas green bonds underwritten reached USD23.4 billion, ranking first among Chinese institutions on Bloomberg's ranking of the world's offshore green bonds
- Issuance — Most active
A total of USD10.7 billion equivalent green bonds were issued overseas. making the Bank the most active Chinese green bond issuer

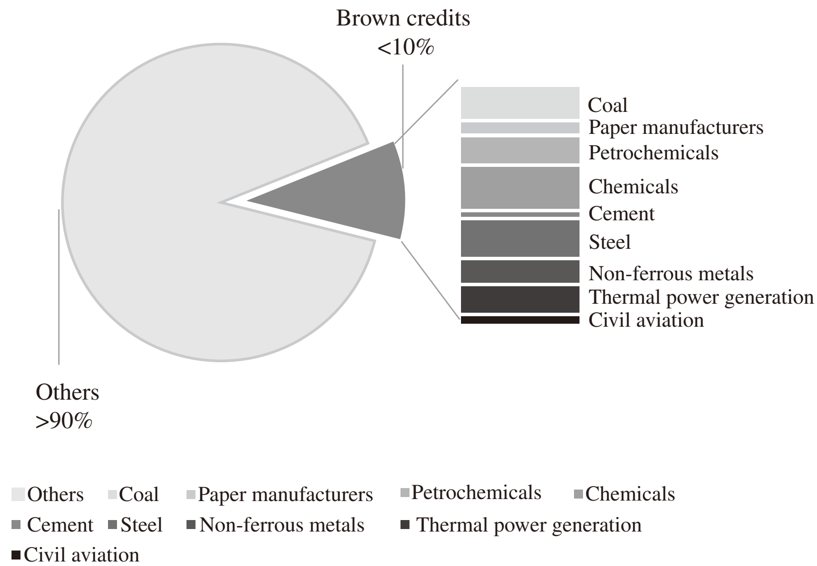
- The amount of BOC Financial Leasing green assets is RMB10.6 billion, about 28% of its total leasing assets
- BOC Asset Investment invested RMB27.9 billion in green industries, accounting for over 40% in its investment portfolio
- BOC Insurance launched 9 environmental pollution liability insurance products, with total committed liability at around RMB8.3 billion
- BOCIM issued the BOX SHCH 0–5 Year ADBC Bond Index fund, with the amount reaching RMB5.1 billion
- BOC Wealth Management issued 30 green finance themed products, with the product balance exceeding RMB12.9 billion
- BOCG Investment invested in eight green projects during the year, with the balance of investments totaling RMB11.1 billion
- BOCI underwrote 24 overseas green and sustainable development bonds for whole year 2021, with the amount exceeding USD8 billion in equivalent

Environmental performance of the Bank's green credits:

Environmental performance of green credits in 2021	
Equivalent to emission reduction standard coal in equivalent (10 thousand tons)	**11,702**
CO_2 equivalent emission reduction (10 thousand tons)	**25,380**
COD emission reduction (10 thousand tons)	**67**
Ammonia nitrogen emission reduction (10 thousand tons)	**52**
Sulfur dioxide emission reduction (10 thousand tons)	**1,385**
Nitrogen oxides emission reduction (10 thousand tons)	**1,374**
Water saving (10 thousand tons)	**12,992**

In 2021, the credit of brown industries[9] takes less than 10% of the total domestic corporate credit, a decrease of over 5 percentage points from 2017.

9 Refer to the eight emission control industries that have been included and are to be included in the carbon market as per national standards and the coal industry, specifically, coal, thermal power generation, steel, petrochemicals, chemicals, non-ferrous metals, cement, paper making and civil aviation.



The Bank is committed to green operation. It strengthened management to save energy and reduce its consumption, and decreased the use of water, power, paper, oil and other resources in work, hence raising energy efficiency. As the exclusive official banking partner of 2022 Beijing Winter Olympics, the Bank implemented the "Green Olympics" concept and realised carbon neutralisation in delivering financial services.

The Bank has completed the operation emission calculation[10], covering over 11,000 branches and comprehensive operation companies in the Chinese mainland and 62 countries and regions. The calculated data will be used to support the carbon neutralisation plan for operation of the BOC Group and is shown below[11]:

Indicators	**2021**	2020	2019
Total energy consumption (MWh)	**2,754,463**	2,717,945	2,825,765
Greenhouse gas emissions (tCO_2e)	**1,534,060**	1,512,554	1,587,180
Greenhouse gas emissions intensity per FTE (tCO_2e/FTE)	**4.99**	4.89	5.12

10 The *GHG Protocol* formulated by the World Resources Institute and the World Business Council for Sustainable Development classifies corporate carbon emissions into scopes 1, 2 and 3. The Bank's operational control covers scopes 1 and 2 of the *GHG Protocol*.

11 Statistics caliber is in accordance with *Corporate Social Responsibility Report of Bank of China Limited for 2021 (Environmental Social Governance).*

Social Responsibilities

Guided by its corporate mission of “Bridge China and the World for the Common Good”, the Bank focused on the key areas of economic and social development, continuously innovated financial business models, optimised the supply of finance, and served to build the new development pattern featuring dual circulations with financial power, so as to meet the people’s growing needs for a better life. At the same time, the Bank assumed its share of responsibility for building an inclusive and happy society, deepened its efforts in paired assistance and public charity, and worked with relevant parties to build a better home for all.

Promoting global integration

Leveraging the unique advantages of its global services, the Bank made use of various open platforms to build cross-border financial channels, scaled up support for imports and exports, and promoted the integration and innovation of global factors and resources, as part of its efforts to boost the smooth flow of capital and trade between China and the world. In 2021, the Bank deepened its implementation of the national policy of “ensuring stable foreign trade” by increasing its input to stabilise foreign trade, and optimising its credit policy to expand the coverage of its credit insurance financing, with the international settlement volume of domestic institutions reaching USD3.32 trillion, representing a year-on-year increase of 38.9%. In light of new business patterns in foreign trade such as cross-border e-commerce, the Bank pushed forward the online, intelligent and digital development of cross-border finance, upgraded the “BOC Cross-border E-commerce Connect” product, and provided inclusive payment and collection services for the import and export of cross-border e-commerce, recording total financial settlement volumes of over RMB140.0 billion for the whole year. It launched the “BOC Cross-Border E-Procurement Express” to provide online convenient foreign exchange collection and settlement services for enterprises engaged in procurement and trade. The Bank also successfully hosted the Trade and Investment Matchmaking Conference of the Forth China International Import Expo (CIIE), which attracted over 1,400 Chinese and foreign enterprises from 55 countries and regions and reached nearly 300 cooperation intentions.

As at the end of 2021, the Bank had established overseas institutions in 62 countries and regions, including 41 countries and regions along the Belt and Road. It followed up with more than 700 major overseas projects in countries along the Belt and Road accumulatively, and granted a variety of credit facilities exceeding USD223.0 billion to countries along the route accumulatively. At the same time, the Bank actively developed RMB internationalisation products, cultivated the RMB offshore market, and provided diversified services such as RMB settlement, investment and financing for domestic and foreign customers. The Group recorded a cross-border RMB settlement volume of RMB11.26 trillion for the year, up 22.36% year on year, and a clearing volume of RMB632 trillion, up 34% year on year.

Expanding inclusive finance

The Bank followed the requirements of national strategy, formulated and released the inclusive finance plan for the 14th Five-Year Plan period, and comprehensively optimised the service system for inclusive finance. In 2021, taking digital and inclusive finance as the bellwether, the Bank launched the "Inclusive Loan" brand, which leverages big data, intelligent risk control and other technologies to develop a series of online products. This allowed for online automated operation of inclusive finance loans and provided micro and small-sized enterprises with "contactless" online application, drawdown and repayment services, matching their needs for short-term, small, frequent and prompt financing. For micro and small-sized enterprises engaged in science and technology innovation, pandemic prevention and control, and rural industries, the Bank created an innovative "MSE Benefit Loan" service plan to review and ratify the short-term working capital loans, as part of its efforts to support the stable and healthy development of micro and small-sized enterprises. Keeping a close eye on regulatory policies and industry trends, it also pushed forward the development of online personal inclusive loan products for individual businesses, micro and small business owners and innovative entrepreneurs. By working with local human resources and social security departments, employment guidance centres, science and technology innovation industrial parks and other relevant institutions, the Bank sought to provide financial support to individuals with capital needs for business start-ups or re-employment.

As at the end of 2021, the balance of the Bank's inclusive loans for micro and small-sized enterprises under the target of "two no-less-than and two control" amounted to RMB881.5 billion, an increase of 53.15% from the beginning of the year. The number of loan customers was 620,000, an increase of 32% compared with the beginning of the year. The balance of online personal business loans reached RMB11.726 billion, up 563.61% from the beginning of the year.

Improving people's wellbeing

To support people's need for a better life, the Bank continuously increased its credit support for transportation infrastructure, government-subsidised housing, education, health, elderly care and other areas concerning people's livelihood, following the principles of legal compliance and commercial sustainability. It proactively directed real estate-related credit resources towards government-subsidised housing, and provided comprehensive financial support to eligible educational, healthcare and elderly care institutions. The Bank piloted the convenient demonstration project of mobile payment and introduced more customer-friendly services for bus transport scenarios, enabling fare payment via mobile banking code scanning in 46 cities/regions. It also launched the convenient Railway e-Card service, with the total number of Railway e-Cards issued in the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Hainan Free Trade Zone amounting to 1.18 million (total number of Railway e-Cards issued nationwide as at the end of December 2021). At the same time, the Bank gave full play to its FinTech advantages to facilitate financial support for people in the areas of education, medical care and daily payments, and worked with renowned partners to expand special life service modules in areas such as medical care, catering, housing, travelling, entertainment and learning, so as to enrich its ecosystem of people-focused life scenarios and help the general public to enjoy better lives.

As at the end of 2021, the balance of the Bank's loans granted to the education sector was RMB35.116 billion, with a growth rate of 26.43%. The balance of loans granted to the healthcare sector posted RMB46.83 billion, with a growth rate of 14.91%. The total number of electronic social security cards issued by the Bank amounted to 8.2999 million.

Boosting rural revitalisation

Fully capitalising on the strategic opportunities arising from rural revitalisation, the Bank formulated the *Action Plan for Rural Revitalisation of Bank of China* and the *Action Plan for the Business Development of County-level Finance of Bank of China*, established the Rural Revitalisation Finance Department at the Head Office, and optimised the organisational structure for rural revitalisation in its domestic institutions. It accelerated the allocation of professional personnel, and actively participated in the county-level economic development and the building of a rural financial service system, aiming to boost rural revitalisation through sustained financing flows. Making full use of its advantages in integrated operations, the Bank established a rural financial service system featuring "unity in diversity". Within this system, BOC Fullerton Community Bank has set up 126 village banks nationwide in line with its development philosophy of "focusing on county area development, supporting farmers and small-sized enterprises", becoming the largest domestic village bank group in terms of number of institutions and business scope. The Bank also made huge efforts to innovate products and services and launched the "Inclusive Loan • New Agriculture Connect", "Inclusive Loan • Farmland Loan" and "Inclusive Loan • MSE Benefit Loan" service programmes, focusing on supporting new agricultural business entities as well as enterprises engaged in high-standard farmland construction and agricultural product processing with diversified and multi-level financial services. As at the end of 2021, the balance of the Bank's agriculture-related loans stood at RMB1,740.8 billion, up 15.8% from the beginning of the year. The balance of inclusive agriculture-related loans registered RMB188.8 billion, up 46% from the beginning of the year.

The Bank actively implemented national requirements for consolidating and expanding the effective connection of achievements of poverty alleviation and rural revitalisation and leveraged its financial strength to promote rural revitalisation of areas under the paired assistance projects. As the designated entity for providing paired assistance to the four counties of Yongshou, Xunyi, Chunhua and Changwu in Xianyang, Shaanxi Province (the "four counties in Xianyang"), the Bank followed the guiding principles of General Secretary Xi Jinping's important speeches and instructions on rural revitalisation and paired assistance, implemented the decisions and plans of the CPC Central Committee and the State Council on all fronts, strictly implemented the requirements of shaking off no responsibilities, policies, assistance and regulations even when poverty has been shaken off, and made every effort to provide paired assistance to the four counties in Xianyang, with all tasks progressing steadily. In 2021, the Bank directly invested and introduced RMB107 million of anti-poverty grant funding to the four counties in Xianyang, implemented nearly 100 various assistance projects, including livelihood projects, industrial assistance and infrastructure construction, organised training courses for 28.9 thousand primary-level officials, rural revitalisation leaders and professional and technical personnel from the four counties in Xianyang, and purchased or sold RMB177 million worth of agricultural products of the poverty-stricken areas, directly benefiting over 30,000 people.

Ensuring the rights and interests of customers

Practising its "customer-centric" operation and management concept, the Bank fully integrated consumer protection into its corporate culture, effectively fulfilled its responsibilities and obligations to protect the rights and interests of financial consumers, and promoted the healthy development of business through ensuring consumer rights and interests, thus enhancing customer satisfaction. In terms of complaint management, the Bank continuously fulfilled its responsibilities, streamlined its service processes, improved customer service experience and effectively protected the legitimate rights and interests of consumers, with the number of complaints declining. In terms of the education and publicity of financial knowledge, the Bank launched publicity and education activities in various interesting forms themed on "3.15 Rights • Responsibilities • Risks, Financial Consumer Rights Day", the "Promoting Financial Knowledge, Protecting Personal Wealth", the "Financial Knowledge Popularisation" and the "Month of Financial Knowledge Popularisation" as well as regular consumer publicity and education campaigns through online and offline channels such as official website, WeChat official account and outlets, which were recognised by regulatory authorities and consumers.

In 2021, the Bank's external customer satisfaction rate reached 93%, the same as last year. The number of customer complaints reached 148 thousand, a decrease of 21.1% year on year. The complaint handling completion rate stood at 100%. In addition, the total amount of suspicious transactions intercepted by the Bank's "Cyber Defence" system during the year surpassed RMB15.070 billion.

Contributing to public welfare

Upholding the principles of "serving society, contributing to society and repaying society", the Bank actively cooperated with charitable social organisations and organised various charitable fundraising activities by relying on public welfare vehicles such as BOC Charity Foundation, the "Bank of China Philanthropy"[12] platform and Zhongyi Shanyuan, for the purpose of mobilising warm-hearted people from the Bank and wider society to participate in poverty alleviation and public welfare undertakings. In 2021, the "Bank of China Philanthropy" platform actively explored the integrated development of online public welfare and the Bank's financial businesses, with a focus on poverty alleviation, flood relief, rural revitalisation, talent cultivation in universities, education aid, elderly care and so on. Moreover, the Bank participated in 188 public welfare programmes initiated by 73 organisations, raising a total of RMB17.3631 million (including the Bank's matching funds), with nearly 160,000 people involved in donations, further gathering the warm hearts of the Bank's staff, customers and institutions as well as the general public. The BOC Charity Foundation and the "Bank of China Philanthropy" platform also jointly launched the "BOC Love" campaign, introducing ten charity programmes from six charitable organisations to the four counties in Xianyang. A total of 66 thousand people from the public society participated in the campaign, bringing in RMB6.40 million of donations.

12 The "Bank of China Philanthropy", established by BOC, is an online fundraising information platform for charitable organisations selected by the Ministry of Civil Affairs of the PRC.

The Bank actively promoted the public service platform of mutual aid for the elderly, advocated the mutual pension concept and model of "saving time of assisting the elderly to exchange for pension services". It helped local governments to foster a cultural norm of caring for the elderly, improved the voluntary service system, and standardised urban and community governance, thus improving wellbeing and happiness among the elderly. As at the end of 2021, the Bank had cooperated with more than 70 government departments, enterprises, social organisations and universities, reaching more than 210,000 elderly people and volunteers with a total service time of more than 5,800 hours.

In 2021, in response to extreme weather and flood disasters in Henan, Shanxi and Shaanxi provinces, the Bank took immediate actions to donate funds and support rescue efforts, while continuing to provide financial services to disaster-hit areas, making its contribution to flood control, relief and post-disaster reconstruction. After the disaster hit Henan Province, the Bank donated RMB20 million to the province on July 26. Through the "Bank of China Philanthropy" platform, the Bank launched five fundraising activities, with 4,459 people donating RMB377.1 thousand. After the floods in Shanxi and Shaanxi provinces, it launched three charity fundraising activities, with more than 6,800 people donating RMB915.6 thousand.

Responding to challenges of the pandemic

In 2021, the COVID-19 pandemic was basically under control in the Chinese mainland, with high clusters and sporadic outbreaks in some areas across the country. In comparison, overseas outbreaks continued to occur frequently, with the prevention and control situation remaining grim and complex. The Bank continued to improve its business continuity management system, and formulated the *Distribution and Operation Business Continuity Plan of Bank of China Limited (Version 2021)*, which standardised its procedures and requirements for response, disposal and recovery in the event of interruptions to its channels and operations, clarified the management responsibilities of branches, required daily monitoring as well as efficient epidemic prevention and control in local outlets during major events or statutory holidays. To reduce the risks associated with the pandemic, the Bank implemented a national centralised transaction processing service for corporate loan transactions. Through the development of relevant systems, the transaction processing workload of pandemic-affected branches could be directly undertaken by other branches, thus effectively ensuring continuity in credit operation.

Intensifying Efforts in Anti-Corruption and Building a Clean Bank

The Bank was committed to preventing integrity risk, resolutely punished corruption, established a sound monitoring and restraint mechanism for key areas such as credit management, non-performing loan disposal and centralised procurement, and kept a tough anti-corruption stance. It deepened the building of a long-effect anti-corruption mechanism, adhered to the principle of "not daring to corrupt, not being able to corrupt and not wanting to corrupt", promoted Bank-wide special prevention and control, stepped up the investigation and punishment of violations of laws and disciplines, and improved the mechanism of power restriction. Carrying forward its excellent clean culture of "loftiness, clean and determination", the Bank extensively carried out the cultivation of an integrity culture, continuously conducted warning education, held special warning education conferences, and compiled and published typical cases, thus consolidating the ideological foundation of the whole staff to resist corruption and prevent degeneration.

Attaching great importance to the integrity building and anti-corruption supervision of its overseas institutions, the Bank established a leading mechanism for integrity risk prevention and control and corruption governance in its overseas institutions. The overseas institutions strengthened their anti-corruption efforts and risk prevention and control in the light of the actual situation in local countries and regions. It enhanced education and supervision, and continuously promoted a strong atmosphere of integrity and compliance in its overseas institutions. Moreover, it established and improved the supervision system for the integrity of its overseas institutions, introduced management measures, stepped up efforts of supervision and promoted the implementation of the requirements of building a clean bank.

For details of the Bank's environmental, social and governance performance, please refer to the *Corporate Social Responsibility Report of Bank of China Limited for 2021 (Environmental Social Governance).*

Changes in Shares and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Shares

Unit: Share

	As at 1 January 2021		Increase/decrease during the reporting period					As at 31 December 2021	
	Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	Number of shares	Percentage
I. Shares subject to selling restrictions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
II. Shares not subject to selling restrictions	**294,387,791,241**	**100.00%**	**–**	**–**	**–**	**–**	**–**	**294,387,791,241**	**100.00%**
1. RMB-denominated ordinary shares	210,765,514,846	71.59%	–	–	–	–	–	210,765,514,846	71.59%
2. Overseas listed foreign shares	83,622,276,395	28.41%	–	–	–	–	–	83,622,276,395	28.41%
III. Total Ordinary Shares	**294,387,791,241**	**100.00%**	**–**	**–**	**–**	**–**	**–**	**294,387,791,241**	**100.00%**

Notes:

1 As at 31 December 2021, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.

2 As at 31 December 2021, none of the Bank's A Shares and H Shares were subject to selling restrictions.

Number of Ordinary Shareholders and Shareholdings

The number of ordinary shareholders as at 31 December 2021 was 728,790, including 553,596 A-Share Holders and 175,194 H-Share Holders.

The number of ordinary shareholders as at the end of the last month before the disclosure of this report was 705,350, including 530,665 A-Share Holders and 174,685 H-Share Holders.

The top ten ordinary shareholders as at 31 December 2021 are set forth below:

Unit: Share

No.	Name of ordinary shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged, labelled or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	–	188,461,533,607	64.02%	–	None	State	A
2	HKSCC Nominees Limited	(52,922,305)	81,849,088,685	27.80%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	(654,880,040)	7,941,164,885	2.70%	–	None	State-owned legal person	A
4	Central Huijin Asset Management Ltd.	–	1,810,024,500	0.61%	–	None	State-owned legal person	A
5	HKSCC Limited	255,524,716	1,067,361,975	0.36%	–	None	Foreign legal person	A
6	MUFG Bank, Ltd.	–	520,357,200	0.18 %	–	Unknown	Foreign legal person	H
7	China Pacific Life Insurance Co., Ltd. – China Pacific Life Insurance Dividend Equity Portfolio (Traditional) with management of Changjiang Pension Insurance Co., Ltd.	–	382,238,605	0.13%	–	None	Other	A
8	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	(377,295,920)	335,393,250	0.11%	–	None	Other	A
9	Beijing Dadi Yuantong Group Co., Ltd.	152,000,037	152,000,037	0.05%	–	None	Domestic non-state-owned legal person	A
10	Beijing Yuantong Xinhai Trading Co., Ltd.	133,000,000	133,000,000	0.05%	–	None	Domestic non-state-owned legal person	A

Notes:

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

2 The number of shares held by HKSCC Nominees Limited is the aggregate number of the Bank's H Shares it held as the nominee for all the institutional and individual investors that maintain accounts with it as at 31 December 2021, including the number of shares held by the National Council for Social Security Fund.

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

4 The number of shares held by HKSCC Limited is the aggregate number of the A Shares it held as the nominee holder who holds securities on behalf of others, including the number of SSE securities acquired by Hong Kong and overseas investors through Shanghai-Hong Kong Stock Connect.

5 Beijing Yuantong Xinhai Trading Co., Ltd. is a wholly-owned subsidiary of Beijing Dadi Yuantong Group Co., Ltd. As at 31 December 2021, Beijing Dadi Yuantong Group Co., Ltd. held 152,000,037 ordinary shares of the Bank, including 147,000,000 ordinary shares of the Bank held through investor credit account. Beijing Yuantong Xinhai Trading Co., Ltd. held 133,000,000 ordinary shares of the Bank, all of which were held through investor credit account.

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

Substantial Shareholder Interests

The register maintained by the Bank under section 336 of the SFO recorded that, as at 31 December 2021, the shareholders indicated in the following table were substantial shareholders having interests in shares of the Bank (as defined in the SFO):

Name of shareholder	Capacity (types of interest)	Number of shares held/ Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A Shares	Percentage of total issued H Shares	Percentage of total issued ordinary shares
Central Huijin Investment Ltd.	Beneficial owner	188,461,533,607	A	89.42%	–	64.02%
	Interest of controlled corporations	1,810,024,500	A	0.86%	–	0.61%
	Total	190,271,558,107	A	90.28%	–	64.63%
National Council for Social Security Fund	Beneficial owner	5,798,893,213	H	–	6.93%	1.97%
BlackRock, Inc.	Interest of controlled corporations	4,928,555,441	H	–	5.89%	1.67%
		5,735,000 (S)	H	–	0.01%	0.002%

Notes:

1 BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., while BlackRock Holdco 2 Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. Thus BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have equal interests in shares of the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. held a long position of 4,928,555,441 H Shares and a short position of 5,735,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 4,928,555,441 H Shares, 8,736,000 H Shares were held through derivatives. In the short position of 5,735,000 H Shares, 2,466,000 H Shares were held through derivatives.

2 "S" denotes short position.

3 Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 31 December 2021, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Controlling Shareholder of the Bank

Central Huijin Investment Ltd.

Central Huijin Investment Ltd. ("Huijin") is a state-owned investment company established on 16 December 2003 under the Company Law, with Mr. PENG Chun as its legal representative. Wholly owned by China Investment Corporation ("CIC"), Huijin makes equity investments in major state-owned financial institutions, as authorised by the State Council. To the extent of its capital contribution, Huijin exercises its rights and fulfills its obligations as an investor to major state-owned financial institutions on behalf of the State, in accordance with applicable laws aimed at preserving and enhancing the value of state-owned financial assets. Huijin neither engages in other business activities nor intervenes in the daily operation of the major state-owned financial institutions of which it is the controlling shareholder.

As at 31 December 2021, the basic information of companies directly held by Huijin is as follows:

No.	Company name	Proportion of the total capital held by Huijin
1	China Development Bank	34.68%
2	Industrial and Commercial Bank of China Limited ★☆	34.71%
3	Agricultural Bank of China Limited ★☆	40.03%
4	Bank of China Limited ★☆	64.02%
5	China Construction Bank Corporation ★☆	57.11%
6	China Everbright Group Ltd.	63.16%
7	Evergrowing Bank Co., Limited	53.95%
8	China Export & Credit Insurance Corporation	73.63%
9	China Reinsurance (Group) Corporation ☆	71.56%
10	New China Life Insurance Company Limited ★☆	31.34%
11	China Jianyin Investment Limited	100.00%
12	China Galaxy Financial Holding Co., Ltd.	69.07%
13	Shenwan Hongyuan Group Co., Ltd. ★☆	20.05%
14	China International Capital Corporation Limited ★☆	40.11%
15	China Securities Co., Ltd. ★☆	30.76%
16	China Galaxy Asset Management Co., Ltd.	13.30%
17	Guotai Junan Investment Management Co., Ltd.	14.54%

Notes:

1 ★ denotes A share listed company and ☆ denotes H share listed company.

2 Besides the above companies controlled or held by Huijin, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Central Huijin Asset Management Ltd., established in November 2015 and registered in Beijing with registered capital of RMB5 billion, provides asset management business.

For further details regarding China Investment Corporation, please refer to the information on its website (www.china-inv.cn). Please refer to the *Announcement on Matters Related to the Incorporation of China Investment Corporation* published on 9 October 2007 by the Bank for relevant information of China Investment Corporation.

As at 31 December 2021, no other legal-person shareholder held 10% or more voting shares of the Bank (excluding HKSCC Nominees Limited).

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

Preference Shares

Issuance and Listing of Preference Shares in the Past Three Years

With the approvals of CBIRC (Yinbaojianfu [2019] No. 387) and CSRC (Zhengjianxuke [2019] No. 1051), the Bank made a non-public issuance of RMB73 billion Domestic Preference Shares (Third Tranche) on 24 June 2019 in the domestic market. With the approval of SSE (Shangzhenghan [2019] No. 1164), Domestic Preference Shares (Third Tranche) have been traded on the Comprehensive Business Platform of SSE since 17 July 2019. The Bank made a non-public issuance of RMB27 billion Domestic Preference Shares (Fourth Tranche) on 26 August 2019 in the domestic market. With the approval of SSE (Shangzhenghan [2019] No. 1528), Domestic Preference Shares (Fourth Tranche) have been traded on the Comprehensive Business Platform of SSE since 17 September 2019.

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

For the terms of issuance of the Domestic Preference Shares and Offshore Preference Shares, please refer to the Bank's announcements published on the websites of SSE, HKEX and the Bank.

Number of Preference Shareholders and Shareholdings

The number of preference shareholders as at 31 December 2021 was 68, including 67 domestic preference shareholders and 1 offshore preference shareholder.

The number of preference shareholders as at the end of the last month before the disclosure of this report was 70, including 69 domestic preference shareholders and 1 offshore preference shareholder.

The top ten preference shareholders as at 31 December 2021 are set forth below:

Unit: Share

No.	Name of preference shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total preference shares	Number of shares pledged or frozen	Type of shareholder	Type of preference shares
1	Bosera Fund — ICBC — Bosera — ICBC — Flexible Allocation No. 5 Specific Multi-customer Assets Management Plan	(10,000,000)	200,000,000	16.70%	None	Other	Domestic Preference Shares
2	Bank of New York Mellon Corporation	–	197,865,300	16.52%	Unknown	Foreign legal person	Offshore Preference Shares
3	CCB Trust Co., Ltd. — "Qian Yuan — Ri Xin Yue Yi" Open-ended Wealth Management Single Fund Trust	–	133,000,000	11.10%	None	Other	Domestic Preference Shares
4	Hwabao Trust Co., Ltd. — Hwabao Trust — Baofu Investment No.1 Collective Capital Trust Plan	119,460,000	119,460,000	9.97%	None	Other	Domestic Preference Shares
5	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	(3,000,000)	70,000,000	5.84%	None	Other	Domestic Preference Shares
6	Jiangsu International Trust Corporation Limited — JSITC — He Xiang Tian Li No.1 Collective Capital Trust Plan	54,540,000	54,540,000	4.55%	None	Other	Domestic Preference Shares
7	BOCOM Schroder Asset Management — BOCOM — BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	(4,980,000)	54,400,000	4.54%	None	Other	Domestic Preference Shares
8	Postal Savings Bank of China Co., Ltd.	–	40,000,000	3.34%	None	State-owned legal person	Domestic Preference Shares
9	Shanghai Tobacco Group Co., Ltd.	–	30,000,000	2.50%	None	State-owned legal person	Domestic Preference Shares
9	Ping An Life Insurance Company of China — universal — individual universal insurance	(7,000,000)	30,000,000	2.50%	None	Other	Domestic Preference Shares

Notes:

1 The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintain accounts with Euroclear and Clearstream as at 31 December 2021, held 197,865,300 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.

2 As at 31 December 2021, "China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH" is one of both the Bank's top ten ordinary shareholders and top ten preference shareholders.

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

Profit Distribution of Preference Shares

For the profit distribution policy of the preference shares and the profit distribution arrangement during the reporting period, please refer to the section "Report of the Board of Directors".

Exercising Redemption Rights of Preference Shares

On 15 March 2021, the Bank redeemed all 280,000,000 shares of the Domestic Preference Shares (Second Tranche) issued on 13 March 2015. For details, please refer to the Bank's announcements published on the websites of SSE, HKEX and the Bank.

Other Information regarding the Preference Shares

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

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

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

Issuance of Other Securities

Please refer to Note V.30 to the Consolidated Financial Statements for details of bonds issued by the Bank.

No shares of the Bank have been specifically issued to its employees.

Directors, Supervisors and Senior Management Members

Basic Information

Incumbent Directors, Supervisors and Senior Management Members

Incumbent Directors				
Name	**Year of birth**	**Gender**	**Position**	**Term of office as Director**
LIU Liange	1961	Male	Chairman	From October 2018 to the date of the Annual General Meeting in 2024
LIU Jin	1967	Male	Vice Chairman and President	From June 2021 to the date of the Annual General Meeting in 2024
WANG Wei	1963	Male	Executive Director and Executive Vice President	From June 2020 to the date of the Annual General Meeting in 2023
LIN Jingzhen	1965	Male	Executive Director and Executive Vice President	From February 2019 to the date of the Annual General Meeting in 2024
XIAO Lihong	1965	Female	Non-executive Director	From August 2017 to the date of the Annual General Meeting in 2023
WANG Xiaoya	1964	Female	Non-executive Director	From August 2017 to the date of the Annual General Meeting in 2023
ZHANG Jiangang	1973	Male	Non-executive Director	From July 2019 to the date of the Annual General Meeting in 2022
CHEN Jianbo	1963	Male	Non-executive Director	From June 2020 to the date of the Annual General Meeting in 2023
WANG Changyun	1964	Male	Independent Director	From August 2016 to the date of the Annual General Meeting in 2022
Angela CHAO	1973	Female	Independent Director	From January 2017 to the date of the Annual General Meeting in 2022
JIANG Guohua	1971	Male	Independent Director	From December 2018 to the date of the Annual General Meeting in 2024
Martin Cheung Kong LIAO	1957	Male	Independent Director	From September 2019 to the date of the Annual General Meeting in 2022
CHEN Chunhua	1964	Female	Independent Director	From July 2020 to the date of the Annual General Meeting in 2022
CHUI Sai Peng Jose	1960	Male	Independent Director	From September 2020 to the date of the Annual General Meeting in 2022

Incumbent Supervisors				
Name	**Year of birth**	**Gender**	**Position**	**Term of office as Supervisor**
ZHANG Keqiu	1964	Female	Chairwoman of the Board of Supervisors	From January 2021 to the date of the Annual General Meeting in 2024
WEI Hanguang	1971	Female	Employee Supervisor	From November 2021 to the date of the 2024 Employee Delegates' Meeting
ZHOU Hehua	1975	Male	Employee Supervisor	From November 2021 to the date of the 2024 Employee Delegates' Meeting
LENG Jie	1963	Male	Employee Supervisor	From December 2018 to the date of the 2024 Employee Delegates' Meeting
JIA Xiangsen	1955	Male	External Supervisor	From May 2019 to the date of the Annual General Meeting in 2022
ZHENG Zhiguang	1953	Male	External Supervisor	From May 2019 to the date of the Annual General Meeting in 2022
HUI Ping	1960	Male	External Supervisor	From February 2022 to the date of the Annual General Meeting in 2025
Incumbent Senior Management Members				
Name	**Year of birth**	**Gender**	**Position**	**Term of office as Senior Management Member**
LIU Jin	1967	Male	Vice Chairman, President	From April 2021
WANG Wei	1963	Male	Executive Director and Executive Vice President	From December 2019
LIN Jingzhen	1965	Male	Executive Director and Executive Vice President	From March 2018
CHEN Huaiyu	1970	Male	Executive Vice President	From April 2021
WANG Zhiheng	1973	Male	Executive Vice President	From August 2021
LIU Jiandong	1969	Male	Chief Risk Officer	From February 2019
ZHUO Chengwen	1970	Male	Chief Audit Officer	From May 2021
MEI Feiqi	1962	Male	Secretary to the Board of Directors and Company Secretary	Company Secretary from March 2018 and Secretary to the Board of Directors from April 2018

Note: No incumbent director, supervisor or senior management member held any share of the Bank.

Former Directors, Supervisors and Senior Management Members

Name	Year of birth	Gender	Position held before leaving the post	Term of office
WANG Jiang	1963	Male	Vice Chairman and President	From January 2020 to February 2021
ZHAO Jie	1962	Male	Non-executive Director	From August 2017 to March 2022
WANG Xiquan	1960	Male	Chairman of the Board of Supervisors	From November 2016 to January 2021
WANG Zhiheng	1973	Male	Employee Supervisor	From December 2018 to June 2021
LI Changlin	1962	Male	Employee Supervisor	From December 2018 to November 2021
ZHENG Guoyu	1967	Male	Executive Vice President	From May 2019 to September 2021
LIU Qiuwan	1961	Male	Chief Information Officer	From June 2018 to October 2021

Note:

1. No former director, supervisor or senior management member held any share of the Bank during their terms of office.

2. Please refer to the above table for the term of office of Mr. WANG Jiang as former Executive Director of the Bank. His term of office as former President of the Bank started from December 2019.

Remuneration of Directors, Supervisors and Senior Management Members Paid in 2021

		Remuneration before tax from the Bank in 2021 (Unit: RMB ten thousand)				
Name	Position	Remuneration paid	Employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund	Other monetary income	Total	Remunerated by shareholding companies or other connected parties
Incumbent Directors, Supervisors and Senior Management Members						
LIU Liange	Chairman	61.94	20.15	–	82.09	No
LIU Jin	Vice Chairman and President	46.45	15.13	–	61.58	No
WANG Wei	Executive Director and Executive Vice President	55.74	19.50	–	75.24	No
LIN Jingzhen	Executive Director and Executive Vice President	55.74	19.49	–	75.23	No
XIAO Lihong	Non-executive Director	–	–	–	–	Yes
WANG Xiaoya	Non-executive Director	–	–	–	–	Yes
ZHANG Jiangang	Non-executive Director	–	–	–	–	Yes
CHEN Jianbo	Non-executive Director	–	–	–	–	Yes
WANG Changyun	Independent Director	60.00	–	–	60.00	Yes
Angela CHAO	Independent Director	45.00	–	–	45.00	Yes
JIANG Guohua	Independent Director	60.00	–	–	60.00	Yes
Martin Cheung Kong LIAO	Independent Director	45.00	–	–	45.00	Yes
CHEN Chunhua	Independent Director	50.00	–	–	50.00	Yes
CHUI Sai Peng Jose	Independent Director	45.00	–	–	45.00	Yes
ZHANG Keqiu	Chairwoman of the Board of Supervisors	61.94	20.15	–	82.09	No
WEI Hanguang	Employee Supervisor	0.83	–	–	0.83	No
ZHOU Hehua	Employee Supervisor	0.83	–	–	0.83	No
LENG Jie	Employee Supervisor	5.00	–	–	5.00	No
JIA Xiangsen	External Supervisor	26.00	–	–	26.00	No
ZHENG Zhiguang	External Supervisor	26.00	–	–	26.00	No
HUI Ping	External Supervisor	–	–	–	–	–
CHEN Huaiyu	Executive Vice President	41.81	14.64	–	56.45	No
WANG Zhiheng	Executive Vice President	23.23	8.16	–	31.39	No
LIU Jiandong	Chief Risk Officer	97.84	21.67	2.00	121.51	No
ZHUO Chengwen	Chief Audit Officer	65.22	14.49	1.40	81.11	No
MEI Feiqi	Secretary to the Board of Directors and Company Secretary	93.17	21.67	5.42	120.26	No

		Remuneration before tax from the Bank in 2021 (Unit: RMB ten thousand)				
Name	Position	Remuneration paid	Employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund	Other monetary income	Total	Remunerated by shareholding companies or other connected parties
Former Directors, Supervisors and Senior Management Members						
WANG Jiang	Vice Chairman and President	5.16	1.67	–	6.83	No
ZHAO Jie	Non-executive Director	–	–	–	–	Yes
WANG Xiquan	Chairman of the Board of Supervisors	5.16	1.67	–	6.83	No
WANG Zhiheng	Employee Supervisor	2.50	–	–	2.50	No
LI Changlin	Employee Supervisor	4.58	–	–	4.58	No
ZHENG Guoyu	Executive Vice President	37.16	12.97	–	50.13	No
LIU Qiuwan	Chief Information Officer	81.53	18.03	2.00	101.56	No

Notes:

1. In accordance with the government regulations, since 1 January 2015, the Bank remunerates Chairman of the Board of Directors, President, Chairman of the Board of Supervisors and Executive Vice Presidents pursuant to the rules on remuneration reform for central enterprises.

2. The 2021 final remuneration for Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, executive directors and other senior management members is to be determined and will be disclosed in an additional announcement by the Bank.

3. The Bank remunerates directors, supervisors and senior management members who are employed by the Bank with salaries, bonuses, and employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund, as well as other monetary income. Independent directors receive directors' remunerations and allowances. Other directors are not remunerated by the Bank. Chairman of the Board of Directors, executive directors and senior management members do not receive any remuneration from the Bank's subsidiaries.

4. The remuneration for independent directors is determined based on the resolutions of the 2007 Annual General Meeting and the 2019 Second Extraordinary General Meeting. The remuneration for external supervisors is determined based on the resolutions of the 2009 Annual General Meeting.

5. In 2021, Non-executive Directors Mr. ZHAO Jie, Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. ZHANG Jiangang and Mr. CHEN Jianbo were not remunerated by the Bank.

6. Some independent directors of the Bank served as independent non-executive directors of other legal entities or organisations, which caused such legal entities or organisations to be defined as connected parties of the Bank. Save as disclosed above, none of the directors, supervisors or senior management members of the Bank was remunerated by the connected parties of the Bank during the reporting period.

7. The above persons' remuneration is calculated on the basis of their actual time working as directors, supervisors or senior management members of the Bank in 2021. Employee supervisors' remuneration above is paid for their service as supervisors of the Bank during the reporting period.

8. For the starting time of the term of office of the above-mentioned directors, supervisors and senior management members, please refer to the section "Basic Information".

9. The Bank incurred RMB13.2304 million in remuneration to its directors, supervisors and senior management members' services in 2021.

Positions Held in Shareholding Companies by Directors, Supervisors and Senior Management Members

Save as disclosed above, in 2021, none of the Bank's directors, supervisors or senior management members held any position in the shareholding companies of the Bank.

Biographies of Directors, Supervisors and Senior Management Members

Directors

LIU Liange
Chairman

Chairman of the Board of Directors of the Bank since July 2019. Mr. LIU joined the Bank in 2018, and served as Vice Chairman of the Board of Directors of the Bank from October 2018 to July 2019 and President of the Bank from August 2018 to June 2019. He served as Vice Chairman and President of the Export-Import Bank of China from July 2015 to June 2018. Mr. LIU served as Vice President of the Export-Import Bank of China from March 2007 to February 2015. He also served as Director of the African Export-Import Bank from September 2007 to February 2015, as Chairman of the Board of Supervisors of Sino-Italian Mandarin Capital Partners from March 2009 to June 2015, and as Chairman of the Board of Directors of Regional Credit Guarantee and Investment Facility (Asia) from March 2014 to May 2015. Mr. LIU worked in the PBOC for many years, successively serving as Deputy Director-General of the International Department of the PBOC, President of the Fuzhou Central Sub-branch of the PBOC and Director of the Fujian Branch of the State Administration of Foreign Exchange, Director General of the Anti-Money Laundering Bureau (the Security Bureau) of the PBOC. Mr. LIU served as President of Shanghai RMB Trading Unit from October 2018 to November 2019, Vice Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited from December 2018 to July 2019. He has been serving as Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited since July 2019. He graduated from the Graduate School of the People's Bank of China with a Master's Degree in Economics in 1987. He holds the title of Senior Economist.

LIU Jin
Vice Chairman and President

Vice Chairman of the Board of Directors of the Bank since June 2021 and President of the Bank since April 2021. Mr. LIU joined the Bank in 2021. Prior to that, Mr. LIU served as Executive Director of China Everbright Group from December 2019 to March 2021, President of China Everbright Bank from January 2020 to March 2021, and Executive Director of China Everbright Bank from March 2020 to March 2021. From September 2018 to November 2019, he worked at China Development Bank as its Executive Vice President. Mr. LIU had worked in Industrial and Commercial Bank of China (ICBC) for many years, serving as Deputy General Manager of its Shandong Branch, Vice Chairman, Executive Director, General Manager of ICBC (Europe) and General Manager of ICBC Frankfurt Branch, General Manager of the Investment Banking Department of its Head Office, and General Manager of its Jiangsu Branch. Mr. LIU began to serve as Vice Chairman and Non-executive Director of the Board of Directors of BOC Hong Kong (Holdings) Limited and Bank of China (Hong Kong) Limited as of August 2021. He graduated from Shandong University in 1993 with a Master of Arts degree. He holds the title of Senior Economist.

WANG Wei
Executive Director and Executive Vice President

Executive Director of the Bank since June 2020 and Executive Vice President of the Bank since December 2019. Mr. WANG joined the Bank in 2019. He served as Executive Director and Executive Vice President of Agricultural Bank of China ("ABC") from February 2018 to November 2019, and began to serve as Executive Vice President of ABC from December 2013 and as a member of senior management of ABC from December 2011. Mr. WANG previously served in several positions in ABC, including Deputy General Manager of Ningxia Branch, Deputy General Manager of Gansu Branch, General Manager of Gansu Branch, General Manager of Xinjiang Branch, General Manager of Xinjiang Production and Construction Corps Branch, General Manager of the Office of ABC, General Manager of Hebei Branch, General Manager of the Internal Control and Compliance Department, General Manager of the Human Resources Department and Chief Officer of the Sannong Business. Mr. WANG graduated from Shaanxi Institute of Finance and Economics in 1983, and from Southwestern University of Finance and Economics with a Doctor's Degree in Economics in 2015. He holds the title of Senior Economist.

LIN Jingzhen
Executive Director and Executive Vice President

Executive Director of the Bank since February 2019 and Executive Vice President of the Bank since March 2018. Mr. LIN joined the Bank in 1987. He served as Deputy Chief Executive of BOC Hong Kong (Holdings) Limited from May 2015 to January 2018, as General Manager of the Corporate Banking Department of the Bank from March 2014 to May 2015, and as General Manager (Corporate Banking) of the Corporate Banking Unit of the Bank from October 2010 to March 2014. Prior to this, he successively served as Deputy General Manager of Corporate Banking Department and Corporate Banking Unit of the Bank. Mr. LIN served as Chairman of BOC International Holdings Limited from April 2018 to December 2020. He has been serving as Chairman of BOC International (China) Co., Ltd. since May 2018, and Non-executive Director of BOC Hong Kong (Holdings) Limited since August 2018. He graduated from Xiamen University in 1987, and obtained a Master of Business Administration Degree from Xiamen University in 2000.

XIAO Lihong
Non-executive Director

Non-executive Director of the Bank since August 2017. Ms. XIAO was Non-executive Director of China Galaxy Asset Management Co., Ltd. from December 2020 to September 2021, Non-executive Director of China Galaxy Financial Holdings Company Limited from October 2018 to September 2021 and Non-executive Director of China Galaxy Securities Company Limited from February 2019 to June 2021. She served as Inspector of the Current Account Management Department of the SAFE from April 2014 to August 2017. She was Deputy Director-General of the Current Account Management Department of the SAFE from September 2004 to April 2014, and concurrently as Vice General Manager and Party Committee Member of the Beijing Branch of China Construction Bank from July 2011 to July 2012. She served successively as Deputy Chief of the Current Account Division and the Nontrade Foreign Exchange Management Division of the Supervision and Inspection Department, and Chief of the Business Supervision Division of the Current Account Management Department of the SAFE from October 1996 to September 2004. She graduated from the China Central University of Finance and Economics in August 1988 with a Bachelor's Degree, and from the Central University of Finance and Economics and Peking University in September 2003 and July 2012, respectively, both with a Master's Degree.

WANG Xiaoya
Non-executive Director

Non-executive Director of the Bank since August 2017. Ms. WANG has been serving as Non-executive Director of China Reinsurance (Group) Corporation since August 2019. She served as Non-executive Director of Industrial and Commercial Bank of China Limited from January 2012 to June 2017. From May 2007 to December 2011, she was Deputy Director-General of the Research Bureau of the PBOC. She taught at the Central China Normal University where she served as Assistant Lecturer and Lecturer from July 1985 to January 1995. She served as Deputy Chief and Chief of the Macroeconomic Analysis Division of the Research Bureau of the PBOC from July 1997 to May 2007, and concurrently as Deputy Mayor of Tongliao City in the Inner Mongolia Autonomous Region from October 2005 to February 2007. She received a professional title of research fellow in 2005. Ms. WANG was a member of the Post-Doctoral Academic Committee and a Post-Doctoral Co-mentor at the Institute of Finance of PBOC. Currently, she is a member of the Academic Committee of the China Institute for Rural Studies of Tsinghua University, Invited Researcher of the National Institute of Financial Research of Tsinghua University and Doctoral Supervisor of Southwestern University of Finance and Economics. Ms. WANG graduated from the Economics Faculty of Central China Normal University and the Graduate School of Chinese Academy of Social Sciences in January 1990 and June 1997 with a Master's Degree and a Doctor's Degree, respectively.

ZHANG Jiangang
Non-executive Director

Non-executive Director of the Bank since July 2019. Mr. ZHANG served as member of the Party Committee, Secretary of Party Discipline Committee, Deputy Secretary-General, and Chairman of the Financial Evaluation Committee of the China Appraisal Society from May 2016 to July 2019. From August 2014 to May 2016, Mr. ZHANG served as Deputy Secretary-General of the China Appraisal Society. From September 2000 to August 2014, he worked in the Department of Personnel and Education of the Ministry of Finance, successively serving as the Principal Staff Member, Deputy Director and Director. From November 1998 to September 2000, Mr. ZHANG served as a cadre of the editorial office of the *State Assets Management* of the Ministry of Finance. From July 1995 to November 1998, he served as a cadre of the former State-owned Assets Administration Bureau. Mr. ZHANG graduated from the China Youth University of Political Studies in July 1995 with a Bachelor's Degree in Law, and obtained a Master's Degree in Management from the Graduate School of the Chinese Academy of Fiscal Sciences of the Ministry of Finance in December 2002. He holds the title of Senior Economist.

CHEN Jianbo
Non-executive Director

Non-executive Director of the Bank since June 2020. Mr. CHEN served as Non-executive Director of Agricultural Bank of China Limited from January 2015 to June 2020. He previously served as Assistant Research Fellow and Deputy Division Chief, Institute of Development of the Rural Policy Research Office of the Secretariat of the CPC Central Committee and the Rural Development Research Center of the State Council; Division Chief and Research Fellow of the Development Research Center of the State Council; and Director-General of the General Office of the Central Leading Group for Financial and Economic Affairs and the Office of Central Rural Work Leading Group. He once led and participated in research and technical assistance projects sponsored by the World Bank, Asian Development Bank, European Union, United Nations Development Programme, United Nations Industrial Development Organization and other international institutions. He also hosted a number of research projects in cooperation with institutions in the U.S. and Japan, etc. He had multiple appointments as a consulting expert by the World Bank, Asian Development Bank and other institutions. Besides, he was a Visiting Scholar at Brandeis University, and a Visiting Research Fellow at Institute of Developing Economies in Japan and Asian Development Bank Institute. He received a PhD in Management from Renmin University of China in May 2005.

WANG Changyun
Independent Director

Independent Director of the Bank since August 2016. Mr. WANG currently serves as professor and doctoral supervisor in finance at Renmin University of China ("RUC"). He served as a lecturer at RUC from 1989 to 1995 and as a lecturer at Business School, National University of Singapore from 1999 to 2005. He served successively as the Chair of Applied Finance Department of RUC, Director of China Financial Policy Research Center (a key research base of Ministry of Education) and Executive Vice Dean and Dean of Hanqing Advanced Institute of Economics and Finance at RUC from 2006 to 2016. Mr. WANG is currently also the Vice Chairman of China Investment Specialty Construction Association, Director of China Investment Association, Director of China Finance Association, Deputy Editor of *Finance Research Quarterly*, Deputy Editor of *China Finance Research*, and Deputy Editor of *China Financial Review*. He also serves as the Central Committee member of China Democratic League, the special auditor of State Auditing Administration, the independent non-executive director of Sunway Co., Ltd. (originally named as Sichuan Star Cable Co., Ltd.) and Beijing Haohua Energy Resource Co., Ltd. Mr. WANG has received social recognition and prizes including the Special Government Allowance of State Council, Best Paper Award of Chicago Board of Trade in 2001, and the "Middle Age Experts with National Outstanding Contribution", membership of "the Program for New Century Excellent Talents" of Ministry of Education in 2004, "Financial Support of National Science Fund for Distinguished Young Scholars" in 2007, a member of the "New Century National Hundred, Thousand and Ten Thousand Talent Program" in 2013, and the "Cheung Kong Distinguished Professor" of Ministry of Education in 2014. He obtained his Master's Degree in Economics from RUC in July 1989 and Doctorate in Financial Economics from the University of London in January 1999.

Angela CHAO
Independent Director

Independent Director of the Bank since January 2017. Ms. CHAO serves as Chair and CEO of Foremost Group, an international shipping company. From 1994 to 1996, Ms. CHAO worked in the mergers & acquisitions department of Smith Barney, which is now Morgan Stanley Smith Barney. From 1996 to 1999, Ms. CHAO served as deputy general manager of Foremost Group, and from 2001 to 2017, Ms. CHAO had successively served as Vice President, Senior Vice President and Deputy Chairman of Foremost Group. Since 2018, she has served as Chairman and CEO of Foremost Group. In May 2005, Ms. CHAO was unanimously voted to be BIMCO39's (The Baltic and International Maritime Council 39) Counsellor. In September 2005, she was selected as "Eminent Young Overseas Chinese" by the Overseas Chinese Affairs Office of the State Council of China. In November 2007, she was invited as speaker of World Shipping (China) Summit. In April 2011, she became a Founding Member of the *Wall Street Journal*'s Task Force on Women in the Economy. Ms. CHAO currently serves on the Boards of The Metropolitan Opera, Foremost Foundation, Shanghai Mulan Education Foundation, and she also serves on the Harvard Business School's Board of Dean's Advisors, Carnegie-Tsinghua Center for Global Policy Board of Advisors, the Chairman's Council of the Metropolitan Museum of Art and American Bureau of Shipping Council. In addition, she is also a member of the Council on Foreign Relations, serves on the Young Leaders Forum of the National Committee on US-China Relations and serves as the member of Shanghai Jiao Tong University's Antai College of Economics and Management Advisory Board, and honorary chairperson of the Jiao Tong University Alumni Association in America. Ms. CHAO graduated from Harvard College in three years in 1994 with a Bachelor's Degree in Economics (Magna Cum Laude), and received her Master of Business Administration Degree from Harvard Business School in 2001.

JIANG Guohua
Independent Director

Independent Director of the Bank since December 2018. Mr. JIANG serves as Professor of Accounting at the Guanghua School of Management, Peking University. Currently he also serves as a member of China National MPAcc Education Steering Committee and Associate Dean of Peking University Graduate School. Mr. JIANG has successively served as Assistant Professor, Associate Professor and Professor of the Accounting Department of Guanghua School of Management, Peking University since 2002, during which he successively served as Director of the Yenching Academy, Executive Associate Dean and Director of the Yenching Academy from 2013 to 2017. From 2007 to 2010, he was a senior investment consultant at Bosera Fund Management Company; from 2010 to 2016, he served as independent director of Datang International Power Generation Co. Ltd.; from 2011 to 2014, he was an academic advisor to the Global Valuation Institute of KPMG International; and from 2014 to 2015, he was a member of the Global Agenda Council of the World Economic Forum. Currently he also serves as independent director of ZRF Fund Management Company Ltd. and China Merchants Life Insurance Company Ltd. Mr. JIANG was named National Leading Talent in Accounting by China Ministry of Finance (2012). He was an Elsevier Chinese Most Cited Researcher consecutively from 2014 to 2017. He was a member of the 17th Stock Issuance Review Committee of China Securities Regulatory Commission. Mr. JIANG graduated from Peking University in 1995 with a Bachelor's Degree in Economics, received his Master's Degree in Accounting from Hong Kong University of Science and Technology in 1997, and obtained his Doctor's Degree in Accounting from the University of California, Berkeley in 2002.

Martin Cheung Kong LIAO
Independent Director

Independent Director of the Bank since September 2019. Mr. LIAO was called to the Bar in England and Wales in 1984 and was called to the Bar in Hong Kong in 1985 and is a practicing barrister in Hong Kong. He has been serving as a Member of the Legislative Council of the Hong Kong Special Administrative Region since 2012. Mr. LIAO has also been serving as a Steward of the Hong Kong Jockey Club since April 2013, an Independent Non-executive Director of Hang Lung Group Limited since November 2014, and Chairman of the Advisory Committee on Corruption of the Independent Commission Against Corruption since January 2019. Mr. LIAO was appointed as a Non-Official Member of the Executive Council of the Hong Kong Special Administrative Region in November 2016. He was appointed as Justice of the Peace in 2004, was awarded the Silver Bauhinia Star in 2014 and was awarded the Gold Bauhinia Star in 2019. He is elected as Deputy of the Hong Kong Special Administrative Region to the 11th, 12th and 13th National People's Congress of the People's Republic of China. Mr. LIAO previously served as Chairman of the Anti-Money Laundering and Counter Terrorist Financing Review Tribunal and Chairman of The Hong Kong Council for Accreditation of Academic and Vocational Qualifications. He graduated from University College London with a Bachelor of Economic Science (Hons) Degree in 1982 and a Master of Laws Degree in 1985.

CHEN Chunhua
Independent Director

Independent Director of the Bank since July 2020. Ms. CHEN is currently professor of the National School of Development at Peking University and Dean of BiMBA Business School of the National School of Development at Peking University. She is also a visiting professor of the School of Business at National University of Singapore. From 2000 to 2003, she was Vice Dean of the College of Business Administration at South China University of Technology. From 2003 to 2004, she served as President of Shandong Liuhe Group. From 2006 to 2008, she served as Executive Dean of the School of Economics and Commerce at South China University of Technology. From 2006 to 2016, she served as an expert on the decision-making consultation for the Guangzhou Municipal Government. Ms. CHEN has served as a non-executive director of SPT Energy Group Inc. (HK01251) (since 2013). She was an independent director of China Merchants Fund Management Co., Ltd., Welling Holding Limited, Guangzhou Zhujiang Brewery Co., Ltd. and Shunde Rural Commercial Bank, and she once served as the joint chairman and chief executive officer of New Hope Liuhe Co., Ltd., a director of the Yunnan Baiyao Holding Ltd. and a non-executive director of Vtron Group Co., Ltd. Ms. CHEN obtained a Bachelor's Degree of engineering in radio technology from South China Institute of Technology in 1986 and became a post-doctoral candidate in business administration of the Nanjing University Business School in 2005.

CHUI Sai Peng Jose
Independent Director

Independent Director of the Bank since September 2020. Mr. CHUI is currently the President of CAA City Planning & Engineering Consultants Ltd. of Macao, and Da Chang (Zhuhai) Concrete Pile Co., Ltd., CEO of Parafuturo de Macau Investment and Development Ltd., and Chairman of Board of Directors of Macao Young Entrepreneur Incubation Centre. He is also the Deputy of the Macao SAR to the 13th National People's Congress, Deputy of Legislative Assembly of the Macao SAR, and member of the Economic Development Committee of the Macao SAR. In addition, he serves as a member of the National Committee of China Association for Science and Technology, Vice-President of Board of Directors of Macao Chamber of Commerce, Vice-President of General Assembly of the Macao Association of Building Contractors and Developers, President of Association of Macao Engineering Consultant Companies. Mr. CHUI served as the President of Hou Kong Junior Chamber in 1994 and President of Junior Chamber International Macao, China in 1999. He was the President of Committee for Building Appraisal of the Macao SAR from 2002 to 2015. He served as member and Vice-President of the Committee of Cultural Industries of the Macao SAR from 2010 to 2016. Currently he serves as Non-Executive Director of Luso International Banking Ltd. and Board Member of Macao Science Center. Mr. CHUI is a registered Urban Planner and Civil Engineer of Macao. He is also a registered Civil Engineer and Structural Engineer (Senior Engineer Level) of California, USA. Mr. CHUI received his Bachelor's Degree in Civil Engineering from University of Washington in 1981, and received his Master's Degree in Civil Engineering from University of California, Berkeley in 1983. He graduated from Tsinghua University in 2002 with a Doctor's Degree in Urban Planning.

Supervisors

ZHANG Keqiu
Chairwoman of the Board of Supervisors

Chairwoman of the Board of Supervisors of the Bank since January 2021. Ms. ZHANG previously served in several positions at Agricultural Bank of China for many years. She served as Executive Director and Executive Vice President of Agricultural Bank of China from April 2019 to November 2020. She served as Executive Vice President of Agricultural Bank of China from July 2017. From June 2015 to April 2018, she served as Secretary to the Board of Directors of Agricultural Bank of China. Before that, she successively served as General Manager of the Asset and Liability Management Department, General Manager of the Financial Accounting Department and Chief Financial Officer of Agricultural Bank of China. She graduated from Nankai University in 1988 with a Master's Degree in Economics. In addition, she holds the title of Senior Accountant.

WEI Hanguang
Employee Supervisor

Employee Supervisor of the Bank since November 2021. Ms. WEI currently serves as General Manager of the Human Resources Department of the Head Office of the Bank. Ms. WEI is also a director of BOC International Holdings Limited, Bank of China Group Investment Limited and BOC Aviation Limited. She joined the Bank in July 1994, and used to serve as Deputy General Manager of the Human Resources Department of the Head Office, Executive Deputy Director of Office of the Leading Group for Comprehensively Deepening Reform and Deputy General Manager of the Human Resources Department of the Head Office of the Bank, and General Manager of the Human Resources Department of the Head Office of the Bank. She graduated from Tsinghua University and obtained a Master's Degree in Business Administration.

ZHOU Hehua
Employee Supervisor

Employee Supervisor of the Bank since November 2021. Mr. ZHOU currently serves as General Manager of the Credit Approval Department of the Head Office of the Bank. He joined the Bank in August 1997, and used to serve as Assistant to General Manager of Shanghai Branch, Deputy General Manager of Shanghai Branch, and Deputy General Manager of Fujian Branch and General Manager of Xiamen Branch of the Bank. He graduated from China Europe International Business School and obtained a Master's Degree in Business Administration.

LENG Jie
Employee Supervisor

Employee Supervisor of the Bank since December 2018. Mr. LENG currently serves as General Manager of Hebei Branch of the Bank. Mr. LENG started working in November 1981 and joined the Bank in September 1988, serving successively as Deputy General Manager of Shandong Branch, Deputy General Manager of Shanxi Branch, General Manager of Ningxia Branch and General Manager of Chongqing Branch of the Bank. Mr. LENG graduated from Shandong Institute of Light Industry (economics administration major) in 1999 and University of Jinan in 2009 (accounting major).

JIA Xiangsen
External Supervisor

External Supervisor of the Bank since May 2019. Mr. JIA had successively worked in the PBOC and Agricultural Bank of China ("ABC"). From December 1983 to April 2008, Mr. JIA served as Deputy Director of the PBOC Fengtai District Office, and held such positions at ABC as Deputy Head of Beijing Fengtai Sub-branch, Deputy Division Chief at Beijing Branch, Head of Beijing Dongcheng Sub-branch, Deputy General Manager of Beijing Branch, General Manager of the Corporate Banking Department of the ABC Head Office, and General Manager of Guangdong Branch. From April 2008 to March 2010, Mr. JIA served as Principal of Audit Office of ABC. From March 2010 to March 2014, he was concurrently Chief Auditor and Principal of the Audit Office of ABC. Mr. JIA currently serves as Independent Director of China Life Pension Company Limited. Mr. JIA received his Master's Degree in Monetary Banking from the Chinese Academy of Social Sciences. He holds the title of Senior Economist.

ZHENG Zhiguang
External Supervisor

External Supervisor of the Bank since May 2019. Mr. ZHENG had successively worked in the PBOC and Industrial and Commercial Bank of China Limited ("ICBC"). From March 1979 to August 2004, Mr. ZHENG served as Deputy Section Chief of the PBOC Shanghai Luwan District Office, and held such positions at ICBC as Deputy Division Chief of Shanghai Luwan Office, Division Chief at Shanghai Branch, and Deputy General Manager of Shanghai Branch. From September 2004 to August 2009, he served as Head of Shanghai Sub-bureau of ICBC Internal Audit Bureau. From September 2009 to January 2013, he served as General Manager of the Precious Metal Business Department of ICBC. From 2013 to 2014, he served as Director of ICBC International Holdings Limited and Chairman of the Board of Supervisors of ICBC-AXA Assurance Co., Ltd. Mr. ZHENG received his MBA Degree from Fudan University. He holds the title of Senior Economist.

HUI Ping
External Supervisor

External Supervisor of the Bank since February 2022. Mr. Hui had successively worked for the PBOC and the Industrial and Commercial Bank of China ("ICBC"). Mr. Hui joined and worked for Qingjian County sub-branch of PBOC Shaanxi Branch in December 1980, joined and worked for Qingjian sub-branch of ICBC Shaanxi Branch in August 1986. From May 1994 to December 2010, he held various positions at ICBC Shaanxi Branch, including, among others, secretary at deputy director level of the office, deputy director of the office and director of the office, the head of Shaanxi Xianyang Branch, deputy general manager of Shaanxi Branch, and general manager of Shaanxi Branch of ICBC. From December 2010 to June 2015, Mr. Hui served as general manager of the internal control and compliance department of the ICBC Head Office. From June 2015 to April 2019, Mr. Hui served as deputy secretary of party discipline committee, director of the discipline enforcement department of the ICBC Head Office. From April 2019 to July 2020, Mr. Hui served as deputy head of the discipline inspection and supervision group dispatched to ICBC by the CPC Central Commission for Disciplinary Inspection and the State Committee of Supervisory. From September 2015 to September 2020, Mr. Hui concurrently served as employee supervisor of ICBC. He graduated from Xiamen University with a Doctor's Degree in Finance. He holds the title of Senior Economist.

Senior Management Members

LIU JIN
Vice Chairman and President

Please refer to the section "Directors"

WANG Wei
Executive Director and Executive Vice President

Please refer to the section "Directors"

LIN Jingzhen
Executive Director and Executive Vice President

Please refer to the section “Directors”

CHEN Huaiyu
Executive Vice President

Executive Vice President of the Bank since April 2021. Mr. CHEN joined the Bank in 1997. He served as General Manager of Bank of China Sydney Branch, Director of Bank of China (Australia) Limited, and Director of Bank of China (New Zealand) Limited from November 2017 to February 2021. Prior to that, Mr. CHEN served as Assistant General Manager and Credit Risk Officer of Guangdong Branch of the Bank, Standing Deputy General Manager, General Manager and Executive Director of Bank of China (Hungary) Limited, as well as General Manager of Bank of China Hungarian Branch successively. He concurrently served as Chairman of BOC Aviation Limited since April 2021 and as President of Shanghai RMB Trading Unit since May 2021. Mr. CHEN graduated from Beijing Foreign Studies University in 1992 and obtained a Master’s Degree in Economics from University of International Business and Economics in 1999.

WANG Zhiheng
Executive Vice President

Executive Vice President of the Bank since August 2021. Mr. WANG joined the Bank in 1999. He served as General Manager of Beijing Branch of the Bank from May 2021 to January 2022, Employee Supervisor of the Bank from December 2018 to June 2021, General Manager of the Human Resources Department of the Head Office of the Bank from July 2018 to December 2020, and General Manager of Qinghai Branch of the Bank from July 2015 to September 2018. Prior to that, Mr. WANG served as Deputy General Manager of the Human Resources Department of the Head Office of the Bank and Deputy General Manager of Guangdong Branch of the Bank. Mr. WANG graduated and obtained a Master’s Degree in Finance from Nankai University in 1999.

LIU Jiandong
Chief Risk Officer

Chief Risk Officer since February 2019. Mr. LIU joined the Bank in 1991. From March 2014 to February 2019, he served as General Manager of the Credit Management Department of the Bank. Mr. LIU served as General Manager (Investment Banking) of the Corporate Banking Unit of the Bank from February 2011 to March 2014. Mr. LIU previously served as Deputy General Manager of the Corporate Banking Department and Corporate Banking Unit of the Bank. He graduated from Renmin University of China in 1991, and obtained a Master’s Degree in Economics from Renmin University of China in 2000.

ZHUO Chengwen
Chief Audit Officer

Chief Audit Officer of the Bank since May 2021. Mr. ZHUO joined the Bank in 1995. He served as Chief Risk Officer of BOC Hong Kong (Holdings) Limited from November 2019 to February 2021, Mr. ZHUO served as Chief Executive and Executive Director of BOCG Insurance from June 2016 to November 2019, and as General Manager of the Financial Management Department of the Bank from December 2014 to June 2016. Prior to that, Mr. ZHUO served as Deputy General Manager of New York Branch, Deputy General Manager of the Financial Management Department of the Bank, and Chief Financial Officer of BOC Hong Kong (Holdings) Limited. He concurrently served as General Manager of the Audit Department of the Bank since January 2022. Mr. ZHUO graduated from Peking University with a Master's Degree in Economics in 1995, and obtained a Master's Degree in Business Administration from the City University of New York in 2005. He has the qualification of Certified Public Accountant.

MEI Feiqi
Secretary to the Board of Directors and Company Secretary

Secretary to the Board of Directors since April 2018. Mr. MEI joined the Bank in 1998. He has previously served as Deputy General Manager of the Beijing Branch of the Bank, General Manager (Wealth Management and Personal Banking) of the Personal Banking Unit of the Bank, Spokesman of the Bank and General Manager of the Executive Office of the Bank's Head Office. Prior to joining the Bank, he worked at the Ministry of Geology and Mineral Resources and the General Office of the State Council. He graduated from Chengdu University of Technology with a Bachelor's Degree, and later received on-the-job postgraduate education. He holds the title of Senior Economist.

Changes in Directors, Supervisors and Senior Management Members

Changes in the Bank's directors were as follows:

Mr. WANG Jiang ceased to serve as Vice Chairman, Executive Director and member of the Strategic Development Committee of the Board of Directors of the Bank as of 5 February 2021 due to a change of job.

Mr. LIU Jin began to serve as Vice Chairman, Executive Director and member of the Strategic Development Committee of the Board of Directors of the Bank as of 16 June 2021.

Mr. ZHAO Jie ceased to serve as Non-executive Director, member of the Audit Committee, member of the Risk Policy Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 15 March 2022 due to a change of job.

Changes in the Bank's supervisors were as follows:

Mr. WANG Xiquan ceased to serve as Chairman of the Board of Supervisors, Shareholder Representative Supervisor and Chairman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 18 January 2021 due to reason of age.

Ms. ZHANG Keqiu began to serve as Chairwoman of the Board of Supervisors, Shareholder Representative Supervisor and Chairwoman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 18 January 2021.

Mr. WANG Zhiheng ceased to serve as Employee Supervisor, member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 24 June 2021 due to the reason of work.

Mr. LI Changlin ceased to serve as Employee Supervisor, member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 18 November 2021 due to the expiration of his term of office.

Ms. WEI Hanguang began to serve as Employee Supervisor of the Bank as of 18 November 2021 and began to serve as member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors as of 3 December 2021.

Mr. ZHOU Hehua began to serve as Employee Supervisor of the Bank as of 18 November 2021 and began to serve as member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors as of 3 December 2021.

Mr. HUI Ping began to serve as External Supervisor of the Bank as of 17 February 2022 and began to serve as member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors as of 7 March 2022.

Changes in the Bank's senior management members were as follows:

Mr. WANG Jiang ceased to serve as President of the Bank as of 5 February 2021 due to a change of job.

Mr. CHEN Huaiyu began to serve as Executive Vice President of the Bank as of 19 April 2021.

Mr. LIU Jin began to serve as President of the Bank as of 26 April 2021.

Mr. ZHUO Chengwen began to serve as Chief Audit Officer of the Bank as of 18 May 2021.

Mr. WANG Zhiheng began to serve as Executive Vice President of the Bank as of 17 August 2021.

Mr. ZHENG Guoyu ceased to serve as Executive Vice President of the Bank as of 24 September 2021 due to a change of job.

Mr. LIU Qiuwan ceased to serve as Chief Information Officer of the Bank as of 25 October 2021 due to the reason of age.

The Board of Directors of the Bank considered and approved the proposal regarding the appointment of Ms. ZHAO Rong as Chief Business and Management Officer of the Bank. Such appointment is subject to the approval by regulatory authorities.

The Board of Directors of the Bank considered and approved the proposal regarding the appointment of Ms. MENG Qian as Chief Information Officer of the Bank. Such appointment is subject to the approval by regulatory authorities.

Corporate Governance

Overview of Corporate Governance

The Bank takes excellent corporate governance as an important objective. It has constantly pursued the best practice in corporate governance and integrated the Party's leadership with improvement of corporate governance. Adhering to the rules and regulations governing capital markets and relevant industries, the Bank has made constant efforts to improve its corporate governance framework, which comprises the shareholders' meeting, the Board of Directors, the Board of Supervisors and the Senior Management. This framework operates smoothly owing to a clear division of duties. All special committees of the Board of Directors and the Board of Supervisors have performed their duties and functioned effectively, thereby enhancing the Bank's corporate governance capabilities.

The Bank has been working on improving its corporate governance structure, policies and procedures. It persistently followed up and implemented regulatory requirements on capital market, always choosing to adhere to the strictest available standards. It re-examined and self-inspected its corporate governance policies, and comprehensively and systematically reviewed the Articles of Associations and the rules of procedure of each special committee.

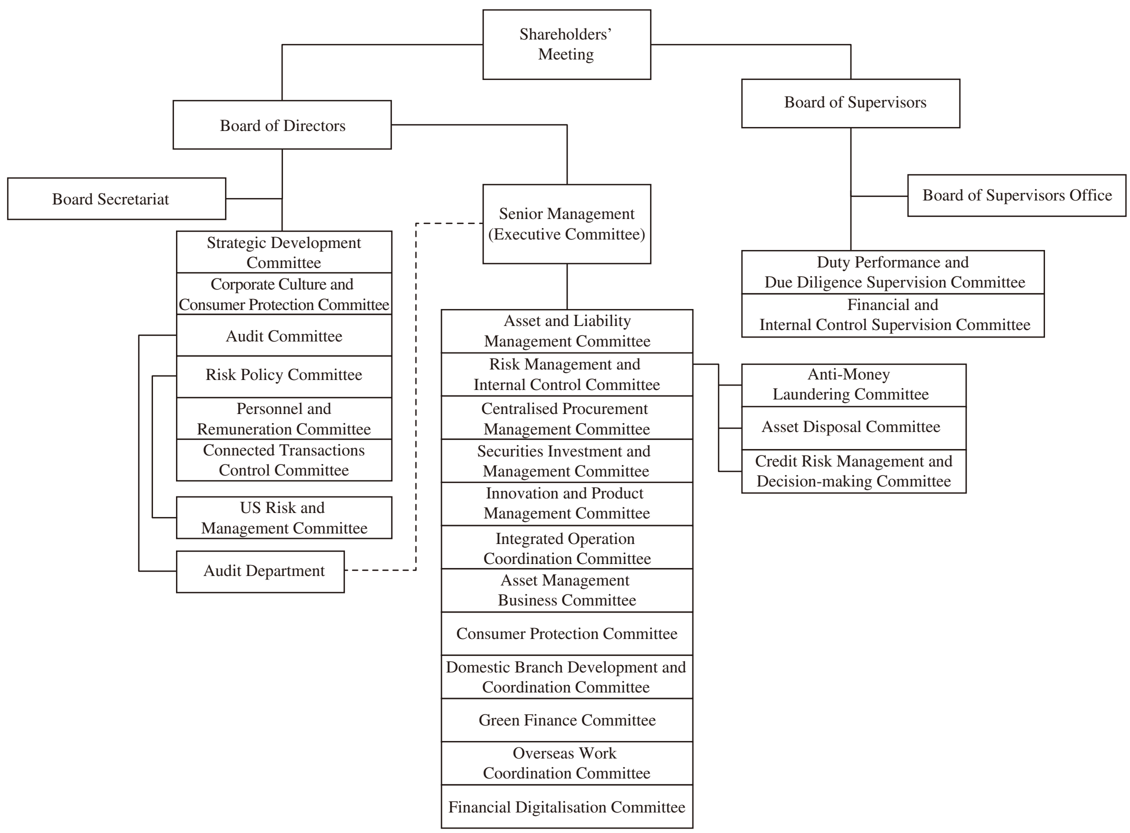
The Bank places great emphasis on improving its corporate governance operation mechanisms. It ensures that minority shareholders are properly informed and able to participate and make decisions. The annual shareholders' meeting is held on-site, and online voting for A-Share Holders is available to safeguard the rights and interests of the minority shareholders. The Bank focuses on constantly enhancing coordination with respect to the operation mechanisms of the Board of Directors, information disclosure and stakeholder engagement. It continues to support the Board of Directors to function more constructively and make scientific and efficient decisions. The Bank works to heighten transparency and proactively perform its duties to the relevant stakeholders, including shareholders, customers, staff and society.

The Bank makes great efforts to promote Board diversity. It has formulated the *Bank of China Limited Board Diversity Policy*, which lays out the stance of the Bank on the diversity of the members of the Board of Directors and the approaches it adopts to realise such diversity on an on-going basis. All appointments are made on merit, in the context of the skills and experience the Board of Directors as a whole requires, and taking into full consideration and from various perspectives the object and requirements for diversity, including but not limited to regulatory requirements, gender, age, cultural and educational background, geographical location, professional experience, skills, knowledge, and length of service of directors, etc. The Bank applies the aforementioned diversity policy and requirements to the director selection and engagement process.

In 2021, according to *the Announcement on Carrying out Special Campaigns on Governance of Listed Companies (CSRC Announcement [2020] No. 69)* and *the Notice of Special Self-inspection on Governance of Listed Companies (CSRC Beijing Office [2020]* No. 628*)*, the Bank carried out special self-inspection on corporate governance and has not found any problems that need to be rectified in accordance with the foregoing regulations.

In 2021, the Bank's corporate governance performance continued to be recognised by the capital markets and the public. It won a number of awards including "Best Company for Investor Relations", "Best Board of Directors for Investor Relations" and "Best Secretary to the Board for Investor Relations" of the 12th Pegasus Award of China's Listed Companies Investor Relations.

Corporate Governance Framework



Corporate Governance Compliance

During the reporting period, the actual performance of the Bank's corporate governance was fully in compliance with laws, administrative regulations, and the requirements for the governance of listed companies of CSRC.

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

Amendments to the Articles of Association

No amendment was made to the Articles of Association in 2021.

Shareholders and Shareholders' Rights

The Bank highly values the protection of its shareholders' interests and has established and maintained an effective and multi-channel shareholder communication platform. This includes holding shareholders' meetings and maintaining an investor hotline to ensure that all shareholders are treated equally, properly informed and able to participate in and exercise their voting and other rights regarding the major issues of the Bank. The Bank is independent and completely autonomous in all of its business operations. It operates independently and separately from its controlling shareholder, Huijin, in respect of its business, personnel, asset, institutional and financial matters.

Shareholders' Right to Convene an Extraordinary Shareholders' Meeting and a Meeting of Shareholders of Different Categories

According to the Articles of Association, shareholders individually or in aggregate holding a total of 10% or more voting shares of the Bank have the right to make a written request to the Board of Directors to convene an extraordinary shareholders' meeting. Two or more shareholders holding a total of 10% or more voting shares of the Bank may sign one or more written requests of identical form and substance requesting the Board of Directors to convene a meeting of shareholders of different categories and stating the subject of the meeting. If the Board of Directors fails to issue a notice of such a meeting within 30 days after receipt of a written request for convening an extraordinary shareholders' meeting or a meeting of shareholders of different categories submitted by the proposing shareholders, the proposing shareholders may by themselves convene the meeting within four months after the Board of Directors receives the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which shareholders' meetings are convened by the Board of Directors. Where the proposing shareholders convene and hold a meeting because the Board of Directors fails to convene such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Bank and shall be deducted from the sums owed by the Bank to the negligent directors.

Shareholders' Right to Propose Resolutions at Shareholders' Meetings

According to the Articles of Association, any shareholder who holds, individually or in aggregate, 3% or more voting shares of the Bank shall have the right to propose a resolution in a shareholders' meeting. Any shareholder who holds, individually or in aggregate, 3% or more voting shares of the Bank shall have the right to propose and submit in writing to the Board of Directors interim proposals 10 days prior to the convening of a shareholders' meeting. When the Board of Directors decides not to include such proposals on the meeting agenda, it shall explain and clarify the reasons at the shareholders' meeting. When the proposing shareholders dissent with the Board of Directors' decision to exclude such proposals, they may request to call for an extraordinary shareholders' meeting by themselves based on the procedures stipulated in the Articles of Association.

Shareholders' Right to Present Enquiries

According to the Articles of Association, any shareholder who holds severally or jointly with others 5% or more voting shares of the Bank shall have the right to present enquiries to the shareholders' meeting. The Board of Directors, the Board of Supervisors, or other relevant senior management members shall attend the shareholders' meeting, accept enquiries, and answer or explain accordingly.

Please refer to the Articles of Association for details of the rights pertaining to shareholders. If shareholders need to contact the Board of Directors regarding the aforementioned items or for other enquiries to the Board of Directors, please refer to the section "Reference for Shareholders — Investor Enquiry" for contact details.

Shareholders' Meeting

Functions and Powers of Shareholders' Meeting

The shareholders' meeting is the body of authority of the Bank. The shareholders' meeting is responsible for making decisions on the important issues of the Bank, including considering and approving the Bank's profit distribution plan, annual financial budget and financial statements, changes in the Bank's registered capital, adopting resolutions on matters such as the issuance of bonds and other securities, merger and division, amending the Articles of Association of the Bank, electing directors, electing shareholders' representative supervisors and external supervisors and deciding the remunerations of directors and supervisors.

Convening of Shareholders' Meeting during the Reporting Period

On 18 January 2021, the Bank held its 2021 First Extraordinary General Meeting on-site in Beijing on 18 January 2021. A-Share Holders could also cast votes online. The meeting considered and approved proposals, including the election of Ms. ZHANG Keqiu to be appointed as Shareholder Representative Supervisor of the Bank, the 2019 remuneration distribution plan for Chairman of the Board of Directors and Executive Directors, and the 2019 remuneration distribution plan for Chairman of the Board of Supervisors and Shareholder Representative Supervisors. All the proposals were ordinary resolutions.

On 20 May 2021, the Bank held its 2020 Annual General Meeting on-site in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved 15 proposals, including the 2020 work report of the Board of Directors, the 2020 work report of the Board of Supervisors, the 2020 annual financial report, the 2020 profit distribution plan, the 2021 annual budget for fixed assets investment, the appointment of the Bank's external auditor for 2021, the 2020 annual remuneration distribution plan for External Supervisors, the election of Mr. LIU Liange to be re-appointed as Executive Director of the Bank, the election of Mr. LIU Jin to be appointed as Executive Director of the Bank, the election of Mr. LIN Jingzhen to be re-appointed as Executive Director of the Bank, the election of Mr. JIANG Guohua to be re-appointed as Independent Non-executive Director of the Bank, the application for provisional authorisation of outbound donations, the bond issuance plan, the issuance of write-down undated capital bonds and the issuance of qualified write-down tier 2 capital instruments. The meeting also heard the report on the connected transactions for 2020, the duty report of independent directors for 2020, and the report on the implementation of the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China Limited* for 2020. The proposals regarding the bond issuance plan, the issuance of write-down undated capital bonds and the issuance of qualified write-down tier 2 capital instruments were special resolutions, while the rest of the proposals were ordinary resolutions.

The aforementioned meetings were convened and held in strict compliance with the relevant laws and regulations as well as the listing rules of the Chinese mainland and Hong Kong. The Bank's directors, supervisors and senior management members attended the meetings and communicated with shareholders on issues of their concern.

The Bank issued announcements on the resolutions and legal opinions of the aforementioned shareholders' meeting on 18 January 2021 and 20 May 2021 respectively, pursuant to regulatory requirements. Please refer to the websites of SSE, HKEX and the Bank.

Implementation of the Resolutions Passed at the Shareholders' Meeting by the Board of Directors

During the reporting period, the Board of Directors has fully implemented the resolutions passed at the shareholders' meeting and the scheme on the authorisation to the Board of Directors granted by the shareholders' meeting, and earnestly carried out the proposals regarding the 2020 profit distribution plan, the 2021 annual budget for fixed assets investment, the bond issuance plan, the appointments of directors and 2021 external auditor, and so on.

Board of Directors

Functions and Powers of the Board of Directors

The Board of Directors, which is responsible to the shareholders' meeting, is the Bank's decision-making body. The Board of Directors exercises the following functions and powers as specified by the Bank's Articles of Association: convening shareholders' meetings and implementing the resolutions of shareholders' meetings; deciding on the Bank's strategic policies, business plans and material investment plans (except for those material investment plans that are subject to shareholders' meeting approval as specified in the Articles of Association); formulating the annual financial budgets, final accounts and plans for profit distribution and loss recovery of the Bank; appointing or dismissing members of special committees and the Senior Management of the Bank; reviewing and deciding on the establishment of the Bank's basic administrative system, internal management framework and important sub-entities; developing and reviewing the corporate governance policies of the Bank; taking charge of performance evaluation and matters of material reward and punishment for senior management members, and hearing the reports of the Senior Management and examining their work, among others. The Board of Directors continuously reviews and updates the Articles of Association and the Bank's corporate governance policies and systems in accordance with the applicable laws and regulations, relevant regulatory requirements and listing rules, and ensures compliance with such policies and systems.

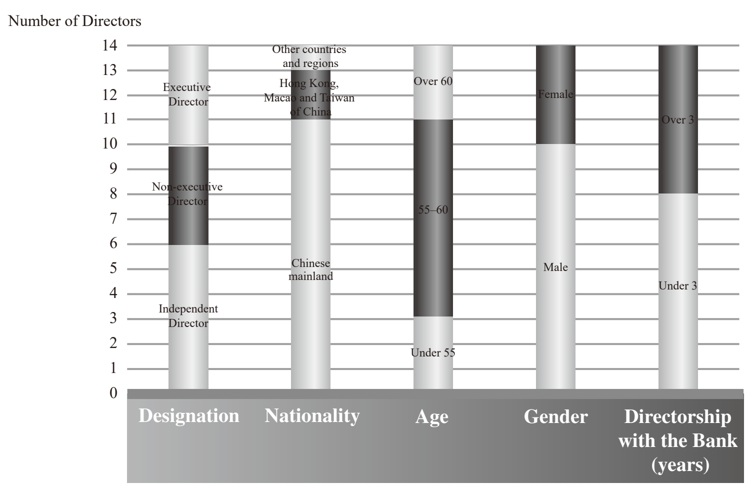
Composition of the Board of Directors

The Board of Directors has set up the Strategic Development Committee, Corporate Culture and Consumer Protection Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee, as well as the US Risk and Management Committee established under the Risk Policy Committee, to assist the Board of Directors in performing its functions under the authorisation of the Board of Directors.

The Board of Directors of the Bank is rationally structured and diversified. Currently, the Board of Directors comprises fourteen members. Besides the Chairman, there are three executive directors, four non-executive directors and six independent directors. The proportion of independent directors reaches one-third of the total number of directors. The Bank's directors are elected at the shareholders' meeting, with a term of office of three years starting from the date when the Bank receives approval of the appointment from CBIRC. A director may serve consecutive terms by re-election and re-appointment unless otherwise specified by laws, regulations, supervisory requirements and the Articles of Association of the Bank. The positions of Chairman and President of the Bank are assumed by two persons.

For detailed background and an explanation of recent changes to the Board membership, please refer to the section "Directors, Supervisors and Senior Management Members".

Board Composition



Convening of Board Meetings

In 2021, the Bank convened ten on-site meetings of the Board of Directors and reviewed and approved 84 proposals on 28 January, 16 March, 30 March, 29 April, 2 July, 30 August, 28 September, 29 October, 13 December and 27 December respectively. The proposals covered matters such as the Bank's regular reports, the nomination of candidates for directorships, the appointment of senior management members, the issuance of bonds, and profit distribution, etc. It also heard 20 reports related to the anti-money laundering work, strategy implementation, country risk management, green finance development and other matters.

In 2021, the Bank convened four meetings of the Board of Directors via written resolutions. At these meetings, the Board of Directors mainly reviewed and approved the proposals regarding donation to disaster relief in Henan Province, among others.

Risk Management and Internal Control by the Board of Directors and its Special Committees

The Board of Directors of the Bank considers a sound risk management system to be the basic prerequisite of realising the Bank's strategic goals. By continuously improving the independence, specialisation, foresight, and initiative of its risk management function, the Bank ensures the sound and sustainable development of its banking businesses and creates greater value for shareholders.

According to regulatory rules and internal management requirements, the Senior Management submits important risk management policies, rules and procedures to the Board of Directors and Risk Policy Committee for review and approval. The Risk Policy Committee regularly reviews the Group's overall risk status (covering major risk categories such as credit risk, market risk, operational risk, liquidity risk, legal and compliance risk and reputational risk) and upcoming work plan and puts forward corresponding work requirements.

The Board of Directors and its Risk Policy Committee have acknowledged the full effectiveness of the existing risk management system of the Bank based on their close monitoring and quarterly evaluation of the system's effectiveness.

The Board of Directors attached great importance to the Group's far-reaching internal control system and continued to promote its development. It regularly heard and reviewed Senior Management reports concerning the implementation of the *Guidelines on Internal Control of Commercial Banks*, bank-wide operational management, risk management, fraud case management and internal control system development and assessment, thus earnestly assuming its responsibility to improve and deliver a sound and effective internal control function.

The Audit Committee under the Board of Directors closely monitored the changing economic and financial environment at home and abroad, as well as the overall conditions of the Group's internal control function, including the establishment and operation of its internal control systems for both financial reporting and non-financial reporting. In addition, the committee heard and reviewed, on a regular and ad hoc basis, internal audit reports and assessment opinions on internal control, reports on the progress of internal control improvements and remediation suggested by external auditors, as well as the overall situation regarding the prevention, control and redress of fraud cases and risk events.

During the reporting period, the Bank performed self-assessment on internal control in line with the *Basic Standard for Enterprise Internal Control* and its supporting guidelines. No material deficiencies were identified in the internal control systems for both the financial reporting and non-financial reporting of the Bank. PricewaterhouseCoopers Zhong Tian LLP, as the Bank's external auditor for internal control, audited the effectiveness of the Bank's internal controls over financial reporting and issued a standard unqualified opinion. The *2021 Internal Control Assessment Report of Bank of China Limited* and the *2021 Auditor's Report on Internal Control* issued by PricewaterhouseCoopers Zhong Tian LLP have been published on the websites of SSE, HKEX and the Bank.

Duty Performance of Directors

Directors' Attendance of Shareholders' Meetings, Meetings of the Board of Directors and Special Committees

During the reporting period, the attendance rate of each director of the shareholders' meetings, meetings of the Board of Directors and special committees is given below.

Number of meetings attended in person/Number of meetings convened during term of office

			Meetings of the Special Committees of the Board of Directors					
Directors	Shareholders' Meetings	Meetings of the Board of Directors	Strategic Development Committee	Corporate Culture and Consumer Protection Committee	Audit Committee	Risk Policy Committee	Personnel and Remuneration Committee	Connected Transactions Control Committee
Incumbent Directors								
LIU Liange	2/2	13/14	8/8	3/4	–	–	–	–
LIU Jin	0/0	5/7	4/4	–	–	–	–	–
WANG Wei	2/2	13/14	–	–	–	–	–	3/3
LIN Jingzhen	2/2	14/14	–	–	–	8/8	–	–
XIAO Lihong	2/2	14/14	8/8	–	–	8/8	–	–
WANG Xiaoya	2/2	14/14	8/8	4/4	–	–	8/8	–
ZHANG Jiangang	2/2	14/14	8/8	–	6/7	–	–	–
CHEN Jianbo	2/2	14/14	8/8	4/4	–	8/8	–	–
WANG Changyun	2/2	13/14	7/8	–	6/7	8/8	8/8	–
Angela CHAO	1/2	12/14	–	–	2/7	1/8	–	0/3
JIANG Guohua	2/2	13/14	7/8	4/4	6/7	–	6/8	2/3
Martin Cheung Kong LIAO	2/2	13/14	7/8	–	7/7	–	8/8	3/3
CHEN Chunhua	2/2	12/14	7/8	3/4	–	–	8/8	–
CHUI Sai Peng Jose	2/2	12/14	–	3/4	7/7	–	8/8	3/3
Former Directors								
WANG Jiang	1/1	0/1	0/1	–	–	–	–	–
ZHAO Jie	2/2	14/14	–	–	7/7	8/8	8/8	–

Notes:

1. Mr. LIU Jin, Mr. WANG Wei, Mr. ZHANG Jiangang, Mr. WANG Changyun, Ms. Angela CHAO, Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO, Ms. CHEN Chunhua and Mr. CHUI Sai Peng Jose, all of whom were unable to attend the Meetings of the Board of Directors and Meetings of the Special Committees of the Board of Directors in person, had appointed other Directors to attend and exercise their voting rights on their behalf.

2. During the reporting period, three directors have abstained from voting or voted against related proposals. Director ZHANG Jiangang proposed that a few clauses of Management Measures for Financial Services in Response to Emergencies should be further refined according to the requirements of the regulatory measures. Director XIAO Lihong proposed that regarding the Internal Capital Adequacy Assessment Report, there was room for improvement in the comprehensive risk management capability and policy due to the rather weak foundation. Director ZHAO Jie proposed that a project plan should be further refined according to the business environment.

Training and Expertise Enhancement of Directors

In 2021, the Board of Directors paid significant attention to enhancing directors' expertise, with a special focus on arranging relevant training. All directors of the Bank fully observed Rule A.6.5 of the *Code* as well as PRC regulatory requirements, actively participating in specialised training including sessions on artificial intelligence enabling future business, the current state of international financial market development and the opportunities and challenges facing the global development of commercial banks, anti-money laundering policy interpretation and sanction violation case analysis, green finance and the digital economy. The Bank's directors also took it upon themselves to enhance their professional skills in various ways, including writing and publishing professional articles, attending forums and seminars, meeting with domestic and overseas regulators, and conducting on-site research exercises at the Bank's domestic and overseas branches as well as at other advanced banks.

Independence and Duty Performance of Independent Directors

There are currently six independent directors on the Board of Directors. This reaches one-third of the total number of directors and is thus in compliance with the quorum requirement specified in the Articles of Association and relevant regulatory requirements. For the professional backgrounds and other details of the independent directors, please refer to the section "Directors, Supervisors and Senior Management Members". Independent directors individually serve as the Chairman of the Corporate Culture and Consumer Protection Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee. As stipulated in the relevant domestic regulatory requirements and Rule 3.13 of the Hong Kong Listing Rules, the Bank has received the annual confirmation in writing from each independent director with regard to their independence. Based on these confirmations and relevant information in possession of the Board of Directors, the Bank confirms their independent status.

In 2021, the Bank's independent directors attended meetings of the Board of Directors, reviewed proposals, participated in discussions and offered their professional opinions independently, objectively and diligently, in accordance with the Articles of Association, the *Procedural Rules for Board of Directors of Bank of China Limited* and the *Work Rules of Independent Directors of Bank of China Limited*. Please refer to the section "Directors' Attendance of the Shareholders' Meeting, Meetings of the Board of Directors and Special Committees" for the attendance of independent directors at meetings.

In 2021, independent directors put forward constructive recommendations on the Bank's 14th Five-Year Plan, corporate culture building, comprehensive risk management, globalised and integrated operations, green finance and FinTech, among others. These recommendations were adopted and diligently implemented by the Bank.

In 2021, independent directors held no objection to proposals of the meetings of the Board of Directors and special committees.

Specific Explanation and Independent Opinions of Independent Directors on the Guarantee Business of the Bank

Pursuant to the relevant provisions and requirements of CSRC and SSE, and according to the principles of justice, fairness and objectivity, the Independent Directors of the Bank, Mr. WANG Changyun, Ms. Angela CHAO, Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO, Ms. CHEN Chunhua and Mr. CHUI Sai Peng Jose have provided the following information regarding the Bank's guarantee business:

The guarantee business is one of the Bank's ordinary business activities approved by PBOC and CBIRC. The Bank has formulated specific management measures, operational processes and approval procedures in light of the risks of the guarantee business and carried out this business accordingly. The Bank's guarantee business principally comprises letters of guarantee. As at 31 December 2021, the outstanding amount of letters of guarantee issued by the Bank was RMB1,086.152 billion.

Responsibility Statement of Directors on Financial Reports

The following statement, which sets out the responsibilities of the directors regarding financial statements, should be read in conjunction with, but understood separately from, the auditor's statement of their responsibilities as set out in the Independent Auditor's Report contained in this annual report.

The directors acknowledge that they are responsible for preparing financial statements of the Bank that truly represent the operating results of the Bank for each financial year. To the best knowledge of the directors, there was no material event or condition during the reporting period that might have a material adverse effect on the continuing operation of the Bank.

Special Committees of the Board of Directors

Strategic Development Committee

The Strategic Development Committee comprises ten members, including Chairman Mr. LIU Liange, Vice Chairman and President Mr. LIU Jin, Non-executive Directors Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. ZHANG Jiangang and Mr. CHEN Jianbo and Independent Directors Mr. WANG Changyun, Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO and Ms. CHEN Chunhua. Chairman Mr. LIU Liange serves as the Chairman of the committee.

The committee is mainly responsible for reviewing the strategic development plans presented by the Senior Management, assessing the factors that may affect the strategies of the Bank and their implementation, and advising the Board with regard to strategy adjustments; reviewing the annual budget, strategic capital allocation, the objectives of asset-liability management, IT development and other special strategic development plans of the Bank, and advising the Board accordingly; coordinating strategies on the overall development of various financial businesses and the development of domestic and overseas institutions, and deciding on the setup, cancellation and increase or decrease of capital of the Bank's domestic and overseas institutions within its scope of authorisation; designing and formulating key investment and financing plans and merger and acquisition plans of the Bank; and reviewing the substantial internal reorganisation and adjustment plans of the Bank, and advising the Board accordingly; reviewing the Bank's green credit strategy and making relevant suggestions to the Board; establishing the Bank's strategic development plan and basic management regimes with regard to inclusive finance business, reviewing the annual business plan and assessment measures of the inclusive finance business, and supervising the Bank's implementation of inclusive finance strategies, policies and regulations.

In 2021, the Strategic Development Committee held six on-site meetings on 28 January, 30 March, 29 April, 30 August, 29 October and 13 December, respectively, and two meetings via written resolutions. At these meetings, it mainly reviewed the proposals on Outline of 14th Five-Year Development Plan (2021-2025) and Long-Range Objectives through the Year 2035 for Bank of China, Green Financial Plan, Plan for Data Strategy, Inclusive Finance Plan, Fintech Plan, Capital Management Plan, the business plan and financial budget of Bank of China for 2021, the profit distribution plan of Bank of China for 2020, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments, the dividend distribution plan of offshore preference shares, the bond issuance plan, and an application for a special external donation limit for targeted support.

In addition, in response to changes in international and domestic economic and financial situations, the Strategic Development Committee stepped up its analysis of the prevailing opportunities and challenges, and put forward many important comments and recommendations regarding the Bank's efforts to implement its Development Plan, accelerating the pace of transformation, and improving the quality and efficiency in serving the real economy, thus providing strong support to the scientific decision-making of the Board of Directors.

Corporate Culture and Consumer Protection Committee

The Corporate Culture and Consumer Protection Committee comprises six members, including Chairman Mr. LIU Liange, Non-executive Directors Ms. WANG Xiaoya and Mr. CHEN Jianbo, and Independent Directors Mr. JIANG Guohua, Ms. CHEN Chunhua and Mr. CHUI Sai Peng Jose. Independent Director Ms. CHEN Chunhua serves as the Chairwoman of the committee.

The committee is mainly responsible for reviewing and advising the Board of Directors on the Bank's corporate culture development plans and policies, etc., and supervising their implementation, urging the Senior Management to examine and assess the implementation of the Bank's values, and pushing forward the refinement and elaboration, promotion and popularisation, education and training, and implementation of the Bank's value concepts system; urging the management to build a corporate culture work evaluation system, and overseeing and assessing the development and implementation of the Bank's corporate culture; reviewing the employee code of conduct and urging the management to put in place a matching implementation mechanism; reviewing and advising the Board of Directors on the Bank's consumer protection strategies, policies and objectives, etc., and overseeing and evaluating the Bank's consumer protection work; reviewing and advising the Board of Directors on the Bank's environmental, social and governance (ESG) development plans, policies and reports; identifying, assessing and managing important ESG-related matters and building an appropriate and effective ESG risk management and internal control system; regularly hearing the reports on the Bank's corporate culture building, ESG and consumer protection work; and other duties delegated by the Board of Directors.

In 2021, the Corporate Culture and Consumer Protection Committee held four on-site meetings on 30 March, 30 August, 29 October and 30 December respectively, at which it reviewed and approved the *2020 Corporate Social Responsibility Report of Bank of China* and the *2020 Work Report and 2021 Work Plan for Consumer Protection* and the *Consumer Protection Policy of Bank of China Limited*. In addition, it heard the *Report on Consumer Complaints in the First Quarter of 2021* and the *Corporate Culture Building Plan of Bank of China Limited,* etc.

Audit Committee

The Audit Committee comprises six members, including Non-executive Director Mr. ZHANG Jiangang and Independent Directors Mr. WANG Changyun, Ms. Angela CHAO, Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO and Mr. CHUI Sai Peng Jose. Independent Director Mr. JIANG Guohua serves as the Chairman of the committee.

The committee is mainly responsible for reviewing financial reports and other significant accounting policies and regulations formulated by the Senior Management; reviewing the external auditors' audit opinion on financial reporting, annual audit plan and recommendations for management; approving the annual internal audit plan and budget; appraising the duty performance, work quality and effectiveness of the external auditors and internal audit and monitoring their independence; recommending the engagement, reappointment, replacement and audit fee of the external auditors; recommending the appointment and dismissal and appraising the performance of the Chief Audit Officer; overseeing the Bank's internal control function, reviewing material deficiencies in internal control design and execution by the Senior Management and investigating fraud cases; reviewing the employee reporting system and urging the Bank to conduct fair investigations and take appropriate measures regarding matters reported by the employees.

In 2021, the Audit Committee held six on-site meetings on 27 January, 16 March, 26 March, 28 April, 27 August and 28 October, respectively, and one meeting via written resolutions. It mainly reviewed and approved the 2021 priorities, project plan and financial budget for internal audit, and reviewed the Bank's 2020 financial report, 2021 interim financial report and financial reports for the first and third quarters of 2021, the internal control work report for 2020 and the first half of 2021, the 2020 internal control assessment report, and the audit results on internal control and management proposal. In addition, it heard the report on the Senior Management response to Ernst & Young's management proposal for 2020, reports on internal audit in 2020 and the first half of 2021, the special report on IT application in audit, the 2020 report on the overseas supervision information, the report on the progress of the internal control audit of Ernst & Young in 2020, updates on compliance with the principle of independence, the audit plan for 2021 of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, the report on asset quality in the first quarter of 2021, and the report on the prevention and control of external cases in 2020.

Moreover, in response to changes in domestic and overseas economic and financial trends, the Audit Committee paid close attention to developments in the Bank's progress towards improving business performance and cost control. The committee heard the Group risk report and the report on asset quality, among others, thus assisting the Board of Directors in performing its responsibilities and duties. It also put forward many important opinions and suggestions regarding the improvement of the corporate governance mechanism, the enhancement of internal audit independence, the advancement of IT application in audit, the upgrading of credit asset quality and the improvement of internal control measures.

According to the *Procedure Rules on the Preparation of Annual Report of the Board Audit Committee of Bank of China Limited*, prior to the start of audit field work by the auditors, the Audit Committee confirmed with the auditors the details of the 2021 audit plan, including areas of focus for auditing the 2021 Annual Report, risk assessment and identification methods, the application of accounting standards, tests of internal control, compliance and fraud related procedures, and the allocation of human resources. In particular, the committee reminded the auditors to report any difference of judgement between the auditors and the Senior Management during the audit, as well as the process and results of reconciling such differences.

The Audit Committee heard and reviewed reports from the Senior Management concerning the Bank's business performance and primary financial data. It also requested that the Senior Management submit the annual financial statements to the auditors in a timely manner, so as to ensure sufficient time for the annual audit. During the audit, the committee maintained independent communications with the auditors and arranged independent communications between the auditors and the independent directors. At its second meeting of 2022, the Audit Committee reviewed and approved the Bank's 2021 financial statements and submitted them to the Board of Directors for approval.

In accordance with the *Policies of Selection, Rotation and Dismissal for External Auditors of Bank of China Limited*, the external auditor for 2021 made a summary report and submitted a report on their compliance with the principle of independence to the committee.

Risk Policy Committee

The Risk Policy Committee of the Bank comprises five members, including Executive Director Mr. LIN Jingzhen, Non-executive Directors Ms. XIAO Lihong and Mr. CHEN Jianbo, Independent Directors Mr. WANG Changyun and Ms. Angela CHAO. Independent Director Mr. WANG Changyun serves as the Chairman of the committee, and Non-executive Director Ms. XIAO Lihong serves as the Vice Chairwoman of the committee.

The committee is mainly responsible for performing functions and exercising powers in relation to comprehensive risk management; reviewing the Bank's risk management strategies, substantial risk management policies, and risk management procedures and regimes, and advising the Board accordingly; discussing the risk management procedures and regimes with the management and making suggestions on how to improve them in order to ensure that the risk management policies, procedures and regimes are uniformly adhered to throughout the Bank; reviewing the Group's risk data aggregation and risk reporting framework and ensuring that there is adequate resource support in place; examining the material risk activities of the Bank and judiciously exercising veto power regarding commitments that expose the Bank to credit and/or market risk exceeding the individual risk limits approved by the Risk Policy Committee or the Board of Directors or that lead to breaches of approved aggregate limits; supervising the implementation status of the Bank's risk management strategy, policy and procedure, and advising the Board accordingly; examining the Bank's risk management status and reviewing its risk management procedures and regimes; regularly evaluating and hearing reports on the implementation of risk management and internal control responsibilities by the Bank's management, functional departments and institutions, as well as risk data aggregation and risk reporting work, and proposing requirements for improvement; supervising the status of the Bank's compliance with laws and regulations; reviewing and examining relevant basic management policies related to legal compliance and making suggestions which are submitted to the Board for examination and approval, and hearing and examining the report on the implementation status of the legal compliance policy of the Bank; assessing the material investigation results of risk management matters and the management's response to such results (either voluntarily or as required by the Board of Directors); reviewing and approving the Bank's general policy on case prevention and control, and defining the management's functions, powers and authorities in relation to case prevention and control; setting out overall requirements on case prevention and control, and reviewing related working reports; checking and effectively supervising the Bank's case prevention and control work, assessing the effectiveness of case prevention and control, and promoting the building of its case prevention and control management system.

In 2021, the Risk Policy Committee held seven on-site meetings on 27 January, 29 March, 28 April, 29 June, 26 August, 28 September and 27 October, respectively, and one meeting via written resolutions. The Committee mainly considered the comprehensive risk management policy, Group risk appetites statement, trading book market risk limits, liquidity risk management policy, polices for interest rate risk in the banking book, data governance policy, case prevention management policy, management measures for reputation risk, capital adequacy ratio report, internal capital adequacy assessment report and anti-money laundering work report. The committee also regularly reviewed the Group risk reports and other agendas.

In addition, the committee paid close attention to critical risk issues arising from changes in overseas and domestic economic and financial conditions, as well as adjustments to the government's macro policies and overall overseas and domestic regulations. The committee expressed important opinions and recommendations regarding the improvement of the Bank's risk governance mechanism and the effective prevention and control of all kinds of risks.

The US Risk and Management Committee is established under the Risk Policy Committee. It oversees and manages all the risks incurred by the Bank's institutions in the US, and performs the duties of the board of directors of the Bank's New York Branch and its special committees.

The US Risk and Management Committee currently comprises three members, all of whom are members of the Risk Policy Committee, including Non-executive Director Ms. XIAO Lihong, Independent Directors Mr. WANG Changyun and Ms. Angela CHAO. Independent Director Ms. Angela CHAO serves as the Chairwoman of the US Risk and Management Committee.

In 2021, the US Risk and Management Committee convened eight meetings via written resolutions. It regularly reviewed reports regarding the risk management and operations of all of the Bank's institutions in the US, the latest US regulatory trends and dynamics, among others. In addition, the committee reviewed and approved the relevant framework documents and important policies of all the institutions of the Bank in the US according to regulatory requirements.

Personnel and Remuneration Committee

The Personnel and Remuneration Committee comprises six members, including Non-executive Director Ms. WANG Xiaoya, Independent Directors Mr. WANG Changyun, Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO, Ms. CHEN Chunhua and Mr. CHUI Sai Peng Jose. Independent Director Mr. CHUI Sai Peng Jose serves as the Chairman of the committee.

The committee is mainly responsible for assisting the Board of Directors in reviewing the Bank's human resources and remuneration strategies and overseeing their implementation; reviewing the structure, size and composition of the Board of Directors on an annual basis, and making suggestions to the Board regarding the scale and composition of the Board of Directors; studying and reviewing the standards and procedures for selecting, nominating and appointing directors, members of the Board committees and Senior Management, and making relevant recommendations to the Board of Directors; identifying individuals suitably qualified to become directors and making recommendations to the Board of Directors on the selection of individuals nominated for directorships; performing preliminary review of the candidates for Senior Management positions and the chairmanship of Board committees, selecting and nominating candidates for different Board committees, and reporting to the Board of Directors for approval; reviewing, supervising the implementation of and monitoring the remuneration and incentive policies of the Bank; drafting the remuneration distribution plan of directors and senior management members, and making recommendations to the Board of Directors; and formulating the performance appraisal standards for senior management members of the Bank, and evaluating their performances.

In 2021, the Personnel and Remuneration Committee held six on-site meetings on 16 March, 26 March, 28 April, 2 July, 27 August and 28 October, respectively, and two meetings by written resolutions. At these meetings, the committee mainly reviewed the performance evaluation results and remuneration distribution plan for the Chairman, Executive Directors and senior management members for 2020, the 2021 implementation plan for performance evaluation of the Chairman, President and other senior management members, the nomination of Mr. LIU Liange and Mr. LIN Jingzhen to be re-appointed as Executive Directors of the Bank and Mr. JIANG Guohua to be re-appointed as Independent Non-executive Directors of the Bank, the appointment of Mr. LIU Jin as President of the Bank, the nomination of Mr. LIU Jin as candidate for Executive Director of the Bank and the appointment of Mr. LIU Jin as member of the Strategic Development Committee of the Board of Directors of the Bank, the appointment of Mr. CHEN Huaiyu as Executive Vice President of the Bank, the appointment of Mr. WANG Zhiheng as Executive Vice President of the Bank, the appointment of Mr. ZHUO Chengwen as Chief Audit Officer of the Bank, and the nomination of Mr. E Weinan as candidate for Independent Non-executive Director of the Bank, the nomination of Mr. Giovanni TRIA as candidate for Independent Non-executive Director of the Bank, the nomination of Mr. Jean-Louis EKRA as candidate for Independent Non-executive Director of the Bank and the nomination of Mr. HUANG Binghua as candidate for Non-executive Director of the Bank.

According to the Articles of Association of the Bank, any shareholder who holds by himself or jointly with others 3% or more of the total number of voting shares of the Bank may, by submitting a written proposal to the shareholders' meeting, recommend candidates for directorships, provided the number of candidates nominated shall be in accordance with the provisions of the Articles of Association (between 5 and 17) and not exceed the number to be elected. List of candidates for directorships may be recommended by the Board of Directors within the number of candidates stipulated in the Articles of Association, with reference to the diversity policy of the Bank and according to the number to be elected. The Personnel and Remuneration Committee shall undertake a preliminary review of the qualifications and conditions of candidates for directorships, and refer those qualified candidates to the Board of Directors for further examination. After the Board of Directors' approval by resolutions, the candidates shall be referred to the shareholders' meeting in written proposals. When directorships need to be added or filled temporarily, the Board of Directors shall raise the proposal and make recommendation to the shareholders' meeting to elect or replace. During the reporting period, the Bank appointed directors in strict compliance with the Articles of Association.

Connected Transactions Control Committee

The Connected Transactions Control Committee comprises five members, including Executive Director Mr. WANG Wei, Independent Directors Ms. Angela CHAO, Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO and Mr. CHUI Sai Peng Jose. Independent Director Mr. Martin Cheung Kong LIAO serves as the Chairman of the committee.

The committee is mainly responsible for administering the connected transactions of the Bank in accordance with relevant laws, regulations and supervisory rules, and formulating administrative regulations with regard to connected transactions; confirming the Bank's connected parties according to laws, regulations and normative documents, and reporting the relevant confirmation to the Board of Directors and the Board of Supervisors; defining the connected transactions of the Bank in accordance with laws, regulations and normative documents; examining the connected transactions of the Bank pursuant to relevant laws, regulations and normative documents, as well as the business principles of justice and fairness; and examining information disclosure matters related to significant connected transactions of the Bank.

In 2021, the Connected Transactions Control Committee held three on-site meetings on 26 March, 27 August and 28 October, respectively. It mainly reviewed the report on connected transactions in 2020, the report on the CBIRC's *Rules on Connected Transactions of Banking and Insurance Institutions (exposure draft)*, and the report on the impact of the *Personal Information Protection Law* on the Bank's connected transactions management, among others. It also approved the report on the connected party list, among others. During the reporting period, the Connected Transactions Control Committee paid constant attention to the transmission of the Bank's policies and system development for connected transactions, and put forward constructive suggestions in that regard.

Board of Supervisors

Functions and Powers of the Board of Supervisors

The Board of Supervisors is the Bank's supervisory organ and is responsible to the shareholders' meeting. As stipulated in the Company Law and the Articles of Association of the Bank, the Board of Supervisors is responsible for overseeing the work of the Board of Directors so as to ensure the establishment of a prudent operational principle, value criterion and an appropriate development strategy. It supervises the duty performance and due diligence of the Board of Directors, the Senior Management and its members as well as the Bank's financial activities, risk management and internal control.

Composition of the Board of Supervisors

The Board of Supervisors currently comprises seven members. There is one shareholder supervisor (the Chairwoman of the Board of Supervisors), three employee supervisors and three external supervisors. According to the Articles of Association, a supervisor has a term of office of three years and may serve consecutive terms by re-election and re-appointment unless otherwise specified by laws, regulations, supervisory requirements and the Articles of Association of the Bank. Shareholder supervisors and external supervisors are elected or replaced by the shareholders' meeting, while employee supervisors are elected or replaced by the Employee Delegates' Meeting.

The Board of Supervisors has set up the Duty Performance and Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee to assist in performing its authorised duties.

Duty Performance of the Board of Supervisors

In 2021, the Board of Supervisors and its special committees earnestly performed their supervisory responsibilities and reviewed relevant proposals through detailed discussion. The Board of Supervisors held four on-site meetings and three meetings by written resolution, and made relevant resolutions. The Duty Performance and Due Diligence Supervision Committee held four on-site meetings and three meetings by written resolution, while the Finance and Internal Control Supervision Committee held four on-site meetings and one meeting by written resolution. For the performance of and supervisory opinions from the Board of Supervisors during the reporting period, please refer to the section "Report of the Board of Supervisors".

Senior Management

Functions and Powers of the Senior Management

The Senior Management is the executive organ of the Bank. It is headed by the President, with executive vice presidents and other senior management members assisting the President's work. The main functions and powers of the President include presiding over the Bank's daily administrative, business and financial management; organising the implementation of the business plan and investment schemes; drafting basic management regulations and specific rules; nominating candidates for other senior management positions; and reviewing employees' remuneration, benefit, reward and punishment measures.

Duty Performance of the Senior Management

During the reporting period, the Senior Management of the Bank managed the Bank's operations in accordance with the powers bestowed upon it by the Articles of Association and the authorisations of the Board of Directors. Closely adhering to the strategic goal of "Building a First-class Global Banking Group" and to the annual performance objectives approved by the Board of Directors, the Senior Management emphasised on invigorating, adapting to change and driving for major breakthroughs. It accelerated the implementation of various tasks within the Bank's development strategy, and ensured steady improvement in the Group's operating results.

During the reporting period, the Senior Management of the Bank held 24 regular meetings, at which it focused on key operational areas and discussed and decided upon a series of significant matters, including the Group's business development, performance management, risk management, audit supervision, IT development, product and service innovation, integrated operation, globalised development, inclusive finance and scenario building. It also held special meetings to study and make plans for the Group's corporate banking, personal banking, financial markets, channel building, smart operations, compliance management and data governance.

During the reporting period, the former Procurement Review Committee under the Senior Management (Executive Committee) was renamed Centralised Procurement Management Committee, which is responsible for the decision-making management of centralised procurement activities. The Senior Management presided over the Asset and Liability Management Committee, the Risk Management and Internal Control Committee (which governs the Anti-money Laundering Committee, the Asset Disposal Committee and the Credit Risk Management and Decision-making Committee), the Centralised Procurement Management Committee, the Securities Investment and Management Committee, the Innovation and Product Management Committee, the Integrated Operation Coordination Committee, the Asset Management Business Committee, the Consumer Protection Committee, the Domestic Branch Development and Coordination Committee, the Green Finance Committee, the Overseas Work Coordination Committee and the Financial Digitalisation Committee. During the reporting period, all of the committees diligently fulfilled their duties and responsibilities as per the powers specified in their committee charters and the rights delegated by the Executive Committee, and pushed forward the sound development of the Bank's various operations.

Securities Transactions by Directors and Supervisors

Pursuant to domestic and overseas securities regulatory requirements, the Bank formulated and implemented the *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* (the "*Management Rules*") to govern securities transactions by directors, supervisors and senior management members of the Bank. The terms of the *Management Rules* are more stringent than the mandatory standards set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* contained in Appendix 10 to the Hong Kong Listing Rules (the "*Model Code*"). All directors and supervisors confirmed that they had complied with the standards set out in both the *Management Rules* and the *Model Code* throughout the reporting period.

Appointment of External Auditors

Upon approval by the 2020 Annual General Meeting, PricewaterhouseCoopers Zhong Tian LLP was appointed as the Bank's domestic auditor and internal control auditor for 2021, and PricewaterhouseCoopers was appointed as the Bank's international auditor for 2021.

Fees paid to PricewaterhouseCoopers and its member firms for financial statements audit of the Group, including those of the Bank's overseas subsidiaries and branches, were RMB173 million for the year ended 31 December 2021, of which the fees for internal control audit paid to PricewaterhouseCoopers Zhong Tian LLP totalled RMB12 million. The Bank paid RMB12.5781 million for non-auditing services to PricewaterhouseCoopers and its member firms in the year.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have provided audit services to the Bank for one year. Ms. Ho Shuk Ching Margarita, Mr. Zhu Yu, Mr. Li Dan are the certified public accountants who signed the auditor's report on the Bank's financial statements prepared in accordance with CAS for the year ended 31 December 2021.

Investor Relations and Information Disclosure

In 2021, the Bank kept tracked of market dynamics in a timely manner, actively conducted market communication, and continued to build a professional and efficient investor relations management practice. It held its annual and interim results briefing via live-streaming platform and proactively held two quarterly results presentations online, reaching a wide range of domestic and overseas investors of various types and bringing significant efforts and results in investor communication. The Bank conducted in-depth communication with institutional investors, completing over 170 communication activities of various forms. This included attending seminars held by investment banking institutions, holding online non-deal roadshow and thematic meetings, and conducting daily communication etc., while making meeting records for reference. The Bank also attached high importance to minority investor services. It professionally answered investor hotline and email inquiries, promptly responded to inquires from "e-interaction online platform" run by SSE, continued to organise the open day for investors via the roadshow platform run by SSE, and actively participated in the special event of the 3rd "5.15 National Investor Protection Promotion Day" organised by the Listed Companies Association of Beijing. The Bank's external ratings remained unchanged with a stable prospect.

In 2021, the Bank prepared and disclosed its regular and provisional reports in strict adherence to the principles of truthfulness, accuracy, completeness, conciseness and clarity. It continuously enhanced transparency and optimised its information disclosure, focusing on the demands of investors. It continuously enhanced the pertinence and effectiveness of information disclosure in order to guarantee investors' access to relevant information. Through concise and clear language, investors are provided with equal opportunity to access accurate information. The Bank has established a comprehensive and complete information disclosure system and put in place clear specifications regarding information disclosure standard and the scope of application, responsibility and division of work of the parties concerned, as well as information handling and disclosure procedures and internal monitoring measures. During the reporting period, in accordance with the regulatory provisions and based on the Bank's information disclosure practices, it has reviewed and revised its *Bank of China Limited Information Disclosure Policy*. It carefully organised compliance analysis and disclosure of material events, as well as actively exploring and steadily promoting voluntary information disclosure. The Bank reinforced the principal responsibility system and information correspondent mechanism, and promoted the building of a professional team and a strong compliance culture of information disclosure, so as to improve the initiative and long-term perspective of its information disclosure management work. It also carried out the registration and submission of insider information according to relevant regulatory requirements and the rules of the Bank.

In 2021, the Bank continued to enhance its work in investor relations and information disclosure, receiving wide market recognition. It won a number of awards including "Best Investor Relations", "Best Board of Directors for Investor Relations" and "Best Secretary to the Board for Investor Relations" of the 12th Pegasus Award of China's Listed Companies Investor Relations from *Securities Times*. The Bank's annual report won a "Gold Award in the Overall Category of the Annual Report Competition" of the League of American Communications Professionals (LACP). It also won "Honors in Chairman's/President's letter" of the Annual Report Competition (ARC).

Report of the Board of Directors

The Board of Directors is pleased to present its report together with the audited Consolidated Financial Statements of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2021.

Principal Activities

The Bank provides a range of banking and related financial services, including commercial banking, investment banking, direct investment, securities, insurance, fund management, aircraft leasing, asset management, financial technology business and financial leasing.

Major Customers

During the year, the five largest customers of the Group accounted for less than 30% of the interest income and other operating income of the Group.

Results and Profit Distribution

The Bank's annual results for 2021 are set out in the Consolidated Financial Statements. The Board of Directors has recommended a final dividend on ordinary shares for 2021 of RMB2.21 per 10 shares (before tax), subject to the approval of the forthcoming 2021 Annual General Meeting. If approved, the 2021 final dividend on the Bank's ordinary shares will be denominated and declared in RMB and paid in RMB or equivalent Hong Kong dollars. The actual amount distributed in Hong Kong dollars will be calculated according to the average of the exchange rates of HKD to RMB announced by PBOC in the week before the date of the Bank's Annual General Meeting. The A-Share dividend distribution date is expected to be 15 July 2022 and the H-Share dividend distribution date is expected to be 10 August 2022 in accordance with relevant regulatory requirements and business rules. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

At the Bank's 2020 Annual General Meeting held on 20 May 2021, a final dividend on ordinary shares for 2020 of RMB1.97 per 10 shares (before tax) was approved for payment. The A-Share and H-Share dividends were distributed to the shareholders in June 2021 in accordance with relevant regulations. The distribution plan has been accomplished and the actual distributed amount for ordinary shares was approximately RMB57.994 billion (before tax). No interim dividend on ordinary shares was paid for the period ended on 30 June 2021 by the Bank. The Bank did not propose any capitalisation of the capital reserve to share capital in 2021.

On 30 August 2020, the dividend distribution plan for the Bank's Domestic Preference Shares (Second Tranche) was approved by the Board. The Bank distributed a total of RMB1.540 billion (before tax) of dividends on the Domestic Preference Shares (Second Tranche) on 15 March 2021, with an annual dividend rate of 5.50% (before tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 30 October 2020, the dividend distribution plan for the Bank's Offshore Preference Shares (Second Tranche) was approved. The Bank distributed dividends on the Offshore Preference Shares (Second Tranche) on 4 March 2021. According to the Bank's issuance terms of the Offshore Preference Shares (Second Tranche), dividends on Offshore Preference Shares (Second Tranche) were paid in US dollars, with a total of approximately USD102 million (after tax) at an annual dividend rate of 3.60% (after tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 29 April 2021, the dividend distribution plans for the Bank's Domestic Preference Shares (Third and Fourth Tranche) were approved. The Bank distributed a total of RMB3.285 billion (before tax) of dividends on the Domestic Preference Shares (Third Tranche) on 28 June 2021, with an annual dividend rate of 4.50% (before tax). The Bank distributed a total of RMB1.1745 billion (before tax) of dividends on the Domestic Preference Shares (Fourth Tranche) on 30 August 2021, with an annual dividend rate of 4.35% (before tax). The dividend distribution plans have been accomplished.

At the Board meeting held on 29 October 2021, the dividend distribution plan for the Bank's Offshore Preference Shares (Second Tranche) was approved. The Bank distributed dividends on the Offshore Preference Shares (Second Tranche) on 4 March 2022. According to the Bank's issuance terms of the Offshore Preference Shares (Second Tranche), dividends on Offshore Preference Shares (Second Tranche) were paid in US dollars, with a total of approximately USD101.5 million (after tax) at an annual dividend rate of 3.60% (after tax). The dividend distribution plan has been accomplished.

Cash Dividend Payout for Ordinary Shares and Capitalisation of the Capital Reserve to Share Capital for the Past Three Years

Year of dividend distribution	Dividend per share (before tax) (Unit: RMB)	Total dividend (before tax) (Unit: RMB million)	Profit attributable to equity holders of the Bank (Unit: RMB million)	Payout ratio	Capitalisation of the capital reserve to share capital
2021	0.221	65,060	216,559	30%	Nil
2020	0.197	57,994	192,870	30%	Nil
2019	0.191	56,228	187,405	30%	Nil

Formulation and Implementation of Cash Dividend Policy

Ordinary Shares

The Bank takes full account of the return to shareholders, and also takes into account the long-term interests of the Bank, the overall interests of all its shareholders and the sustainable development of the Bank.

The Articles of Association of the Bank states that the Bank should maintain the continuity and stability of its profit distribution policy. It also clarifies the Bank's profit distribution principles, policy and adjustment procedures, the consideration process of the profit distribution plan and other matters. The Bank shall adopt cash dividend as the priority form of profit distribution. Except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive, and that the cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the ordinary shareholders of the Bank. The Bank shall offer online voting to shareholders when considering amendments to the profit distribution policy and profit distribution plan.

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

The dividend distribution plan for ordinary shares of the Bank has been approved by the shareholders' meeting. In 2021, the Bank distributed dividends on ordinary shares for 2020 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

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

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

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

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

The dividend distribution plans for preference shares of the Bank have been approved by the Board of Directors. In 2021, the Bank distributed dividends on domestic and offshore preference shares in strict compliance with the Articles of Association, the terms of issuance of preference shares and the Board of Directors' resolutions on dividend distribution.

Closure of H-Share Register of Members

The H-Share register of members of the Bank will be closed from Saturday, 9 July to Thursday, 14 July 2022 (both days inclusive), for the purpose of determining the list of shareholders entitled to the proposed final dividends on ordinary shares. In order to qualify for the proposed final dividends, the H-Share Holders of the Bank who have not registered the relevant transfer documents are required to lodge them, together with the relevant share certificates, with the H-Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, China, no later than 4:30 p.m. on Friday, 8 July 2022. The ex-dividend date of the Bank's H Shares will be on Thursday, 7 July 2022.

Donations

Charitable donations made by the Group during the reporting period amounted to approximately RMB98.54 million.

Share Capital

As at the latest practicable date prior to the issue of this annual report, the Bank had sufficient public float based on publicly available information, in compliance with the minimum requirement of the Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange at the time of the Bank's listing.

Distributable Reserves

Please refer to Note V.38 to the Consolidated Financial Statements for details of distributable reserves of the Bank.

Fixed Assets

Please refer to Note V.20 to the Consolidated Financial Statements for details of the fixed assets of the Bank.

Financial Summary

Please refer to the section “Financial Highlights” for the summary of the annual results, assets and liabilities of the Bank for the last five years.

Connected Transactions

Under the Hong Kong Listing Rules, transactions between the Bank and its connected persons (as defined under the Hong Kong Listing Rules) constitute connected transactions to the Bank. Such transactions are monitored and administered by the Bank in accordance with the Hong Kong Listing Rules. In 2021, the Bank has engaged in a number of connected transactions with its connected persons in the ordinary and usual course of its business. Such transactions are exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements according to the Hong Kong Listing Rules.

Directors’ Interests in Competing Businesses of the Bank

None of the directors has interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group.

Remuneration Policy of Directors, Supervisors and Senior Management Members

The Bank has formulated a clear regulation on the remuneration of directors, supervisors and senior management members. The remuneration for Chairman of the Board of Directors, President, Chairperson of the Board of Supervisors and executive vice presidents shall be paid in accordance with the rules on remuneration reform for central enterprises, which consists of basic annual remuneration, performance-based annual remuneration and incentive income linked to term appraisal. The remuneration for other senior management members and shareholder supervisors consists of basic annual remuneration and performance-based remuneration, with part of performance-based remuneration paid in a deferred manner. According to the recourse and recovery mechanism for performance-based remuneration of the Bank, if risk losses falling within the employees’ remit and responsibility are exposed in excess during the term of service, the Bank may recover part or all of the performance-based remuneration paid within the corresponding period, and stop the payment of the part that has not been paid. Independent directors as well as external supervisors and employee supervisors are remunerated by the Bank while non-executive directors are not remunerated by the Bank. The Bank remunerates directors, supervisors and senior management members who are employed by the Bank with salaries, bonuses, employer contributions to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund, as well as other monetary income.

Please refer to the section “Directors, Supervisors and Senior Management Members” for details of the remuneration of directors, supervisors and senior management members.

Directors' and Supervisors' Service Contracts

None of the directors or supervisors of the Bank has a service contract with the Bank or its subsidiaries that is not determinable within one year or is not determinable without payment of compensation other than normal statutory compensation.

Directors' and Supervisors' Interests in Transactions, Arrangements and Contracts of Significance

No transaction, arrangement or contract of significance, in relation to the Bank's business to which the Bank, its holding companies, or its subsidiaries or fellow subsidiaries was a party and in which a director or a supervisor or any entity connected with them was materially interested, directly or indirectly, subsisted during the reporting period.

Directors' and Supervisors' Rights to Acquire Shares

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

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

To the best knowledge of the Bank, as at 31 December 2021, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code* as set out in Appendix 10 of the Hong Kong Listing Rules.

Financial, Business and Family Relations among Directors

Directors of the Bank are not related to one another with respect to finance, business and family, or other material relations.

Substantial Shareholder Interests

Please refer to the section "Changes in Shares and Shareholdings of Shareholders" for the details of the Bank's substantial shareholder interests.

Management Contracts

No contract concerning the management or administration of the whole or any substantial part of the business of the Bank was entered into or existed during the reporting period.

Share Appreciation Rights Plan and Share Option Scheme

Please refer to Note V.34 to the Consolidated Financial Statements for details of the share appreciation rights plan and share option scheme of the Group.

Purchase, Sale or Redemption of the Bank's Securities

For details of the Bank's redemption of the Domestic Preference Shares (Second Tranche), please refer to the section "Changes in Shares and Shareholdings of Shareholders" and the Notes to the Consolidated Financial Statements.

Pre-emptive Rights

There are no compulsory provisions for pre-emptive rights requiring the Bank to offer new shares to existing shareholders in proportion to their existing shareholdings under the Articles of Association. The Articles of Association provide that the Bank may increase its capital by public offering, private placing, issuing rights of new shares to existing shareholders or allotting new shares to existing shareholders, transferring its capital reserve, issuing convertible bonds, or through other means as permitted by laws, administrative regulations and relevant regulatory authorities.

Permitted Indemnity Provision

As stipulated in the Articles of Association, within the scope permitted under applicable laws, administrative regulations and the Articles of Association, the Bank may purchase and maintain any liabilities insurance for the Bank's former and incumbent directors. The Bank will indemnify every former and incumbent director out of its own assets against any liability incurred when he/she served as director of the Bank to the maximum extent permitted by law and administrative regulations or alternatively to the extent that it is not prohibited by law and administrative regulations unless it is established that the director has not acted honestly or in good faith in performing his/her duties.

During the reporting period, the Bank renewed its directors' liability insurance to provide protection against claims arising from the lawful discharge of duties by the directors, thus encouraging the directors to fully perform their duties.

Equity-linked Agreement

The Bank has not been engaged in any equity-linked agreement during the reporting period.

Business Review

For disclosures of the Bank in respect of business review under Article 28 of Appendix 16 to the Hong Kong Listing Rules, please refer to sections "Management Discussion and Analysis" and "Corporate Social Responsibilities" and the Consolidated Financial Statements. The relevant disclosure constitutes part of the Report of the Board of Directors.

Use of Raised Funds

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

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

Tax and Tax Relief

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. Shareholders should seek professional advice from their tax and legal advisors. The following cited laws, regulations and stipulations are all relevant provisions issued before 31 December 2021.

A-Share Holders

In accordance with the provisions of the *Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies* (Caishui [2012] No. 85) and the *Notice on Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies* (Caishui [2015] No. 101) issued jointly by MOF, State Administration of Taxation of PRC and CSRC, for shares of listed companies obtained by individuals from public offerings or the transfer market, where the holding period is less than one month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds one year, the dividends and bonuses shall not be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. The individual income tax levied on dividends and bonuses obtained by equity investment funds from listed companies is also calculated in accordance with the aforementioned rules.

In accordance with the provisions of Article 26.2 of the *Enterprise Income Tax Law of the People's Republic of China*, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

In accordance with Article 83 of the *Implementation Rules of Enterprise Income Tax Law of the People's Republic of China*, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26.2 of the *Enterprise Income Tax Law of the People's Republic of China* mean those investment proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

In accordance with the *Enterprise Income Tax Law of the People's Republic of China* and the *Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China*, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

H-Share Holders

In accordance with Chinese tax laws and regulations, the dividends and bonuses received by overseas resident individual shareholders from stocks issued by domestic non-foreign investment enterprises in Hong Kong are subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or to the tax arrangements between the Chinese mainland and Hong Kong and Macao. Accordingly, the Bank generally withholds 10% of the dividends to be distributed to the individual H-Share Holders as individual income tax unless otherwise specified by the relevant tax laws, regulations and agreements.

In accordance with the provisions of the *Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders who are Overseas Non-resident Enterprises* (Guoshuihan [2008] No. 897) published by the State Administration of Taxation of PRC, when Chinese resident enterprises distribute annual dividends for 2008 onwards to H-share holders who are overseas non-resident enterprises, the enterprise income tax shall be withheld at a uniform rate of 10%.

In accordance with the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends on H Shares paid by the Bank.

The tax and tax relief of Shanghai-Hong Kong Stock Connect shall comply with the *Notice on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong* issued jointly by MOF, State Administration of Taxation of PRC, and CSRC.

Domestic Preference Share Holders

The individual income tax levied on dividends obtained by individuals from non-public issuance of domestic preference shares is calculated in accordance with the relevant Chinese tax laws and regulations.

In accordance with the provisions of the *Enterprise Income Tax Law of the People's Republic of China* and the *Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China*, dividend income from domestic preference shares distributed between qualified resident enterprises are non-taxable, and dividend income from domestic preference shares obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

Offshore Preference Share Holders

In accordance with Chinese tax laws and regulations, when distributing dividends to overseas non-resident enterprises on offshore preference shares, the Bank shall withhold enterprise income tax at a rate of 10%.

In accordance with the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of the dividends on offshore preference shares paid by the Bank.

Auditors

Please refer to the section "Corporate Governance — Appointment of External Auditors" for details of the Bank's external auditors.

Consumer Rights Protection

The Bank set up the Corporate Culture and Consumer Protection Committee under the Board of Directors to take charge of the overall planning and guiding of the Group's corporate culture fostering and consumer protection.

In terms of policy formulation, in 2021, the Bank formulated the *Consumer Protection Policy of Bank of China Limited (Version 2021)* and the *Guidelines on the Management of Consumer Financial Marketing and Publicity of Bank of China Limited (Version 2021)*, and revised and issued the *Charter of the Consumer Protection Committee of Bank of China Limited (Version 2021)*, the *Management Measures of Bank of China Limited for Customer Complaints (Version 2021)* and other rules for consumer protection. The Bank further specified the top-level design, overall management, marketing management, complaint management and dispute settlement for consumer protection and pushed for their implementation.

In terms of consumer publicity and education, the Bank actively organised all institutions to carry out publicity and education campaigns on consumer protection and built a publicity and education system wherein the Head Office, branches and comprehensive operation companies coordinate with each other and online and offline activities are integrated. During publicity campaigns themed on "3.15 Rights • Responsibilities • Risks, Financial Consumer Rights Day", the "Promoting Financial Knowledge, Protecting Personal Wealth", the "Financial Knowledge Popularisation" and the "Month of Financial Knowledge Popularisation" held in March, June and September, the Bank launched a variety of stimulating publicity and educational activities both at its outlets and through online media platforms such as WeChat, Weibo, its official website, mobile banking and TikTok, which received warm recognition from regulatory authorities and consumers. For both of the "3.15 Consumer Protection Education and Publicity Week" and the "September Joint Financial Education and Publicity Campaign" in 2021, the Bank was awarded the honorary title of "Excellent Organiser" among banking institutions by regulators. It was also repeatedly praised by regulators for its contributions to the "Financial Consumer Rights Day", "Promoting Financial Knowledge, Protecting Personal Wealth" and "Month of Financial Knowledge Popularisation • Be Rational Financial Investors and Netizens" campaigns.

In terms of complaint management, the Bank adhered to its "customer-centric" business philosophy and reinforced efforts to fulfill its responsibilities. It optimised service procedures and continuously improved customer service experience, thus effectively protecting the legitimate rights and interests of consumers. There were 148 thousand complaints in 2021, a year-on-year decline of 21.1%, representing a downward trend in the total number of annual complaints. Based on analysis by business type, 50.3% of the complaints were about credit cards, 18.1% about debit cards, and 8.1% about loans. The above three types of complaints accounted for 76.5% of the total. From the perspective of complaint reason, 57.4% of the complaints were about policies and procedures, 12.6% about fee rates, and 11.8% about services. The above three types of complaints accounted for 81.8% of the total. From the perspective of geographical distribution, the top five regions in terms of number of complaints in 2021 were Guangdong, Jiangsu, Beijing, Hebei and Shandong.

For detailed information on the Bank's consumer protection, please refer to the *Corporate Social Responsibility Report of Bank of China Limited for 2021 (Environmental Social Governance)*.

Members of the Board of Directors

Executive Directors: LIU Liange, LIU Jin, WANG Wei, LIN Jingzhen

Non-executive Directors: XIAO Lihong, WANG Xiaoya, ZHANG Jiangang, CHEN Jianbo

Independent Directors: WANG Changyun, Angela CHAO, JIANG Guohua, Martin Cheung Kong LIAO, CHEN Chunhua, CHUI Sai Peng Jose

On behalf of the Board of Directors
LIU Liange
Chairman
29 March 2022

Report of the Board of Supervisors

Meetings of the Board of Supervisors

In 2021, the Bank convened four on-site meetings of the Board of Supervisors on 30 March, 29 April, 30 August, 29 October, respectively, as well as three meetings by written resolution of the Board of Supervisors. At these meetings, the Board of Supervisors reviewed and approved 44 proposals regarding the Bank's four regular reports, 2020 profit distribution plan, 2020 internal control assessment report, 2020 corporate social responsibility report, 2020 work report of the Board of Supervisors, evaluation opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors, the Senior Management and its members for 2020, amendments to parts of the Articles of Association relating to the Board of Supervisors, amendments to the *Rules of Procedure of the Board of Supervisors of Bank of China Limited*, formulation of the *Measures for the Performance Evaluation of the Board of Directors, the Board of Supervisors, the Senior Management and its Members of Bank of China Limited (Trial)*, performance evaluation results for the Chairperson of the Board of Supervisors for 2020, and the implementation plan on performance management for the Chairperson of the Board of Supervisors in 2021, performance evaluation results and remuneration distribution plan for external supervisors, advice on nominating Mr. HUI Ping as the external supervisor of the Bank, appointment of Ms. WEI Hanguang as member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors, and the appointment of Mr. ZHOU Hehua as member of the Duty Performance and Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee of the Board of Supervisors, among others. In addition, the Board of Supervisors issued 20 supervision and evaluation opinions regarding the Board of Supervisors on the Bank's strategy implementation in 2020, and the Bank's duty performance in information disclosure, internal control compliance in its foreign exchange business, capital management, liquidity risk management, consolidated management, stress test management, comprehensive risk management, internal control, case prevention, anti-money laundering management, compliance management, internal audit, data governance, existing wealth management rectification, consumer protection, product management, remuneration management, employee behaviour management and market risk management.

In 2021, the attendance rate of each supervisor of the meetings of the Board of Supervisors is given below:

Supervisors	Number of meetings attended in person/ Number of meetings convened during term of office
Incumbent Supervisors	
ZHANG Keqiu	7/7
WEI Hanguang	2/2
ZHOU Hehua	2/2
LENG Jie	7/7
JIANG Xiangsen	7/7
ZHENG Zhiguang	7/7
HUI Ping	0/0
Former Supervisors	
WANG Xiquan	0/0
WANG Zhiheng	3/3
LI Changlin	5/5

In 2021, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held four on-site meetings and three meetings by written resolution, at which it pre-reviewed proposals regarding the evaluation opinions of the Board of Supervisors on the duty performance of the Board of Directors, the Senior Management and its members for 2020, performance evaluation results for the Chairperson of the Board of Supervisors for 2020, implementation plan on performance management for the Chairperson of the Board of Supervisors in 2021, performance evaluation results and remuneration distribution plan for external supervisors, amendments to contents concerning the Board of Supervisors in the Articles of Association, amendments to the *Rules of Procedure of the Board of Supervisors of Bank of China Limited*, amendments to the *Terms of References of Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of Bank of China Limited (Version 2021)*, formulation of the *Measures for the Performance Evaluation of the Board of Directors, the Board of Supervisors, the Senior Management and its Members of Bank of China Limited (Trial)*, among others.

In 2021, the Finance and Internal Control Supervision Committee of the Board of Supervisors held four on-site meetings and one meeting by written resolution, at which it pre-reviewed the proposals regarding the Bank's four regular reports, 2020 profit distribution plan, 2020 internal control assessment report, 2020 corporate social responsibility report, evaluation opinions of the Board of Supervisors on the Bank's strategy implementation in 2020, amendments to the *Implementation Rules for the Work of the Finance and Internal Control Supervision Committee of the Board of Supervisors of Bank of China Limited*, among others.

Performance of Supervision and Inspection by the Board of Supervisors

In 2021, with the aim of building a first-class global banking group and in compliance with relevant laws and regulations, regulatory requirements and the Articles of Association of the Bank, the Board of Supervisors aligned itself with national decisions and plans on economic and financial work, regulatory requirements, Bank-wide work priorities and core supervisory responsibilities. It diligently supervised the Bank's strategies, duty performance, financial management, risk management and internal control, and enhanced self-improvement as well as the quality and effectiveness of its supervision, thus continuously contributing to the high-quality development of the Bank.

Conducted supervision with a focus on the implementation of national decisions and plans. The Board of Supervisors focused on enhancing the Bank's ability to serve the real economy, private enterprises and micro and small-sized enterprises, ensuring stability on six key fronts and maintaining security in six key areas and providing financial support for the implementation of policies and measures such as green and low-carbon economic development, high-level scientific and technological self-reliance, rural revitalisation and promoting common prosperity as well as the nation's major regional development strategies. It also paid close attention to the multiple measures taken by the Bank to stabilise foreign trade, serve the high-level opening-up and contribute to the high-quality development of the Belt and Road by leveraging its advantages in globalised operations. In response to the information obtained, the Board of Supervisors made timely reflections and issued prompts via resolutions of the Board of Supervisors, evaluation opinions of special supervision and quarterly supervision reports. Moreover, it conducted special surveys on the implementation of national decisions and plans for serving the real economy, put forward suggestions to improve the planning system, and strengthened policy research, analysis, and understanding, thus urging the proper implementation of national decisions and plans by the Bank.

Diligently supervised and evaluated the duty performance of directors and senior management members. Supervisors attended the meetings of the Board of Directors and its special committees, as well as meetings of the Senior Management as non-voting attendees, heard reports, participated in symposiums, held interviews, analysed materials and carried out special surveys. This allowed supervisors to stay informed and supervise the performance of the Board of Directors, the Senior Management and its members in the following areas: compliance with laws and regulations and the Articles of Association of the Bank, implementation of national economic and financial policies, regulatory requirements and resolutions of shareholders' general meetings and the Board of Directors, and progress towards improving the operation and management of the Bank. The Board of Supervisors completed four quarterly supervision reports on the duty performance of the Board of Directors and the Senior Management, and expressed supervisory opinions. It also carried out evaluations of duty performance, interviewing members of the Board of Directors and the Senior Management, and issuing annual evaluation opinions on their duty performance based on supervision of their routine duty performance, so as to promote the compliance and effective duty performance of directors and senior management members.

Actively carried out strategy supervision. The Board of Supervisors participated in and supervised the research, formulation, work allocation and implementation of the Group's 14th Five-Year Plan and the Long-Range Objectives Through the Year 2035, to ensure that the Bank's strategies effectively align with the national 14th Five-Year Plan while reflecting the realities of its own development landscape. Focusing on building the "One Mainstay, Two Engines" strategic development pattern, the Board of Supervisors reinforced supervision of key strategic areas such as the "Eight Priority Areas". Furthermore, it regularly reviewed the strategy implementation, heard two related reports and issued supervision and evaluation opinions on the Bank's strategy implementation for 2020. By conducting special surveys on strategic management, it put forward recommendations such as improving the governance structure of strategic management and strengthening the management of strategy implementation, so as to promote the implementation of the Group's 14th Five-Year Plan.

Earnestly conducted the review and supervision of financial and regular reports. The Board of Supervisors followed up and supervised the decision-making and implementation progress of major financial activities and matters such as the Bank's annual financial management priorities, annual business plan and financial budget. It regularly reviewed and analysed the Bank's financial and accounting data and strengthened its forward-looking analysis and judgement of the Bank's financial operations by tracking and studying of the macro-economic and financial situation, regulatory policies and peer dynamics. It completed four quarterly supervision reports on the Bank's financial position, and made prompts to take effective measures in order to improve the Bank's financial performance and the far-reaching mechanism for financial compliance. Moreover, the Board of Supervisors consolidated the review and supervision of regular reports, regularly heard reports on operating results and external audit results, supervised and reviewed the authenticity, accuracy and completeness of financial materials such as regular reports, annual financial report and profit distribution plan. All supervisors signed written confirmation opinions regarding the Bank's regular reports, and put forward proposals to strengthen multi-dimensional comprehensive analysis, consolidate the central role of domestic commercial banks, commit long-term efforts to enhancing its overseas operation and management, and improve the market competitiveness of its comprehensive operation companies, in order to facilitate the Group's high-quality development.

Deepened supervision of risk management and internal control. The Board of Supervisors continuously monitored the global political and economic landscape, domestic and overseas pandemic situation and changes in the financial market environment, as well as actively studying and analysing new issues faced by the Bank's risk management and internal control functions, so as to comprehensively understand the Bank's risk management and internal control status and its progress in towards the implementation of key tasks. It also monitored the Bank's fulfillment of risk and internal control-related regulatory indicators, and completed four quarterly supervision reports on risk and internal control, which provided timely risk alerts for incipient and tendentious issues. Emphasising key areas and key links, it intensified its focus on the supervision of credit risk prevention and control under the new situation, risk management and control in the real estate industry, interest rate and exchange rate risk management, case prevention, major risk screening and the establishment of emergency management mechanism and the application of stress test results. Furthermore, it kept a close eye on risks brought by changes in the external situation to cross-border and cross-industry operations, issued prompt alerts to enhance the management of internal control compliance and business continuity in overseas institutions, and strengthened the penetration management of risks in comprehensive operation companies. Focusing on the weak links in the comprehensive risk management and internal control system, it conducted special surveys on the effectiveness of the Bank's comprehensive risk management and internal control and put forward suggestions such as improving the comprehensive risk governance structure, enhancing the Bank's integrated risk management capabilities, consolidating the responsibilities of the internal control "three lines of defence" and strengthening support of internal control resources and support. In addition, it paid close attention to the implementation of the optimisation solutions for the comprehensive risk management system, so as to promote enhanced risk management with a view to better serving the development of the Group.

Strengthened supervision and evaluation in specific fields. In response to regulatory requirements regarding key supervisory matters, the Board of Supervisors optimised its supervision work plan, improved its supervisory analysis framework and indicator system, consolidated its institutional arrangements by which functional departments report to the Board of Supervisors, and issued 20 supervision and evaluation opinions as required.

Leveraged on supervision synergy. The Board of Supervisors adhered to a coordination mechanism between directors and supervisors under which resolutions of the Board of Supervisors are sent to the Board of Directors and briefings of the Board of Directors are sent to the Board of Supervisors. It also continued to jointly carry out activities such as surveys, interviews and training with directors, and reinforced communication and coordination with the Board of Directors and the Senior Management, so as to leverage the governance synergy. In addition, it also deepened cooperation with the internal audit and supervised the work quality of the new external auditors. Moreover, the Board of Supervisors enhanced the coordination with the second and third lines of defence and the comprehensive management departments, and conducted communication and exchanges with major peers, thus broadening its supervision horizon and improving its supervision efficiency.

Strengthened self-improvement. The Board of Supervisors improved its policy system by revising items concerning the Board of Supervisors in the Articles of Association of the Bank, formulating the *Measures for the Performance Evaluation of the Board of Directors, the Board of Supervisors, the Senior Management and its Members (Trial)*, and improving the *Rules of Procedure of the Board of Supervisors,* the *Terms of References of Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors* and the *Implementation Rules for the Work of the Finance and Internal Control Supervision Committee of the Board of Supervisors*. Furthermore, it strengthened the supervisory team building and, in accordance with the laws, regulations and corporate governance procedures, completed the replacement of the Chairperson of the Board of Supervisors, the resignation of two employee supervisors, the appointment of two employee supervisors and the re-appointment of one employee supervisor, and undertook the selection and appointment of external supervisors. To enhance professional competency of supervisors, special training was held for the Board of Supervisors regarding the opportunities and challenges arising from the globalisation of commercial banks as well as the "carbon neutrality" risk management practices of financial institutions. The Board of Supervisors also urged supervisors to perform their duties and responsibilities and completed the annual duty performance evaluation of the Board of Supervisors and its members. All supervisors performed their supervision duties faithfully and diligently, and made efforts to improve their policy level and ability to perform their duties. Besides, they actively attended meetings, earnestly examined proposals, listened to work reports, carried out special surveys, and provided professional, well-considered and independent suggestions.

Promoted improvement and progress through supervision. The Board of Supervisors followed up on the Bank's progress in implementing the rectification of problems identified in national tour inspections, national audits, various regulatory inspections and internal and external audit reports, urged that key issues be effectively rectified and promoted the establishment of a far-reaching mechanism for the rectification of common problems. It gave full play to its constructive supervisory role within the corporate governance system, and offered forward-looking, targeted and practical suggestions and supervisory opinions on operation and management to the Board of Directors and the Senior Management, through ways such as sending letters of supervisory recommendations and submitting special survey reports.

The Board of Directors and the Senior Management attached great importance and gave strong support to the work of the Board of Supervisors. By holding Executive Committee meetings and special meetings, issuing written instructions and through other means, they required senior management members and relevant functional departments to carefully study the opinions and suggestions offered by the Board of Supervisors, and push forward the effective transmission, implementation and application of the supervisory results of the Board of Supervisors across the Bank. Effective interaction among the Board of Directors, the Board of Supervisors and the Senior Management boosted the continuous enhancement of the Bank's corporate governance.

During the reporting period, the Board of Supervisors held no objection to such matters under its supervision regarding the Bank's operational and legal compliance, financial position, use of raised funds, purchase and sale of assets, connected transactions, internal control and corporate information disclosure.

Working Performance of the External Supervisors

During the reporting period, Mr. JIA Xiangsen and Mr. ZHENG Zhiguang, the external supervisors of the Bank, performed their supervisory duty in strict accordance with the provisions of the Articles of Association of the Bank. They were present at shareholders' meetings, attended the meetings of the Board of Directors, the Strategic Development Committee, the Corporate Culture and Consumer Protection Committee, the Audit Committee, the Risk Policy Committee, the Personnel and Remuneration Committee and the Connected Transactions Control Committee as non-voting attendees, and attended all meetings of the Board of Supervisors and its special committees during their terms of office. Mr. JIA Xiangsen and Mr. ZHENG Zhiguang, led two special surveys on the effectiveness of comprehensive risk management and the effectiveness of internal control and proposed independent opinions such as strengthening the comprehensive risk management concept, improving the comprehensive risk management system and imposing stricter supervision accountability. Their contributions played an active role in promoting the improvement of the Bank's corporate governance and business management. During the reporting period, Mr. JIA Xiangsen and Mr. ZHENG Zhiguang worked at the Bank for more than 15 working days.

On behalf of the Board of Supervisors
ZHANG Keqiu
Chairwoman of the Board of Supervisors
29 March 2022

Significant Events

Material Litigation and Arbitration

The Bank was involved in certain litigation and arbitration cases in the regular course of its business. In the Bank's regular business operations in different countries and regions across the world, give the range and scale of its international presence, the Bank may be involved in a variety of litigation, arbitration and judicial proceedings within different jurisdictions, and the ultimate outcomes of these proceedings involve various levels of uncertainty. Based upon the opinions of internal and external legal counsels, the senior management of the Bank believes that, at the current stage, these matters will not have a material impact on the financial position or operating results of the Bank. Should the ultimate outcomes of these matters differ from the initially estimated amounts, such differences will impact the profit or loss in the period during which such a determination is made.

Purchase and Sale of Material Assets

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

Implementation of Stock Incentive Plan and Employee Stock Ownership Plan

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

Significant Connected Transactions

The Bank had no significant connected transactions during the reporting period. For details of the related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note V.42 of the Consolidated Financial Information.

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

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

Material Guarantee Business

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

During the reporting period, there is no violation of laws, administrative regulations or rules of CSRC in the Bank's guarantee business.

Other Major Contracts

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

Misappropriation of Funds by Controlling Shareholder and Other Related Parties

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

Undertakings

Huijin made a "non-competing commitment" when the Bank launched its IPO. As at 31 December 2021, Huijin has strictly observed and has not breached such undertaking.

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

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or controlling shareholder was subject to compulsory measures due to alleged crimes, subject to criminal punishment, investigated by CSRC due to potential violation of laws and regulations or subject to administrative punishment by CSRC, or had material administrative punishment imposed on them by other competent authorities. None of the directors, supervisors or senior management members or controlling shareholder was detained by disciplinary inspection and supervision authorities due to any potential material breach of laws, disciplinary regulations or duty crimes, nor did any such matter affect its duty performance. None of the directors, supervisors or senior management members was subject to compulsory measures by other competent authorities due to potential violation of laws and regulations, nor did any such matter affect its duty performance.

Integrity of the Bank and its Controlling Shareholder

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

Information on the Environmental, Social and Governance Performance

For details of the Bank's Information on the Environmental, Social and Governance Performance, Please refer to the *Corporate Social Responsibility Report of Bank of China Limited for 2021 (Environmental Social Governance)* published on the websites of SSE, HKEX and the Bank.

Other Significant Events

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

Independent Auditor's Report

To the Shareholders of Bank of China Limited
(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Bank of China Limited (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 211 to 434, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include principal accounting policies and other explanatory information.

Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit loss ("ECL") for loans and advances to customers
- Valuation of financial investments measured at fair value
- Consolidation of structured entities

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for loans and advances to customers

Refer to Note II 4.6, Note III 1, Note V 9, 17, 23 and Note VI 2.3 of the consolidated financial statements.

As at 31 December 2021, the carrying amount of loans and advances to customers in BOC's consolidated statement of financial position was RMB15,322,484 million. Of these balances, the loans and advances to customers measured at amortised cost of RMB15,319,394 million and loans and advances to customers measured at fair value through other comprehensive income of RMB351,795 million, together with accrued interest were subject to ECL measurement, and an impairment allowance of RMB390,541 million was recognised by management as at 31 December 2021. The impairment losses on loans and advances to customers recognised in the Group's consolidated income statement for the year ended 31 December 2021 amounted to RMB98,298 million.

The Group assessed whether the credit risk of loans and advances to customers had increased significantly since their initial recognition, and applied a three-stage impairment model approach to calculate the ECL. For loans and advances to customers that are classified as stage 1 or stage 2, and those classified as stage 3 (impaired) with individual amount that are relatively insignificant, the Group assessed the ECL using the risk parameter modelling approach that incorporated relevant key risk parameters, including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). For loans and advances to customers classified as stage 3 with individual amount that are relatively significant, the Group assessed ECL for each loan by estimating the future cash flows from the loans.

We understood and evaluated management's internal controls and assessment process for the measurement of ECL for loans and advances to customers. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the complexity of estimation models used, the subjectivity of significant management judgements and assumptions, and susceptibility to management bias.

We assessed the design and tested the operating effectiveness of the key internal controls over the measurement of ECL for loans and advances to customers. These included periodic assessment and approval controls, which primarily include:

(1) internal controls over the ECL model management, including continuous monitoring of the selection of modelling methodologies, model optimisation, approval and application of changes in key parameters, and model back-testing;

(2) internal controls over significant management judgements and assumptions, including portfolio segmentation, parameter estimation, determination and application of criteria to identify significant increases in credit risk, default and credit-impaired assets, as well as economic indicators, economic scenarios and weightings used in forward-looking measurement;

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for loans and advances to customers (Continued)

The measurement of ECL for loans and advances to customers involves significant management judgements and assumptions, mainly on:

(1) Segmentation of portfolios based on credit risk characteristics, selection of appropriate models and determination of relevant key parameters;

(2) Determination and application of criteria to identify significant increase in credit risks and default or credit-impaired assets;

(3) Economic indicators, economic scenarios and weightings used in the forward-looking measurement;

(4) Estimation of future cash flows for stage 3 loans and advances to customers with individual amount that are relatively significant.

We have identified the measurement of ECL for loans and advances to customers as a key audit matter due to the material balance of the Group's loss allowances for loans and advances to customers and high inherent risk given the uncertainty of estimates, adoption of complex models, involvement of significant management judgements and assumptions and use of numerous parameters and data inputs in such measurement.

(3) internal controls over the estimated future cash flows and calculation of present value with respect to loans and advances to customers classified as stage 3 with individual amount that are relatively significant;

(4) internal controls over the accuracy and completeness of key data used by the models;

(5) internal controls over the information technology ("IT") systems for ECL measurement, including information technology general controls ("ITGCs"), data interfaces, application of model parameters and automated IT controls over impairment calculations.

We involved our credit risk experts in evaluating the model methodologies, significant judgements and assumptions, data and key parameters used in the ECL measurement for loans and advances to customers. The substantive audit procedures performed by us were mainly as follows:

(1) we assessed the appropriateness of portfolio segmentation and the models adopted for the measurement of ECL in respect of different portfolios with consideration given to the risk characteristics of loans and advances to customers, the Group's risk management practices and industry practices. We selected samples of ECL calculations and examined whether the models' calculation engines are consistent with the Group's methodologies.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for loans and advances to customers (Continued)

(2) we examined the accuracy and completeness of historical and measurement date data used in the ECL models on a sampling basis, including:

- (i) in respect of PD: financial and non-financial information for determining borrowers' credit rating, overdue repayment status, etc.;
- (ii) in respect of LGD: types of guarantees and collateral, historical actual loss rates, etc.;
- (iii) in respect of EAD: borrowers' outstanding loan balances, interest rates, maturity dates, repayment methods, etc. by agreeing them to loan contracts and other relevant documents. We also agreed the total credit risk exposure in the ECL models to data from other information systems.

(3) in respect of PD and LGD, we assessed the reasonableness of the parameters by comparing the historical expected default and loss given default with the subsequent actual default and loss given default for significant exposures through independent back-testing.

(4) we selected samples and assessed the appropriateness of management's staging classifications and judgements used in determining significant increases in credit risk and identification of default or credit-impaired assets based on the borrower's financial and non-financial information and other external evidence provided by management. We took into consideration the credit risk profile of borrowers and the Group's risk management practices in such assessment.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit loss (“ECL”) for loans and advances to customers (Continued)	
	(5) for forward-looking measurements, we evaluated management’s selection methodology for economic indicators, economic scenarios and weightings assigned based on statistical analysis and expert judgements. We assessed the reasonableness of the forecasted economic indicators by performing back-testing and comparing with publicly available forecasts from third-party institutions. We performed sensitivity analysis on the economic indicators and weightings under different economic scenarios. (6) for individual loans and advances to customers classified as stage 3 which were relatively significant, we examined on a sample basis, the forecasted cash flows prepared by management based on the financial information of borrowers and guarantors, latest collateral valuations and other available information and factors together with discount rates used to support the computation of loss allowances. We checked and evaluated the financial statement disclosures in relation to the measurement of ECL. Based on procedures performed, we considered that the models, significant judgements and assumptions, as well as relevant data and parameters used by management in measuring ECL for loans and advances to customers were supported by the available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Valuation of financial investments measured at fair value

Refer to Note II, 4.4, Note III, 2, Note V, 18 and Note VI, 5.1 of the consolidated financial statements.

As at 31 December 2021, financial investments measured at fair value through profit or loss and financial investments measured at fair value through other comprehensive income of the Group were RMB561,642 million and RMB2,389,830 million respectively, representing 11.04% of total assets. Of these financial investments measured at fair value, (1) financial investments classified as Level 1 fair value, measured using quoted prices (unadjusted) in active markets accounted for 15.47%; (2) financial investments classified as Level 2 fair value, measured using valuation techniques for which inputs are observable for the financial investments, accounted for 79.24%; (3) financial investments classified as Level 3 fair value, measured using valuation techniques using unobservable inputs that have a significant impact on the valuation accounted for 5.29%. Level 3 financial investments mainly include unlisted equity and fund investments held by the Group.

We have identified this as a key audit matter due to the material balance of the financial investments measured at fair value and significant management judgement and assumptions are required, including selection and determination of unobservable inputs, in valuing the financial investments in Level 3.

We understood and evaluated management's internal controls and assessment process over the valuation of financial investments measured at fair value. We assessed the inherent risk of material misstatement by considering the inherent risk factors of the different fair value levels such as the degree of estimation uncertainty, the complexity of valuation techniques and models, the subjectivity of management's judgements and assumptions in selecting valuation techniques, models and inputs and susceptibility to management bias.

We assessed the design and tested the operating effectiveness of the key internal controls over the valuation of financial investments measured at fair value. These included controls over independent price verification, model validation and approval, review and approval of valuation results, and the information technology general controls ("ITGCs") of related systems, systems interfaces of inputs such as market data and automated calculations within the valuation system.

We performed the following substantive procedures over the valuation of financial investments measured at fair value, on a sample basis:

(1) for Level 1 financial investments, we tested their valuations by comparing to quoted prices in active markets.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Valuation of financial investments measured at fair value (Continued)

(2) for Level 2 and Level 3 financial investments:

(i) we assessed the appropriateness of the Group's valuation models and benchmarked against common market models, taking into consideration the product characteristics and industry practice;

(ii) for inputs used for valuation of Level 2 financial investments, we tested the accuracy of inputs to the valuation model by comparing to market observable data;

(iii) for unobservable inputs used for the valuation of Level 3 financial investments, we obtained an understanding of management's methodology for the selection of inputs such as liquidity discounts, discount rates, expected dividend, etc. and assessed the reasonableness and appropriateness of such inputs by examining supporting information and comparing to alternatives in the market with involvement of our internal valuation experts. We also performed sensitivity analysis on the unobservable inputs;

(iv) we engaged internal valuation experts to perform independent valuation testing.

We checked and evaluated the financial statement disclosures in relation to the fair value of financial investments.

Based on the procedures performed, we considered that the judgements and assumptions used by management in valuing financial investments measured at fair value were supported by the available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	
Refer to Note II, 2.1, Note III, 7 and Note V, 45 of the consolidated financial statements. The Group is principally involved with structured entities through sponsoring, managing and/or investing in wealth management products, asset securitisation products, funds, investment trust plans and asset management plans in Chinese Mainland. As at 31 December 2021, the Group's interests in unconsolidated structured entities mainly included (1) the balance of unconsolidated wealth management products and publicly offered funds/asset management plans sponsored by the Group amounted to RMB1,710,750 million and RMB487,438 million, respectively; (2) the balances of interest in unconsolidated structured entities held by the Group through direct investments in fund investments, investment trusts and asset management plans, and asset-backed securitisations sponsored by other financial institutions were RMB68,914 million, RMB12,268 million, and RMB125,081 million, respectively. The Group determines whether to consolidate structured entities based on management's assessment of the Group's control over the structured entities, taking into consideration its power over the structured entities, its exposure or rights to variable returns from its involvement with the structured entities, and its ability to use its power to affect the amount of returns from the structured entities. We have identified this as a key audit matter due to the material balance of structured entities and significant judgements were involved in assessing the Group's control over the structured entities.	We assessed and tested the design and operating effectiveness of the key internal controls over the Group's consolidation of structured entities. These included controls over management's assessment of the transaction structures and contractual terms, calculations of variable returns, as well as review and approval of the consolidation assessments. We performed the following substantive procedures on a sample basis: (1) we inspected the contractual terms of structured entities, understood the purpose of establishment, examined the transaction structure and identified the decision-making mechanism of related activities to assess the rights and obligations of the Group and other investors, as well as the Group's power over the structured entities. (2) we examined the arrangements for investment income, fee income, assets management fees and retained residual income from the structured entities based on the contractual terms including whether liquidity support or other arrangements were provided by the Group to the structured entities, and performed independent analysis and testing to assess the Group's exposure or rights to variable returns from its involvement in related activities with the structured entities.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities (Continued)	(3) we analysed the extent of the Group's decision-making power, the level of returns and the risk of variable returns due to holding other interests in the structured entities to assess whether the Group has the ability to use their power to influence the amount of returns from the structured entities. We also analysed the substantive rights held by other investors to assess whether the Group acted as a principal or an agent in structured entities related transactions. We checked and assessed the financial statement disclosures in relation to the consolidation of structured entities. Based on the procedures performed, we considered that management's judgements on the consolidation of structured entities were supported by the available evidence.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Shuk Ching, Margarita.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2022

Consolidated Financial Statements

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021 (Amount in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Interest income	V.1	789,488	760,070
Interest expense	V.1	(364,346)	(344,152)
Net interest income		**425,142**	**415,918**
Fee and commission income	V.2	94,453	88,640
Fee and commission expense	V.2	(13,027)	(13,118)
Net fee and commission income		**81,426**	**75,522**
Net trading gains	V.3	28,291	8,055
Net gains on transfers of financial asset	V.4	3,197	9,547
Other operating income	V.5	67,661	58,605
Operating income		**605,717**	**567,647**
Operating expenses	V.6	(226,355)	(202,411)
Impairment losses on assets	V.9	(104,220)	(119,016)
Operating profit		**275,142**	**246,220**
Share of results of associates and joint ventures	V.19	1,478	158
Profit before income tax		**276,620**	**246,378**
Income tax expense	V.10	(49,281)	(41,282)
Profit for the year		**227,339**	**205,096**
Attributable to:			
Equity holders of the Bank		216,559	192,870
Non-controlling interests		10,780	12,226
		227,339	**205,096**
Earnings per share (in RMB)	V.11		
— Basic		0.70	0.61
— Diluted		0.70	0.61

For details of the dividends paid or proposed, please refer to Note V.38.3.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021 (Amount in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Profit for the year		**227,339**	**205,096**
Other comprehensive income:	V.12		
Items that will not be reclassified to profit or loss			
— Actuarial (losses)/gains on defined benefit plans		(83)	101
— Changes in fair value on equity instruments designated at fair value through other comprehensive income		150	(651)
— Other		83	10
Subtotal		150	(540)
Items that may be reclassified to profit or loss			
— Changes in fair value on debt instruments measured at fair value through other comprehensive income		5,444	(2,976)
— Allowance for credit losses on debt instruments measured at fair value through other comprehensive income		571	3,084
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method		8	(130)
— Exchange differences from the translation of foreign operations		(12,760)	(21,549)
— Other		351	(751)
Subtotal		(6,386)	(22,322)
Other comprehensive income for the year, net of tax		**(6,236)**	**(22,862)**
Total comprehensive income for the year		**221,103**	**182,234**
Total comprehensive income attributable to:			
Equity holders of the Bank		213,615	177,424
Non-controlling interests		7,488	4,810
		221,103	**182,234**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021 (Amount in millions of Renminbi, unless otherwise stated)

		As at 31 December	
	Note	**2021**	**2020**
ASSETS			
Cash and due from banks and other financial institutions	V.13	644,816	803,145
Balances with central banks	V.14	2,228,726	2,076,840
Placements with and loans to banks and other financial institutions	V.15	1,257,413	939,320
Government certificates of indebtedness for bank notes issued	V.26	175,715	168,608
Precious metals		276,258	223,313
Derivative financial assets	V.16	95,799	171,738
Loans and advances to customers, net	V.17	15,322,484	13,848,304
Financial investments	V.18	6,164,671	5,591,117
— financial assets at fair value through profit or loss		561,642	504,549
— financial assets at fair value through other comprehensive income		2,389,830	2,107,790
— financial assets at amortised cost		3,213,199	2,978,778
Investments in associates and joint ventures	V.19	35,769	33,508
Property and equipment	V.20	246,091	248,589
Investment properties	V.21	19,554	22,065
Deferred income tax assets	V.35	51,172	58,916
Other assets	V.22	203,940	217,196
Total assets		**26,722,408**	**24,402,659**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2021 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 31 December 2021	2020
LIABILITIES			
Due to banks and other financial institutions	V.24	2,682,739	1,917,003
Due to central banks	V.25	955,557	887,811
Bank notes in circulation	V.26	175,605	168,751
Placements from banks and other financial institutions	V.27	407,767	411,949
Financial liabilities held for trading	V.28	12,458	17,912
Derivative financial liabilities	V.16	89,151	212,052
Due to customers	V.29	18,142,887	16,879,171
Bonds issued	V.30	1,388,678	1,244,403
Other borrowings	V.31	26,354	26,034
Current tax liabilities	V.32	45,006	55,665
Retirement benefit obligations	V.33	2,095	2,199
Deferred income tax liabilities	V.35	7,003	6,499
Other liabilities	V.36	436,555	410,373
Total liabilities		**24,371,855**	**22,239,822**
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital	V.37.1	294,388	294,388
Other equity instruments	V.37.3	319,505	277,490
Capital reserve	V.37.2	135,717	135,973
Treasury shares		–	(8)
Other comprehensive income	V.12	1,417	4,309
Statutory reserves	V.38.1	213,930	193,438
General and regulatory reserves	V.38.2	303,209	267,981
Undistributed profits		956,987	864,848
		2,225,153	**2,038,419**
Non-controlling interests	V.39	**125,400**	**124,418**
Total equity		**2,350,553**	**2,162,837**
Total equity and liabilities		**26,722,408**	**24,402,659**

Approved and authorised for issue by the Board of Directors on 29 March 2022.

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

LIU Liange
Director

LIU Jin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021 (Amount in millions of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2021		294,388	277,490	135,973	4,309	193,438	267,981	864,848	(8)	124,418	2,162,837
Total comprehensive income	V.12	–	–	–	(2,944)	–	–	216,559	–	7,488	221,103
Appropriation to statutory reserves	V.38.1	–	–	–	–	20,492	–	(20,492)	–	–	–
Appropriation to general and regulatory reserves	V.38.2	–	–	–	–	–	35,228	(35,228)	–	–	–
Dividends	V.38.3	–	–	–	–	–	–	(68,645)	–	(6,558)	(75,203)
Net change in treasury shares		–	–	–	–	–	–	–	8	–	8
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	41	41
Capital contribution and reduction by other equity instruments holders	V.37.3	–	42,015	(31)	–	–	–	–	–	–	41,984
Other comprehensive income transferred to retained earnings		–	–	–	52	–	–	(52)	–	–	–
Other		–	–	(225)	–	–	–	(3)	–	11	(217)
As at 31 December 2021		294,388	319,505	135,717	1,417	213,930	303,209	956,987	–	125,400	2,350,553

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2021 (Amount in millions of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2020		294,388	199,893	136,012	19,613	174,762	250,100	776,940	(7)	124,995	1,976,696
Total comprehensive income	V.12	–	–	–	(15,446)	–	–	192,870	–	4,810	182,234
Appropriation to statutory reserves	V.38.1	–	–	–	–	18,676	–	(18,676)	–	–	–
Appropriation to general and regulatory reserves	V.38.2	–	–	–	–	–	17,881	(17,881)	–	–	–
Dividends		–	–	–	–	–	–	(68,257)	–	(6,982)	(75,239)
Net change in treasury shares		–	–	–	–	–	–	–	(1)	–	(1)
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	1,358	1,358
Capital contribution and reduction by other equity instruments holders		–	77,597	(37)	–	–	–	–	–	–	77,560
Other comprehensive income transferred to retained earnings		–	–	–	142	–	–	(142)	–	–	–
Other		–	–	(2)	–	–	–	(6)	–	237	229
As at 31 December 2020		294,388	277,490	135,973	4,309	193,438	267,981	864,848	(8)	124,418	2,162,837

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021 (Amount in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2021	2020
Cash flows from operating activities			
Profit before income tax		276,620	246,378
Adjustments:			
Impairment losses on assets		104,220	119,016
Depreciation of property and equipment and right-of-use assets		22,428	22,441
Amortisation of intangible assets and other assets		6,364	5,065
Net gains on disposals of property and equipment, intangible assets and other long-term assets		(781)	(1,246)
Net gains on disposals of investments in subsidiaries, associates and joint ventures		(992)	(202)
Share of results of associates and joint ventures		(1,478)	(158)
Interest income arising from financial investments		(153,859)	(150,553)
Dividends arising from investment securities		(616)	(507)
Net gains on financial investments		(1,755)	(8,486)
Interest expense arising from bonds issued		41,836	35,719
Accreted interest on impaired loans		(728)	(1,236)
Interest expense arising from lease liabilities		742	829
Net changes in operating assets and liabilities:			
Net (increase)/decrease in balances with central banks		(2,710)	47,092
Net decrease/(increase) in due from and placements with and loans to banks and other financial institutions		111,715	(206,736)
Net increase in precious metals		(52,983)	(17,061)
Net increase in loans and advances to customers		(1,564,704)	(1,204,492)
Net decrease/(increase) in other assets		126,476	(4,050)
Net increase in due to banks and other financial institutions		762,120	250,181
Net increase in due to central banks		67,240	43,963
Net decrease in placements from banks and other financial institutions		(4,006)	(226,873)
Net increase in due to customers		1,226,797	1,043,998
Net increase/(decrease) in other borrowings		320	(1,977)
Net (decrease)/increase in other liabilities		(62,752)	140,613
Cash inflow from operating activities		899,514	131,718
Income tax paid		(56,256)	(58,690)
Net cash inflow from operating activities		**843,258**	**73,028**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the year ended 31 December 2021 (Amount in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2021	2020
Cash flows from investing activities			
Proceeds from disposals of property and equipment, intangible assets and other long-term assets		7,781	4,087
Proceeds from disposals of investments in subsidiaries, associates and joint ventures		1,620	1,085
Dividends received		1,288	909
Interest income received from financial investments		151,183	152,114
Proceeds from disposals/maturities of financial investments		3,105,057	3,302,506
Increase in investments in subsidiaries, associates and joint ventures		(2,240)	(12,655)
Purchase of property and equipment, intangible assets and other long-term assets		(30,173)	(39,622)
Purchase of financial investments		(3,630,077)	(3,425,490)
Net cash outflow from investing activities		**(395,561)**	**(17,066)**
Cash flows from financing activities			
Proceeds from issuance of bonds		1,005,299	1,135,331
Proceeds from issuance of other equity instruments		69,984	109,560
Proceeds from capital contribution by non-controlling shareholders		41	1,358
Repayments of debts issued		(869,059)	(984,337)
Cash payments for interest on bonds issued		(22,879)	(23,756)
Repayments of other equity instruments issued		(28,000)	(32,000)
Dividend payments to ordinary shareholders		(57,994)	(56,228)
Dividend and interest payments to other equity instrument holders		(12,230)	(9,720)
Dividend payments to non-controlling shareholders		(6,558)	(6,982)
Other net cash flows from financing activities		(4,260)	(6,609)
Net cash inflow from financing activities		**74,344**	**126,617**
Effect of exchange rate changes on cash and cash equivalents		(41,278)	(33,603)
Net increase in cash and cash equivalents		480,763	148,976
Cash and cash equivalents at beginning of year		1,494,868	1,345,892
Cash and cash equivalents at end of year	V.41	**1,975,631**	**1,494,868**

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

I GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

Bank of China Limited (the "Bank"), formerly known as Bank of China, a State-owned joint stock commercial bank, was founded on 5 February 1912. From its formation until 1949, the Bank performed various functions of a central bank, foreign exchange bank and commercial bank specialising in trade finance. After 1949, the Bank was designated as the state-designated specialised foreign exchange and trade bank. Since 1994, the Bank has evolved into a State-owned commercial bank. In this regard, in accordance with the Master Implementation Plan for the Joint Stock Reform approved by the State Council of the PRC, the Bank was converted into a joint stock commercial bank on 26 August 2004 and its name was changed from Bank of China to Bank of China Limited. In 2006, the Bank listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

The Bank is licensed as a financial institution by the China Banking and Insurance Regulatory Commission (the "CBIRC") No. B0003H111000001 and is issued the business license of legal enterprise with unified social credit code No. 911000001000013428 by the State Administration of Industry and Commerce of the PRC. The registered address is No.1, Fuxingmen Nei Dajie, Beijing, China.

The Bank and its subsidiaries (together the "Group") provide a full range of corporate banking, personal banking, treasury operations, investment banking, insurance and other services to its customers in the Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other major international financial centres.

The Bank's principal regulator is the CBIRC. The operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions of the Group are subject to the supervision of local regulators.

The parent company is Central Huijin Investment Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC").

These consolidated financial statements have been approved by the Board of Directors on 29 March 2022.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). In addition, the consolidated financial statements comply with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and investment properties are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment allowance is recognised and measured in accordance with the relevant policy.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

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

On 1 January 2021, the Group has adopted the following IFRSs and amendments issued by the International Accounting Standards Board ("IASB"), which were mandatorily effective.

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

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

(1) for instruments measured using amortised cost measurement, the amendments provide a practical expedient to account for these changes in the basis for determining contractual cash flows as a result of IBOR Reform. Under the practical expedient, entities will account for these changes by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9 without the recognition of an immediate gain or loss. This practical expedient applies only to such a change and only to the extent that it is necessary as a direct consequence of IBOR Reform, and the new basis for determining the contractual of cash flows is economically equivalent to the previous basis.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards and amendments effective in 2021 relevant to and adopted by the Group (Continued)

(2) the amendments also provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR Reform.

The adoption of the above standards and amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group for the year ended 31 December 2021.

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

Amendment to IFRS 16 — COVID-19 Related rent concessions extension of the practical expedient

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

The adoption of the above standards and amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group for the year ended 31 December 2021.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.3 Standards and amendments that are not yet effective in the current year and have not been adopted before their effective dates by the Group

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

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

IAS 16 Amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.3 Standards and amendments that are not yet effective in the current year and have not been adopted before their effective dates by the Group (Continued)

IAS 37 Amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". Costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Annual Improvements to IFRSs 2018–2020 Cycle were issued in May 2020, including an amendment to IFRS 9 Financial Instruments, which clarifies fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability by conducting the "10 per cent" test for derecognition of financial liabilities. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The improvements also include an amendment to lease incentives, which removes the illustration of payments from the lessor relating to leasehold improvements in illustrative example 13 accompanying IFRS 16 Leases, so as to remove potential confusion regarding the treatment of lease incentives when applying IFRS 16.

IFRS 17 Insurance Contracts and amendments replaced IFRS 4 Insurance Contracts. The standard provides a general model for insurance contracts and two additional approaches: the variable fee approach and the premium allocation approach. IFRS 17 and amendments cover the recognition, measurement, presentation and disclosure of insurance contracts and apply to all types of insurance contracts.

IAS 1 and IFRS Practice Statement 2 Amendments provide guidance to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. The amendments add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.3 Standards and amendments that are not yet effective in the current year and have not been adopted before their effective dates by the Group (Continued)

IAS 8 Amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. It introduces a new definition of "accounting estimates". The amendments are designed to clarify distinction between changes in accounting estimates and changes in accounting policies and correction of errors.

IAS 12 Amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

IFRS 10 and IAS 28 Amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

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

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Consolidation

2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If the changes of the relevant facts and circumstances resulting in changes of relevant elements in the definition of control, the Group will re-evaluate whether subsidiaries are controlled.

The Group uses acquisition method of accounting to account for business combinations. Consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group. Consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement. Goodwill is tested for impairment annually, or more frequently whenever there is an indication of possible impairment, and carried at cost less accumulated impairment losses. If there is any indication that goodwill is impaired, recoverable amount is estimated and the difference between carrying amount and recoverable amount is recognised as an impairment charge. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

2.1 Subsidiaries (Continued)

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. Dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as other operating income. The Group assesses at each financial reporting date whether there is objective evidence that an investment in subsidiaries is impaired. An impairment loss is recognised for the amount by which the investment in subsidiaries' carrying amount exceeds its recoverable amount. Recoverable amount is the higher of the investment in subsidiaries' fair value less costs to sell and value in use.

2.2 Associates and joint ventures

Associates are all entities over which the Group has significant influence but no control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in associates and joint ventures are initially recognised at cost and accounted for using the equity method of accounting. The Group's "Investment in associates and joint ventures" includes goodwill.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is objective evidence that investments in associates and joint ventures are impaired. Impairment losses are recognised for the amounts by which the investments in associates and joint ventures' carrying amounts exceed their recoverable amounts. The recoverable amounts are the higher of investments in associates and joint ventures' fair value less costs to sell and value in use.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

2.3 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to the income statement.

3 Foreign currency translation

3.1 Functional and presentation currency

The functional currency of the Group's operations in the Chinese mainland is Renminbi ("RMB"). Items included in the financial statements of each of the Group's operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The presentation currency of the Group is RMB.

3.2 Transactions and balances

Foreign currency transactions are translated into respective functional currency using the exchange rates prevailing at the dates of the transactions, or the exchange rates that approximate the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

3 Foreign currency translation (Continued)

3.2 Transactions and balances (Continued)

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on all other monetary assets and liabilities are recognised in the income statement.

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the foreign exchange rates at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated using the foreign exchange rates at the date the fair value is determined. Translation differences on non-monetary financial assets classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised as “Net trading gains” in the income statement.

The results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each income statement are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction; and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of customers deposits taken and other currency instruments designated as hedges of such investments are taken to other comprehensive income. When a foreign entity is disposed, these exchange differences are recognised in the income statement.

The effect of exchange rate changes on cash and cash equivalents is presented individually in the statement of cash flows.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments

4.1 Initial recognition and measurement

The Group recognises a financial asset or financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument, which is the trade date.

At initial recognition, the Group measures a financial asset or financial liability at its fair value. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial asset or liability, transaction costs are recognised in the initial measurement.

The fair value of a financial instrument at initial recognition is normally the transaction price. If the Group determines that the fair value at initial recognition differs from the transaction price, and if that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, the Group recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.

4.2 Classification and Subsequent measurement

4.2.1 Financial assets

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Business model

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. For example, financial assets are held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. If above two situations are not applicable, the financial assets are classified as part of "other" business model. The Group's assessment of the business model is performed on a financial asset portfolio basis, and determined on the basis of scenarios which are reasonably expected to occur, taking into account: how cash flows were realised in the past, how the performance are evaluated and reported to the entity's key management personnel; the risks that affect the performance and the way in which those risks are assessed and managed; and how managers of the business are compensated, etc.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.1 Financial assets (Continued)

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to determine whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, the principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

(1) Financial assets at amortised cost

The Group classifies financial assets as subsequently measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group holds are subsequently measured at amortised cost. That is, the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

(2) Financial assets at fair value through other comprehensive income

The Group classifies financial assets as subsequently measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.1 Financial assets (Continued)

(2) Financial assets at fair value through other comprehensive income (Continued)

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income", except for interests calculated using effective interest method, impairment losses or reversal and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. The impairment allowances for such financial assets are recognised in other comprehensive income, impairment losses or reversal are recognised in profit or loss, and not reduce the carrying amount of such financial assets in the statement of financial position.

Investments in equity instruments

The Group may, at initial recognition, irrevocably designate an investment in equity instrument, which is not held for trading, as at fair value through other comprehensive income when it meets the definition of an equity instrument under IAS 32 Financial Instruments: Presentation. When the equity instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from other comprehensive income to undistributed profits under equity. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss. No impairment losses or reversal are recognised for such equity instruments.

(3) Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which includes financial assets held for trading, financial assets designated as at fair value through profit or loss and other financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on such financial asset is recognised in profit or loss unless it is part of a hedging relationship. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.1 Financial assets (Continued)

(3) Financial assets at fair value through profit or loss (Continued)

When, and only when, the Group changes the business model for managing financial assets, the Group shall reclassify all affected financial assets. Reclassification is applied prospectively from the first day of the first reporting period following the change in business model.

4.2.2 Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

- financial guarantee contracts and commitments to provide a loan at a below-market interest rate.

Financial liabilities at fair value through profit or loss held by the Group are subsequently measured at fair value. A gain or loss on a financial liability that is measured at fair value is recognised in profit or loss unless:

- it is part of a hedging relationship; or

- it is a financial liability designated as at fair value through profit or loss and the effects of changes in the Group's credit risk are presented in other comprehensive income. When such financial liability is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to undistributed profits under equity.

The Group does not reclassify any financial liabilities.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.3 Financial assets and financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if it:

- is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

4.2.4 Financial assets and financial liabilities designated as at fair value through profit or loss

The Group may, at initial recognition, irrevocably designate a financial asset or financial liability as measured at fair value through profit or loss, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a portfolio of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the portfolio is provided internally on that basis to the Group's key management personnel; or
- the financial liability contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.3 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies to secure customer loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the financial guarantee contracts are measured at the higher of the initial measurement less amortisation calculated and the impairment allowance determined by the expected credit loss ("ECL") model at the financial reporting date. Any increase in the liability relating to financial guarantee contracts is recognised in the income statement.

Loan commitments are commitments provided by the Group to customers to grant loans under the established contract terms during certain period. The impairment allowance for loan commitments is measured using the ECL model.

The impairment allowances for financial guarantees and loan commitments are presented in "Other liabilities — provision".

4.4 Determination of fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted financial assets and financial liabilities in active markets are based on market prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation techniques and tests for validity using prices from any observable current market transactions in the same instruments.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.5 Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the investments have expired, or when a financial asset is transferred, the Group has transferred substantially all risks and rewards of ownership, or when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

Financial liabilities are derecognised when they are extinguished — that is, when the obligation is discharged, cancelled or expires.

4.6 Impairment measurement for losses on assets

At the financial reporting date, the Group assesses and recognises the relevant impairment allowances for financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of expected credit losses.

Measurement of ECL

ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all cash flows expected to be received by the Group discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets), i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since initial recognition, the Group calculates ECL by three stages:

- Stage 1: Financial instruments without significant increases in credit risk since initial recognition are included under Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;

- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included under Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included under Stage 3, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.6 Impairment measurement for losses on assets (Continued)

Measurement of ECL (Continued)

Where, in the previous accounting period, the impairment allowance of a financial instrument was measured based on the ECL of the instrument over the entire lifetime, and while, at the current financial reporting date, such financial instrument is no longer regarded as experiencing a significant increase in credit risk since its initial recognition, the Group measures the impairment allowance of the financial instrument as at the financial reporting date using the ECL of the instrument over the next 12 months.

For purchased or originated credit-impaired financial assets, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition at the financial reporting date as an impairment allowance. At each financial reporting date, the Group recognises in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss.

The Group measures ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- Time value of money; and

- Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the financial reporting date.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. The parameters, assumptions and estimation techniques used in measuring the ECL are disclosed in Note VI.2.3 measurement of ECL.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.7 Modification of contractual cash flows

The Group sometimes modifies or renegotiates the contractual cash flows with a counterparty, which include extending payment term arrangements, repayment schedule modifications and changes to the interest settlement arrangement. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

If the terms are not substantially different, it does not result in a derecognition of the original financial asset. The risk of default of such assets after modification is assessed at the financial reporting date and compared with the risk under the original terms at initial recognition. The gross carrying amount of the financial asset is recalculated based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate, and the related gain or loss is recognised in profit and loss.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. The Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

4.8 Write off

When the Group determines that a loan has no reasonable prospect of recovery after the Group has taken necessary actions and necessary proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss captured within impairment losses on financial assets.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.9 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. Credit risk valuation adjustments are applied to the Group's over-the-counter derivatives to reflect the credit risk of the counterparties and the Group, respectively. They are dependent on the expected future values of exposures for each counterparty and default probabilities, etc. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The treatment of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but do not qualify for hedge accounting, changes in the fair value of these derivatives are recognised in "Net trading gains" in the income statement.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. When designating a hedging relationship and on an ongoing basis, the Group assesses the hedge effectiveness, that is the extent to which changes in the fair value or cash flows of the hedging instrument offsets changes in fair values or cash flows of the hedged item.

The hedging relationship should meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument. That means the hedging instrument and hedged item have values that generally move in the opposite direction because of the same risk, which is the hedged risk;

- The effect of credit risk does not dominate the value changes that result from that economic relationship; and

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.9 Derivative financial instruments and hedge accounting (Continued)

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Possible sources of ineffectiveness are as follows:

- Notional and timing differences between the hedged items and hedging instruments;

- Significant changes in counterparties' credit risk.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, terminated or exercised (the replacement or rollover of a hedging instrument into another hedging instrument does not constitute an expiration or termination), or the hedging relationship ceases to meet the updated risk management objective, or to meet other qualifying criteria for hedging accounting.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

(1) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with the changes in fair value of the hedged item attributable to the hedged risk. The net result is included as ineffectiveness in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.9 Derivative financial instruments and hedge accounting (Continued)

(2) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in “Other comprehensive income”. The ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the same periods when the hedged future cash flows affect profit or loss.

When the Group discontinues hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, that amount accumulated in the cash flow hedge reserve shall remain in equity. If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss.

(3) Net investment hedge

Net investment hedge is a hedge of a net investment in a foreign operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are reclassified to the income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

When the Group separates the forward element and the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element, the changes in the value of the forward element of the forward contract shall be recognised in other comprehensive income to the extent that it relates to the hedged item.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.10 Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the hybrid (combined) instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is a financial asset, the Group applies the requirements of classification and measurement to the entire hybrid contract. If a hybrid contract contains a host that is not a financial asset, the Group separates the embedded derivative from the host contract and accounts for it as a derivative, if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement.

These embedded derivatives separated from the host contract are measured at fair value with changes in fair value recognised in the income statement.

If it is unable to measure the embedded derivative separately either at acquisition or at the subsequent financial reporting date, the Group will designate the entire hybrid instrument as at fair value through profit or loss.

4.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

5 Precious metals

Precious metals comprise gold, silver and other precious metals. The Group retains all risks and rewards of ownership related to precious metals deposited with the Group, including the right to freely pledge or transfer, and it records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. Precious metals that are not related to the Group's precious metal market making and trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's market making and trading activities are initially recognised at fair value and subsequent changes in fair value included in "net trading gains" are recognised in the income statement.

6 Repurchase agreements, agreements to re-sell and securities lending

Securities and bills sold subject to repurchase agreements ("Repos") continue to be recognised, and are recorded as "Financial investments". The corresponding obligation is included in "Placements from banks and other financial institutions" and "Due to central banks". Securities and bills purchased under agreements to re-sell ("Reverse repos") are not recognised. The receivables are recorded as "Placements with and loans to banks and other financial institutions" or "Balances with central banks", as appropriate.

The difference between purchase and sale price is recognised as "Interest expense" or "Interest income" in the income statement over the life of the agreements using the effective interest method.

Securities lending transactions are generally secured, with collateral taking the form of securities or cash. Securities lent to counterparties by the Group are recorded in the consolidated financial statements. Securities borrowed from counterparties by the Group are not recognised in the consolidated financial statements of the Group. Cash collateral received or advanced is recognised as a liability or an asset in the consolidated financial statements.

7 Property and equipment

The Group's property and equipment mainly comprise buildings, equipment and motor vehicles, aircraft and construction in progress. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in "Property and equipment".

Assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Such initial cost includes expenditure that is directly attributable to the acquisition of the assets.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

7 Property and equipment (Continued)

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Property and equipment are reviewed for impairment at each financial reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant taxes and expenses. These are included in the income statement.

7.1 Buildings, equipment and motor vehicles

Buildings comprise primarily branch and office premises. The estimated useful lives, estimated residual value rate and depreciation rate of buildings, equipment and motor vehicles are as follows:

Type of assets	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings	15–50 years	3%	1.9%–6.5%
Equipment	3–15 years	3%	6.4%–32.4%
Motor vehicles	4–6 years	3%	16.1%–24.3%

7.2 Aircraft

Aircraft are used in the Group's aircraft operating leasing business.

Aircraft are depreciated using the straight-line method over the expected useful life of 25 years, less the years in service at the time of purchase to an estimated residual value rate varying from 0% to 15%.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

7 Property and equipment (Continued)

7.3 Construction in progress

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use and the depreciation charge commences after such assets are transferred to property and equipment.

8 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration.

8.1 As Lessee

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any option to purchase the underlying asset as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when new as a lease of low-value asset. The Group chooses not to recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rental expenses are recognised as “Operating expenses” in the income statement on a straight-line basis over each period of the lease term.

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payment. The economic circumstance and the observable interest rate set the foundation for each institution of the Group in determining the incremental borrowing rate. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the Bank and its subsidiaries and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

8 Leases (Continued)

8.1 As Lessee (Continued)

Right-of-use assets

The right-of-use assets of the Group mainly include buildings, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises:

(1) the amount of the initial measurement of the lease liability;

(2) any lease payments made at or before the commencement date of the lease less any lease incentives received;

(3) any initial direct costs incurred when the Group is a lessee; and

(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liabilities at the present value of the changed lease payments and adjusts the carrying amounts of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

Lease liabilities

At the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

8 Leases (Continued)

8.1 As Lessee (Continued)

Lease liabilities (Continued)

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of lease liabilities in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of lease liabilities are recognised in profit or loss as incurred.

After the commencement date, the Group remeasures lease liabilities by discounting the revised lease payments if any of the following occur: (i) there is a change in the in-substance fixed payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iv) there is a change in the assessments of options to purchase the underlying asset, extend or terminate the lease, or the circumstances of the actual exercise of these options.

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group remeasures the lease term and the lease liability by discounting the revised lease payments using a revised discount rate.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

8 Leases (Continued)

8.2 As Lessor

At the inception date, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.

When the Group is a lessor under finance leases, the Group recognises the finance lease receivable and derecognises the assets under finance leases at the commencement date. The Group recognise assets held under a finance lease in the consolidated statement of financial position and such assets at an amount equal to the net investment in the lease. Net investment in the lease is the present value of the sum of the unguaranteed residual value and the lease payments that are not received at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognises the interest income in each period during the lease term using the constant periodic rate of interest, and recognises such interest income in profit or loss. Income relating to variable lease payments that are not measured as part of the net investment in the lease are recognised in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group reflects the underlying assets as the Group's assets. The rental income is recognised as "Other operating income" in the income statement on a straight-line basis over each period of the lease term. Income relating to variable lease payments that are not measured as part of the receivable in the lease are recognised in profit or loss as incurred.

9 Investment properties

Investment properties, principally consisting of office buildings, are held to generate rental income or earn capital gains or both and are not occupied by the Group. Investment properties are carried at fair value and changes in fair value are recorded in the income statement, representing the open market value and other related information determined periodically by independent appraisers.

10 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned and controlled by the Group, including computer software and other intangible assets.

Computer software and other intangible assets are stated at acquisition cost less accumulated amortisation and impairment. These costs are amortised on a straight-line basis over their estimated useful lives with the amortisation recognised in the income statement.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

10 Intangible assets (Continued)

The value of intangible assets is reviewed for impairment at each financial reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The recoverable amount of an intangible asset is the higher of the asset's fair value less costs to sell and value in use.

11 Repossessed assets

Repossessed assets are initially recognised at fair value of the waived creditors' rights and other costs directly attributable to the assets when they are obtained as compensation for waiving the loans' principal and interest. When there are indicators that the recoverable amount is lower than carrying amount, the carrying amount is brought down to its recoverable amount.

12 Employee benefits

12.1 Defined contribution plans and Defined benefit plans

In accordance with the policies of relevant state and local governments, employees in Chinese mainland participate in various defined contribution retirement schemes administered by local Labour and Social Security Bureaus. Operations in Chinese mainland contribute to pension and insurance schemes administered by the local pension and insurance agencies using applicable contribution rates stipulated in the relevant local regulations. Upon retirement, the local Labour and Social Security Bureaus are responsible for the payment of the basic retirement benefits to the retired employees. In addition to these basic staff pension schemes, employees in Chinese mainland who retire after 1 January 2004 can also voluntarily participate in a defined contribution plan established by the Bank ("the Annuity Plan"). The Bank contributes to the Annuity Plan based on certain percentages of the employees' gross salaries.

All eligible employees in operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions participate in local defined contribution schemes or defined benefit plans.

Contributions made by the Group to the retirement schemes described above are recognised as "Operating expenses" in the income statement as incurred. Forfeited contributions by those employees who leave the schemes prior to the full vesting of their contributions are used to reduce the existing level of contributions or retained in the retirement schemes in accordance with the requirements of the respective defined contribution plans.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

12 Employee benefits (Continued)

12.1 Defined contribution plans and Defined benefit plans (Continued)

The obligations related to the defined benefit plans are calculated by independent actuaries using the projected unit credit method at each financial reporting date with actuarial gains or losses are recognised in "Other comprehensive income" immediately when they occur. Gains or losses arising from amendments to pension plans are charged or credited to the income statement immediately as "Operating expenses" when they occur.

12.2 Retirement benefit obligations

The Group pays supplemental retirement benefits to employees in Chinese mainland who retired prior to 31 December 2003 and early retirement benefits to those employees who accepted an early retirement arrangement.

Supplemental retirement benefits include supplemental pension payments and medical expense coverage.

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

Liabilities related to the above supplemental retirement benefit obligations and early retirement obligations existing at each financial reporting date is calculated by independent actuaries using the projected unit credit method and is recorded as a liability under "Retirement benefit obligations" in the statement of financial position. Liabilities represent the present value determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. Actuarial gains or losses of supplemental retirement benefit are recognised in "Other comprehensive income" immediately when they occur. Actuarial gains or losses of early retirement benefit obligations and gains or losses arising from amendments to retirement benefit obligations are charged or credited to the income statement immediately as "Operating expenses" when they occur.

12.3 Housing funds

Pursuant to local government regulations, all employees in Chinese mainland participate in various local housing funds administered by local governments. Operations in Chinese mainland contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. These payments are recognised as "Operating expenses" in the income statement as incurred.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

12 Employee benefits (Continued)

12.4 Share-based compensation

(1) Equity-settled share-based compensation schemes

Fair value of the employee services received in exchange for the grant of the options under these schemes is recognised as an expense over the vesting period, with a corresponding increase in equity. Total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Fair value of the equity instruments is measured at the grant date and is not subsequently re-measured. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each financial reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, as "Operating expenses" in the income statement over the remaining vesting period, with a corresponding adjustment to "Capital reserve".

The proceeds received net of any directly attributable transaction costs are credited to "Share capital" (nominal value) and "Capital reserve" when the options are exercised.

(2) Cash-settled share-based compensation schemes

The related cost of services received from the employees and the liability to pay for such services are measured at fair value and recognised over the vesting period as the employees render services. Fair value is established at the grant date, re-measured at each financial reporting date with any changes in fair value recognised as "Operating expenses" in the income statement for the period and derecognised when the liability is settled.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the rights granted, excluding the impact of any non-market vesting conditions. Non-market conditions are included in the assumptions about the number of rights that are expected to vest. At each financial reporting date, the Group revises its estimates of the number of rights that are expected to vest. It recognises the impact of the revision to original estimates, if any, as "Operating expenses" in the income statement, with a corresponding adjustment to liability.

12.5 Bonus plans

The Group recognises a liability and an expense for bonuses, taking into consideration its business performance and profit attributable to the Bank's equity holders. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

13 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount initially recognised as a provision should be the best estimate of the expenditure required to settle the present obligation.

14 Insurance contracts

14.1 Insurance contracts classification

The Group's insurance subsidiaries issue insurance contracts that transfer significant insurance risk. The Group performs a significant insurance risk test at the contract initial recognition date. Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. The Group's insurance subsidiaries issue non-life insurance contracts, which cover casualty and property insurance risk, and life insurance contracts, which insure events associated with human life (for example death, or survival) over a long duration.

The Group does not separately measure embedded derivatives that itself meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

14.2 Insurance contracts recognition and measurement

(1) Non-life insurance contracts

Premiums on non-life insurance contracts are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the financial reporting date is reported as the unearned premium liability in "Other liabilities". Claims and loss adjustment expenses are charged to the income statement as "Operating expenses" when incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the financial reporting date even if they have not yet been reported to the Group.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

14 Insurance contracts (Continued)

14.2 Insurance contracts recognition and measurement (Continued)

(2) Life insurance contracts

Premiums on life insurance contracts are recognised as revenue when they become payable by the contract holders. Benefits and claims are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when premiums are recognised. For certain long-term insurance contracts (investment-linked long-term insurance contracts) with embedded derivatives linking payments on the contract to units of an investment fund set up by the Group with the consideration received from the contract holders, the liability is adjusted for all changes in the fair value of the underlying assets, and includes a liability for contractual benefits that are expected to be incurred in the future which is recorded when the premiums are recognised.

14.3 Liability adequacy test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities (including unearned premium in the case of non-life insurance contracts). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement and reported as “Operating expenses”, with a provision established for losses arising from the liability adequacy test.

15 Preference shares and perpetual bonds

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

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

15 Preference shares and perpetual bonds (Continued)

Perpetual bonds issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. Perpetual bonds issued include no terms and arrangements that the bonds must or will alternatively be settled in the Group's own equity instruments. The Group classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity. Interest on perpetual bonds is recognised as profit distribution at the time of declaration.

16 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

17 Fiduciary activities

The Group acts as a custodian, trustee or in other fiduciary capacities, that result in its holding or placing of assets on behalf of individuals, securities investment funds, social security funds, insurance companies, qualified foreign institutional investors, annuity schemes and other customers. These assets are not included in the statement of financial position of the Group, as they are not assets of the Group.

The Group also administers entrusted loans on behalf of third-party lenders. In this regard, the Group grants loans to borrowers, as an intermediary, at the direction of third-party lenders, who fund these loans. The Group has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans, including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with the entrusted loans, but the risk of loss is borne by the third-party lenders. Entrusted loans are not recognised in the statement of financial position of the Group.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

18 Interest income and expense

"Interest income" and "Interest expense" in the Group's income statement are the interest income and expense calculated using the effective interest method on financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial liabilities at amortised cost.

Effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant period. Effective interest rate is that exactly discounts estimated future cash flows through the expected life of a financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating effective interest rate, the Group estimates the expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For those purchased or originated credit-impaired financial assets, the Group calculates the interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. Credit-adjusted effective interest rate is that exactly discounts the estimated future cash flows through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

For those financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the Group calculates the interest income by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

19 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

20 Income taxes

Income taxes comprise current income tax and deferred income tax. Tax is recognised in the income statement except to the extent that it relates to items directly recognised in Equity, in which case, tax is also directly recognised in Equity.

20.1 Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the financial reporting date, and any adjustment to tax payable in respect of previous years.

20.2 Deferred income tax

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related asset is realised, or the liability is settled.

The principal temporary differences arise from asset impairment allowances, revaluation of certain financial assets and financial liabilities including derivative contracts, revaluation of investment properties, depreciation and amortisation, provisions for pension, retirement benefits and salary payables.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised except the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/loss.

For deductible temporary differences associated with investment in subsidiaries, associates and joint ventures, a deferred tax asset is recognised to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/loss.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

20 Income taxes (Continued)

20.2 Deferred income tax (Continued)

Deferred income tax liabilities on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures are recognised, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are related to the same fiscal authority.

21 Segment reporting

The Group reviews the internal reporting in order to assess performance and allocate resources. Segment information is presented on the same basis as the Group's management and internal reporting.

22 Comparative figures

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The accounting estimates and judgements made by the Group will generally affect the carrying amounts of assets and liabilities of the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group has taken into consideration the impact of the economic environment on the industries and territories in which the Group operates when determining critical accounting estimates and judgements in applying accounting policies.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be materially different from the estimates and judgements referred below.

1 Measurement of ECL

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, debt instruments measured at FVOCI and loan commitments and financial guarantee contracts is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Segmentation of portfolios sharing similar credit risk characteristics for the purposes of measuring ECL;
- Selection of appropriate models and assumptions for the measurement of ECL;
- Determination of criteria for determining significant increases in credit risk, default and credit-impaired financial assets;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings for different types of products; and
- Estimation of future cash flows for impaired loans and advances to customers where ECL is being assessed individually.

Refer to Note VI.2.3 measurement of ECL for the description of the parameters, assumptions and estimation techniques used in measuring the ECL.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

2 Fair value of financial instruments

The Group establishes fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against the industry practice and observable current market transactions in the same or similar instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

With respect to the PRC government obligations related to large policy-directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

3 Provisions

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

4 Employee retirement benefit obligations

As described in Note II.12.2 and Note V.33, the Bank has established liabilities in connection with benefits payable to certain retired and early retired employees. These liabilities are calculated using actuarial assumptions such as discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect other comprehensive income, expenses and employee retirement benefit obligations.

5 Taxes

The Group is subject to income, value-added and other taxes in numerous jurisdictions, principally in Chinese mainland and Hong Kong (China). During the ordinary course of business, there are certain transactions and activities for which the final tax treatment is uncertain. The Group takes into account the existing tax legislations and past practice in determining the tax estimates.

Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax, deferred income tax, and value-added tax in the period during which such a determination is made.

6 Impairment of non-financial assets

Non-financial assets are periodically reviewed for impairment and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

When estimating the value in use of aircraft held by the subsidiary, the Group estimates expected future cash flows from the aircraft and uses a suitable discount rate to calculate present value. The Group obtains valuations of aircraft from independent appraisers for which the principal assumptions underlying aircraft value are based on current market transactions for similar aircraft in the same location and condition. The Group also uses the fair value of aircraft obtained from independent appraisers in its assessment of the recoverable amount of intangible assets and the goodwill arising from the purchase of the Group’s aircraft leasing subsidiary.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

7 Judgement in assessing control over structured entities

The Group is involved with structured entities in its normal business course, and the Group determines whether or not to consolidate those structured entities depending on whether the Group has control over them. When assessing control over structured entities, the Group takes consideration of power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and the link between power and returns.

Variable returns the Group is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as investment income, remuneration and exposure to loss from providing credit or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Group not only considers applicable legal or regulatory requirements, and contractual agreements, but also other circumstances where the Group may have obligation to absorb any loss of the structured entity.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

IV TAXATION

The principal income and other taxes to which the Group is subject are listed below:

Taxes	**Tax basis**	**Statutory rates**
Chinese mainland		
Corporate income tax	Taxable income	25%
Value-added tax	Taxable added value	6%
City construction and maintenance tax	Turnover tax paid	1%–7%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%
Hong Kong (China)		
Hong Kong (China) profits tax	Assessable profits	16.5%

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	Year ended 31 December	
	2021	**2020**
Interest income		
Loans and advances to customers	581,000	550,354
— Corporate loans and advances	309,436	299,190
— Personal loans	263,651	241,907
— Discounted bills	7,913	9,257
Financial investments	153,859	150,553
— Financial assets at fair value through other comprehensive income	53,550	55,723
— Financial assets at amortised cost	100,309	94,830
Due from and placements with and loans to banks and other financial institutions and central banks	54,629	59,163
Subtotal	789,488	760,070
Interest expense		
Due to customers	(263,599)	(258,439)
Due to and placements from banks and other financial institutions	(58,447)	(49,419)
Bonds issued and other	(42,300)	(36,294)
Subtotal	(364,346)	(344,152)
Net interest income	425,142	415,918

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Net fee and commission income

	Year ended 31 December	
	2021	**2020**
Agency commissions	29,875	25,367
Settlement and clearing fees	15,371	14,383
Bank card fees	12,717	13,825
Credit commitment fees	11,868	11,912
Custodian and other fiduciary service fees	6,400	4,831
Spread income from foreign exchange business	5,520	5,871
Consultancy and advisory fees	4,576	3,535
Other	8,126	8,916
Fee and commission income	94,453	88,640
Fee and commission expense	(13,027)	(13,118)
Net fee and commission income	81,426	75,522

3 Net trading gains

	Year ended 31 December	
	2021	**2020**
Net gains from foreign exchange and foreign exchange products	3,968	4,007
Net gains from interest rate products	13,065	5,551
Net gains from fund investments and equity products	10,322	5,057
Net gains/(losses) from commodity products	936	(6,560)
Total (1)	28,291	8,055

(1) Included in "Net trading gains" above for the year ended 31 December 2021 were losses of RMB348 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (2020: gains of RMB1,082 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Net gains on transfers of financial asset

	Year ended 31 December	
	2021	2020
Net gains on derecognition of financial assets at fair value through other comprehensive income	2,109	7,987
Net gains on derecognition of financial assets at amortised cost [(1)]	1,088	1,560
Total	3,197	9,547

(1) All the net gains on the derecognition of financial assets at amortised cost result from disposals during the year ended 31 December 2021 and 2020.

5 Other operating income

	Year ended 31 December	
	2021	2020
Insurance premiums [(1)]	33,027	29,676
Aircraft leasing income	12,021	12,300
Revenue from sale of precious metals products	10,004	6,749
Dividend income [(2)]	6,881	5,601
Gains on disposal of property and equipment, intangible assets and other assets	976	1,394
Changes in fair value of investment properties (Note V.21)	(427)	(1,505)
Gains on disposal of subsidiaries, associates and joint ventures	992	202
Other	4,187	4,188
Total	67,661	58,605

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 Other operating income (Continued)

(1) Details of insurance premium income are as follows:

	Year ended 31 December	
	2021	**2020**
Life insurance contracts		
Gross earned premiums	36,806	33,290
Less: gross written premiums ceded to reinsurers	(9,004)	(9,348)
Net insurance premium income	27,802	23,942
Non-life insurance contracts		
Gross earned premiums	6,563	6,953
Less: gross written premiums ceded to reinsurers	(1,338)	(1,219)
Net insurance premium income	5,225	5,734
Total	33,027	29,676

(2) For equity instruments classified as financial assets at fair value through other comprehensive income, RMB616 million of dividend income is recognised for the year ended 31 December 2021 (2020: RMB507 million).

6 Operating expenses

	Year ended 31 December	
	2021	**2020**
Staff costs (Note V.7)	99,317	89,334
General operating and administrative expenses (1) (2)	47,403	38,944
Insurance benefits and claims		
— Life insurance contracts	27,749	26,340
— Non-life insurance contracts	3,830	4,241
Depreciation and amortisation	23,882	22,871
Cost of sales of precious metal products	9,650	6,424
Taxes and surcharges	5,715	5,465
Other	8,809	8,792
Total (3)	226,355	202,411

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 Operating expenses (Continued)

(1) Included in the "General operating and administrative expenses" is principal auditors' remuneration of RMB173 million for the year ended 31 December 2021 (2020: RMB237 million), of which RMB62 million is for Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions of the Group (2020: RMB75 million).

(2) Included in the "General operating and administrative expenses" are lease expenses related to short-term leases, leases of low-value assets and others of RMB1,404 million for the year ended 31 December 2021 (2020: RMB1,302 million).

(3) Included in the "Operating expenses" are premises and equipment-related expenses (mainly comprised of property management and building maintenance expenses and taxes) of RMB12,986 million for the year ended 31 December 2021 (2020: RMB12,810 million).

7 Staff costs

	Year ended 31 December	
	2021	**2020**
Salary, bonus and subsidy	68,798	62,377
Staff welfare	4,664	4,218
Retirement benefits	67	50
Social insurance		
— Medical	3,932	3,109
— Pension	6,205	4,607
— Annuity	3,527	3,440
— Unemployment	213	150
— Injury at work	81	59
— Maternity insurance	135	136
Housing funds	4,940	4,774
Labour union fee and staff education fee	2,052	2,082
Reimbursement for cancellation of labour contract	29	28
Other	4,674	4,304
Total	99,317	89,334

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Directors', supervisors' and senior management's emoluments

Details of the directors' and supervisors' emoluments are as follows:

For the year ended 31 December 2021

	Fees	Remuneration paid	Contributions to pension schemes	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
LIU Liange [4]	–[2]	619	117	85	821
LIU Jin [4][5]	–[2]	465	88	63	616
WANG Wei [4]	–[2]	557	111	84	752
LIN Jingzhen [4]	–[2]	557	111	84	752
WANG Jiang [4][6]	–[2]	51	10	7	68
Non-executive directors					
XIAO Lihong [1]	–	–	–	–	–
WANG Xiaoya [1]	–	–	–	–	–
ZHANG Jiangang [1]	–	–	–	–	–
CHEN Jianbo [1]	–	–	–	–	–
ZHAO Jie [1][6]	–	–	–	–	–
Independent directors					
WANG Changyun	600	–	–	–	600
Angela CHAO	450	–	–	–	450
JIANG Guohua	600	–	–	–	600
Martin Cheung Kong LIAO	450	–	–	–	450
CHEN Chunhua	500	–	–	–	500
CHUI Sai Peng Jose	450	–	–	–	450
Supervisors					
ZHANG Keqiu [4][5]	–	619	117	85	821
WEI Hanguang [5]	8[3]	–	–	–	8
ZHOU Hehua [5]	8[3]	–	–	–	8
LENG Jie	50[3]	–	–	–	50
JIA Xiangsen	260	–	–	–	260
ZHENG Zhiguang	260	–	–	–	260
WANG Xiquan [4][6]	–	51	10	7	68
WANG Zhiheng [6]	25[3]	–	–	–	25
LI Changlin [6]	46[3]	–	–	–	46
	3,707	2,919	564	415	7,605

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Directors', supervisors' and senior management's emoluments (Continued)

For the year ended 31 December 2020

	Fees	Remuneration paid	Contributions to pension schemes	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
LIU Liange [(4)]	–[(2)]	811	78	79	968
LIU Jin [(4)(5)]	–[(2)]	–	–	–	–
WANG Wei [(4)]	–[(2)]	729	74	79	882
LIN Jingzhen [(4)]	–[(2)]	729	74	79	882
WANG Jiang [(4)(6)]	–[(2)]	811	78	79	968
WU Fulin [(4)]	–[(2)]	61	5	7	73
Non-executive directors					
XIAO Lihong [(1)]	–	–	–	–	–
WANG Xiaoya [(1)]	–	–	–	–	–
ZHANG Jiangang [(1)]	–	–	–	–	–
CHEN Jianbo [(1)]	–	–	–	–	–
LIAO Qiang [(1)]	–	–	–	–	–
ZHAO Jie [(1)(6)]	–	–	–	–	–
Independent directors					
WANG Changyun	635	–	–	–	635
Angela CHAO	450	–	–	–	450
JIANG Guohua	609	–	–	–	609
Martin Cheung Kong LIAO	450	–	–	–	450
CHEN Chunhua	224	–	–	–	224
CHUI Sai Peng Jose	138	–	–	–	138
Supervisors					
ZHANG Keqiu [(4)(5)]	–	–	–	–	–
LENG Jie	50[(3)]	–	–	–	50
JIA Xiangsen	260	–	–	–	260
ZHENG Zhiguang	260	–	–	–	260
WANG Xiquan [(4)(6)]	–	811	78	79	968
WANG Zhiheng [(6)]	50[(3)]	–	–	–	50
LI Changlin [(6)]	50[(3)]	–	–	–	50
	3,176	3,952	387	402	7,917

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Directors', supervisors' and senior management's emoluments (Continued)

(1) For the years ended 31 December 2021 and 2020, these non-executive directors of the Bank were not remunerated by the Bank.

(2) For the years ended 31 December 2021 and 2020, these executive directors of the Bank did not receive any fees.

(3) Employee supervisors' compensation presented above is paid for serving as the supervisors of the Bank.

(4) A portion of the discretionary bonus payments for executive directors and the Chairman of the Board of Supervisors are deferred for a minimum of 3 years, which is contingent upon the future performance in accordance with relevant regulations of the PRC authorities.

The total compensation packages for executive directors and certain supervisors for the year ended 31 December 2021 including discretionary bonus have not yet been finalised in accordance with the relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Group's 2021 financial statements. The final compensation for the year ended 31 December 2021 will be disclosed in a separate announcement when determined.

The compensation amounts for these directors and supervisors for the year ended 31 December 2020 were restated based on the finalised amounts as disclosed in the Bank's announcement on resolutions of the Board of Directors dated 30 August 2021.

(5) LIU Jin began to serve as Vice-Chairman of the Board of Directors and Executive Director of the Bank as of 16 June 2021. ZHANG Keqiu began to serve as Chairwoman of the Board of Supervisors and Shareholder Supervisor of the Bank as of 18 January 2021. WEI Hanguang and ZHOU Hehua began to serve as Employee Supervisor as of 18 November 2021. HUI Ping began to serve as External Supervisor as of 17 February 2022. Since HUI Ping did not hold any position at the Board of Supervisors of the Bank in 2021, no emoluments were disclosed in 2021.

(6) WANG Jiang ceased to serve as Vice-Chairman of the Board of Directors and Executive Director of the Bank as of 5 February 2021. ZHAO Jie ceased to serve as Non-executive Director of the Bank as of 15 March 2022. WANG Xiquan ceased to serve as Chairman of the Board of Supervisors and Shareholder Supervisor of the Bank as of 18 January 2021. WANG Zhiheng ceased to serve as Employee Supervisor as of 24 June 2021. LI Changlin ceased to serve as Employee Supervisor as of 18 November 2021.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Directors', supervisors' and senior management's emoluments (Continued)

Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors whose emoluments are disclosed above.

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2021 and 2020, respectively are as follows:

	Year ended 31 December	
	2021	**2020**
Basic salaries and allowances	18	23
Discretionary bonuses	63	98
Contributions to pension schemes and other	2	3
	83	124

Emoluments of the individuals were within the following bands:

	Year ended 31 December	
Amounts in RMB	**2021**	**2020**
10,000,001–20,000,000	4	4
20,000,001–30,000,000	1	–
30,000,001–50,000,000	–	1

The above five highest paid individuals' emoluments are based on best estimates of discretionary bonuses. Discretionary bonuses include portions of payments that are deferred to future periods.

During the years ended 31 December 2021 and 2020, the Group has not paid any emoluments to the directors, supervisors, or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Impairment losses on assets

	Year ended 31 December	
	2021	**2020**
Loans and advances		
— Loans and advances at amortised cost	98,289	103,743
— Loans and advances at fair value through other comprehensive income	9	(113)
Subtotal	98,298	103,630
Financial investments		
— Financial assets at amortised cost	721	1,872
— Financial assets at fair value through other comprehensive income	763	4,244
Subtotal	1,484	6,116
Credit commitments	(3,038)	5,454
Other	6,335	3,181
Subtotal of impairment losses on credit	103,079	118,381
Other impairment losses on assets	1,141	635
Total	104,220	119,016

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Income tax expense

	Year ended 31 December	
	2021	**2020**
Current income tax		
— Chinese mainland income tax	35,039	45,296
— Hong Kong (China) profits tax	4,348	5,242
— Macao (China), Taiwan (China) and other countries and regions taxation	3,537	3,455
Adjustments in respect of current income tax of prior years	(345)	1,557
Subtotal	42,579	55,550
Deferred income tax (Note V.35.3)	6,702	(14,268)
Total	49,281	41,282

The principal tax rates applicable to the Group are set out in Note IV.

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

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Income tax expense (Continued)

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

	Year ended 31 December	
	2021	**2020**
Profit before income tax	276,620	246,378
Tax calculated at the basic Chinese mainland tax rate	69,155	61,595
Effect of different tax rates for Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	(4,337)	(4,278)
Supplementary PRC tax on overseas income	2,927	2,924
Income not subject to tax (1)	(29,556)	(29,791)
Items not deductible for tax purposes (2)	12,257	11,226
Other	(1,165)	(394)
Income tax expense	49,281	41,282

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

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Earnings per share (basic and diluted)

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

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all potentially dilutive shares for the period by the adjusted weighted average number of ordinary shares in issue. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the years ended 31 December 2021 and 2020.

	Year ended 31 December	
	2021	**2020**
Profit attributable to equity holders of the Bank	216,559	192,870
Less: dividends/interest on preference shares/ perpetual bonds declared	(10,651)	(12,029)
Profit attributable to ordinary shareholders of the Bank	205,908	180,841
Weighted average number of ordinary shares in issue (in million shares)	294,379	294,381
Basic and diluted earnings per share (in RMB)	0.70	0.61

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

	Year ended 31 December	
	2021	**2020**
Issued ordinary shares as at 1 January	294,388	294,388
Less: weighted average number of treasury shares	(9)	(7)
Weighted average number of ordinary shares in issue	294,379	294,381

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 Other comprehensive income

	Year ended 31 December	
	2021	**2020**
Items that will not be reclassified to profit or loss		
Actuarial (losses)/gains on defined benefit plans	(83)	101
Changes in fair value on equity instruments designated at fair value through other comprehensive income	335	(622)
Less: related income tax impact	(185)	(29)
Other	83	10
Subtotal	150	(540)
Items that may be reclassified to profit or loss		
Changes in fair value on debt instruments measured at fair value through other comprehensive income	8,412	3,950
Less: related income tax impact	(1,557)	(742)
Amount transferred to the income statement	(1,687)	(7,711)
Less: related income tax impact	276	1,527
	5,444	(2,976)
Allowance for credit losses on debt instruments measured at fair value through other comprehensive income	761	4,108
Less: related income tax impact	(190)	(1,024)
	571	3,084
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	10	(174)
Less: related income tax impact	(2)	44
	8	(130)
Exchange differences from the translation of foreign operations	(12,760)	(21,549)
Other	351	(751)
Subtotal	(6,386)	(22,322)
Total	(6,236)	(22,862)

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 Other comprehensive income (Continued)

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

	Gains/(losses) on financial assets at fair value through other comprehensive income	Exchange differences from the translation of foreign operations	Other	Total
As at 1 January 2020	22,534	(6,172)	3,251	19,613
Changes for the previous year	(344)	(14,285)	(675)	(15,304)
As at 1 January 2021	22,190	(20,457)	2,576	4,309
Changes for the year	6,700	(9,782)	190	(2,892)
As at 31 December 2021	28,890	(30,239)	2,766	1,417

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Cash and due from banks and other financial institutions

	As at 31 December	
	2021	**2020**
Cash	59,518	78,825
Due from banks in Chinese mainland	464,417	602,340
Due from other financial institutions in Chinese mainland	8,709	7,515
Due from banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	110,948	110,662
Due from other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	926	559
Subtotal[(1)]	585,000	721,076
Accrued interest	1,835	4,327
Less: allowance for impairment losses[(1)]	(1,537)	(1,083)
Subtotal due from banks and other financial institutions	585,298	724,320
Total	644,816	803,145

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 Balances with central banks

	As at 31 December	
	2021	**2020**
Mandatory reserves[(1)]	1,478,465	1,442,384
Surplus reserves and others[(2)]	753,369	633,761
Subtotal	2,231,834	2,076,145
Accrued interest	672	695
Less: allowance for impairment losses	(3,780)	–
Total	2,228,726	2,076,840

(1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions where it has operations. As at 31 December 2021, mandatory reserve funds placed with the PBOC were calculated at 10.0% (31 December 2020: 11.0%) and 9.0% (31 December 2020: 5.0%) of qualified RMB deposits and foreign currency deposits from customers in Chinese mainland of the Bank, respectively. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve funds placed with the central banks of other jurisdictions are determined by local regulations.

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Placements with and loans to banks and other financial institutions

	As at 31 December	
	2021	**2020**
Placements with and loans to:		
Banks in Chinese mainland	150,556	91,709
Other financial institutions in Chinese mainland	589,919	529,152
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	450,817	294,358
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	67,055	24,157
Subtotal (1)(2)	1,258,347	939,376
Accrued interest	3,109	2,429
Less: allowance for impairment losses (2)	(4,043)	(2,485)
Total	1,257,413	939,320

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

	As at 31 December	
	2021	**2020**
Debt securities		
— Governments	396,324	182,724
— Policy banks	101,436	40,968
— Financial institutions	6,914	6,109
— Corporates	1,222	256
Subtotal(2)	505,896	230,057
Less: allowance for impairment losses(2)	(668)	–
Total	505,228	230,057

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting

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

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

16.1 Derivative financial instruments

	As at 31 December 2021			As at 31 December 2020		
	Contractual/ Notional	Fair value		Contractual/ Notional	Fair value	
	amount	Assets	Liabilities	amount	Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	5,966,594	61,172	(52,535)	6,304,310	118,600	(151,412)
Currency options	593,654	4,996	(4,196)	419,338	6,921	(3,789)
Currency futures	1,250	1	(3)	1,746	7	(20)
Subtotal	6,561,498	66,169	(56,734)	6,725,394	125,528	(155,221)
Interest rate derivatives						
Interest rate swaps	4,032,069	23,860	(27,179)	3,817,876	32,789	(42,520)
Interest rate options	22,988	136	(135)	63,772	16	(11)
Interest rate futures	2,058	2	(4)	543	–	(1)
Subtotal	4,057,115	23,998	(27,318)	3,882,191	32,805	(42,532)
Equity derivatives	4,776	185	(120)	12,927	376	(413)
Commodity derivatives and other	288,773	5,447	(4,979)	392,823	13,029	(13,886)
Total[(1)]	10,912,162	95,799	(89,151)	11,013,335	171,738	(212,052)

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting

(1) Fair value hedges

The Group uses cross-currency interest rate swaps and interest rate swaps to hedge against changes in fair value of "Financial investments", "Due to central banks" and "Bonds issued" arising from changes in foreign currency exchange rates and interest rates. Foreign currency exchange rate risk and interest rate risk are usually the primary risks which affect the change in fair value.

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies:

	Derivatives designated as hedging instruments in fair value hedges			
	Contractual/ Notional amount	Fair value		Line item in the statement of financial position
		Assets	Liabilities	
As at 31 December 2021				
Interest rate risk				
Interest rate swaps	107,597	685	(2,154)	Derivative financial assets/liabilities
Foreign exchange and interest rate risk				
Cross-currency interest rate swaps	625	–	(24)	Derivative liabilities
Total	108,222	685	(2,178)	

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies (Continued):

	Derivatives designated as hedging instruments in fair value hedges			
	Contractual/ Notional amount	**Fair value**		**Line item in the statement of financial position**
		Assets	**Liabilities**	
As at 31 December 2020				
Interest rate risk				
Interest rate swaps	100,936	240	(5,216)	Derivative financial assets/liabilities
Foreign exchange and interest rate risk				
Cross-currency interest rate swaps	1,852	–	(206)	Derivative liabilities
Total	102,788	240	(5,422)	

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies (Continued):

The following table sets out the maturity and average exchange rate/interest rate information of the hedging instruments mentioned above:

	Fair value hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2021						
Interest rate risk						
Interest rate swaps						
Notional amount	1,237	5,493	9,438	56,999	34,430	107,597
Average fixed interest rate	3.23%	2.99%	3.33%	3.04%	2.87%	N/A
Foreign exchange and interest rate risk						
Cross-currency interest rate swaps						
Notional amount	–	–	308	317	–	625
Average fixed interest rate	–	–	4.70%	5.50%	–	N/A
Average exchange rate of USD/CNY	–	–	6.2110	6.0350	–	N/A

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies (Continued):

	Fair value hedges					
	Less than 1 month	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
As at 31 December 2020						
Interest rate risk						
Interest rate swaps						
Notional amount	1,578	1,693	7,054	59,013	31,598	100,936
Average fixed interest rate	2.87%	2.12%	2.37%	2.90%	2.99%	N/A
Foreign exchange and interest rate risk						
Cross-currency interest rate swaps						
Notional amount	–	1,212	–	640	–	1,852
Average fixed interest rate	–	5.38%	–	5.11%	–	N/A
Average exchange rate of USD/CNY	–	–	–	6.1217	–	N/A
Average exchange rate of AUD/USD	–	0.9294	–	–	–	N/A

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(ii) The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	Fair value hedges				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line item in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
As at 31 December 2021					
Interest rate risk					
Financial investments	103,502	–	2,561	–	Financial investments
Due to central banks	–	(2,523)	–	14	Due to central banks
Bonds issued	–	(4,458)	–	116	Bonds issued
Foreign exchange and interest rate risk					
Bonds issued	–	(600)	–	24	Bonds issued
Total	103,502	(7,581)	2,561	154	
As at 31 December 2020					
Interest rate risk					
Financial investments	100,228	–	5,503	–	Financial investments
Due to central banks	–	(2,735)	–	3	Due to central banks
Bonds issued	–	(4,711)	–	(113)	Bonds issued
Foreign exchange and interest rate risk					
Bonds issued	–	(1,647)	–	206	Bonds issued
Total	100,228	(9,093)	5,503	96	

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(iii) The Group's net gains on fair value hedges are as follows:

	Year ended 31 December	
	2021	**2020**
Net gains on		
— hedging instruments	3,136	(2,843)
— hedged items	(3,250)	3,036
Ineffectiveness recognised in net trading gains	(114)	193

(2) Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currencies of the Group and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using due to customers, due to central banks and foreign exchange forward and swap contracts in the same or exchange-rate pegged currencies as the functional currencies of the related branches and subsidiaries which are accounted for as hedges of certain net investments in foreign operations. Under the hedging relationships of designating due to customers, due to central banks and foreign exchange forward and swap contracts as hedging instruments, the Group separates the forward element and the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element of the forward contract. There was no ineffectiveness for the year ended 31 December 2021 (2020: Nil).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(i) Details of due to customers and due to central banks used in the Group's net investment hedging strategies:

As at 31 December 2021, the carrying value of such due to customers amounted to RMB50,273 million (31 December 2020: RMB53,087 million) and due to central banks amounted to RMB762 million (31 December 2020: RMB1,060 million).

(ii) The following table contains details of the derivative hedging instruments used in the Group's net investment hedging strategies:

	Derivatives designated as net investment hedging instruments			
	Contractual/ Notional amount	Fair value		Line item in the statement of financial position
		Assets	Liabilities	
As at 31 December 2021				
Foreign exchange forward and swap contracts	6,946	292	(26)	Derivative financial assets/liabilities
Total	6,946	292	(26)	
As at 31 December 2020				
Foreign exchange forward and swap contracts	3,966	12	(360)	Derivative financial assets/liabilities
Total	3,966	12	(360)	

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(ii) The following table contains details of the derivative hedging instruments used in the Group's net investment hedging strategies (Continued):

The following table sets out the maturity and average exchange rate of the hedging instruments mentioned above:

	Net investment hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2021						
Foreign exchange risk						
Foreign exchange forward and swap contracts						
Notional amount	–	–	6,946	–	–	6,946
Average exchange rate of USD/BRL	–	–	5.5165	–	–	N/A
Average exchange rate of USD/ZAR	–	–	15.3221	–	–	N/A
Average exchange rate of USD/INR	–	–	77.6566	–	–	N/A
Average exchange rate of USD/MXN	–	–	21.4996	–	–	N/A
Average exchange rate of USD/CLP	–	–	845.0014	–	–	N/A
Average exchange rate of USD/PEN	–	–	3.7309	–	–	N/A
Average exchange rate of USD/HUF	–	–	298.2472	–	–	N/A
Average exchange rate of USD/TWD	–	–	26.9425	–	–	N/A
Average exchange rate of USD/RUB	–	–	78.2517	–	–	N/A

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(ii) The following table contains details of the derivative hedging instruments used in the Group's net investment hedging strategies (Continued):

	Net investment hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2020						
Foreign exchange risk						
Foreign exchange forward and swap contracts						
Notional amount	–	1,956	2,010	–	–	3,966
Average exchange rate of USD/BRL	–	5.2086	–	–	–	N/A
Average exchange rate of USD/ZAR	–	17.5600	16.9743	–	–	N/A
Average exchange rate of USD/INR	–	–	79.2094	–	–	N/A
Average exchange rate of USD/MXN	–	–	21.9108	–	–	N/A
Average exchange rate of NZD/USD	–	0.5928	–	–	–	N/A
Average exchange rate of USD/CLP	–	–	778.3973	–	–	N/A
Average exchange rate of USD/PEN	–	3.5505	3.5110	–	–	N/A

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(iii) The Group's gains or losses from the hedging instruments recognised in "Other comprehensive income" on net investment hedges are as follows:

	Year ended 31 December	
	2021	**2020**
Amounts of fair value changes on hedging instruments recognised in "Other comprehensive income"	6,740	3,841
Amounts of forward element reclassified from "Other comprehensive income" to profit or loss	98	154
Net amounts of fair value changes on hedging instruments recognised in "Other comprehensive income"	6,838	3,995

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers

17.1 Analysis of loans and advances to customers by measurement category

	As at 31 December	
	2021	**2020**
Measured at amortised cost		
— Corporate loans and advances	9,224,184	8,234,541
— Personal loans	6,093,750	5,583,295
— Discounted bills	1,460	1,912
Measured at fair value through other comprehensive income (1)		
— Corporate loans and advances	2,254	979
— Discounted bills	349,541	358,997
Subtotal	15,671,189	14,179,724
Measured at fair value through profit or loss (2)		
— Corporate loans and advances	3,805	3,661
Total	15,674,994	14,183,385
Accrued interest	37,580	33,092
Total loans and advances	15,712,574	14,216,477
Less: allowance for loans at amortised cost	(390,090)	(368,173)
Loans and advances to customers, net	15,322,484	13,848,304

(1) As at 31 December 2021,the allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income of the Group amounted to RMB451 million (31 December 2020: RMB446 million) and was credited to other comprehensive income.

(2) During the years ended 31 December 2021 and 2020, there were no significant movements in the fair value and accumulated fair value changes of corporate loans and advances measured at fair value through profit or loss that are attributable to changes in credit risk of these loans.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.2 *Analysis of loans and advances to customers (accrued interest excluded) by geographical area, customer type, industry, collateral type and analysis of impaired and overdue loans and advances to customers are presented in Note VI.2.5.*

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

(1) Allowance for loans at amortised cost

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

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

(1) Allowance for loans at amortised cost (Continued)

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

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

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

	Year ended 31 December 2020			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	547	16	–	563
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impairment (reversal)/losses of loans with stage transfers	–	–	–	–
Charge for the year (i)	563	5	–	568
Reversal for the year (ii)	(665)	(16)	–	(681)
Exchange differences and other	(4)	–	–	(4)
As at 31 December	441	5	–	446

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

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

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

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

The Group enhanced its ECL models in 2021, which has no significant impact to the financial statements.

In 2021, the changes in gross carrying amounts of loans and advances to customers that have a significant impact on the Group's impairment allowance were mainly derived from the credit business in the Chinese mainland, including:

- The domestic branches performed regular reviews of the five-category loan classification grading and internal credit ratings on their loans and advances to customers. Loans with a gross carrying amount of RMB71,309 million (2020: RMB69,946 million) were transferred from Stage 1 to Stage 2 and Stage 3, and the impairment allowance increased correspondingly by RMB23,296 million (2020: RMB22,008 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 was RMB38,376 million (2020: RMB67,364 million), with a corresponding increase in impairment allowance of RMB13,814 million (2020: RMB20,900 million). The gross carrying amount of the loans transferred from Stage 2 to Stage 1 was RMB22,435 million (2020: RMB16,132 million), and the impairment allowance decreased correspondingly by RMB3,729 million (2020: RMB2,677 million). The gross carrying amount of loans transferred from Stage 3 to Stage 2 and Stage 1 was RMB2,463 million (2020: RMB16,720 million), and the impairment allowance decreased correspondingly by RMB1,438 million (2020: RMB6,656 million).

- During the year, the disposal of non-performing loans by domestic branches via write-off, transfer of creditor's rights and loans to equity conversion amounted to RMB75,152 million (2020: RMB64,269 million), resulting in a corresponding reduction of RMB72,016 million (2020: RMB58,172 million) in impairment allowance for Stage 3 loans.

- Through personal loan securitisation, the domestic branches transferred out loans of RMB53,258 million (2020: RMB18,323 million), resulting in a decrease of RMB195 million (2020: RMB66 million) and RMB6,976 million (2020: RMB1,702 million) in the impairment allowance for Stage 1 and Stage 3 loans respectively.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments

	As at 31 December	
	2021	**2020**
Financial assets at fair value through profit or loss		
Financial assets held for trading and other financial assets at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	18,837	20,176
— Public sectors and quasi-governments	30	302
— Policy banks	26,127	31,755
— Financial institutions	204,624	188,092
— Corporate	52,415	42,122
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	13,535	18,919
— Public sectors and quasi-governments	367	45
— Financial institutions	12,982	10,106
— Corporate	9,808	9,603
	338,725	321,120
Equity instruments	102,268	88,025
Fund investments and other	90,733	69,183
Total financial assets held for trading and other financial assets at fair value through profit or loss	531,726	478,328

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2021	2020
Financial assets at fair value through profit or loss (continued)		
Financial assets at fair value through profit or loss (designated)		
Debt securities [(1)]		
Issuers in Chinese mainland		
— Government	3,164	3,073
— Policy banks	516	509
— Financial institutions	4,811	6,640
— Corporate	396	1,846
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	594	1,295
— Public sectors and quasi-governments	1,164	721
— Financial institutions	2,322	5,525
— Corporate	4,770	6,514
	17,737	26,123
Other	12,179	98
Total financial assets at fair value through profit or loss (designated)	29,916	26,221
Total financial assets at fair value through profit or loss	561,642	504,549

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2021	**2020**
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	752,899	691,638
— Public sectors and quasi-governments	101,562	88,092
— Policy banks	358,807	328,713
— Financial institutions	223,510	174,517
— Corporate	171,294	135,590
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	532,338	434,344
— Public sectors and quasi-governments	28,529	27,340
— Financial institutions	79,214	98,545
— Corporate	114,925	107,583
	2,363,078	2,086,362
Equity instruments and other	26,752	21,428
Total financial assets at fair value through other comprehensive income (2)	2,389,830	2,107,790

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2021	**2020**
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government [(3)(4)]	2,417,293	2,327,382
— Public sectors and quasi-governments	64,724	43,679
— Policy banks	155,338	93,376
— Financial institutions	76,280	59,250
— Corporate	48,959	39,529
— China Orient [(5)]	152,433	152,433
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	101,974	103,432
— Public sectors and quasi-governments	70,107	37,950
— Financial institutions	65,885	59,762
— Corporate	19,058	19,166
	3,172,051	2,935,959
Investment trusts, asset management plans and other	12,010	14,447
Accrued interest	38,865	37,295
Less: allowance for impairment losses	(9,727)	(8,923)
Total financial assets at amortised cost	3,213,199	2,978,778
Total financial investments [(6)(7)(8)]	6,164,671	5,591,117

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2021	**2020**
Analysed as follows:		
Financial assets at fair value through profit or loss		
— Listed in Hong Kong, China	33,127	48,718
— Listed outside Hong Kong, China [(9)]	332,549	283,523
— Unlisted	195,966	172,308
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong, China	154,931	233,244
— Listed outside Hong Kong, China [(9)]	1,633,446	1,210,734
— Unlisted	574,701	642,384
Equity instruments and other		
— Listed in Hong Kong, China	5,980	6,031
— Listed outside Hong Kong, China [(9)]	11,762	3,141
— Unlisted	9,010	12,256
Financial assets at amortised cost		
— Listed in Hong Kong, China	38,898	34,217
— Listed outside Hong Kong, China [(9)]	2,886,030	2,618,215
— Unlisted	288,271	326,346
Total	6,164,671	5,591,117
Listed in Hong Kong, China	232,936	322,210
Listed outside Hong Kong, China [(9)]	4,863,787	4,115,613
Unlisted	1,067,948	1,153,294
Total	6,164,671	5,591,117

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December			
	2021		2020	
	Carrying value	Market value	Carrying value	Market value
Debt securities at amortised cost				
— Listed in Hong Kong, China	38,898	39,594	34,217	35,960
— Listed outside Hong Kong, China (9)	2,886,030	2,937,103	2,618,215	2,637,926

(1) In order to eliminate or significantly reduce accounting mismatches, certain debt securities are designated as financial assets at fair value through profit or loss.

(2) The Group's accumulated impairment allowance for the debt securities at fair value through other comprehensive income as at 31 December 2021 amounted to RMB6,230 million (31 December 2020: RMB5,479 million).

(3) On 18 August 1998, a Special Purpose Treasury Bond was issued by the Ministry of Finance ("MOF") with a par value of RMB42,500 million maturing on 18 August 2028. This bond was originally issued with an annual coupon rate of 7.20% and its coupon rate was restructured to 2.25% per annum from 1 December 2004.

(4) The Bank underwrites certain Treasury bonds issued by the MOF and undertakes the role of a distributor of these Treasury bonds through its branch network earning commission income on bonds sold. The investors of these bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these Treasury bonds. The balance of these bonds held by the Bank as at 31 December 2021 amounted to RMB2,083 million (31 December 2020: RMB2,337 million).

(5) The Bank transferred certain non-performing assets to China Orient Asset Management Corporation ("China Orient") in 1999 and 2000 and China Orient issued a bond ("Orient Bond") with a par value of RMB160,000 million to the Bank as consideration. Based on the latest agreement, the Orient Bond will mature on 30 June 2025. The MOF shall continue to provide funding support for the principal and interest of the Orient Bond. The Bank received a notice from the MOF in January 2020, confirming that from 1 January 2020, the interest rate on the unpaid amounts will be verified year by year based on the rate of return of the five-year treasury bond of the previous year. As at 31 December 2021, the Bank had received early repayments of principal amounting to RMB7,567 million cumulatively.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

(6) As at 31 December 2021, the Group held bonds issued by the MOF and bills issued by the PBOC included in financial investments. The carrying value (accrued interest excluded) and the related coupon rate range on such bonds and bills are as follows:

	As at 31 December	
	2021	**2020**
Carrying value (accrued interest excluded)	942,440	979,089
Coupon rate range	0.00%–5.31%	0.00%–5.31%

(7) Included in the Group's financial investments were certificates of deposit held amounting to RMB149,530 million as at 31 December 2021 (31 December 2020: RMB130,698 million).

(8) As at 31 December 2021, RMB2,338 million of debt securities measured at fair value through other comprehensive income and at amortised cost of the Group was determined to be impaired and was included under Stage 3 (31 December 2020: RMB1,467 million), with the impairment allowance fully accrued (31 December 2020: fully accrued); RMB816 million of debt securities was included under Stage 2 (31 December 2020: RMB404 million), with an impairment allowance of RMB5 million (31 December 2020: RMB1 million); and the remaining debt securities were included under Stage 1, with impairment allowance measured based on 12-month expected credit losses.

(9) Debt securities traded in the Chinese mainland interbank bond market are included in "Listed outside Hong Kong, China".

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 Investment in associates and joint ventures

	Year ended 31 December	
	2021	**2020**
As at 1 January	33,508	23,210
Additions	2,240	12,655
Disposals and transfer out	(628)	(1,157)
Share of results, net of tax	1,478	158
Dividends received	(625)	(402)
Exchange differences and other	(204)	(956)
As at 31 December	35,769	33,508

The carrying amounts of major investments in associates and joint ventures of the Group are as follows. Further details are disclosed in Note V.42.4.

	As at 31 December	
	2021	**2020**
China Insurance Investment Fund Co., Ltd.	11,849	11,563
BOC International (China) Co., Ltd.	5,254	5,022
Ying Kou Port Group CORP.	4,311	4,261
CGN Phase I Private Equity Fund Company Limited	1,679	1,622
Sichuan Lutianhua Co., Ltd.	1,415	1,306
Graceful Field Worldwide Limited	1,414	1,386
Shanghai Chenggang Real Estate Co., Ltd.	1,308	N/A
Wkland Investments II Limited	835	855
National Green Development Fund	800	N/A
Wuhu Yinsheng Special Steel Investment Management Limited Partnership	780	755
Other	6,124	6,738
Total	35,769	33,508

As at 31 December 2021, there were no restrictions on associates and joint ventures to transfer funds to the Group.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment

	Year ended 31 December 2021				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	122,464	73,337	31,281	141,025	368,107
Additions	1,413	5,550	6,247	11,187	24,397
Transfer from/(to) investment properties (Note V.21)	960	–	–	–	960
Construction in progress transfer in/(out)	2,806	607	(8,046)	4,633	–
Deductions	(1,736)	(5,748)	(1,788)	(6,737)	(16,009)
Exchange differences	(918)	(249)	(502)	(3,207)	(4,876)
As at 31 December	124,989	73,497	27,192	146,901	372,579
Accumulated depreciation					
As at 1 January	(42,814)	(57,839)	–	(17,302)	(117,955)
Additions	(4,098)	(6,274)	–	(4,911)	(15,283)
Deductions	1,145	5,563	–	1,747	8,455
Transfer to investment properties (Note V.21)	10	–	–	–	10
Exchange differences	239	186	–	444	869
As at 31 December	(45,518)	(58,364)	–	(20,022)	(123,904)
Allowance for impairment losses					
As at 1 January	(746)	–	(227)	(590)	(1,563)
Additions	(3)	–	–	(1,060)	(1,063)
Deductions	8	–	–	10	18
Exchange differences	1	–	–	23	24
As at 31 December	(740)	–	(227)	(1,617)	(2,584)
Net book value					
As at 1 January	78,904	15,498	31,054	123,133	248,589
As at 31 December	78,731	15,133	26,965	125,262	246,091

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment (Continued)

	Year ended 31 December 2020				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	119,077	77,656	32,905	131,821	361,459
Additions	708	5,998	11,658	17,778	36,142
Transfer from/(to) investment properties (Note V.21)	485	–	(242)	–	243
Construction in progress transfer in/(out)	5,375	862	(9,230)	2,993	–
Deductions	(1,728)	(10,726)	(2,373)	(2,948)	(17,775)
Exchange differences	(1,453)	(453)	(1,437)	(8,619)	(11,962)
As at 31 December	122,464	73,337	31,281	141,025	368,107
Accumulated depreciation					
As at 1 January	(40,401)	(60,758)	–	(14,762)	(115,921)
Additions	(3,967)	(6,623)	–	(4,635)	(15,225)
Deductions	1,143	9,178	–	883	11,204
Transfer to investment properties (Note V.21)	18	–	–	–	18
Exchange differences	393	364	–	1,212	1,969
As at 31 December	(42,814)	(57,839)	–	(17,302)	(117,955)
Allowance for impairment losses					
As at 1 January	(767)	–	(227)	(4)	(998)
Additions	(1)	–	–	(623)	(624)
Deductions	16	–	–	4	20
Exchange differences	6	–	–	33	39
As at 31 December	(746)	–	(227)	(590)	(1,563)
Net book value					
As at 1 January	77,909	16,898	32,678	117,055	244,540
As at 31 December	78,904	15,498	31,054	123,133	248,589

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment (Continued)

As at 31 December 2021, the net book amount of aircraft leased out by BOC Aviation Limited, a subsidiary of the Group, under operating leases was RMB125,262 million (31 December 2020: RMB123,133 million).

As at 31 December 2021, the net book amount of aircraft owned by BOC Aviation Limited, a subsidiary of the Group, that has been pledged for loan facilities was RMB9,989 million (31 December 2020: RMB14,893 million) (Note V.31).

According to the relevant PRC laws and regulations, after conversion into a joint stock limited liability company, the Bank is required to re-register its property and equipment under the name of Bank of China Limited. As at 31 December 2021, the process of re-registration has not been completed. However, this registration process does not affect the rights of Bank of China Limited to these assets.

The carrying value of buildings is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2021	**2020**
Held in Hong Kong, China		
on long-term lease (over 50 years)	3,919	3,749
on medium-term lease (10–50 years)	8,074	7,884
on short-term lease (less than 10 years)	1	8
Subtotal	11,994	11,641
Held outside Hong Kong, China		
on long-term lease (over 50 years)	3,834	4,507
on medium-term lease (10–50 years)	56,051	55,846
on short-term lease (less than 10 years)	6,852	6,910
Subtotal	66,737	67,263
Total	78,731	78,904

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 Investment properties

	Year ended 31 December	
	2021	**2020**
As at 1 January	22,065	23,108
Additions	720	1,626
Transfer to property and equipment, net (Note V.20)	(970)	(261)
Deductions	(1,324)	(15)
Fair value changes (Note V.5)	(427)	(1,505)
Exchange differences	(510)	(888)
As at 31 December	19,554	22,065

The Group's investment properties are located in active real estate markets, and external appraisers make reasonable estimation of fair value using market prices of the same or similar properties and other related information from the real estate markets.

Investment properties are mainly held by Bank of China Hong Kong (Holdings) Limited ("BOCHK (Holdings)") and Bank of China Group Investment Limited ("BOCG Investment"), subsidiaries of the Group. The carrying values of investment properties held by BOCHK (Holdings) and BOCG Investment as at 31 December 2021 amounted to RMB10,708 million and RMB6,827 million, respectively (31 December 2020: RMB12,009 million and RMB7,835 million). The valuations of these investment properties as at 31 December 2021 were principally performed by Knight Frank Petty Limited based on the open market price and other related information.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 Investment properties (Continued)

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2021	**2020**
Held in Hong Kong, China		
on long-term lease (over 50 years)	2,856	1,976
on medium-term lease (10–50 years)	7,622	9,836
Subtotal	10,478	11,812
Held outside Hong Kong, China		
on long-term lease (over 50 years)	3,842	4,288
on medium-term lease (10–50 years)	4,793	5,782
on short-term lease (less than 10 years)	441	183
Subtotal	9,076	10,253
Total	19,554	22,065

22 Other assets

	As at 31 December	
	2021	**2020**
Accounts receivable and prepayments (1)	123,590	141,286
Right-of-use assets (2)	20,321	22,855
Intangible assets (3)	16,930	15,614
Land use rights (4)	6,122	6,526
Long-term deferred expense	3,329	3,215
Repossessed assets (5)	2,043	2,120
Goodwill (6)	2,481	2,525
Interest receivable	284	1,299
Other	28,840	21,756
Total	203,940	217,196

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Other assets (Continued)

(1) Accounts receivable and prepayments

	As at 31 December	
	2021	**2020**
Accounts receivable and prepayments	128,561	146,144
Impairment allowance	(4,971)	(4,858)
Net value	123,590	141,286

Accounts receivable and prepayments mainly include items in the process of clearing and settlement. The analysis of the ageing of accounts receivable and prepayments is as follows:

	As at 31 December			
	2021		**2020**	
	Balance	**Impairment allowance**	**Balance**	**Impairment allowance**
Within 1 year	114,233	(575)	135,647	(944)
From 1 year to 3 years	6,549	(1,305)	4,038	(892)
Over 3 years	7,779	(3,091)	6,459	(3,022)
Total	128,561	(4,971)	146,144	(4,858)

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Other assets (Continued)

(2) Right-of-use assets

	As at 31 December					
	2021			2020		
	Buildings	**Motor vehicles and other**	**Total**	**Buildings**	**Motor vehicles and other**	**Total**
Cost						
As at 1 January	35,251	176	35,427	29,500	156	29,656
Additions	5,243	119	5,362	7,413	44	7,457
Deductions	(3,734)	(61)	(3,795)	(1,242)	(21)	(1,263)
Exchange differences	(313)	(2)	(315)	(420)	(3)	(423)
As at 31 December	36,447	232	36,679	35,251	176	35,427
Accumulated depreciation						
As at 1 January	(12,477)	(95)	(12,572)	(6,781)	(53)	(6,834)
Additions	(7,087)	(58)	(7,145)	(6,841)	(63)	(6,904)
Deductions	3,166	58	3,224	1,030	20	1,050
Exchange differences	133	2	135	115	1	116
As at 31 December	(16,265)	(93)	(16,358)	(12,477)	(95)	(12,572)
Net book value						
As at 1 January	22,774	81	22,855	22,719	103	22,822
As at 31 December	20,182	139	20,321	22,774	81	22,855

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Other assets (Continued)

(3) Intangible assets

	Year ended 31 December	
	2021	**2020**
Cost		
As at 1 January	34,709	26,573
Additions	6,120	8,712
Deductions	(252)	(226)
Exchange differences	(200)	(350)
As at 31 December	40,377	34,709
Accumulated amortisation		
As at 1 January	(19,095)	(13,221)
Additions	(4,665)	(6,323)
Deductions	177	208
Exchange differences	136	241
As at 31 December	(23,447)	(19,095)
Net book value		
As at 1 January	15,614	13,352
As at 31 December	16,930	15,614

(4) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	Year ended 31 December	
	2021	**2020**
Held outside Hong Kong, China		
on long-term lease (over 50 years)	58	60
on medium-term lease (10-50 years)	5,384	5,809
on short-term lease (less than 10 years)	680	657
Total	6,122	6,526

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Other assets (Continued)

(5) Repossessed assets

As at 31 December 2021, the net book amount of repossessed assets was RMB2,043 million (31 December 2020: RMB2,120 million), mainly comprised properties. Related allowance for impairment was RMB882 million (31 December 2020: RMB902 million).

The total book value of repossessed assets disposed of during the year ended 31 December 2021 amounted to RMB353 million (2020: RMB602 million). The Group plans to dispose of the repossessed assets held at 31 December 2021 by auction, bidding or transfer.

(6) Goodwill

	Year ended 31 December	
	2021	**2020**
As at 1 January	2,525	2,686
Addition through acquisition of subsidiaries	–	–
Decrease resulting from disposal of subsidiaries	–	(25)
Exchange differences	(44)	(136)
As at 31 December	2,481	2,525

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,535 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 Impairment allowance

	As at 1 January 2021	Additions/ (reversal), net	Write-off and transfer out	Exchange differences and other	As at 31 December 2021
Loans and advances to customers					
— at amortised cost	368,173	98,289	(74,403)	(1,969)	390,090
— at fair value through other comprehensive income	446	9	–	(4)	451
Subtotal	368,619	98,298	(74,403)	(1,973)	390,541
Financial investments					
— at amortised cost	8,923	721	–	83	9,727
— at fair value through other comprehensive income	5,479	763	–	(12)	6,230
Subtotal	14,402	1,484	–	71	15,957
Other	40,358	4,438	(500)	(405)	43,891
Total	423,379	104,220	(74,903)	(2,307)	450,389

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 Impairment allowance (Continued)

	As at 1 January 2020	Additions/ (reversal), net	Write-off and transfer out	Exchange differences and other	As at 31 December 2020
Loans and advances to customers					
— at amortised cost	325,360	103,743	(57,152)	(3,778)	368,173
— at fair value through other comprehensive income	563	(113)	–	(4)	446
Subtotal	325,923	103,630	(57,152)	(3,782)	368,619
Financial investments					
— at amortised cost	6,786	1,872	(24)	289	8,923
— at fair value through other comprehensive income	1,254	4,244	–	(19)	5,479
Subtotal	8,040	6,116	(24)	270	14,402
Other	32,099	9,270	(662)	(349)	40,358
Total	366,062	119,016	(57,838)	(3,861)	423,379

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 Due to banks and other financial institutions

	As at 31 December	
	2021	**2020**
Due to:		
Banks in Chinese mainland	581,078	515,162
Other financial institutions in Chinese mainland	1,827,138	1,077,841
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	145,363	177,717
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	121,640	142,379
Subtotal	2,675,219	1,913,099
Accrued interest	7,520	3,904
Total	2,682,739	1,917,003

25 Due to central banks

	As at 31 December	
	2021	**2020**
Foreign exchange deposits	107	251,533
Other	948,758	630,092
Subtotal	948,865	881,625
Accrued interest	6,692	6,186
Total	955,557	887,811

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 Government certificates of indebtedness for bank notes issued and bank notes in circulation

Bank of China (Hong Kong) Limited ("BOCHK") and Bank of China Macau Branch are note issuing banks for Hong Kong Dollar and Macao Pataca notes in Hong Kong (China) and Macao (China), respectively. Under local regulations, these two entities are required to place deposits with the Hong Kong (China) and Macao (China) governments, respectively, to secure the currency notes in circulation.

Bank notes in circulation represent the liabilities in respect of Hong Kong Dollar notes and Macao Pataca notes in circulation, issued respectively by BOCHK and Bank of China Macau Branch.

27 Placements from banks and other financial institutions

	As at 31 December	
	2021	**2020**
Placements from:		
Banks in Chinese mainland	279,480	258,240
Other financial institutions in Chinese mainland	3,688	27,933
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	120,396	115,308
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	3,408	9,497
Subtotal	406,972	410,978
Accrued interest	795	971
Total [(1)(2)]	407,767	411,949

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 Placements from banks and other financial institutions (Continued)

(1) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its placements from banks and other financial institutions. The Group designates certain placements from banks and other financial institutions as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 31 December 2021, the carrying amount of the above-mentioned financial liabilities by the Group was RMB162 million (31 December 2020: RMB3,831 million). The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 31 December 2021 and 2020 were not significant. In the years of 2021 and 2020, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.

(2) Included in "Placements from banks and other financial institutions" are amounts received from counterparties under repurchase agreements and collateral agreements as follows:

	As at 31 December	
	2021	2020
Repurchase debt securities[(i)]	97,372	127,202

(i) Debt securities used as collateral under repurchase agreements were principally government bonds and were included in the amount disclosed under Note V.40.2.

28 Financial liabilities held for trading

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 Due to customers

	As at 31 December	
	2021	**2020**
Demand deposits		
— Corporate deposits	5,275,514	4,956,751
— Personal deposits	3,487,433	3,355,893
Subtotal	8,762,947	8,312,644
Time deposits		
— Corporate deposits	3,968,527	3,621,775
— Personal deposits	4,299,050	3,854,531
Subtotal	8,267,577	7,476,306
Structured deposits (1)		
— Corporate deposits	351,445	254,553
— Personal deposits	300,628	379,680
Subtotal	652,073	634,233
Certificates of deposit	160,419	206,146
Other deposits(2)	77,152	64,042
Subtotal due to customers	17,920,168	16,693,371
Accrued interest	222,719	185,800
Total due to customers(3)	18,142,887	16,879,171

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 Due to customers (Continued)

(1) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its structured deposits. The Group designates certain structured deposits as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 31 December 2021, the carrying amount of these financial liabilities was RMB31,311 million (31 December 2020: RMB25,742 million). The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 31 December 2021 and 31 December 2020 were not significant. For the years ended 31 December 2021 and 2020, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.

(2) Included in other deposits is special purpose funding, which represents long-term funding provided in multiple currencies by foreign governments and/or entities in the form of export credit, foreign government and other subsidised credit. The special purpose funding is normally used to finance projects with a special commercial purpose in the PRC as determined by the foreign governments or entities and the Group is obliged to repay the funding when it falls due.

As at 31 December 2021, the remaining maturity of special purpose funding ranges from 15 days to 32 years. The interest-bearing special purpose funding bears interest at floating and fixed rates ranging from 0.15% to 7.92% (31 December 2020: 0.15% to 7.92%). These terms are consistent with the related development loans granted to customers.

(3) Due to customers included margin deposits received by the Group as at 31 December 2021 of RMB330,494 million (31 December 2020: RMB304,314 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Bonds issued

	Issue date	Maturity date	Annual interest rate	As at 31 December 2021	As at 31 December 2020
Bonds issued at amortised cost					
Subordinated bonds issued					
2011 RMB Debt Securities (1)	17 May 2011	19 May 2026	5.30%	–	32,000
2012 RMB Debt Securities Second Tranche (2)	27 November 2012	29 November 2027	4.99%	18,000	18,000
Subtotal (17)				18,000	50,000
Tier 2 capital bonds issued					
2014 US Dollar Debt Securities (3)	13 November 2014	13 November 2024	5.00%	19,084	19,518
2017 RMB Debt Securities First Tranche (4)	26 September 2017	28 September 2027	4.45%	29,973	29,970
2017 RMB Debt Securities Second Tranche (5)	31 October 2017	2 November 2027	4.45%	29,974	29,972
2018 RMB Debt Securities First Tranche (6)	3 September 2018	5 September 2028	4.86%	39,984	39,983
2018 RMB Debt Securities Second Tranche (7)	9 October 2018	11 October 2028	4.84%	39,986	39,985
2019 RMB Debt Securities First Tranche 01 (8)	20 September 2019	24 September 2029	3.98%	29,989	29,988
2019 RMB Debt Securities First Tranche 02 (9)	20 September 2019	24 September 2034	4.34%	9,996	9,996
2019 RMB Debt Securities Second Tranche (10)	20 November 2019	22 November 2029	4.01%	29,991	29,991
2020 RMB Debt Securities First Tranche 01 (11)	17 September 2020	21 September 2030	4.20%	59,976	59,976
2020 RMB Debt Securities First Tranche 02 (12)	17 September 2020	21 September 2035	4.47%	14,994	14,994
2021 RMB Debt Securities First Tranche 01 (13)	17 March 2021	19 March 2031	4.15%	14,995	–

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Bonds issued (Continued)

	Issue date	Maturity date	Annual interest rate	As at 31 December 2021	As at 31 December 2020
2021 RMB Debt Securities First Tranche 02 (14)	17 March 2021	19 March 2036	4.38%	9,996	–
2021 RMB Debt Securities Second Tranche 01 (15)	12 November 2021	16 November 2031	3.60%	39,989	–
2021 RMB Debt Securities Second Tranche 02 (16)	12 November 2021	16 November 2036	3.80%	9,997	–
Subtotal (17)				378,924	304,373
Other bonds issued (18)					
US Dollar Debt Securities				185,618	198,317
RMB Debt Securities				90,604	73,165
Other				49,403	51,555
Subtotal				325,625	323,037
Negotiable certificates of deposit				659,306	554,801
Subtotal bonds issued at amortised cost				1,381,855	1,232,211
Bonds issued at fair value (19)				317	6,162
Subtotal bonds issued				1,382,172	1,238,373
Accrued interest				6,506	6,030
Total bonds issued(20)				1,388,678	1,244,403

(1) The subordinated bonds issued on 17 May 2011, have a maturity of 15 years, with a fixed coupon rate of 5.30%, paid annually. The Bank was entitled to early redeem all the subordinated bonds at the end of the tenth year. The Bank has redeemed all the bonds in advance at face value on 19 May 2021.

(2) The second subordinated bonds issued on 27 November 2012 have a maturity of 15 years, with a fixed coupon rate of 4.99%, paid annually. The Bank was entitled to early redeem all these bonds at the end of the tenth year. If the Bank does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall remain fixed at 4.99%.

(3) The Bank issued tier 2 capital bonds in an amount of USD3 billion on 13 November 2014. The bonds have a maturity of 10 years, with a fixed coupon rate of 5.00%.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Bonds issued (Continued)

(4) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 26 September 2017. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.45%. The Bank was entitled to redeem the bonds at the end of the fifth year.

(5) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 31 October 2017. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.45%. The Bank was entitled to redeem the bonds at the end of the fifth year.

(6) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 3 September 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.86%. The Bank was entitled to redeem the bonds at the end of the fifth year.

(7) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 9 October 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.84%. The Bank was entitled to redeem the bonds at the end of the fifth year.

(8) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 September 2019. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.98%. The Bank was entitled to redeem the bonds at the end of the fifth year.

(9) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 20 September 2019. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.34%. The Bank was entitled to redeem the bonds at the end of the tenth year.

(10) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 November 2019. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.01%. The Bank was entitled to redeem the bonds at the end of the fifth year.

(11) The Bank issued tier 2 capital bonds in an amount of RMB60 billion on 17 September 2020. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.20%. The Bank was entitled to redeem the bonds at the end of the fifth year.

(12) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 September 2020. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.47%. The Bank was entitled to redeem the bonds at the end of the tenth year.

(13) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 March 2021. The bonds have a maturity of 10 years with a fixed coupon rate of 4.15%. The Bank was entitled to redeem the bonds at the end of the fifth year.

(14) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 17 March 2021. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.38%. The Bank was entitled to redeem the bonds at the end of the tenth year.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Bonds issued (Continued)

(15) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 12 November 2021. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.60%. The Bank was entitled to redeem the bonds at the end of the fifth year.

(16) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 12 November 2021. The bonds have a maturity of 15 years, with a fixed coupon rate of 3.80%. The Bank was entitled to redeem the bonds at the end of the tenth year.

(17) The claims of the holders of subordinated bonds and tier 2 capital bonds will be subordinated to the claims of depositors and general creditors.

(18) US Dollar Debt Securities, RMB Debt Securities and other Debt Securities were issued in Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions between 2013 and 2021 by the Group, with dates of maturity ranging from 2022 to 2030.

(19) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its bonds issued. The Group designates certain bonds issued as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 31 December 2021, the carrying amount of the above-mentioned bonds issued by the Group was RMB317 million (31 December 2020: RMB6,162 million).The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 31 December 2021 and 2020 were not significant. In the years of 2021 and 2020, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.

(20) During the years ended 31 December 2021 and 2020, the Group did not default on any principal, interest or redemption amounts with respect to its bonds issued.

31 Other borrowings

These other borrowings relate to the financing of the aircraft leasing business of BOC Aviation Limited, a subsidiary of the Group. These other borrowings are secured by its aircraft (Note V.20).

As at 31 December 2021, these other borrowings had a maturity ranging from 7 days to 7 years and bore floating and fixed interest rates ranging from 0.36% to 1.62% (31 December 2020: 0.45% to 1.55%).

During the years ended 31 December 2021 and 2020, the Group did not default on any principal, interest or redemption amounts with respect to its other borrowings.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 Current tax liabilities

	As at 31 December	
	2021	**2020**
Corporate income tax	35,891	47,337
Value-added tax	7,459	6,742
City construction and maintenance tax	539	492
Education surcharges	345	326
Other	772	768
Total	45,006	55,665

33 Retirement benefit obligations

As at 31 December 2021, the actuarial liabilities existing in relation to the retirement benefit obligations for employees who retired prior to 31 December 2003 and the early retirement obligations for employees who early-retired were RMB1,881 million (31 December 2020: RMB1,896 million) and RMB214 million (31 December 2020: RMB303 million), respectively, using the projected unit credit method.

The movements of the net liabilities recognised are as follows:

	Year ended 31 December	
	2021	**2020**
As at 1 January	2,199	2,533
Interest cost	66	74
Net actuarial losses/(gains) recognised	84	(125)
Benefits paid	(254)	(283)
As at 31 December	2,095	2,199

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Retirement benefit obligations (Continued)

Primary assumptions used:

	As at 31 December	
	2021	**2020**
Discount rate		
— Normal retiree	2.75%	3.25%
— Early retiree	2.50%	2.75%
Pension benefit inflation rate		
— Normal retiree	3.0%	3.0%
— Early retiree	3.0%	3.0%
Medical benefit inflation rate	8.0%	8.0%
Retiring age		
— Male	60	60
— Female	50/55	50/55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (published historical statistics in China).

As at 31 December 2021 and 2020, there was no significant change in employee retirement benefit obligations that was attributable to changes in actuarial assumptions.

34 Share appreciation rights plan

In November 2005, the Bank's Board of Directors and equity holders approved and adopted a Share Appreciation Rights Plan under which eligible participants, including directors, supervisors, management and other personnel designated by the Board, will be granted share appreciation rights, up to 25% of which will be exercisable each year beginning on the third anniversary date from the date of grant. The share appreciation rights will be valid for seven years from the date of grant. Eligible participants will be entitled to receive an amount equal to the difference, if any, between the average closing market price of the Bank's H shares in the ten days prior to the date of grant and the average closing market price of the Bank's H shares in the 12 months prior to the date of exercise as adjusted for any change in the Bank's equity. The plan provides cash-settled share-based payment only and accordingly, no shares will be issued under the share appreciation rights plan.

No share appreciation rights were granted since the inception of the plan.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 Deferred income taxes

35.1 The table below includes the deferred income tax assets and liabilities of the Group after offsetting qualifying amounts and the related temporary differences.

	As at 31 December			
	2021		2020	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets	197,710	51,172	234,905	58,916
Deferred income tax liabilities	(40,818)	(7,003)	(45,934)	(6,499)
Net	156,892	44,169	188,971	52,417

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 Deferred income taxes (Continued)

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

	As at 31 December			
	2021		2020	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	274,503	68,376	253,785	63,242
Pension, retirement benefits and salary payables	24,929	6,238	17,952	4,470
Financial instruments at fair value through profit or loss and derivative financial instruments	65,287	16,237	174,011	43,224
Financial assets at fair value through other comprehensive income	1,224	304	809	202
Other temporary differences	37,898	8,849	41,355	9,599
Subtotal	403,841	100,004	487,912	120,737
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	(108,696)	(26,774)	(174,976)	(42,853)
Financial assets at fair value through other comprehensive income	(37,265)	(9,205)	(30,836)	(7,445)
Depreciation and amortisation	(25,978)	(4,530)	(24,104)	(4,193)
Revaluation of property and investment properties	(8,040)	(1,536)	(8,845)	(1,722)
Other temporary differences	(66,970)	(13,790)	(60,180)	(12,107)
Subtotal	(246,949)	(55,835)	(298,941)	(68,320)
Net	156,892	44,169	188,971	52,417

As at 31 December 2021, deferred tax liabilities relating to temporary differences of RMB174,351 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2020: RMB164,299 million). Refer to Note II.20.2.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 Deferred income taxes (Continued)

35.3 Movements of the deferred income tax are as follows:

	Year ended 31 December	
	2021	**2020**
As at 1 January	52,417	38,577
(Charged)/credited to the income statement (Note V.10)	(6,702)	14,268
Charged to other comprehensive income	(1,557)	(62)
Other	11	(366)
As at 31 December	44,169	52,417

35.4 Breakdowns of deferred income tax credit/(charge) in the income statement are as follows:

	Year ended 31 December	
	2021	**2020**
Asset impairment allowances	5,134	12,190
Financial instruments at fair value through profit or loss and derivative financial instruments	(10,908)	1,196
Pension, retirement benefits and salary payables	1,768	(40)
Other temporary differences	(2,696)	922
Total	(6,702)	14,268

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 Other liabilities

	As at 31 December	
	2021	**2020**
Insurance liabilities		
— Life insurance contracts	153,677	132,431
— Non-life insurance contracts	9,932	9,670
Items in the process of clearance and settlement	68,229	78,940
Salary and welfare payables (1)	39,685	34,179
Lease liabilities (2)	19,619	21,893
Provision (3)	26,343	29,492
Deferred income	6,362	11,532
Other	112,708	92,236
Total	436,555	410,373

(1) Salary and welfare payables

	As at 1 January 2021	Accrual	Payment	As at 31 December 2021
Salary, bonus and subsidy	23,909	68,798	(61,656)	31,051
Staff welfare	–	4,664	(4,664)	–
Social insurance				
— Medical	1,476	3,932	(3,883)	1,525
— Pension	204	6,205	(6,179)	230
— Annuity	2,086	3,527	(5,603)	10
— Unemployment	5	213	(212)	6
— Injury at work	1	81	(80)	2
— Maternity insurance	3	135	(135)	3
Housing funds	36	4,940	(4,946)	30
Labour union fee and staff education fee	5,782	2,052	(1,708)	6,126
Reimbursement for cancellation of labour contract	24	29	(30)	23
Other	653	4,674	(4,648)	679
Total (i)	34,179	99,250	(93,744)	39,685

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 Other liabilities (Continued)

(1) Salary and welfare payables (Continued)

	As at 1 January 2020	Accrual	Payment	As at 31 December 2020
Salary, bonus and subsidy	23,665	62,377	(62,133)	23,909
Staff welfare	–	4,218	(4,218)	–
Social insurance				
— Medical	1,595	3,109	(3,228)	1,476
— Pension	159	4,607	(4,562)	204
— Annuity	2,141	3,440	(3,495)	2,086
— Unemployment	6	150	(151)	5
— Injury at work	2	59	(60)	1
— Maternity insurance	3	136	(136)	3
Housing funds	39	4,774	(4,777)	36
Labour union fee and staff education fee	5,136	2,082	(1,436)	5,782
Reimbursement for cancellation of labour contract	19	28	(23)	24
Other	608	4,304	(4,259)	653
Total [i]	33,373	89,284	(88,478)	34,179

(i) There was no overdue payment for staff salary and welfare payables as at 31 December 2021 and 2020.

(2) Lease liabilities

The Group's lease liabilities are analysed by the maturity date — undiscounted analysis

	As at 31 December	
	2021	2020
Less than 1 year	5,927	6,369
Between 1 to 5 years	11,082	12,487
Over 5 years	8,361	9,161
Undiscounted lease liabilities	25,370	28,017
Lease liabilities	19,619	21,893

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 Other liabilities (Continued)

(3) Provision

	As at 31 December	
	2021	**2020**
Allowance for credit commitments [(i)]	25,456	28,767
Allowance for litigation losses (Note V.40.1)	887	725
Total	26,343	29,492

Movements of the provision are as follows:

	Year ended 31 December	
	2021	**2020**
As at 1 January	29,492	24,469
(Reversal)/losses for the year	(2,623)	5,589
Utilised during the year	(251)	(281)
Exchange differences and other	(275)	(285)
As at 31 December	26,343	29,492

(i) Allowance for credit commitments is measured using the ECL model. Credit commitments were mainly under Stage 1, and the transfers in balance between stages were not significant during the years ended 31 December 2021 and 2020.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Share capital, capital reserve and other equity instruments

37.1 Share capital

The Bank's share capital is as follows:

Unit: Share

	As at 31 December	
	2021	**2020**
Domestic listed A shares, par value of RMB1.00 per share	210,765,514,846	210,765,514,846
Overseas listed H shares, par value of RMB1.00 per share	83,622,276,395	83,622,276,395
Total	294,387,791,241	294,387,791,241

All A and H shares rank pari passu with the same rights and benefits.

37.2 Capital reserve

	As at 31 December	
	2021	**2020**
Share premium	133,648	133,679
Other capital reserve	2,069	2,294
Total	135,717	135,973

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Share capital, capital reserve and other equity instruments (Continued)

37.3 Other equity instruments

For the year ended 31 December 2021, the movements in the Bank's other equity instruments were as follows:

	As at 1 January 2021		Increase/(decrease)		As at 31 December 2021	
	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount
Preference Shares						
Domestic Preference Shares (Second Tranche) (1)	280.0	27,969	(280.0)	(27,969)	–	–
Domestic Preference Shares (Third Tranche) (2)	730.0	72,979	–	–	730.0	72,979
Domestic Preference Shares (Fourth Tranche) (3)	270.0	26,990	–	–	270.0	26,990
Offshore Preference Shares (Second Tranche) (4)	197.9	19,581	–	–	197.9	19,581
Subtotal	1,477.9	147,519	(280.0)	(27,969)	1,197.9	119,550
Perpetual Bonds						
2019 Undated Capital Bonds (Series 1) (5)		39,992		–		39,992
2020 Undated Capital Bonds (Series 1) (6)		39,990		–		39,990
2020 Undated Capital Bonds (Series 2) (7)		29,994		–		29,994
2020 Undated Capital Bonds (Series 3) (8)		19,995		–		19,995
2021 Undated Capital Bonds (Series 1) (9)		–		49,989		49,989
2021 Undated Capital Bonds (Series 2) (10)		–		19,995		19,995
Subtotal		129,971		69,984		199,955
Total		277,490		42,015		319,505

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Share capital, capital reserve and other equity instruments (Continued)

37.3 Other equity instruments (Continued)

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

(2) With the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares on 24 June 2019, in the aggregate par value of RMB73 billion. Each Domestic Preference Share has a par value of RMB100 and 730 million Domestic Preference Shares were issued in total. The dividend rate of the shares for the first five years is 4.50% (pre-tax), which is reset every 5 years.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and the prior approval of the CBIRC, the Bank may at its discretion redeem all or part of the Domestic Preference Shares after 27 June 2024 at the redemption price representing the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

(3) With the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares on 26 August 2019, in the aggregate par value of RMB27 billion. Each Domestic Preference Share has a par value of RMB100 and 270 million Domestic Preference Shares were issued in total. The dividend rate of the shares for the first five years is 4.35% (pre-tax), which is reset every 5 years.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and the prior approval of the CBIRC, the Bank may at its discretion redeem all or part of the Domestic Preference Shares after 29 August 2024 at the redemption price representing the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

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

The Offshore Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and the prior approval of the CBIRC, the Bank may at its discretion redeem all or part of the Offshore Preference Shares on 4 March 2025 or any dividend payment date thereafter at the redemption price representing the sum of the par value of the Offshore Preference Shares and the dividends declared but not yet distributed, as calculated and paid in US Dollars.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Share capital, capital reserve and other equity instruments (Continued)

37.3 Other equity instruments (Continued)

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

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

(5) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB40,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 25 January 2019 and completed the issuance on 29 January 2019. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.50%, which is reset every 5 years.

(6) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB40,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 28 April 2020 and completed the issuance on 30 April 2020. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.40%, which is reset every 5 years.

(7) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB30,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 13 November 2020 and completed the issuance on 17 November 2020. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.55%, which is reset every 5 years.

(8) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB20,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 10 December 2020 and completed the issuance on 14 December 2020. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.70%, which is reset every 5 years.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Share capital, capital reserve and other equity instruments (Continued)

37.3 Other equity instruments (Continued)

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

(10) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB20,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 25 November 2021 and completed the issuance on 29 November 2021. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.64%, which is reset every 5 years.

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

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

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

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Statutory reserves, general and regulatory reserves and undistributed profits

38.1 Statutory reserves

Under relevant PRC laws, the Bank is required to appropriate 10% of its net profit to non-distributable statutory surplus reserves. The appropriation to the statutory surplus reserves may cease when such reserves has reached 50% of the share capital. Subject to the approval of the Annual General Meeting, the statutory surplus reserves can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserves amount used to increase the share capital is limited to a level where the statutory surplus reserves after such capitalisation is not less than 25% of the share capital.

In accordance with a resolution of the Board of Directors dated 29 March 2022, the Bank appropriated 10% of the net profit for the year ended 31 December 2021 to the statutory surplus reserves, amounting to RMB19,396 million (2020: RMB17,720 million).

In addition, some operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions are required to appropriate certain percentages of their net profits to the statutory surplus reserves as stipulated by local banking authorities.

38.2 General and regulatory reserves

According to Caijin [2012] No. 20 *Requirements on Impairment Allowance for Financial Institutions* (the "Requirement"), issued by the MOF, in addition to the impairment allowance, the Bank establishes a general reserve to address unidentified potential impairment losses. The general reserve as a distribution of profits, being part of the equity, should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement, and the minimum threshold can be accumulated over a period of no more than five years.

In accordance with a resolution dated 29 March 2022, the Board of Directors of the Bank approved the appropriation of RMB31,439 million to the general reserve for the year ended 31 December 2021 (2020: RMB20,822 million).

The regulatory reserve mainly refers to the reserve amount set aside by BOC Hong Kong (Group) Limited ("BOCHK Group"), a subsidiary of the Group, for general banking risks, including future losses or other unforeseeable risks. As at 31 December 2021 and 2020, the reserve amounts set aside by BOCHK Group were RMB3,866 million and RMB3,105 million, respectively.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Statutory reserves, general and regulatory reserves and undistributed profits (Continued)

38.3 Dividends

Dividends for Ordinary Shares

Ordinary share cash dividend of RMB57,994 million (pre-tax) in respect of the profit for the year ended 31 December 2020 was approved by the shareholders of the Bank at the Annual General Meeting held on 20 May 2021 and was distributed during the year.

Ordinary share cash dividend of RMB2.21 per ten shares (pre-tax) in respect of the profit for the year ended 31 December 2021 (2020: RMB1.97 per ten shares), amounting to a total dividend of RMB65,060 million (pre-tax), based on the number of shares issued as at 31 December 2021 will be proposed for approval at the forthcoming 2021 Annual General Meeting and the dividend payable is not reflected in the liabilities of the financial statements.

Dividends for Preference Shares

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

Dividend distribution of Offshore Preference Shares (Second Tranche) was approved by the Board of Directors of the Bank at the Board Meeting held on 29 October 2021. Dividend of Offshore Preference Shares (Second Tranche) amounting to USD101.5 million (after tax) was distributed on 4 March 2022 and was recorded in other liabilities as at 31 December 2021.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Statutory reserves, general and regulatory reserves and undistributed profits (Continued)

38.3 Dividends (Continued)

Interest on Perpetual Bonds

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

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

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 2) amounting to RMB1,365 million on 17 November 2021.

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 3) amounting to RMB940 million on 14 December 2021.

39 Non-controlling interests

Non-controlling interests of the subsidiaries of the Group are as follows:

	As at 31 December	
	2021	**2020**
BOC Hong Kong (Group) Limited	93,924	94,489
Bank of China Group Investment Limited	11,847	11,069
Tai Fung Bank Limited	10,234	9,878
Other	9,395	8,982
Total	125,400	124,418

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Contingent liabilities and commitments

40.1 Legal proceedings and arbitration

As at 31 December 2021, the Group was involved in certain litigation and arbitration cases in the regular course of its business. In the Group's regular business operations in different countries and regions across the world, give the range and scale of its international presence, the Group may be involved in a variety of litigation, arbitration and judicial proceedings within different jurisdictions, and the ultimate outcomes of these proceedings involve various levels of uncertainty. The management makes provisions for potential losses that may arise from these uncertainties based on assessments of potential liabilities, courts' judgements or the opinions of legal counsel, and as at 31 December 2021, the balance of the provisions was RMB887 million (31 December 2020: RMB725 million), as discussed in Note V.36. Based upon the opinions of internal and external legal counsels, the senior management of the Group believes that, at the current stage, these matters will not have a material impact on the financial position or operating results of the Group. Should the ultimate outcomes of these matters differ from the initially estimated amounts, such differences will impact the profit or loss in the period during which such a determination is made.

40.2 Assets pledged

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

	As at 31 December	
	2021	**2020**
Debt securities	1,050,527	666,236
Bills	1,778	2,127
Total	1,052,305	668,363

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Contingent liabilities and commitments (Continued)

40.3 Collateral accepted

The Group accepts securities as collateral that are permitted to be sold or re-pledged in connection with reverse repurchase and derivative agreements with banks and other financial institutions. As at 31 December 2021, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB299,137 million (31 December 2020: RMB151,204 million). As at 31 December 2021, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB2,384 million (31 December 2020: RMB797 million). These transactions are conducted under standard terms in the normal course of business.

40.4 Capital commitments

	As at 31 December	
	2021	**2020**
Property and equipment		
— Contracted but not provided for	34,371	46,723
— Authorised but not contracted for	1,992	3,468
Intangible assets		
— Contracted but not provided for	1,442	1,242
— Authorised but not contracted for	155	199
Investment properties and others		
— Contracted but not provided for	686	1,252
Total	38,646	52,884

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Contingent liabilities and commitments (Continued)

40.5 Operating leases

The Group acts as lessor in operating leases principally through aircraft leasing undertaken by its subsidiary BOC Aviation Limited. Under irrevocable operating lease contracts, the minimum lease payments which will be received by the Group under the operating leases for existing aircraft and aircraft yet to be delivered amounted to:

	As at 31 December	
	2021	**2020**
Less than 1 year	11,870	13,132
Between 1 to 2 years	13,153	14,611
Between 2 to 3 years	12,748	14,009
Between 3 to 4 years	11,765	13,473
Between 4 to 5 years	11,080	12,529
Over 5 years	49,901	55,771
Total	110,517	123,525

40.6 Treasury bonds redemption commitments

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

As at 31 December 2021, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB54,053 million (31 December 2020: RMB55,597 million). The original maturities of these Treasury bonds vary from 3 to 5 years and management expects the amount of redemption through the Bank prior to the maturity dates of these bonds will not be material.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Contingent liabilities and commitments (Continued)

40.7 Credit commitments

	As at 31 December	
	2021	**2020**
Loan commitments (1)		
— with an original maturity of less than 1 year	318,393	262,001
— with an original maturity of 1 year or above	1,898,072	1,417,031
Undrawn credit card limits	1,044,469	1,060,580
Letters of guarantee issued (2)	1,086,152	1,035,517
Bank bill acceptance	378,118	301,602
Letters of credit issued	171,018	154,181
Accepted bills of exchange under letters of credit	80,958	81,817
Other	243,974	178,944
Total (3)	5,221,154	4,491,673

(1) Loan commitments mainly represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at 31 December 2021, the unconditionally revocable loan commitments of the Group amounted to RMB338,647 million (31 December 2020: RMB334,384 million).

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

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

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

	As at 31 December	
	2021	**2020**
Credit commitments	1,266,950	1,186,895

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Contingent liabilities and commitments (Continued)

40.8 Underwriting obligations

As at 31 December 2021, the firm commitment in underwriting securities of the Group amounted to RMB600 million (31 December 2020: Nil).

41 Note to the consolidated statement of cash flows

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

	As at 31 December	
	2021	**2020**
Cash and due from banks and other financial institutions	400,769	453,505
Balances with central banks	740,092	587,113
Placements with and loans to banks and other financial institutions	689,909	361,872
Financial investments	144,861	92,378
Total	1,975,631	1,494,868

42 Related party transactions

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

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

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

(2) Transactions with Huijin

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

Transaction balances

	As at 31 December	
	2021	**2020**
Investment in debt securities	37,842	43,659
Due to Huijin	(40,617)	(18,047)

Transaction amounts

	Year ended 31 December	
	2021	**2020**
Interest income	1,170	1,028
Interest expense	(652)	(229)

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin

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

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

Transaction balances

	As at 31 December	
	2021	**2020**
Due from banks and other financial institutions	101,654	126,104
Placements with and loans to banks and other financial institutions	210,826	144,640
Financial investments	498,044	390,508
Derivative financial assets	7,407	18,863
Loans and advances to customers	64,341	85,650
Due to customers, banks and other financial institutions	(259,277)	(256,582)
Placements from banks and other financial institutions	(135,319)	(137,131)
Derivative financial liabilities	(8,561)	(21,294)
Credit commitments	47,175	32,177

Transaction amounts

	Year ended 31 December	
	2021	**2020**
Interest income	14,657	12,561
Interest expense	(7,042)	(4,313)

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin (Continued)

Interest rate ranges

	Year ended 31 December	
	2021	**2020**
Due from banks and other financial institutions	0.00%–5.50%	0.00%–5.20%
Placements with and loans to banks and other financial institutions	-0.48%–6.50%	-0.21%–27.00%
Financial investments	-0.58%–5.98%	-0.05%–5.98%
Loans and advances to customers	0.15%–4.75%	0.18%–9.91%
Due to customers, banks and other financial institutions	-0.60%–5.22%	-0.50%–6.00%
Placements from banks and other financial institutions	-0.53%–5.50%	-0.50%–4.80%

42.3 Transactions with government authorities, agencies, affiliates and other State-controlled entities

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

Transactions conducted with government authorities, agencies, affiliates and other State-controlled entities include the purchase and redemption of investment securities issued by government agencies, underwriting and distribution of treasury bonds issued by government agencies through the Group's branch network, foreign exchange transactions and derivative transactions, lending, provision of credit and guarantees and deposit placing and taking.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.4 Transactions with associates and joint ventures

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

Transaction balances

	As at 31 December	
	2021	**2020**
Loans and advances to customers	18,935	18,502
Due to customers, banks and other financial institutions	(16,285)	(10,641)
Credit commitments	27,408	23,144

Transaction amounts

	Year ended 31 December	
	2021	**2020**
Interest income	674	772
Interest expense	(374)	(316)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.4 Transactions with associates and joint ventures (Continued)

The general information of principal associates and joint ventures is as follows:

Name	Place of incorporation/ establishment	Unified Social Credit Code	Effective equity held (%)	Voting right (%)	Paid-in capital (in millions)	Principal business
China Insurance Investment Fund CO., Ltd.	PRC	91110102MA01W7X36U	25.70	25.70	RMB45,000	Investment in non-securities business; equity investment; investment management and consulting
BOC International (China) Co., Ltd.	PRC	91310000736650364G	33.42	33.42	RMB2,778	Securities brokerage; securities investment consulting; financial advisory services related to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities assets management; securities investment fund sales agency; margin financing and securities lending; distribution of financial products; management of publicly offered securities investment funds
Ying Kou Port Group CORP.	PRC	91210800121119657C	8.86	Note (1)	RMB20,000	Terminals and other port facilities services, cargo handling, warehousing services, ship and port services, leasing and maintenance services of port facilities and equipment and port machinery, etc.
CGN Phase I Private Equity Fund Company Limited	PRC	91110000717827478Q	20.00	20.00	RMB100	Investment in nuclear power projects and related industries; assets management; investment consulting
Sichuan Lutianhua Co., Ltd.	PRC	91510500711880825C	16.44	Note (1)	RMB1,568	Chemical industry, mainly produces and sells all kinds of fertilizers and chemical products
Graceful Field Worldwide Limited	BVI	N/A	80.00	Note (1)	USD0.0025	Investment
Shanghai Chenggang Real Estate Co., Ltd.	PRC	91310000MA1H3FM95L	75.00	Note (1)	RMB2,400	Real estate development and operations; property management; non-residential real estate leasing; parking services
Wkland Investments II Limited	BVI	N/A	50.00	50.00	USD0.00002	Investment holding
National Green Development Fund	PRC	91310000MA1FL7AXXR	9.00	Note (1)	RMB88,500	Equity investment, project investment, investment management, investment consulting
Wuhu Yinsheng Special Steel Investment Management Limited Partnership	PRC	91340202MA2RENJEX9	21.20	28.57	N/A	Equity investment; industrial investment

(1) In accordance with the respective articles of association, the Group has significant influence or joint control over these companies.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.5 Transactions with the Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the years ended 31 December 2021 and 2020.

42.6 Transactions with key management personnel

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

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

The key management compensation for the years ended 31 December 2021 and 2020 comprises:

	Year ended 31 December	
	2021	**2020**
Compensation for short-term employment benefits (1)	11	15
Compensation for post-employment benefits	1	1
Total	12	16

(1) The total compensation packages for the key management personnel for the year ended 31 December 2021 have not yet been finalised in accordance with the relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Group's 2021 financial statements. The final compensation for the year ended 31 December 2021 will be disclosed in a separate announcement when determined.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.7 Transactions with Connected Natural Persons

As at 31 December 2021, the Bank's balance of loans to the connected natural persons as defined in the "*Administration of Connected Transactions between Commercial Banks and Their Insiders and Shareholders*" issued by the former China Banking Regulatory Commission and the "*Administrative Measures for the Disclosure of Information of Listed Companies*" issued by China Securities Regulatory Commission totalled RMB352 million (31 December 2020: RMB365 million) and RMB14 million (31 December 2020: RMB20 million), respectively.

42.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

Transaction balances

	As at 31 December	
	2021	**2020**
Due from banks and other financial institutions	98,768	31,487
Placements with and loans to banks and other financial institutions	273,438	184,792
Due to banks and other financial institutions	(200,982)	(190,167)
Placements from banks and other financial institutions	(40,061)	(28,057)

Transaction amounts

	Year ended 31 December	
	2021	**2020**
Interest income	2,747	2,304
Interest expense	(2,111)	(1,209)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.8 Transactions with subsidiaries (Continued)

The general information of the principal subsidiaries is as follows:

Name	Place of incorporation and operation	Date of incorporation/ establishment	Paid-in capital (in millions)	Effective equity held (%)	Voting right (%)	Principal business
Directly held [1]						
BOC Hong Kong (Group) Limited	Hong Kong, China	12 September 2001	HKD34,806	100.00	100.00	Holding company
BOC International Holdings Limited [3]	Hong Kong, China	10 July 1998	HKD3,539	100.00	100.00	Investment banking
Bank of China Group Insurance Company Limited	Hong Kong, China	23 July 1992	HKD3,749	100.00	100.00	Insurance services
Bank of China Group Investment Limited	Hong Kong, China	18 May 1993	HKD34,052	100.00	100.00	Investment holding
Tai Fung Bank Limited	Macao, China	1942	MOP1,000	50.31	50.31	Commercial banking
Bank of China (UK) Limited	United Kingdom	24 September 2007	GBP250	100.00	100.00	Commercial banking
BOC Insurance Company Limited	Beijing	5 January 2005	RMB4,535	100.00	100.00	Insurance services
BOC Financial Asset Investment Company Limited	Beijing	16 November 2017	RMB14,500	100.00	100.00	Debt-to-equity swaps and other supporting businesses.
BOC Wealth Management Co., Ltd.	Beijing	1 July 2019	RMB10,000	100.00	100.00	Issuance of wealth management products, investment and management of entrusted assets for investors
BOC Financial Leasing Co., Ltd.	Chongqing	18 June 2020	RMB10,800	92.59	92.59	Financial leasing
Indirectly held						
Bank of China Hong Kong (Holdings) Limited [2]	Hong Kong, China	12 September 2001	HKD52,864	66.06	66.06	Holding company
Bank of China (Hong Kong) Limited [3]	Hong Kong, China	16 October 1964	HKD43,043	66.06	100.00	Commercial banking
BOC Credit Card (International) Limited	Hong Kong, China	9 September 1980	HKD565	66.06	100.00	Credit card services
BOC Group Trustee Company Limited [3]	Hong Kong, China	1 December 1997	HKD200	77.60	100.00	Investment holding
BOC Aviation Limited [2]	Singapore	25 November 1993	USD1,158	70.00	70.00	Aircraft leasing

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.8 Transactions with subsidiaries (Continued)

(1) These directly held principal subsidiaries are unlisted companies. All holdings are in the ordinary share capital of the undertaking concerned, and the ability of the subsidiaries to transfer funds to the Group and the Bank is not restricted.

(2) BOCHK (Holdings) and BOC Aviation Limited are listed on the Stock Exchange of Hong Kong Limited.

(3) BOCHK and BOC International Holdings Limited ("BOCI"), in which the Group holds 66.06% and 100% of their equity interests, respectively, hold 66% and 34% equity interests of BOC Group Trustee Company Limited, respectively.

For certain subsidiaries listed above, the discrepancy between the percentage of voting rights and the percentage of effective equity holding is mainly due to the impact of indirect holdings.

43 Segment reporting

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

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

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Segment reporting (Continued)

Geographical segments

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

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

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

Business segments

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

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

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

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Segment reporting (Continued)

As at and for the year ended 31 December 2021

		Hong Kong (China), Macao (China) and Taiwan (China)					
	Chinese mainland	BOCHK Group	Other	Subtotal	Other countries and regions	Elimination	Total
Interest income	722,469	34,203	23,009	57,212	22,050	(12,243)	789,488
Interest expense	(346,563)	(6,893)	(16,266)	(23,159)	(6,867)	12,243	(364,346)
Net interest income	375,906	27,310	6,743	34,053	15,183	–	425,142
Fee and commission income	76,927	11,754	7,672	19,426	6,183	(8,083)	94,453
Fee and commission expense	(12,587)	(2,492)	(2,454)	(4,946)	(2,224)	6,730	(13,027)
Net fee and commission income	64,340	9,262	5,218	14,480	3,959	(1,353)	81,426
Net trading gains	19,996	2,261	5,320	7,581	717	(3)	28,291
Net gains on transfers of financial asset	1,742	924	314	1,238	217	–	3,197
Other operating income (1)	19,061	14,204	35,352	49,556	236	(1,192)	67,661
Operating income	481,045	53,961	52,947	106,908	20,312	(2,548)	605,717
Operating expenses (1)	(163,673)	(26,698)	(30,747)	(57,445)	(7,843)	2,606	(226,355)
Impairment losses on assets	(99,622)	(1,778)	(2,539)	(4,317)	(281)	–	(104,220)
Operating profit	217,750	25,485	19,661	45,146	12,188	58	275,142
Share of results of associates and joint ventures	779	(241)	940	699	–	–	1,478
Profit before income tax	218,529	25,244	20,601	45,845	12,188	58	276,620
Income tax expense							(49,281)
Profit for the year							227,339
Segment assets	21,471,302	2,951,526	1,659,173	4,610,699	2,292,838	(1,688,200)	26,686,639
Investments in associates and joint ventures	20,544	598	14,627	15,225	–	–	35,769
Total assets	21,491,846	2,952,124	1,673,800	4,625,924	2,292,838	(1,688,200)	26,722,408
Include: non-current assets (2)	117,571	26,383	169,999	196,382	9,021	(4,275)	318,699
Segment liabilities	19,607,634	2,709,070	1,521,145	4,230,215	2,222,113	(1,688,107)	24,371,855
Other segment items:							
Inter-segment net interest (expense)/income	(3,667)	541	4,376	4,917	(1,250)	–	–
Inter-segment net fee and commission income	232	370	601	971	150	(1,353)	–
Capital expenditure	13,400	1,423	15,070	16,493	269	–	30,162
Depreciation and amortisation	20,355	1,833	6,406	8,239	880	(682)	28,792
Credit commitments	4,433,323	293,314	171,201	464,515	535,677	(212,361)	5,221,154

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Segment reporting (Continued)

As at and for the year ended 31 December 2020

	Chinese mainland	Hong Kong (China), Macao (China) and Taiwan (China)			Other countries and regions	Elimination	Total
		BOCHK Group	Other	Subtotal			
Interest income	673,082	44,499	29,847	74,346	32,125	(19,483)	760,070
Interest expense	(310,089)	(13,312)	(23,474)	(36,786)	(16,760)	19,483	(344,152)
Net interest income	362,993	31,187	6,373	37,560	15,365	–	415,918
Fee and commission income	67,187	11,355	7,846	19,201	6,085	(3,833)	88,640
Fee and commission expense	(9,030)	(2,413)	(2,126)	(4,539)	(1,950)	2,401	(13,118)
Net fee and commission income	58,157	8,942	5,720	14,662	4,135	(1,432)	75,522
Net trading (losses)/gains	(4,208)	5,793	5,293	11,086	1,177	–	8,055
Net gains on transfers of financial asset	4,965	4,063	142	4,205	377	–	9,547
Other operating income (1)	14,727	16,999	26,855	43,854	948	(924)	58,605
Operating income	436,634	66,984	44,383	111,367	22,002	(2,356)	567,647
Operating expenses (1)	(140,087)	(33,468)	(23,011)	(56,479)	(8,201)	2,356	(202,411)
Impairment losses on assets	(107,622)	(2,407)	(2,574)	(4,981)	(6,413)	–	(119,016)
Operating profit	188,925	31,109	18,798	49,907	7,388	–	246,220
Share of results of associates and joint ventures	(185)	(164)	507	343	–	–	158
Profit before income tax	188,740	30,945	19,305	50,250	7,388	–	246,378
Income tax expense							(41,282)
Profit for the year							205,096
Segment assets	19,434,557	2,762,985	1,529,898	4,292,883	2,090,165	(1,448,454)	24,369,151
Investments in associates and joint ventures	19,712	858	12,938	13,796	–	–	33,508
Total assets	19,454,269	2,763,843	1,542,836	4,306,679	2,090,165	(1,448,454)	24,402,659
Include: non-current assets (2)	119,001	27,626	170,894	198,520	9,939	(2,980)	324,480
Segment liabilities	17,753,122	2,520,219	1,396,881	3,917,100	2,017,915	(1,448,315)	22,239,822
Other segment items:							
Inter-segment net interest (expense)/income	(4,886)	775	6,771	7,546	(2,660)	–	–
Inter-segment net fee and commission income/(expense)	487	395	692	1,087	(142)	(1,432)	–
Capital expenditure	12,133	1,593	26,472	28,065	309	–	40,507
Depreciation and amortisation	19,056	1,972	6,097	8,069	838	(457)	27,506
Credit commitments	3,753,654	310,620	145,806	456,426	507,083	(225,490)	4,491,673

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

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Segment reporting (Continued)

As at and for the year ended 31 December 2021

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	346,214	311,480	188,432	1,220	3,914	4,414	(66,186)	789,488
Interest expense	(176,401)	(137,540)	(109,822)	(139)	(84)	(6,549)	66,189	(364,346)
Net interest income/(expense)	169,813	173,940	78,610	1,081	3,830	(2,135)	3	425,142
Fee and commission income	31,212	39,163	15,240	9,819	–	2,087	(3,068)	94,453
Fee and commission expense	(1,382)	(6,998)	(914)	(2,640)	(3,585)	(143)	2,635	(13,027)
Net fee and commission income/(expense)	29,830	32,165	14,326	7,179	(3,585)	1,944	(433)	81,426
Net trading gains/(losses)	1,972	(347)	13,255	500	(41)	12,874	78	28,291
Net gains on transfers of financial asset	1,458	206	1,262	21	237	13	–	3,197
Other operating income	581	10,486	484	320	35,580	23,429	(3,219)	67,661
Operating income	203,654	216,450	107,937	9,101	36,021	36,125	(3,571)	605,717
Operating expenses	(71,074)	(88,676)	(21,784)	(2,984)	(34,357)	(11,229)	3,749	(226,355)
Impairment losses on assets	(68,087)	(24,778)	(7,341)	(270)	(30)	(3,513)	(201)	(104,220)
Operating profit	64,493	102,996	78,812	5,847	1,634	21,383	(23)	275,142
Share of results of associates and joint ventures	–	–	–	339	–	1,273	(134)	1,478
Profit before income tax	64,493	102,996	78,812	6,186	1,634	22,656	(157)	276,620
Income tax expense								(49,281)
Profit for the year								227,339
Segment assets	10,117,500	6,179,877	9,521,320	92,943	231,683	637,470	(94,154)	26,686,639
Investments in associates and joint ventures	–	–	–	5,779	–	30,130	(140)	35,769
Total assets	10,117,500	6,179,877	9,521,320	98,722	231,683	667,600	(94,294)	26,722,408
Segment liabilities	12,303,472	8,427,530	3,131,945	62,915	211,832	328,198	(94,037)	24,371,855
Other segment items:								
Inter-segment net interest income/(expense)	16,438	48,690	(64,964)	260	9	(436)	3	–
Inter-segment net fee and commission income/(expense)	472	1,791	59	(637)	(1,612)	360	(433)	–
Capital expenditure	3,998	4,615	212	212	158	20,967	–	30,162
Depreciation and amortisation	9,225	11,027	2,698	411	280	6,082	(931)	28,792
Credit commitments	3,956,835	1,264,319	–	–	–	–	–	5,221,154

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Segment reporting (Continued)

As at and for the year ended 31 December 2020

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	340,794	294,134	190,422	1,888	3,525	4,053	(74,746)	760,070
Interest expense	(156,596)	(111,965)	(142,905)	(403)	(105)	(7,116)	74,938	(344,152)
Net interest income/(expense)	184,198	182,169	47,517	1,485	3,420	(3,063)	192	415,918
Fee and commission income	30,304	37,241	15,935	5,871	1	2,340	(3,052)	88,640
Fee and commission expense	(1,284)	(6,259)	(2,631)	(1,800)	(3,514)	(131)	2,501	(13,118)
Net fee and commission income/(expense)	29,020	30,982	13,304	4,071	(3,513)	2,209	(551)	75,522
Net trading gains/(losses)	2,326	1,097	(1,954)	268	2,793	3,571	(46)	8,055
Net gains on transfers of financial asset	1,215	102	7,980	1	243	6	–	9,547
Other operating income	831	7,284	1,039	287	31,962	20,402	(3,200)	58,605
Operating income	217,590	221,634	67,886	6,112	34,905	23,125	(3,605)	567,647
Operating expenses	(63,314)	(78,897)	(17,445)	(2,996)	(33,270)	(10,157)	3,668	(202,411)
Impairment losses on assets	(79,872)	(29,136)	(8,223)	(12)	(49)	(1,789)	65	(119,016)
Operating profit	74,404	113,601	42,218	3,104	1,586	11,179	128	246,220
Share of results of associates and joint ventures	–	–	–	342	–	(119)	(65)	158
Profit before income tax	74,404	113,601	42,218	3,446	1,586	11,060	63	246,378
Income tax expense								(41,282)
Profit for the year								205,096
Segment assets	9,251,427	5,641,051	8,684,296	99,425	204,290	593,454	(104,792)	24,369,151
Investments in associates and joint ventures	–	–	–	5,585	–	27,989	(66)	33,508
Total assets	9,251,427	5,641,051	8,684,296	105,010	204,290	621,443	(104,858)	24,402,659
Segment liabilities	10,376,544	7,461,553	3,915,554	72,597	185,310	332,963	(104,699)	22,239,822
Other segment items:								
Inter-segment net interest income/(expense)	20,712	52,337	(72,651)	310	14	(914)	192	–
Inter-segment net fee and commission income/(expense)	627	1,759	114	(598)	(1,769)	417	(550)	–
Capital expenditure	3,620	4,137	192	179	116	32,263	–	40,507
Depreciation and amortisation	8,665	10,630	2,532	404	277	5,712	(714)	27,506
Credit commitments	3,242,275	1,249,398	–	–	–	–	–	4,491,673

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Transfers of financial assets

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

Repurchase agreements

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

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

	As at 31 December 2021		As at 31 December 2020	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	6,655	6,398	13,248	13,550

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Transfers of financial assets (Continued)

Credit assets transfers

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

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognises the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB680 million as at 31 December 2021 (31 December 2020: RMB760 million), which also approximates the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised in the statement of financial position to the extent of the Group's continuing involvement. The carrying amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB46,442 million for this year (2020: RMB15,365 million) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB21,579 million as at 31 December 2021 (31 December 2020: RMB15,244 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 Interests in structured entities

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

45.1 Interests in unconsolidated structured entities

The interests held by the Group in unconsolidated structured entities are mainly as follows:

Structured entities sponsored by the Group

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

As at 31 December 2021, the balance of unconsolidated wealth management products sponsored by the Group amounted to RMB1,710,750 million (31 December 2020: RMB1,388,904 million). The balance of unconsolidated publicly offered funds and asset management plans sponsored by the Group amounted to RMB487,438 million (31 December 2020: RMB486,880 million).

For the year ended 31 December 2021, the above-mentioned management fees, commission and custodian fees amounted to RMB11,435 million (2020: RMB8,499 million).

As at 31 December 2021, the balance of interest and commission receivable held by the Group in the above-mentioned structured entities is not material. For the purpose of asset-liability management, wealth management products may require short-term financing from the Group and other banks. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into repurchase and placement transactions with these wealth management products in accordance with market principles. For the year ended 31 December 2021, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB62,120 million (2020: RMB132,205 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 31 December 2021, the balance of the above transactions was RMB2,600 million (31 December 2020: RMB18,580 million). The maximum exposure to loss of those placements approximated to their carrying amount.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 Interests in structured entities (Continued)

45.1 Interests in unconsolidated structured entities (Continued)

Structured entities sponsored by the Group (Continued)

In July 2020, the regulatory authorities made a decision on extending the transition period for the Guiding Opinions on Regulating Asset Management Business of Financial Institutions to the end of 2021 and encouraged orderly disposal of legacy investments in a variety of ways. As at 31 December 2021, the Group had completed the rectification of wealth management products as scheduled.

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB3,476 million for the year ended 31 December 2021 (2020: RMB1,230 million). For the description of the portion of asset-backed securities issued by the above structured entities and held by the Group, refer to Note V.44.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 Interests in structured entities (Continued)

45.1 Interests in unconsolidated structured entities (Continued)

Structured entities sponsored by other financial institutions

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

Structured entity type	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Maximum exposure to loss
As at 31 December 2021					
Fund investments	68,914	–	–	68,914	68,914
Investment trusts and asset management plans	2,745	3,220	6,303	12,268	12,268
Asset-backed securitisations	11,357	45,880	67,844	125,081	125,081
As at 31 December 2020					
Fund investments	57,099	–	–	57,099	57,099
Investment trusts and asset management plans	2,914	–	8,407	11,321	11,321
Asset-backed securitisations	5,538	40,633	58,195	104,366	104,366

45.2 Consolidated structured entities

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

	Gross amounts of recognised financial assets	Gross amounts offset in the consolidated statement of financial position	Amounts presented in the consolidated statement of financial position	Amounts not set off in the consolidated statement of financial position		
				Financial instruments*	Cash collateral received	Net amount
As at 31 December 2021						
Derivatives	29,313	–	29,313	(20,332)	(3,262)	5,719
Reverse repo agreements	16,568	–	16,568	(16,568)	–	–
Other assets	9,357	(7,284)	2,073	–	–	2,073
Total	55,238	(7,284)	47,954	(36,900)	(3,262)	7,792
As at 31 December 2020						
Derivatives	52,457	–	52,457	(37,206)	(2,843)	12,408
Reverse repo agreements	3,858	–	3,858	(3,858)	–	–
Other assets	16,611	(12,035)	4,576	–	–	4,576
Total	72,926	(12,035)	60,891	(41,064)	(2,843)	16,984

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Offsetting financial assets and financial liabilities (Continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

	Gross amounts of recognised financial liabilities	Gross amounts offset in the consolidated statement of financial position	Amounts presented in the consolidated statement of financial position	Amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments*	Cash collateral pledged	
As at 31 December 2021						
Derivatives	29,845	–	29,845	(20,526)	(4,701)	4,618
Repurchase agreements	55,816	–	55,816	(55,816)	–	–
Other liabilities	7,799	(7,284)	515	–	–	515
Total	93,460	(7,284)	86,176	(76,342)	(4,701)	5,133
As at 31 December 2020						
Derivatives	62,412	–	62,412	(37,220)	(14,196)	10,996
Repurchase agreements	176	–	176	(176)	–	–
Other liabilities	13,006	(12,035)	971	–	–	971
Total	75,594	(12,035)	63,559	(37,396)	(14,196)	11,967

* Including non-cash collateral.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ("the offset criteria").

Derivatives and reverse repo/repurchase agreements included in the amounts are not set off in the consolidated statement of financial position where:

- the counterparty has an offsetting exposure with the Group and a master netting or similar arrangement (including ISDA master agreement and Global Master Netting Agreement) is in place with a right of setting off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and

- cash and non-cash collateral have been received/pledged in respect of the transactions described above.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 The Bank's statement of financial position and changes in equity

47.1 The Bank's statement of financial position

	As at 31 December	
	2021	**2020**
ASSETS		
Cash and due from banks and other financial institutions	684,360	735,856
Balances with central banks	2,066,094	1,895,772
Placements with and loans to banks and other financial institutions	1,441,375	1,065,541
Government certificates of indebtedness for bank notes issued	9,080	9,083
Precious metals	267,913	214,310
Derivative financial assets	70,379	132,878
Loans and advances to customers, net	13,652,081	12,286,706
Financial investments	4,768,450	4,422,013
— financial assets at fair value through profit or loss	287,927	264,746
— financial assets at fair value through other comprehensive income	1,486,942	1,315,891
— financial assets at amortised cost	2,993,581	2,841,376
Investments in subsidiaries	140,451	135,553
Investments in associates and joint ventures	8,379	7,731
Consolidated structured entities	202,265	202,275
Property and equipment	79,534	81,661
Investment properties	1,984	2,185
Deferred income tax assets	51,892	59,767
Other assets	102,586	112,152
Total assets	23,546,823	21,363,483

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 The Bank's statement of financial position and changes in equity (Continued)

47.1 The Bank's statement of financial position (Continued)

	As at 31 December	
	2021	**2020**
LIABILITIES		
Due to banks and other financial institutions	2,751,227	1,960,349
Due to central banks	883,097	838,054
Bank notes in circulation	8,970	9,226
Placements from banks and other financial institutions	356,765	393,521
Financial liabilities held for trading	1,945	571
Derivative financial liabilities	65,892	164,604
Due to customers	15,956,260	14,787,841
Bonds issued	1,283,648	1,140,777
Current tax liabilities	40,325	50,980
Retirement benefit obligations	2,095	2,199
Deferred income tax liabilities	596	567
Other liabilities	187,732	176,000
Total liabilities	21,538,552	19,524,689
EQUITY		
Share capital	294,388	294,388
Other equity instruments	319,505	277,490
Capital reserve	132,331	132,590
Other comprehensive income	20,116	17,712
Statutory reserves	208,319	188,832
General and regulatory reserves	292,549	261,170
Undistributed profits	741,063	666,612
Total equity	2,008,271	1,838,794
Total equity and liabilities	23,546,823	21,363,483

Approved and authorised for issue by the Board of Directors on 29 March 2022.

LIU Liange	**LIU Jin**
Director	*Director*

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 The Bank's statement of financial position and changes in equity (Continued)

47.2 The Bank's statement of changes in equity

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Total
As at 1 January 2021	294,388	277,490	132,590	17,712	188,832	261,170	666,612	1,838,794
Total comprehensive income	–	–	–	2,404	–	–	193,962	196,366
Appropriation to statutory reserves	–	–	–	–	19,487	–	(19,487)	–
Appropriation to general and regulatory reserves	–	–	–	–	–	31,379	(31,379)	–
Dividends	–	–	–	–	–	–	(68,645)	(68,645)
Capital contribution and reduction by other equity instruments holders	–	42,015	(31)	–	–	–	–	41,984
Other	–	–	(228)	–	–	–	–	(228)
As at 31 December 2021	294,388	319,505	132,331	20,116	208,319	292,549	741,063	2,008,271

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 The Bank's statement of financial position and changes in equity (Continued)

47.2 The Bank's statement of changes in equity (Continued)

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Total
As at 1 January 2020	294,388	199,893	132,627	19,292	171,003	240,279	596,399	1,653,881
Total comprehensive income	–	–	–	(1,590)	–	–	177,200	175,610
Appropriation to statutory reserves	–	–	–	–	17,829	–	(17,829)	–
Appropriation to general and regulatory reserves	–	–	–	–	–	20,891	(20,891)	–
Dividends	–	–	–	–	–	–	(68,257)	(68,257)
Capital contribution and reduction by other equity instruments holders	–	77,597	(37)	–	–	–	–	77,560
Other comprehensive income transferred to retained earnings	–	–	–	10	–	–	(10)	–
As at 31 December 2020	294,388	277,490	132,590	17,712	188,832	261,170	666,612	1,838,794

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 IBOR Reform

The Group monitors the risks related to IBOR reform, continuously monitors the risk exposure and converts existing contracts.

(1) The Group exposed to different interbank offered rates ("IBORs"), predominantly US dollar Libor. The following table contains details of financial instruments that Group's commercial banking business holds at 31 December 2021 which reference USD LIBOR and have not yet transitioned to an alternative interest rate benchmark:

As at 31 December 2021	**Financial instruments yet to transition to an alternative benchmark**
Non-derivative assets	481,816
Non-derivative liabilities	2,997
Contractual/Notional amount of derivatives	579,043

(2) The Group has hedge accounting relationships that are exposed to different interbank offered rates ("IBORs"), predominantly US dollar Libor, etc. External progress on the transition to RFRs is being monitored, with the objective of ensuring a smooth transition for the Group's hedge accounting relationships. The specific issues arising will vary with the details of each hedging relationship, but may arise due to the transition of existing products included in the designation, a change in expected volumes of products to be issued, a change in contractual terms of new products issued, or a combination of these factors. Some hedges may need to be de-designated and new relationships entered into, while others may survive IBOR reform.

The hedge items that are affected by the adoption of applicable temporary reliefs in hedge accounting relationships are presented in the statement of financial position as "Financial investments", "Due to central banks" and "Bonds issued".

As at 31 December 2021, the notional amount of interest rate derivatives designated in fair value hedged accounting relationships was RMB65,260 million (2020: RMB93,964 million), which represented the extent of the risk exposure around fair value hedging relationships managed by the Group that was directly affected by IBOR reform and impacted by applicable temporary reliefs.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 Events after the financial reporting date

Issuance of Tier 2 Capital Bonds

The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 January 2022. The bonds have a maturity of date of 24 January 2032 with a fixed coupon rate of 3.25%, payable annually. The Bank is entitled to redeem the bonds at the end of the fifth year.

VI FINANCIAL RISK MANAGEMENT

1 Overview

The Group analyses, identifies, monitors and reports risks by formulating risk management policies, setting appropriate risk limits and control procedures, and using relevant information systems. It also regularly reviews its risk management policies and related systems to reflect new changes in markets, products and the industry's best practices.

The financial risks the Group is exposed to mainly include credit risk, market risk and liquidity risk. Among them, market risk includes exchange rate risk, interest rate risk and other price risks.

The Board of Directors of the Group assumes the ultimate responsibility for comprehensive risk management. The Board of Directors authorises its subordinate Risk Policy Committee, Audit Committee and US Risk and Management Committee to perform part of the responsibilities of comprehensive risk management. The Board of Supervisors undertakes the supervision responsibility for comprehensive risk management, and is responsible for supervising and inspecting the duty performance of the Board of Directors and senior management in respect of risk management and supervising relevant rectification. The senior management is responsible for conducting comprehensive risk management and implementing resolutions of the Board of Directors. The Risk Management Department, Credit Approval Department, Credit Management Department, Internal Control and Legal & Compliance Department and other relevant functional departments are responsible for managing financial risks.

Branches and sub-branches are responsible for the comprehensive risk management of business departments at the same level and institutions at lower levels, and shall report their risk position to the Risk Management Department of the Head Office. The subsidiaries shall establish and improve their respective comprehensive risk management systems and carry out comprehensive risk management-related work in accordance with relevant regulatory guidelines and the requirements of this Policy.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk

The Group takes on exposure to credit risk, which is the risk that a borrower or counterparty will cause a financial loss to the Group by failing to discharge its obligation. Credit risk is one of the most significant risks for the Group's business.

Credit risk exposures arise principally in lending activities and debt securities investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments, bill acceptance, letters of guarantee and letters of credit.

2.1 Credit risk management

(1) Loans and advances to customers and off-balance sheet commitments

The Group identifies and monitors credit risk collectively based on industry, geography and customer type. Management periodically reviews various elements of the Group's credit risk management, in the context of loan portfolio growth, the changing mix and concentration of assets, and the evolving risk profile of the credit portfolio. From time to time, in this regard, refinements are made to the Group's credit risk management processes to most effectively manage the effects of these changes on the Group's credit risk. These refinements include, among other things, adjustments to portfolio level controls, such as revisions to lists of approved borrowers, industry limits and underwriting criteria. Where circumstances related to specific loans or a group of loans increase the Bank's credit risk, actions are taken, to the extent possible, to strengthen the security of the Group's position. The actions may include obtaining additional guarantors or collateral.

The Group measures and manages the credit quality of loans and advances to corporate and personal customers based on the Guideline for Loan Credit Risk Classification (the "Guideline") issued by the former China Banking Regulatory Commission, which requires commercial banks to classify their corporate and personal loans into five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. Off-balance sheet commitments with credit exposure are also assessed and categorised with reference to the Guideline. For operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions, where local regulations and requirements are different from the Guideline, credit assets are classified with prudently not lower than the Group's management requirements in consideration of local regulations and requirements.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.1 Credit risk management (Continued)

(1) Loans and advances to customers and off-balance sheet commitments (Continued)

The five categories are defined as follows:

Pass: loans for which borrowers can honour the terms of the contracts, and there is no reason to doubt their ability to repay the principal and interest of loans in full and on a timely basis.

Special-mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

Substandard: loans for which borrowers' ability to service loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: loans for which borrowers cannot pay back the principal and interest of loans in full and significant losses will be incurred by the Group even when guarantees are executed.

Loss: principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

The Group strictly follows the regulatory requirements in five-category loan classifications management, and makes adjustments to these classifications as necessary according to customers' operational and financial position, together with other factors that may affect the repayment of the loans.

In accordance with the New Basel Capital Accord, the Group implemented a domestic corporate customer credit rating system based on the probability default ("PD") model. The domestic corporate customer PD model uses the principle of logistic regression to predict the PD for customers in the next 12 months. The risk rating of the customer is obtained through the relevant mapping relationship table according to the calculated PD value. The corporate customer credit ratings are classified into fifteen grades as AAA, AA, A, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B-, CCC, CC, C, and D. Credit grade D equates to defaulted customers while the others are assigned to non-defaulted customers. The Group performs centralised review on customer credit ratings on an annual basis in addition to making adjustments as necessary according to the customers' operational and financial condition. The Group conducts back-testing of the rating model for domestic corporate customers, according to the customers' actual defaults each year, so that the model calculation results are closer to the objective facts.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.1 Credit risk management (Continued)

(2) Due from, placements with and loans to banks and other financial institutions

The Group manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the internal and external credit rating of banks and financial institutions. During the business lifetime, the Group conducts comprehensive analysis, monitors and manages internal and external factors that may affect customers' ability to operate on on-going basis and capacity to bear risk, and takes corresponding control measures.

(3) Debt securities and derivatives

Credit risk within debt securities arises from exposure to movements in credit spreads, default rates and loss given default, as well as changes in the credit of underlying assets.

The Group manages the credit risk within debt securities by monitoring the external credit rating, such as Standard & Poor's ratings or their equivalents, of the securities, the internal credit rating of the issuers of debt securities, and the credit quality of underlying assets of securitisation products (including review of default rates, prepayment rates), industry and sector performance, loss coverage ratios and counterparty risk, to identify exposure to credit risk.

The Group has established policies to manage the net open derivative positions by amounts and by maturity dates. At any time, the current credit exposure equals to the fair value of those derivatives where the fair value changes are favorable to the Group (i.e. positive mark-to-market amounts). Credit risk exposures for derivatives are included as part of the aggregated credit risk limit management for financial institutions and customers. Collaterals or other pledges of assets are not typically sought for these exposures.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.2 Credit risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk in particular, to individual customers and to industries.

(1) Credit risk limits and controls

(i) Loans and advances and off-balance sheet commitments

In order to manage the exposure to credit risk, the Group has adopted credit policies and procedures that are reviewed and updated by the Credit Management Department and the Credit Approval Department at the Head Office. The credit approval processes for both corporate loans and personal loans can be broadly divided into three stages: (1) credit origination and assessment; (2) credit review and approval; and (3) fund disbursement and post-disbursement management.

Credit applications for corporate customers in the Chinese mainland must be approved by the authorised credit application approvers at the Head Office and tier 1 branch level in the Chinese mainland, except for certain Credit Factory customers applications and low risk loans and advances approved by the authorised credit application approvers at tier 2 branch level. The exposure to any one borrower, including banks, is restricted by approved total credit limits covering on and off-balance sheet exposures.

Personal loans in the Chinese mainland must be approved by authorised approvers at tier 1 branch level in the Chinese mainland, except for individual pledged loans and government-sponsored student loans, which may be approved by authorised approvers at sub-branches below tier 1 level.

The Head Office also oversees the risk management of the branches in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. In particular, any credit application at these branches exceeding the authorisation limits is required to be submitted to the Head Office for approval.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing aforementioned credit limit where appropriate.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.2 Credit risk limit control and mitigation policies (Continued)

(1) Credit risk limits and controls (Continued)

(ii) Debt securities and derivatives

The Group is also exposed to credit risk through investment activities and trading activities. Credit limits are established based on type of instruments and the credit quality of counterparties, securities issuers and the securities, and set limits are actively monitored.

(2) Credit risk mitigation policies

(i) Collateral and guarantees

The Group has a range of policies and practices intended to mitigate credit risk. The most prevalent of these is the taking of security for funds advances, collateral and guarantees. The Group implements guidelines on the acceptability of specific classes of collateral and coverage rate upper limits. The amount of acceptable collateral at the time of loan origination is determined by the Credit Management Department and is subject to coverage rate upper limits based on type. Value of collateral is monitored on an ongoing basis.

Mortgages to retail customers are generally collateralised by mortgages over residential properties. Whether or not other loans require collateral is dependent on the nature of the loan and the Group's credit management requirements.

For loans guaranteed by a third party guarantor, the Group will assess the guarantor's credit rating, financial condition, credit history and ability to meet its obligations.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Under such agreements, the Group is permitted to sell or repledge collateral in the absence of default by the owner of the collateral. Details of collateral accepted and which the Group is obligated to return are disclosed in Note V.40.3.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.2 Credit risk limit control and mitigation policies (Continued)

(2) Credit risk mitigation policies (Continued)

(ii) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties. Master netting arrangements do not generally result in the offsetting of assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default or other termination event occurs, all amounts with the customer under the master netting arrangement are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change within a short period, as it is affected by each transaction subject to the arrangement.

2.3 Measurement of ECL

The Group conducts assessments of ECL with reference to forward-looking information and uses a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group uses judgements, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards which include:

- Segmentation of financial instruments based on credit risk characteristics for losses
- Criteria for determining significant increases in credit risk
- Definition of default and credit-impaired financial assets
- Parameters for measuring ECL
- Forward-looking information

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(1) Segmentation of financial instruments based on credit risk characteristics for losses

Expected credit loss allowances involve segmentation of exposures on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this segmentation, there must be sufficient information for the segmentation to be statistically credible. In particular, the Group uses credit ratings, product types, client types, etc., for grouping personal loans and advances to calculate the losses measured on a collective basis.

(2) Criteria for determining significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on the historical data, external credit risk rating, and forward-looking information. Based on an individual financial instrument or a group of financial instruments shared credit risk characteristics, the Group compares the risk of default of financial instruments at the financial reporting date with that at the date of initial recognition in order to determine the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

At the financial reporting date, the credit risk is deemed to increase significantly when the remaining lifetime PD is above a certain level and had risen by more than a certain range from initial recognition, reflected as a drop in credit rating by corresponding level according to the different PD at initial recognition as well as different products. For instance, an exposure of a corporate customer would in most cases be determined to have a significant increase in credit risk if its PD as of initial recognition was in excess of 1% and the credit rating of such customer has dropped by 4 notches as of the financial reporting date.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(2) Criteria for determining significant increases in credit risk (Continued)

Qualitative criteria (Continued)

- Significant adverse changes in debtor's operations or financial status
- Migrated into the Special Mention category within the five-category loan classification
- Being included in the watch-list of the Group

Backstop criteria

- Borrowers' contractual payments (including principal or interest) are more than 30 days past due.

The Group has provided credit facilities for temporary deferral of principal repayments and interest payments to some of the borrowers affected by the Covid-19 pandemic in accordance with the regulatory requirements of respective countries/regions. For those loans with deferred principal repayments and interest payments, the Group classified the credit risk based on the actual situation of the borrower and the judgement of the substantive risk of the business. However, the temporary deferral of principal or interest payment was not considered as an automatic trigger of a significant increase of credit risk.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(3) Definition of default and credit-impaired financial asset

The Group considers a financial instrument as defaulted when it is credit-impaired. The standard adopted by the Group in determining whether a financial asset is credit-impaired is consistent with the internal credit risk management objectives, taking into account quantitative and qualitative criteria. When the Group assesses whether a credit impairment occurred, the following key factors are considered:

- Significant financial difficulty of the issuer or borrower
- A breach of contract, such as a default or delinquency in interest or principal payments
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Group would not otherwise consider
- It is becoming probable that the borrower will enter into bankruptcy or other financial re-organisation
- The disappearance of an active market for that financial asset because of financial difficulties
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses
- The borrower is more than 90 days overdue for any of the principal, advances, interest or investments in corporate bonds of the Group

A financial asset becoming credit-impaired may be caused by the combined effect of several events, but not a single discrete event.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(4) Parameters for measuring ECL

According to whether the credit risk has significantly increased and whether the asset is credit-impaired, the Group measures the impairment allowance for different assets with ECL of the next 12 months or throughout the entire lifetime. The key parameters in ECL measurement include probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral) and forward-looking information in order to establish the models for estimating PD, LGD and EAD in accordance with the requirement of IFRS 9.

Relevant definitions are listed as follows:

PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or over the remaining lifetime;

LGD refers to the Group's expectation of the extent of the loss resulting from the defaulted exposure. The LGD varies depending on the type of counterparty, the method and priority of the recourse, and the type of collateral.

EAD is based on the amount that the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

For credit-impaired financial assets with individual amount that are relatively significant, the Group mainly evaluates future cash flows (including the recoverable value of the collateral held) in different circumstances on an individual basis. Expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate (credit adjusted effective interest rate for purchased or originated credit-impaired financial assets) and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment loss or reversal. The estimation of future cash flows is critical for a credit-impaired loan for which expected credit losses are measured on an individual basis. Factors affecting this estimate include, among other things, the financial condition of individual borrowers, risk mitigation methods, industry trends and the future performance of individual borrowers and cash flows from the sale of collateral.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(5) Forward-looking information

The assessment of a significant increase in credit risk and the computation of ECL both involve forward-looking information. In assessing the ECL as at 31 December 2021, the Group has taken into account the impact of changes in current economic environment to the ECL model, including: individual borrower's operating and financial conditions and degree of impact from the Covid-19 pandemic, environmental and climate change impact, and industry-specific risks impacted by Covid-19 pandemic.

The Group identifies key macroeconomic indicators that affect the credit risk and ECL of various business types, such as country or region local GDP, Investment in fixed assets, Producer Price Index, Home price index, Consumer Price Index etc. based on the statistical analysis of historical data.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applies experts' judgement in this analysis, and according to the result, the Group predicts these economic indicators regularly for respective regions and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

The specific values of the core macroeconomic indicator used in the baseline scenario to evaluate expected credit losses on 31 December 2021 by Chinese Mainland are as follows:

Indicator	Applicable range for respective future periods
Quarterly Growth Rate of China's GDP	5.4%–6.9%

The Group conducts statistical analysis using experts' judgement to determine multiple economic scenarios and their respective weightings. In addition to the baseline scenario, optimistic scenario and pessimistic scenario, the Group also considers situation under stress. As at 31 December 2021, the baseline scenario has the highest weighting with the remaining individual scenarios having a weighting of lower than 30%. The Group measures its credit loss allowance based on probability weighted ECL under different scenarios.

The Group conducts sensitivity analysis on the core economic indicators used in forward-looking measurement. As at 31 December 2021, when the predicted value of the core economic indicators in the main scenarios increase or decrease by 10%, the respective decrease or increase in loan loss allowance will not exceed 5%.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 31 December	
	2021	**2020**
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Due from banks and other financial institutions	585,298	724,320
Balances with central banks	2,228,726	2,076,840
Placements with and loans to banks and other financial institutions	1,257,413	939,320
Government certificates of indebtedness for bank notes issued	175,715	168,608
Derivative financial assets	95,799	171,738
Loans and advances to customers, net	15,322,484	13,848,304
Financial investments		
— financial assets at fair value through profit or loss	383,313	353,064
— financial assets at fair value through other comprehensive income	2,366,297	2,086,362
— financial assets at amortised cost	3,213,199	2,978,778
Other assets	133,453	134,116
Subtotal	25,761,697	23,481,450
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of guarantee issued	1,086,152	1,035,517
Loan commitments and other credit commitments	4,135,002	3,456,156
Subtotal	5,221,154	4,491,673
Total	30,982,851	27,973,123

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.4 Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)

The table above represents a worst case scenario of credit risk exposure of the Group as at 31 December 2021 and 2020, without taking into account any collateral held, master netting agreements or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As at 31 December 2021, 49.45% of the Group's total maximum credit exposure is derived from loans and advances to customers (31 December 2020: 49.51%) and 19.13% represents investments in debt securities (31 December 2020: 19.32%).

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances

Analysis of loans and advances to customers (accrued interest excluded) by geographical area, customer type, industry, collateral type and analysis of impaired and overdue loans and advances to customers are presented below:

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

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

Group	**As at 31 December**			
	2021		**2020**	
	Amount	**% of total**	**Amount**	**% of total**
Chinese mainland	12,953,259	82.64%	11,501,791	81.09%
Hong Kong (China), Macao (China) and Taiwan (China)	1,752,527	11.18%	1,697,934	11.97%
Other countries and regions	969,208	6.18%	983,660	6.94%
Total	15,674,994	100.00%	14,183,385	100.00%

Chinese mainland	**As at 31 December**			
	2021		**2020**	
	Amount	**% of total**	**Amount**	**% of total**
Northern China	1,811,146	13.99%	1,695,932	14.74%
Northeastern China	548,436	4.23%	502,186	4.37%
Eastern China	5,158,395	39.82%	4,505,204	39.17%
Central and Southern China	3,708,815	28.63%	3,266,619	28.40%
Western China	1,726,467	13.33%	1,531,850	13.32%
Total	12,953,259	100.00%	11,501,791	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

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

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

	Chinese mainland	Hong Kong (China), Macao (China) and Taiwan (China)	Other countries and regions	Total
As at 31 December 2021				
Corporate loans and advances				
— Trade bills	1,021,482	94,900	139,539	1,255,921
— Other	6,469,397	1,087,192	768,734	8,325,323
Personal loans	5,462,380	570,435	60,935	6,093,750
Total	12,953,259	1,752,527	969,208	15,674,994
As at 31 December 2020				
Corporate loans and advances				
— Trade bills	970,413	83,276	101,869	1,155,558
— Other	5,551,519	1,071,321	821,692	7,444,532
Personal loans	4,979,859	543,337	60,099	5,583,295
Total	11,501,791	1,697,934	983,660	14,183,385

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

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

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

Group	As at 31 December			
	2021		2020	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	2,043,199	13.04%	1,764,213	12.44%
Manufacturing	1,888,582	12.05%	1,692,261	11.93%
Transportation, storage and postal services	1,729,701	11.03%	1,493,828	10.53%
Real estate	1,212,336	7.73%	1,137,469	8.02%
Production and supply of electricity, heating, gas and water	836,651	5.34%	726,824	5.13%
Financial services	704,486	4.49%	646,979	4.56%
Water, environment and public utility management	302,591	1.93%	250,551	1.77%
Construction	296,668	1.89%	268,676	1.89%
Mining	268,158	1.71%	282,394	1.99%
Public utilities	170,548	1.09%	161,402	1.14%
Other	128,324	0.82%	175,493	1.24%
Subtotal	9,581,244	61.12%	8,600,090	60.64%
Personal loans				
Mortgages	4,826,412	30.79%	4,418,761	31.15%
Credit cards	507,107	3.24%	498,435	3.51%
Other	760,231	4.85%	666,099	4.70%
Subtotal	6,093,750	38.88%	5,583,295	39.36%
Total	15,674,994	100.00%	14,183,385	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

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

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

Chinese mainland	**As at 31 December**			
	2021		**2020**	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Commerce and services	1,589,119	12.27%	1,395,690	12.13%
Manufacturing	1,549,639	11.96%	1,329,778	11.56%
Transportation, storage and postal services	1,578,645	12.19%	1,313,457	11.42%
Real estate	687,186	5.30%	639,777	5.56%
Production and supply of electricity, heating, gas and water	657,020	5.07%	554,626	4.82%
Financial services	500,380	3.86%	487,488	4.24%
Water, environment and public utility management	295,183	2.28%	243,268	2.12%
Construction	266,775	2.06%	218,541	1.90%
Mining	161,473	1.25%	163,193	1.42%
Public utilities	159,284	1.23%	136,444	1.19%
Other	46,175	0.36%	39,670	0.34%
Subtotal	7,490,879	57.83%	6,521,932	56.70%
Personal loans				
Mortgages	4,316,325	33.32%	3,991,540	34.71%
Credit cards	496,299	3.83%	488,086	4.24%
Other	649,756	5.02%	500,233	4.35%
Subtotal	5,462,380	42.17%	4,979,859	43.30%
Total	12,953,259	100.00%	11,501,791	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

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

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

Group	As at 31 December			
	2021		2020	
	Amount	% of total	Amount	% of total
Unsecured loans	5,008,610	31.95%	4,533,495	31.96%
Guaranteed loans	1,863,868	11.89%	1,737,379	12.25%
Collateralised and other secured loans	8,802,516	56.16%	7,912,511	55.79%
Total	15,674,994	100.00%	14,183,385	100.00%

Chinese mainland	As at 31 December			
	2021		2020	
	Amount	% of total	Amount	% of total
Unsecured loans	3,801,150	29.35%	3,311,387	28.79%
Guaranteed loans	1,487,175	11.48%	1,379,925	12.00%
Collateralised and other secured loans	7,664,934	59.17%	6,810,479	59.21%
Total	12,953,259	100.00%	11,501,791	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status

(i) Impaired loans and advances by geographical area

Group	As at 31 December					
	2021			2020		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	193,030	92.45%	1.49%	189,985	91.66%	1.65%
Hong Kong (China), Macao (China) and Taiwan (China)	6,084	2.91%	0.35%	4,674	2.25%	0.28%
Other countries and regions	9,678	4.64%	1.00%	12,614	6.09%	1.28%
Total	208,792	100.00%	1.33%	207,273	100.00%	1.46%

Chinese mainland	As at 31 December					
	2021			2020		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	38,825	20.11%	2.14%	27,699	14.58%	1.63%
Northeastern China	13,939	7.22%	2.54%	15,229	8.02%	3.03%
Eastern China	51,633	26.75%	1.00%	52,199	27.47%	1.16%
Central and Southern China	73,624	38.14%	1.99%	81,201	42.74%	2.49%
Western China	15,009	7.78%	0.87%	13,657	7.19%	0.89%
Total	193,030	100.00%	1.49%	189,985	100.00%	1.65%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

(ii) Impaired loans and advances by customer type

Group	As at 31 December					
	2021			2020		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	179,526	85.98%	1.87%	174,012	83.95%	2.02%
Personal loans	29,266	14.02%	0.48%	33,261	16.05%	0.60%
Total	208,792	100.00%	1.33%	207,273	100.00%	1.46%

Chinese mainland	As at 31 December					
	2021			2020		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	164,796	85.37%	2.20%	157,767	83.04%	2.42%
Personal loans	28,234	14.63%	0.52%	32,218	16.96%	0.65%
Total	193,030	100.00%	1.49%	189,985	100.00%	1.65%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

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

	As at 31 December					
	2021			2020		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Commerce and services	30,111	14.42%	1.89%	42,010	20.27%	3.01%
Manufacturing	55,341	26.50%	3.57%	56,696	27.35%	4.26%
Transportation, storage and postal services	18,073	8.66%	1.14%	14,276	6.89%	1.09%
Real estate	34,694	16.62%	5.05%	29,952	14.45%	4.68%
Production and supply of electricity, heating, gas and water	13,173	6.31%	2.00%	2,374	1.14%	0.43%
Financial services	201	0.10%	0.04%	42	0.02%	0.01%
Water, environment and public utility management	2,257	1.08%	0.76%	2,319	1.12%	0.95%
Construction	3,406	1.63%	1.28%	3,806	1.84%	1.74%
Mining	4,717	2.26%	2.92%	4,537	2.19%	2.78%
Public utilities	2,215	1.06%	1.39%	894	0.43%	0.66%
Other	608	0.29%	1.32%	861	0.42%	2.17%
Subtotal	164,796	78.93%	2.20%	157,767	76.12%	2.42%
Personal loans						
Mortgages	11,628	5.57%	0.27%	12,680	6.12%	0.32%
Credit cards	10,163	4.87%	2.05%	12,199	5.88%	2.50%
Other	6,443	3.08%	0.99%	7,339	3.54%	1.47%
Subtotal	28,234	13.52%	0.52%	32,218	15.54%	0.65%
Total for Chinese mainland	193,030	92.45%	1.49%	189,985	91.66%	1.65%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	15,762	7.55%	0.58%	17,288	8.34%	0.64%
Total	208,792	100.00%	1.33%	207,273	100.00%	1.46%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

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

	Impaired loans	Allowance for impairment losses	Net
As at 31 December 2021			
Chinese mainland	193,030	(162,182)	30,848
Hong Kong (China), Macao (China) and Taiwan (China)	6,084	(3,708)	2,376
Other countries and regions	9,678	(4,010)	5,668
Total	208,792	(169,900)	38,892
As at 31 December 2020			
Chinese mainland	189,985	(151,489)	38,496
Hong Kong (China), Macao (China) and Taiwan (China)	4,674	(2,463)	2,211
Other countries and regions	12,614	(8,943)	3,671
Total	207,273	(162,895)	44,378

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

(v) Within the impaired corporate loans and advances, the portions covered and not covered by collateral held are as follows:

	Group		**Chinese mainland**	
	As at 31 December 2021	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2020**
Portion covered	104,680	95,896	96,423	89,692
Portion not covered	74,846	78,116	68,373	68,075
Total	179,526	174,012	164,796	157,767
Fair value of collateral held	33,975	33,859	30,157	31,483

Collateral of impaired corporate loans and advances includes land, buildings, equipment and others. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted for recent experience in disposal of collateral as well as the market conditions.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(3) Loans and advances rescheduled

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(4) Overdue loans and advances to customers

(i) Analysis of overdue loans and advances to customers by collateral type and overdue days

Group

	Past due up to 90 days	Past due 91 to 360 days	Past due 361 Days to 3 years	Past due over 3 years	Total
As at 31 December 2021					
Unsecured loans	10,607	12,893	2,939	1,181	27,620
Guaranteed loans	2,532	32,096	5,105	833	40,566
Collateralised and other secured loans	30,875	26,302	38,614	3,760	99,551
Total	44,014	71,291	46,658	5,774	167,737
As at 31 December 2020					
Unsecured loans	8,040	15,841	7,122	2,314	33,317
Guaranteed loans	5,160	11,622	9,952	1,507	28,241
Collateralised and other secured loans	41,142	43,635	27,192	5,857	117,826
Total	54,342	71,098	44,266	9,678	179,384

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

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

(i) Analysis of overdue loans and advances to customers by collateral type and overdue days (Continued)

Chinese mainland

	Past due up to 90 days	Past due 91 to 360 days	Past due 361 Days to 3 years	Past due over 3 years	Total
As at 31 December 2021					
Unsecured loans	8,585	11,541	1,936	1,024	23,086
Guaranteed loans	2,321	31,540	4,319	741	38,921
Collateralised and other secured loans	27,379	25,027	37,013	3,589	93,008
Total	38,285	68,108	43,268	5,354	155,015
As at 31 December 2020					
Unsecured loans	6,626	11,785	5,262	2,284	25,957
Guaranteed loans	4,740	9,299	9,670	1,239	24,948
Collateralised and other secured loans	37,284	39,780	26,692	5,604	109,360
Total	48,650	60,864	41,624	9,127	160,265

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

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

(ii) Analysis of overdue loans and advances by geographical area

	As at 31 December	
	2021	**2020**
Chinese mainland	155,015	160,265
Hong Kong (China), Macao (China) and Taiwan (China)	7,851	6,850
Other countries and regions	4,871	12,269
Subtotal	167,737	179,384
Percentage	1.07%	1.26%
Less: total loans and advances to customers which have been overdue for less than 3 months	(44,014)	(54,342)
Total loans and advances to customers which have been overdue for more than 3 months	123,723	125,042

(5) Loans and advances three-staging classification

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

	As at 31 December 2021			
	12-month ECLs	**Lifetime ECLs**		**Total**
	Stage 1	**Stage 2**	**Stage 3**	
Pass	15,207,789	44,401	–	15,252,190
Special-mention	–	210,813	–	210,813
Substandard	–	–	61,184	61,184
Doubtful	–	–	60,718	60,718
Loss	–	–	86,284	86,284
Total	15,207,789	255,214	208,186	15,671,189

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(5) Loans and advances three-staging classification (Continued)

	As at 31 December 2020			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
Pass	13,642,318	66,181	–	13,708,499
Special-mention	–	263,952	–	263,952
Substandard	–	–	125,118	125,118
Doubtful	–	–	33,823	33,823
Loss	–	–	48,332	48,332
Total	13,642,318	330,133	207,273	14,179,724

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

(6) Credit commitments

As at 31 December 2021 and 2020, credit risk exposures of credit commitments were mainly classified under Stage 1 and categorised as "Pass" in the five-category classifications.

2.6 Due from and placements with and loans to banks and other financial institutions

Banks and other financial institutions comprise those institutions in the Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions.

The Group monitors the credit risk of counterparties by collecting and analysing counterparty information and establishing credit limits taking into account the nature, size and credit rating of counterparties.

As at 31 December 2021, the majority of the balances of due from and placements with and loans to banks and other financial institutions were banks and other financial institutions in the Chinese mainland (Note V.13 and Note V.15), the majority of the internal credit ratings of these banks and other financial institutions were above A.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.7 Debt securities

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

	Unrated	A to AAA	Lower than A	Total
As at 31 December 2021				
Issuers in Chinese mainland				
— Government	5,677	3,177,655	–	3,183,332
— Public sectors and quasi-governments	162,546	2,195	–	164,741
— Policy banks	–	532,783	–	532,783
— Financial institutions	100,964	230,803	173,810	505,577
— Corporate	113,771	108,844	46,730	269,345
— China Orient	152,433	–	–	152,433
Subtotal	535,391	4,052,280	220,540	4,808,211
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	69,390	562,376	14,455	646,221
— Public sectors and quasi-governments	47,621	52,336	115	100,072
— Financial institutions	13,744	97,887	47,109	158,740
— Corporate	17,275	90,712	39,222	147,209
Subtotal	148,030	803,311	100,901	1,052,242
Total	683,421	4,855,591	321,441	5,860,453
As at 31 December 2020				
Issuers in Chinese mainland				
— Government	6,461	3,026,650	–	3,033,111
— Public sectors and quasi-governments	130,695	–	–	130,695
— Policy banks	149	446,888	–	447,037
— Financial institutions	31,229	269,487	123,956	424,672
— Corporate	67,834	109,443	39,474	216,751
— China Orient	152,433	–	–	152,433
Subtotal	388,801	3,852,468	163,430	4,404,699
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	36,393	503,881	16,338	556,612
— Public sectors and quasi-governments	34,077	31,748	–	65,825
— Financial institutions	10,015	127,643	34,449	172,107
— Corporate	13,453	89,307	38,716	141,476
Subtotal	93,938	752,579	89,503	936,020
Total	482,739	4,605,047	252,933	5,340,719

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.7 Debt securities (Continued)

The carrying amounts (accrued interest excluded) of debt investments analysed by external credit ratings and expected credit losses are as follows:

	As at 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
Unrated	641,510	41	500	642,051
A to AAA	4,641,482	–	–	4,641,482
Lower than A	223,072	775	–	223,847
Total	5,506,064	816	500	5,507,380

	As at 31 December 2020			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
Unrated	452,851	281	392	453,524
A to AAA	4,360,353	–	–	4,360,353
Lower than A	182,704	123	–	182,827
Total	4,995,908	404	392	4,996,704

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.8 Derivatives

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

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

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

	As at 31 December	
	2021	**2020**
Risk-weighted assets for default risk		
Currency derivatives	63,151	76,313
Interest rate derivatives	8,683	16,082
Equity derivatives	553	844
Commodity derivatives and other	13,657	18,487
	86,044	111,726
Risk-weighted assets for CVA	62,415	110,319
Risk-weighted assets for CCPs	2,335	6,330
Total	150,794	228,375

2.9 Repossessed assets

The Group obtained assets by taking possession of collateral held as security. Detailed information of such repossessed assets of the Group is disclosed in Note V.22.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk

3.1 Overview

The Group is exposed to market risks from on-balance and off-balance businesses, that may cause losses to the Group as a result of adverse changes in market prices of interest rate, exchange rate, equities and commodities. Market risk arises from open positions in the trading and banking books. The trading book consists of positions in financial instruments and commodities that are held with trading intent or in order to hedge other elements of the trading book. The banking book consists of financial instruments not included in the trading book.

The Board of Directors of the Group takes the ultimate responsibility for the oversight of market risk management, including the approval of market risk management policies and procedures and the determination of market risk tolerance. Senior management is responsible for the execution of such policies and ensuring that the level of market risk is within the risk appetite determined by the Board, while meeting the Group's business objectives.

Market risk management departments are responsible for the identification, measurement, monitoring, control and reporting of market risks on a Group basis. Business units are responsible for the monitoring and reporting of market risk within their respective business lines.

3.2 Market risk measurement techniques and limits

(1) Trading book

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

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

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

The table below shows the VaR of the trading book by type of risk during the years ended 31 December 2021 and 2020:

Unit: USD million

	Year ended 31 December					
	2021			2020		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	17.84	24.53	11.24	13.45	17.87	9.17
Foreign exchange risk	32.99	42.56	9.75	26.61	39.35	11.83
Volatility risk	3.02	11.41	0.30	2.18	6.45	0.18
Commodity risk	3.66	10.77	0.57	6.35	13.76	3.04
Total of the Bank's trading VaR	42.22	52.57	19.49	29.56	38.72	16.18

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

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

Unit: USD million

	Year ended 31 December					
	2021			2020		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	2.12	7.42	0.80	2.38	4.58	0.75
Foreign exchange risk	3.24	6.51	1.70	2.72	3.98	0.84
Equity risk	0.15	0.44	0.03	0.13	0.38	0.03
Commodity risk	0.90	4.52	0.00	0.23	1.44	0.00
Total BOCHK (Holdings)'s trading VaR	3.95	7.07	2.44	4.01	6.47	2.25
BOCI's trading VaR (i)						
Equity derivatives unit	0.57	2.19	0.09	0.94	2.28	0.23
Fixed income unit	0.72	1.33	0.47	1.10	2.15	0.41
Global commodity unit	0.21	0.50	0.17	0.20	0.30	0.15
Total BOCI's trading VaR	1.51	3.58	0.90	2.24	4.30	1.37

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

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

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(2) Banking book

Interest rate risk in the banking book ("IRRBB") refers to the risk of losses to a bank's economic value and to its overall earnings of banking book, arising from adverse movements in interest rates level or term structure. IRRBB mainly comes from repricing gaps between assets and liabilities in the banking book, and differences in changes in benchmarking interest rates for assets and liabilities. The Group is exposed to interest rate risk and fluctuations in market interest rates that will impact the Group's financial position.

The Group assesses IRRBB primarily through an interest rate repricing gap analysis. Interest rate repricing gap analysis measures the difference between the amount of interest-earning assets and interest-bearing liabilities that must be repriced within certain periods. The Group employs the interest rate repricing gap analysis and takes the impact of the off-balance sheet business into consideration when calculating the indications of sensitivity of earnings to changing interest rates. The interest rate gap analysis is set out in Note VI.3.3 and also covers the trading book.

Sensitivity analysis on net interest income

Sensitivity analysis on net interest income assumes that yield curves change in parallel while the structure of assets and liabilities remains unchanged, and does not take into consideration changes in customer behaviour, basis risk, etc. The Group made timely adjustments to the structure of its assets and liabilities, optimised the internal and external pricing strategy or implemented risk hedging based on changes in the market situation, and controlled the fluctuation of net interest income within an acceptable level.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(2) Banking book (Continued)

Sensitivity analysis on net interest income (Continued)

The table below illustrates the potential impact of a 25 basis points interest rate move on the net interest income of the Group. The actual situation may be different from the assumptions used and it is possible that actual outcomes could differ from the estimated impact on net interest income of the Group.

	(Decrease)/increase in net interest income As at 31 December	
	2021	**2020**
+ 25 basis points	(4,351)	(4,107)
– 25 basis points	4,351	4,107

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products. Had the impact of yield curves movement on interest expenses related to demand deposits been excluded, the net interest income for the next twelve months from the reporting date would have increased or decreased by RMB17,877 million (2020: RMB16,716 million) for 25 basis points upward or downward parallel movements, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.3 GAP analysis

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.3 GAP analysis (Continued)

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

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.4 Foreign currency risk

The Group conducts a substantial portion of its business in RMB, with certain transactions denominated in USD, HKD and, to a much lesser extent, other currencies. The major subsidiary, BOCHK Group, conducts the majority of its business in HKD, RMB and USD. The Group endeavours to manage its sources and uses of foreign currencies to minimise potential mismatches in accordance with management directives.

The Group manages its exposure to currency exchange risk through the management of its net foreign currency position and monitors its foreign currency risk on trading books using VaR (Note VI.3.2). Meanwhile, the Group performs currency risk sensitivity analysis to estimate the effect of potential exchange rate changes of foreign currencies against RMB on profit before income tax and equity.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before income tax and equity. A negative amount in the table reflects a potential net reduction in profit before income tax or equity, while a positive amount reflects a potential net increase. Such analysis does not take into account the correlation effect of changes in different foreign currencies, any further actions that may have been or could be taken by management after the financial reporting date to mitigate the effect of exchange differences, nor any consequential changes in the foreign currency positions.

		Effect on profit before income tax		Effect on equity*	
Currency	Change in currency rate	As at 31 December 2021	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020
USD	+1%	424	450	726	620
HKD	+1%	(89)	(181)	2,289	2,340

* Effect on other comprehensive income (irrespective of income tax effect).

While the table above indicates the effect on profit before income tax and equity of the 1% appreciation of USD and HKD, there will be an opposite effect with the same amounts if the currencies depreciate by the same percentage.

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(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.4 Foreign currency risk (Continued)

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

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

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FOR THE YEAR ENDED 31 DECEMBER 2021
(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.4 Foreign currency risk (Continued)

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

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk

The liquidity risk refers to the risk that a commercial bank fails to acquire adequate funds in a timely manner and at a reasonable cost to deal with repayment of debts at maturity, perform other payment obligations and meet other fund needs for normal business operation.

4.1 Liquidity risk management policy and process

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

The Group considers liquidity risk management a significant component of asset-liability management, and determines the size, structure and duration of assets and liabilities consistent with the principle of overall balance between assets and liabilities. The Group establishes its liquidity portfolio to mitigate liquidity risk, and to minimise the gaps in the amount and duration between the funding sources and the uses of funds. The Group refines its financing strategy, taking into consideration various factors including customer risk sensitivity, financing cost and concentration of funding sources. In addition, the Group prioritises the development of customer deposits, dynamically adjusts the structure of funding sources by market-oriented financing modes, including due to banks and other financial institutions, inter-bank borrowings and bond issuance, and improves the diversity and stability of financing sources.

Assets available to meet all of the liabilities and to cover outstanding loan commitments include “Cash and due from banks and other financial institutions”, “Balances with central banks”, “Placements with and loans to banks and other financial institutions”, “Loans and advances to customers, net”, etc. In the normal course of business, a proportion of short-term loans contractually repayable will be extended and a portion of short-term customer deposits will not be withdrawn upon maturity. The Group would also be able to meet unexpected net cash outflows by entering into repurchase transactions, and by selling securities and accessing additional funding sources.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.2 Maturity analysis

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the financial reporting date to the contractual maturity date. For purposes of the tables set forth, "Loans and advances to customers, net" are considered overdue only if principal payments are overdue. In addition, for loans and advances to customers that are repayable by instalments, only the portion of the loan that is actually overdue is reported as overdue. Any part of the loan that is not due is reported according to residual maturity.

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

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(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.2 Maturity analysis (Continued)

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

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.3 Undiscounted cash flows by contractual maturities

The tables below present the cash flows of the Group of non-derivative financial assets and financial liabilities and derivative financial instruments that will be settled on a net basis and on a gross basis by the remaining contractual maturities at the financial reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value (i.e. discounted cash flows basis). The Group also manages its inherent short-term liquidity risk based on expected undiscounted cash flows.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.3 Undiscounted cash flows by contractual maturities (Continued)

	As at 31 December 2021							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Non-derivative cash flow								
Cash and due from banks and other financial institutions	–	269,794	163,262	67,535	143,290	4,814	–	648,695
Balances with central banks	1,488,390	717,908	15,954	5,266	314	1,075	–	2,228,907
Placements with and loans to banks and other financial institutions	863	–	728,832	160,886	309,219	67,470	–	1,267,270
Loans and advances to customers, net	37,022	249,018	685,412	1,067,915	3,574,376	5,738,229	8,802,462	20,154,434
Financial investments								
— financial assets at fair value through profit or loss	195,072	–	26,549	28,825	98,009	81,079	201,142	630,676
— financial assets at fair value through other comprehensive income	24,516	–	121,764	295,793	409,798	1,182,096	599,007	2,632,974
— financial assets at amortised cost	2,803	–	37,819	59,141	453,319	1,719,551	1,557,672	3,830,305
Other financial assets	10,572	189,707	18,298	2,545	5,473	4,461	20,076	251,132
Total financial assets	1,759,238	1,426,427	1,797,890	1,687,906	4,993,798	8,798,775	11,180,359	31,644,393
Due to banks and other financial institutions	–	1,755,054	87,253	261,047	583,450	14,696	270	2,701,770
Due to central banks	–	60,448	112,678	254,341	530,432	22,088	–	979,987
Placements from banks and other financial institutions	–	–	274,120	58,791	73,199	2,581	210	408,901
Due to customers	–	9,148,053	1,594,013	1,484,679	3,085,322	3,332,459	39,180	18,683,706
Bonds issued	–	–	26,607	238,108	590,211	532,098	79,913	1,466,937
Other financial liabilities	–	265,184	26,363	5,686	6,511	31,728	20,892	356,364
Total financial liabilities	–	11,228,739	2,121,034	2,302,652	4,869,125	3,935,650	140,465	24,597,665
Derivative cash flow								
Derivative financial instruments settled on a net basis	–	3,564	(161)	(1,006)	(1,913)	(1,959)	176	(1,299)
Derivative financial instruments settled on a gross basis								
Total inflow	–	159,680	2,441,453	1,426,255	2,339,707	375,388	28,969	6,771,452
Total outflow	–	(159,592)	(2,439,349)	(1,421,922)	(2,337,871)	(373,166)	(28,726)	(6,760,626)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.3 Undiscounted cash flows by contractual maturities (Continued)

	As at 31 December 2020							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Non-derivative cash flow								
Cash and due from banks and other financial institutions	21	286,457	266,397	93,837	154,977	3,288	–	804,977
Balances with central banks	1,452,254	549,550	39,359	5,717	28,717	1,501	–	2,077,098
Placements with and loans to banks and other financial institutions	377	–	397,904	157,799	292,606	103,768	–	952,454
Loans and advances to customers, net	48,824	191,668	460,253	1,366,761	3,268,668	4,948,258	7,546,587	17,831,019
Financial investments								
— financial assets at fair value through profit or loss	154,788	–	11,227	48,200	82,092	72,271	186,921	555,499
— financial assets at fair value through other comprehensive income	23,454	–	140,321	221,633	310,952	1,055,733	496,895	2,248,988
— financial assets at amortised cost	2,848	–	54,838	95,601	431,641	1,686,591	1,254,753	3,526,272
Other financial assets	478	209,038	16,621	3,870	7,694	1,304	15,546	254,551
Total financial assets	1,683,044	1,236,713	1,386,920	1,993,418	4,577,347	7,872,714	9,500,702	28,250,858
Due to banks and other financial institutions	–	1,351,587	70,933	271,618	218,500	6,297	92	1,919,027
Due to central banks	–	216,855	79,668	117,556	439,242	42,181	–	895,502
Placements from banks and other financial institutions	–	–	244,338	100,902	62,781	5,020	217	413,258
Due to customers	–	8,521,187	1,531,786	1,363,503	2,622,000	3,055,634	8,337	17,102,447
Bonds issued	–	–	67,194	187,282	466,814	515,009	61,165	1,297,464
Other financial liabilities	–	258,397	43,428	11,667	13,519	45,160	26,416	398,587
Total financial liabilities	–	10,348,026	2,037,347	2,052,528	3,822,856	3,669,301	96,227	22,026,285
Derivative cash flow								
Derivative financial instruments settled on a net basis	–	3,588	(468)	93	(2,122)	(7,056)	(992)	(6,957)
Derivative financial instruments settled on a gross basis								
Total inflow	–	67,900	1,980,710	1,476,508	3,001,639	399,425	16,953	6,943,135
Total outflow	–	(67,840)	(1,980,277)	(1,478,891)	(3,032,559)	(395,345)	(16,949)	(6,971,861)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.4 Off-balance sheet items

The Group's off-balance sheet items are summarised in the table below at the remaining period to the contractual maturity date. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2021				
Loan commitments (1)	2,141,055	791,299	328,580	3,260,934
Guarantees, acceptances and other financial facilities	1,343,107	382,853	234,260	1,960,220
Subtotal	3,484,162	1,174,152	562,840	5,221,154
Capital commitments	18,041	20,597	8	38,646
Total	3,502,203	1,194,749	562,848	5,259,800
As at 31 December 2020				
Loan commitments (1)	1,874,449	623,766	241,397	2,739,612
Guarantees, acceptances and other financial facilities	1,183,873	307,349	260,839	1,752,061
Subtotal	3,058,322	931,115	502,236	4,491,673
Capital commitments	25,717	27,162	5	52,884
Total	3,084,039	958,277	502,241	4,544,557

(1) Included within "Loan commitments" are amounts relating to loan commitments and undrawn credit card limits. Refer to Note V.40.7.

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value

5.1 Assets and liabilities measured at fair value

Assets and liabilities measured at fair value are classified into the following three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity securities listed on exchanges or debt instruments issued by certain governments and certain exchange-traded derivative contracts.

- Level 2: Valuation technique for which all inputs that have a significant effect on the recorded fair value other than quoted prices included within Level 1 are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter ("OTC") derivative contracts, debt securities for which quotations are available from pricing service providers, discounted bills, etc.

- Level 3: Valuation technique using inputs which have a significant effect on the recorded fair value for the asset or liability are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

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

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

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity) and unlisted funds held by the Group, management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including the discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. The main unobservable inputs and ratio ranges include liquidity discounts 4.00%–45.64%, discount rates 2.55%–13.87% and expected dividend RMB0.06 per share-RMB0.84 per share. Management determines whether to make necessary adjustments to the fair value for the Group's Level 3 financial instruments by assessing the impact of changes in macro-economic factors, valuations by external valuation agencies and other inputs, including loss coverage ratios. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

	As at 31 December 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Derivative financial assets	2,373	93,426	–	95,799
Loans and advances to customers at fair value	–	355,600	–	355,600
Financial assets at fair value through profit or loss				
— Debt securities	8,904	321,437	26,121	356,462
— Equity instruments	25,618	2,350	74,300	102,268
— Fund investments and other	29,208	27,573	46,131	102,912
Financial assets at fair value through other comprehensive income				
— Debt securities	385,049	1,977,034	995	2,363,078
— Equity instruments and other	7,774	10,323	8,655	26,752
Investment properties	–	1,240	18,314	19,554
Liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(162)	–	(162)
Due to customers at fair value	–	(31,311)	–	(31,311)
Bonds issued at fair value	–	(315)	(2)	(317)
Short position in debt securities	(1,945)	(10,513)	–	(12,458)
Derivative financial liabilities	(1,961)	(87,190)	–	(89,151)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

	As at 31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Derivative financial assets	3,083	168,655	–	171,738
Loans and advances to customers at fair value	–	363,637	–	363,637
Financial assets at fair value through profit or loss				
— Debt securities	2,960	323,402	20,881	347,243
— Equity instruments	7,570	12,901	67,554	88,025
— Fund investments and other	20,961	5,362	42,958	69,281
Financial assets at fair value through other comprehensive income				
— Debt securities	296,234	1,788,755	1,373	2,086,362
— Equity instruments and other	7,005	9,692	4,731	21,428
Investment properties	–	1,441	20,624	22,065
Liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(3,831)	–	(3,831)
Due to customers at fair value	–	(25,742)	–	(25,742)
Bonds issued at fair value	–	(6,162)	–	(6,162)
Short position in debt securities	(576)	(17,336)	–	(17,912)
Derivative financial liabilities	(3,539)	(208,513)	–	(212,052)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

Reconciliation of Level 3 items

	Derivative financial assets	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties	Bonds issued at fair value
		Debt securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other		
As at 1 January 2021	–	20,881	67,554	42,958	1,373	4,731	20,624	–
Total gains and losses								
— profit/(loss)	–	413	493	2,954	–	–	(200)	–
— other comprehensive income	–	–	–	–	(57)	37	–	–
Sales	–	(355)	(4,576)	(7,489)	(283)	–	(1,324)	–
Purchases	–	5,202	15,029	7,920	–	3,944	479	–
Settlements	–	–	–	–	–	–	–	–
Issues	–	–	–	–	–	–	–	(2)
Transfers (out)/in of Level 3, net	–	–	(4,200)	–	–	–	296	–
Other changes	–	(20)	–	(212)	(38)	(57)	(1,561)	–
As at 31 December 2021	–	26,121	74,300	46,131	995	8,655	18,314	(2)
Total gains/(losses) for the year included in the income statement for assets/liabilities held as at 31 December 2021	–	413	330	2,686	–	–	(159)	–

	Derivative financial assets	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties
		Debt securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other	
As at 1 January 2020	10	15,948	71,716	38,936	1,676	5,275	20,778
Total gains and losses							
— profit/(loss)	122	(698)	754	(1,598)	–	–	(1,426)
— other comprehensive income	–	–	–	–	161	289	–
Sales	–	(1,534)	(6,515)	(3,301)	(359)	–	(15)
Purchases	–	6,074	14,292	9,043	–	750	1,398
Settlements	–	(1)	–	–	–	–	–
Transfers (out)/in of Level 3, net	(132)	–	(12,693)	–	–	(1,467)	674
Other changes	–	1,092	–	(122)	(105)	(116)	(785)
As at 31 December 2020	–	20,881	67,554	42,958	1,373	4,731	20,624
Total gains/(losses) for the year included in the income statement for assets/liabilities held as at 31 December 2020	–	(844)	756	(1,676)	–	–	(1,427)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

Total gains or losses for the years ended 31 December 2021 and 2020 included in the income statement as well as total gains or losses included in the income statement relating to financial instruments held as at 31 December 2021 and 2020 are presented in "Net trading gains", "Net gains on transfers of financial asset" or "Impairment losses on assets" depending on the nature or category of the related financial instruments.

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

	Year ended 31 December					
	2021			2020		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the year	390	3,270	3,660	223	(3,069)	(2,846)

There were no significant transfers for the financial instruments measured at fair value between Level 1 and Level 2 during the year ended 31 December 2021 and the year ended 31 December 2020.

A 10% increase in all significant unobservable inputs applied in the valuation technique would result in an increase in fair value of RMB1,909 million for expected dividend; and a decrease in fair value of RMB2,667 million for liquidity discounts and discount rates.

5.2 Financial assets and liabilities not measured at fair value

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

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.2 Financial assets and liabilities not measured at fair value (Continued)

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

	As at 31 December			
	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities at amortised cost[1]	3,206,895	3,262,525	2,970,277	2,989,266
Financial liabilities				
Bonds issued[2]	1,388,361	1,395,242	1,238,241	1,144,440

(1) Debt securities at amortised cost

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

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

(2) Bonds issued

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

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.2 Financial assets and liabilities not measured at fair value (Continued)

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

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

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

Other than the above, the difference between the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value in the statement of financial position as at 31 December 2021 and 2020 was insignificant. Fair value is measured using a discounted cash flow model.

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management

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

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

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

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

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

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

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

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management (Continued)

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

- Common equity tier 1 capital, including common shares, capital reserve, surplus reserve, general reserve, undistributed profits, eligible portion of minority interests and others;

- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests;

- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss allowances and eligible portion of minority interests.

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

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management (Continued)

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

	As at 31 December	
	2021	**2020**
Common equity tier 1 capital adequacy ratio	11.30%	11.28%
Tier 1 capital adequacy ratio	13.32%	13.19%
Capital adequacy ratio	16.53%	16.22%
Composition of the Group's capital base		
Common equity tier 1 capital	1,870,301	1,730,401
Common shares	294,388	294,388
Capital reserve	133,951	134,221
Surplus reserve	212,602	192,251
General reserve	303,084	267,856
Undistributed profits	888,419	803,823
Eligible portion of minority interests	33,669	32,567
Other[2]	4,188	5,295
Regulatory deductions	(26,415)	(25,623)
Of which:		
Goodwill	(182)	(182)
Other intangible assets (excluding land use rights)	(16,393)	(15,140)
Direct or indirect investments in own shares	–	(8)
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,785)	(9,838)
Net common equity tier 1 capital	1,843,886	1,704,778
Additional tier 1 capital	329,845	287,843
Preference shares and related premium	119,550	147,519
Additional capital instruments and related premium	199,955	129,971
Eligible portion of minority interests	10,340	10,353
Net tier 1 capital	2,173,731	1,992,621
Tier 2 capital	525,108	458,434
Tier 2 capital instruments issued and related premium	387,746	333,381
Excess loan loss provisions	128,114	115,627
Eligible portion of minority interests	9,248	9,426
Net capital	2,698,839	2,451,055
Risk-weighted assets	16,323,713	15,109,085

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management (Continued)

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

(2) This mainly represented exchange differences from the translation of foreign operations and changes in fair value on financial assets at fair value through other comprehensive income.

7 Insurance risk

Insurance contracts are mainly sold in the Chinese mainland and Hong Kong (China) denominated in RMB and HKD. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. This risk is inherently random and, therefore, unpredictable. The Group manages its portfolio of insurance risks through its underwriting strategy and policies, portfolio management techniques, adequate reinsurance arrangements and proactive claims handling and processing. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and industry.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of the claims and benefits are greater than those estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. In order to assess the uncertainty due to the mortality assumption and lapse assumption, the Group conducted mortality rate studies and policy lapse studies in order to determine the appropriate assumptions.

(Amount in millions of Renminbi, unless otherwise stated)

I DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL STATEMENTS

There are no differences in the Group's operating results for the years ended 31 December 2021 and 2020 or total equity as at 31 December 2021 and 2020 presented in the Group's consolidated financial statements prepared under IFRS and those prepared under CAS.

II UNAUDITED SUPPLEMENTARY INFORMATION

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

	As at 31 December	
	2021	**2020**
RMB current assets to RMB current liabilities	49.63%	54.50%
Foreign currency current assets to foreign currency current liabilities	69.90%	58.57%

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

Liquidity coverage ratio

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

Regulatory requirements of liquidity coverage ratio

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

The Group's liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis[(2)]. In the fourth quarter of 2021, the Group measured 92-day LCR on this basis, with average ratio[(3)] standing at 127.61%, representing an increase of 2.99 percentage points over the previous quarter, which was primarily due to the decrease in the net cash outflow.

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

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

The Group's liquidity coverage ratio (Continued)

	2021			
	Quarter ended 31 December	**Quarter ended 30 September**	**Quarter ended 30 June**	**Quarter ended 31 March**
Average value of LCR	127.61%	124.62%	127.51%	133.30%

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

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

The Group's liquidity coverage ratio (Continued)

The Group's average values(3) of consolidated LCR individual line items in the fourth quarter of 2021 are as follows:

No.		Total unweighted value	Total weighted value
	High-quality liquid assets		
1	Total high-quality liquid assets (HQLA)		4,594,486
	Cash outflows		
2	Retail deposits and deposits from small business customers, of which:	8,584,274	620,119
3	Stable deposits	4,628,548	224,546
4	Less stable deposits	3,955,726	395,573
5	Unsecured wholesale funding, of which:	10,186,586	3,804,281
6	Operational deposits (excluding those generated from correspondent banking activities)	5,692,939	1,397,907
7	Non-operational deposits (all counterparties)	4,436,579	2,349,306
8	Unsecured debts	57,068	57,068
9	Secured funding		672
10	Additional requirements, of which:	3,276,987	2,027,702
11	Outflows related to derivative exposures and other collateral requirements	1,915,551	1,915,551
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	1,361,436	112,151
14	Other contractual funding obligations	79,935	79,935
15	Other contingent funding obligations	3,206,011	93,610
16	**Total cash outflows**		6,626,319
	Cash inflows		
17	Secured lending (including reverse repos and securities borrowing)	485,026	117,279
18	Inflows from fully performing exposures	1,482,599	855,523
19	Other cash inflows	2,178,684	2,047,551
20	**Total cash inflows**	4,146,309	3,020,353
			Total adjusted value
21	**Total HQLA**		4,594,486
22	**Total net cash outflows**		3,605,966
23	**Liquidity coverage ratio**		127.61%

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

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

The Group's liquidity coverage ratio (Continued)

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

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

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

Net stable funding ratio

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

Regulatory requirements of net stable funding ratio

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

The Group's net stable funding ratio

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

As at 31 December 2021, the Group's NSFR was 122.21% on a consolidated basis(2), representing an increase of 0.88 percentage point over the previous quarter. As at 30 September 2021, the Group's NSFR was 121.33%, representing an increase of 0.11 percentage point over the previous quarter. The Group's NSFR remained stable, and met the regulatory requirement.

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

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

The Group's net stable funding ratio (Continued)

	2021			
	As at 31 December	**As at 30 September**	**As at 30 June**	**As at 31 March**
Ending value of NSFR[(3)]	122.21%	121.33%	121.22%	123.29%

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

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

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the fourth quarter of 2021 are as follows:

		Unweighted value				
No.	**Items**	**No maturity**	**<6 months**	**6–12 months**	**≥1 year**	**Weighted value**
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,604,093	2,604,093
2	Regulatory capital	–	–	–	2,586,093	2,586,093
3	Other capital instruments	–	–	–	18,000	18,000
4	Retail deposits and deposits from small business customers	4,334,300	4,842,101	53,469	6,456	8,555,486
5	Stable deposits	2,142,470	2,687,031	13,439	2,516	4,603,309
6	Less stable deposits	2,191,830	2,155,070	40,030	3,940	3,952,177
7	Wholesale funding	6,183,465	6,187,800	1,020,579	462,606	5,991,321
8	Operational deposits	5,696,346	172,982	–	–	2,934,664
9	Other wholesale funding	487,119	6,014,818	1,020,579	462,606	3,056,657
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	68,499	219,383	4,392	407,896	313,011
12	NSFR derivatives liabilities				97,081	
13	All other liabilities and equity not included in the above categories	68,499	219,383	4,392	310,815	313,011
14	**Total ASF**					17,463,911
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					759,186
16	Deposits held at other financial institutions for operational purposes	147,865	4,705	–	–	76,285
17	Loans and securities	75,073	5,084,932	2,228,720	10,582,731	11,894,558
18	Loans to financial institutions secured by Level 1 assets	–	293,010	–	–	29,301
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	75,073	1,433,122	304,940	69,162	447,863

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

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

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the fourth quarter of 2021 are as follows: (Continued):

		Unweighted value				
No.	**Items**	**No maturity**	**<6 months**	**6–12 months**	**≥1 year**	**Weighted value**
	Required Stable Funding (RSF) Item (Continued)					
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,911,282	1,702,685	5,363,951	6,763,085
21	With a risk weight of less than or equal to 35%	–	219,860	24,550	31,881	47,673
22	Residential mortgages of which:	–	98,499	98,971	4,597,223	3,948,278
23	With a risk weight of less than or equal to 35%	–	6,657	6,810	290,479	195,545
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	349,019	122,124	552,395	706,031
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	752,153	100,861	19,076	527,347	1,258,102
27	Physical traded commodities, including gold	285,887				243,004
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				435	370
29	NSFR derivatives assets				103,898	6,817
30	NSFR derivatives liabilities with additional requirements				19,416*	19,416
31	All other assets not included in the above categories	466,266	100,861	19,076	423,014	988,495
32	Off-balance sheet items				7,419,366	302,271
33	**Total RSF**					14,290,402
34	**NSFR**					122.21%

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

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

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

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the third quarter of 2021 are as follows:

		Unweighted value				
No.	Items	No maturity	<6 months	6–12 months	≥1 year	Weighted value
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,490,030	2,490,030
2	Regulatory capital	–	–	–	2,472,030	2,472,030
3	Other capital instruments	–	–	–	18,000	18,000
4	Retail deposits and deposits from small business customers	4,250,419	4,815,806	53,104	17,445	8,456,230
5	Stable deposits	1,957,994	2,655,335	14,440	6,746	4,403,127
6	Less stable deposits	2,292,425	2,160,471	38,664	10,699	4,053,103
7	Wholesale funding	5,860,537	6,398,752	911,926	498,314	5,786,066
8	Operational deposits	5,414,042	108,334	–	–	2,761,188
9	Other wholesale funding	446,495	6,290,418	911,926	498,314	3,024,878
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	56,128	206,180	4,479	405,356	309,724
12	NSFR derivatives liabilities				97,871	
13	All other liabilities and equity not included in the above categories	56,128	206,180	4,479	307,485	309,724
14	**Total ASF**					17,042,050
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					675,604
16	Deposits held at other financial institutions for operational purposes	186,473	1,979	–	–	94,226
17	Loans and securities	46,539	5,112,083	2,254,618	10,429,932	11,765,087
18	Loans to financial institutions secured by Level 1 assets	–	417,569	–	–	41,757
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	46,539	1,312,245	323,510	66,470	432,043

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

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

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the third quarter of 2021 are as follows (Continued):

		Unweighted value				
No.	**Items**	**No maturity**	**<6 months**	**6–12 months**	**≥1 year**	**Weighted value**
	Required Stable Funding (RSF) Item (Continued)					
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	3,010,264	1,679,453	5,273,588	6,708,858
21	With a risk weight of less than or equal to 35%	–	234,243	28,312	24,249	43,027
22	Residential mortgages of which:	–	97,853	98,102	4,508,548	3,873,376
23	With a risk weight of less than or equal to 35%	–	6,668	6,734	284,333	191,518
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	274,152	153,553	581,326	709,053
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	720,647	59,432	6,582	580,030	1,226,206
27	Physical traded commodities, including gold	249,356				211,952
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				387	329
29	NSFR derivatives assets				103,514	5,643
30	NSFR derivatives liabilities with additional requirements				19,574*	19,574
31	All other assets not included in the above categories	471,291	59,432	6,582	476,129	988,708
32	Off-balance sheet items				7,024,290	285,014
33	**Total RSF**					14,046,137
34	**NSFR**					121.33%

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

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

2 Currency concentrations

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

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
As at 31 December 2021				
Spot assets	4,217,661	1,693,178	1,954,742	7,865,581
Spot liabilities	(3,957,140)	(1,956,893)	(1,781,566)	(7,695,599)
Forward purchases	4,431,956	740,015	1,322,061	6,494,032
Forward sales	(4,650,892)	(485,197)	(1,516,624)	(6,652,713)
Net options position*	853	(32)	(2,194)	(1,373)
Net long/(short) position	42,438	(8,929)	(23,581)	9,928
Structural position	72,622	228,897	87,567	389,086
As at 31 December 2020				
Spot assets	3,695,294	1,607,291	1,945,381	7,247,966
Spot liabilities	(4,029,848)	(1,964,590)	(1,736,612)	(7,731,050)
Forward purchases	4,944,883	760,105	1,313,088	7,018,076
Forward sales	(4,546,040)	(420,572)	(1,536,300)	(6,502,912)
Net options position*	(19,306)	(364)	(6,615)	(26,285)
Net long/(short) position	44,983	(18,130)	(21,058)	5,795
Structural position	61,978	233,953	79,913	375,844

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

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

3 International claims

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

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

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

	Banks	**Official sector**	**Non-bank private sector**	**Total**
As at 31 December 2021				
Asia Pacific				
Chinese mainland	926,064	256,068	729,546	1,911,678
Hong Kong (China)	76,221	4,889	460,784	541,894
Other Asia Pacific locations	118,247	181,367	413,635	713,249
Subtotal	1,120,532	442,324	1,603,965	3,166,821
North and South America	116,742	240,651	278,585	635,978
Europe and other	238,323	86,339	303,990	628,652
Total	1,475,597	769,314	2,186,540	4,431,451

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

3 International claims (Continued)

	Banks	Official sector	Non-bank private sector	Total
As at 31 December 2020				
Asia Pacific				
Chinese mainland	675,133	236,529	702,641	1,614,303
Hong Kong (China)	40,671	214	442,402	483,287
Other Asia Pacific locations	97,249	166,292	417,733	681,274
Subtotal	813,053	403,035	1,562,776	2,778,864
North and South America	81,312	233,162	173,112	487,586
Europe and other	201,540	63,838	283,718	549,096
Total	1,095,905	700,035	2,019,606	3,815,546

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

4 Overdue assets

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

4.1 Total amount of overdue loans and advances to customers

	As at 31 December	
	2021	**2020**
Total loans and advances to customers which have been overdue		
within 3 months	44,014	54,342
between 3 and 6 months	20,298	24,001
between 6 and 12 months	50,993	47,097
over 12 months	52,432	53,944
Total	167,737	179,384
Percentage		
within 3 months	0.28%	0.38%
between 3 and 6 months	0.13%	0.17%
between 6 and 12 months	0.33%	0.33%
over 12 months	0.33%	0.38%
Total	1.07%	1.26%

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

The total amount of overdue "Placements with and loans to banks and other financial institutions" as at 31 December 2021 and 2020 is not considered material.

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

5 Leverage ratio

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

	2021			
	As at 31 December	**As at 30 September**	**As at 30 June**	**As at 31 March**
Net tier 1 capital	2,173,731	2,111,813	2,058,220	2,014,251
Adjusted on- and off-balance sheet assets	28,425,377	27,820,891	27,861,068	27,344,497
Leverage ratio	7.65%	7.59%	7.39%	7.37%

No.	**Items**	**As at 31 December 2021**
1	Total consolidated assets	26,722,408
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(447,590)
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	133,390
5	Adjustments for securities financing transactions	153,703
6	Adjustments for off-balance sheet exposures	1,889,881
7	Other adjustments	(26,415)
8	Adjusted on- and off-balance sheet assets	28,425,377

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

5 Leverage ratio (Continued)

No.	Items	As at 31 December 2021
1	On-balance sheet assets (excluding derivatives and securities financing transactions(SFTs))	25,674,481
2	Less: Tier 1 capital deductions	(26,415)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	25,648,066
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	95,847
5	Add-on amounts for potential future exposure associated with all derivative transactions	133,316
6	Gross-up for derivative collateral provided where deducted from the balance sheet assets	–
7	Less: Deductions of receivable assets for cash variation margin provided in derivative transactions	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–
9	Adjusted effective notional amount of written credit derivatives	82
10	Less: Deductible amounts for written credit derivatives	(8)
11	**Total derivative exposures**	229,237
12	Accounting balance for securities financing transaction assets	504,490
13	Less: Deducted amounts for securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction assets	153,703
15	Agent transaction exposures	–
16	**Balance of assets in securities financing transactions**	658,193
17	Off-balance sheet items	5,705,795
18	Less: Adjustments for conversion to credit equivalent amounts	(3,815,914)
19	**Adjusted off-balance sheet exposures**	1,889,881
20	Net tier 1 capital	2,173,731
21	Adjusted on- and off-balance sheet exposures	28,425,377
22	**Leverage ratio**	7.65%

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

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

6 Global Systemic Importance Assessment Indicators of Commercial Banks

The Group calculated the global systemically important banks assessment indicators by using the *Notice on Issuing the Guidelines for the Disclosure of the Indicators for Assessing Global Systemic Importance of Commercial Banks* (Yin jian fa, [2014] No.1) as a reference basis, and based on the *Instructions for G-SIB assessment exercise* by the Basel Committee on Banking Supervision. The indicators are disclosed as follows:

No.	Indicators[(1)]	2021
1	Adjusted on-balance and off-balance sheet assets	**28,521,651**
2	Intra-financial system assets	**2,372,647**
3	Intra-financial system liabilities	**2,983,029**
4	Securities and other financing instruments	**4,449,968**
5	Payments settled via payment systems or correspondent banks	**665,682,257**
6	Assets under custody	**11,777,333**
7	Underwritten transactions in debt and equity markets	**2,174,703**
8	Trading volume of fixed income	**3,141,591**
9	Trading volume of equities and other securities	**1,140,731**
10	Notional amount of over-the-counter derivatives	**10,888,369**
11	Trading and available for sale securities	**1,086,588**
12	Level 3 assets	**93,107**
13	Cross-jurisdictional claims	**4,415,941**
14	Cross-jurisdictional liabilities	**3,801,847**

(1) The indicators above are calculated and disclosed in accordance with the *Guidelines for the Disclosure of Global Systemic Importance Assessment Indicators of Commercial Banks*, which are unaudited and prepared on a different basis compared with the financial and regulatory scope of consolidation.

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

7 Domestic Systemic Importance Assessment Indicators of Commercial Banks for 2020

The Group calculated the domestic systemic importance assessment indicators pursuant to the *Notice on Filling in Data for Evaluating Systemically Important Banks and by referring to the Evaluation Measures for Systemically Important Banks* (Yin Fa [2020] No. 289). The indicators are disclosed as follows:

No.	Indicators[1]	2020
1	Adjusted on-balance and off-balance sheet assets	25,370,714
2	Intra-financial system assets	2,853,180
3	Intra-financial system liabilities	2,885,960
4	Securities and other financing instruments	1,711,262
5	Payments settled via payment systems or correspondent banks	618,018,673
6	Assets under custody	9,847,839
7	Agency and commission business	3,784,824
8	Number of corporate customers (Unit: ten thousand)	451
9	Number of personal customers (Unit: ten thousand)	32,742
10	Number of domestic operating institutions (Unit : one)	10,489
11	Derivatives	12,453,130
12	Securities measured at fair value	957,698
13	Assets of non-banking affiliates	550,421
14	Balance of non-principal-guaranteed wealth management products issued by the Bank	670,782
15	Balance of wealth management products issued by wealth management subsidiary	718,122
16	Cross-jurisdictional claims and liabilities	7,931,434

(1) The indicators above are unaudited data and prepared on a different basis compared with the financial scope of consolidation and adopted a different assessment methodology from global systemically important banks.

Reference for Shareholders

Financial Calendar for 2022

2021 Annual Results	To be announced on 29 March 2022
2021 Annual Report	To be printed and dispatched to H-Share Holders in late April 2022
2022 Interim Results	To be announced no later than 30 August 2022

Dividends on Ordinary Shares

The Board of Directors recommended a final dividend on ordinary shares for 2021 of RMB2.21 per 10 shares (before tax), subject to the approval of shareholders at the 2021 Annual General Meeting.

Securities Information

Listing and Trading

The Bank's ordinary shares were listed on the Hong Kong Stock Exchange and SSE on 1 June and 5 July 2006 respectively.

The Domestic Preference Shares (Third Tranche) were traded on the Comprehensive Business Platform of SSE on 17 July 2019. The Domestic Preference Shares (Fourth Tranche) were traded on the Comprehensive Business Platform of SSE on 17 September 2019. The Offshore Preference Shares (Second Tranche) were listed on the Hong Kong Stock Exchange on 5 March 2020.

Ordinary Shares

Issued shares:	294,387,791,241	shares
Including:		
A Share:	210,765,514,846	shares
H Share:	83,622,276,395	shares

Preference Shares

Issued shares:	1,197,865,300	shares
Including:		
Domestic Preference Share:	1,000,000,000	shares
Offshore Preference Share:	197,865,300	shares

Market Capitalisation

As at the last trading day of 2021 (31 December), the Bank's market capitalisation was RMB834.953 billion (based on the closing price of A Shares and H Shares on 31 December 2021, and the exchange rate of HKD100 = RMB81.76 as published by the SAFE on 31 December 2021).

Securities Price

	Closing price on 31 December 2021	Highest trading price in the year	Lowest trading price in the year
A Share	RMB3.05	RMB3.38	RMB2.96

	Closing price on 31 December 2021	Highest trading price in the year	Lowest trading price in the year
H Share	HKD2.81	HKD3.17	HKD2.59

Securities Code

A Share

Stock Name	中國銀行
Shanghai Stock Exchange	601988
Reuters	601988.SS
Bloomberg	601988 CH

H Share

Stock Name	Bank of China
Hong Kong Stock Exchange	3988
Reuters	3988.HK
Bloomberg	3988 HK

Domestic Preference Share (Third Tranche)

Stock Name	中行優3
Shanghai Stock Exchange	360033
Bloomberg	AZ8714182

Domestic Preference Share (Fourth Tranche)

Stock Name	中行優4
Shanghai Stock Exchange	360035
Bloomberg	ZQ0362264

Offshore Preference Share (Second Tranche)

Stock Name	BOC 20USDPREF
Hong Kong Stock Exchange	4619
Reuters	4619.HK
Bloomberg	BG2289661

Shareholder Enquiry

If a shareholder wishes to enquire about share transfers, changes of name or address, or loss of share certificates, or to receive other information concerning the shares held, please write to the following address:

A Share
Shanghai Branch of China Securities Depository and Clearing Corporation Limited
188 South Yanggao Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-4008 058 058

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

Domestic Preference Share
Shanghai Branch of China Securities Depository and Clearing Corporation Limited
188 South Yanggao Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-4008 058 058

Credit Rating (Long Term, Foreign Currency)

S&P Global Ratings:	A
Moody's Investors Service:	A1
Fitch Ratings:	A

Investor Enquiry

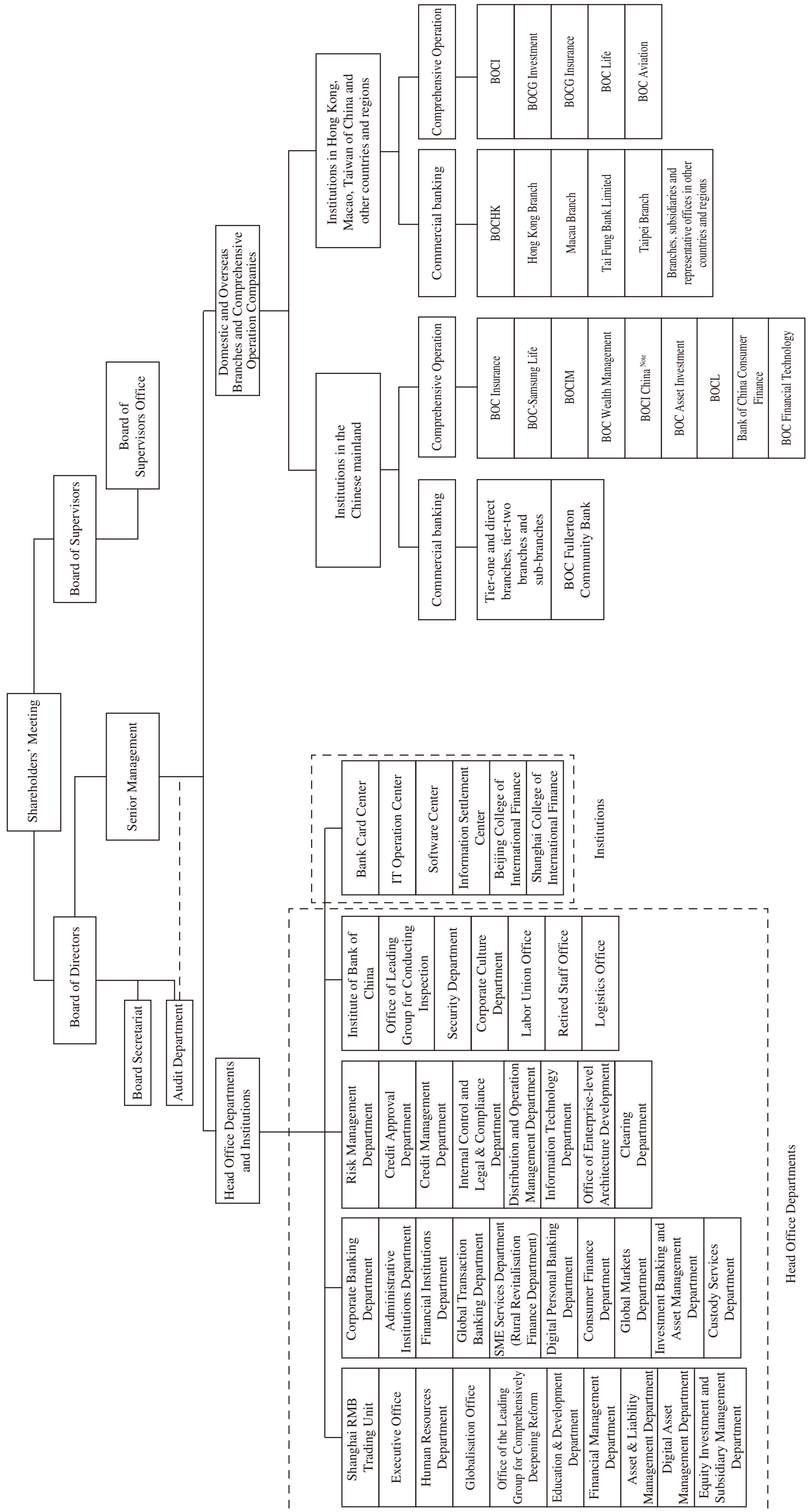
Investor Relations Team, Board Secretariat, Bank of China Limited
8/F, Bank of China Building, No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: ir@bankofchina.com

Other Information

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

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

Organisational Chart



Note: The Bank holds 33.42% of the equity interest of BOCI China through its wholly-owned subsidiary BOCI.

List of Major Branches and Subsidiaries

MAJOR BRANCHES AND SUBSIDIARIES IN THE CHINESE MAINLAND

HEAD OFFICE

1 FUXINGMEN NEI DAJIE,
BEIJING,
CHINA
SWIFT: BKCHCNBJ
TEL: (86) 010-66596688
FAX: (86) 010-66016871
POST CODE: 100818
WEBSITE: www.boc.cn

BEIJING BRANCH

A, C, E KAIHENG CENTER,
2 CHAOYANGMEN NEI DAJIE,
DONGCHENG DISTRICT,
BEIJING,
CHINA
SWIFT: BKCHCNBJ110
TEL: (86) 010-85121491
FAX: (86) 010-85121739
POST CODE: 100010

TIANJIN BRANCH

8 YOUYI NORTH ROAD,
HEXI DISTRICT,
TIANJIN,
CHINA
SWIFT: BKCHCNBJ200
TEL: (86) 022-27108002
FAX: (86) 022-23312805
POST CODE: 300204

HEBEI BRANCH

28 ZIQIANG ROAD,
SHIJIAZHUANG,
HEBEI PROV.,
CHINA
SWIFT: BKCHCNBJ220
TEL: (86) 0311-69696681
FAX: (86) 0311-69696692
POST CODE: 050000

SHANXI BRANCH

186 PINGYANG ROAD,
XIAODIAN DISTRICT,
TAIYUAN,
SHANXI PROV.,
CHINA
SWIFT: BKCHCNBJ680
TEL: (86) 0351-8266016
FAX: (86) 0351-8266021
POST CODE: 030006

INNER MONGOLIA BRANCH

12 XINHUA DAJIE,
XIN CHENG DISTRICT,
HUHHOT,
INNER MONGOLIA
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ880
TEL: (86) 0471-4690128
FAX: (86) 0471-4690001
POST CODE: 010010

LIAONING BRANCH

253 SHIFU ROAD,
SHENHE DISTRICT,
SHENYANG,
LIAONING PROV.,
CHINA
SWIFT: BKCHCNBJ810
TEL: (86) 024-22810916
FAX: (86) 024-22857333
POST CODE: 110013

JILIN BRANCH

699 XI AN DA LU,
CHANGCHUN,
JILIN PROV.,
CHINA
SWIFT: BKCHCNBJ840
TEL: (86) 0431-88408888
FAX: (86) 0431-88408901
POST CODE: 130061

HEILONGJIANG BRANCH

19 HONGJUN STREET,
NANGANG DISTRICT,
HARBIN,
HEILONGJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ860
TEL: (86) 0451-53636890
FAX: (86) 0451-53624147
POST CODE: 150001

SHANGHAI BRANCH

200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
SWIFT: BKCHCNBJ300
TEL: (86) 021-50375566
FAX: (86) 021-50372911
POST CODE: 200120

JIANGSU BRANCH

148 ZHONG SHAN NAN LU,
NANJING,
JIANGSU PROV.,
CHINA
SWIFT: BKCHCNBJ940
TEL: (86) 025-84207888
FAX: (86) 025-84200407
POST CODE: 210005

ZHEJIANG BRANCH

321 FENG QI ROAD,
HANGZHOU,
ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ910
TEL: (86) 0571-85011888
FAX: (86) 0571-87074837
POST CODE: 310003

ANHUI BRANCH

NO. 1688, YUNGU ROAD,
BINHU NEW DISTRICT,
HEFEI,
ANHUI PROV.,
CHINA
SWIFT: BKCHCNBJ780
TEL: (86) 0551-62926995
FAX: (86) 0551-62926993
POST CODE: 230091

FUJIAN BRANCH

BOC BLDG., 136 WUSI ROAD,
FUZHOU,
FUJIAN PROV.,
CHINA
SWIFT: BKCHCNBJ720
TEL: (86) 0591-87090999
FAX: (86) 0591-87090111
POST CODE: 350003

JIANGXI BRANCH

10, LVYIN ROAD,
HONGGUTAN NEW DISTRICT,
NANCHANG,
JIANGXI PROV.,
CHINA
SWIFT: BKCHCNBJ550
TEL: (86) 0791-86471503
FAX: (86) 0791-86471505
POST CODE: 330038

SHANDONG BRANCH

22 LUOYUAN STREET,
JINAN,
SHANDONG PROV.,
CHINA
SWIFT: BKCHCNBJ500
TEL: (86) 0531-58522001
FAX: (86) 0531-58522000
POST CODE: 250000

HENAN BRANCH

3-1 BUSINESS OUTER RING ROAD,
ZHENGDONG NEW DISTRICT,
ZHENGZHOU,
HENAN PROV.,
CHINA
SWIFT: BKCHCNBJ530
TEL: (86) 0371-87008888
FAX: (86) 0371-87007888
POST CODE: 450018

HUBEI BRANCH

219 XINHUA ROAD,
JIANGHAN DISTRICT,
WUHAN,
HUBEI PROV.,
CHINA
SWIFT: BKCHCNBJ600
TEL: (86) 027-85569726
FAX: (86) 027-85562955
POST CODE: 430022

HUNAN BRANCH

593 MID. FURONG ROAD
(1 DUAN),
CHANGSHA,
HUNAN PROV.,
CHINA
SWIFT: BKCHCNBJ970
TEL: (86) 0731-82580703
FAX: (86) 0731-82580707
POST CODE: 410005

GUANGDONG BRANCH

1–19TH FLOOR NO. 197 &
1–11TH FLOOR, 14–19TH FLOOR
NO. 199 DONGFENG XI ROAD
YUEXIU DISTRICT,
GUANGZHOU,
GUANGDONG PROV.,
CHINA
SWIFT: BKCHCNBJ400
TEL: (86) 020-83338080
FAX: (86) 020-83344066
POST CODE: 510180

GUANGXI BRANCH

39 GUCHENG ROAD,
NANNING,
GUANGXI ZHUANG
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ480
TEL: (86) 0771-2879602
FAX: (86) 0771-2813844
POST CODE: 530022

HAINAN BRANCH

29, 31 DATONG ROAD,
LONGHUA DISTRICT,
HAIKOU,
HAINAN PROV.,
CHINA
SWIFT: BKCHCNBJ740
TEL: (86) 0898-66778001
FAX: (86) 0898-66562040
POST CODE: 570102

SICHUAN BRANCH

35 MID. RENMIN ROAD
(2 DUAN),
CHENGDU,
SICHUAN PROV.,
CHINA
SWIFT: BKCHCNBJ570
TEL: (86) 028-86741950
FAX: (86) 028-86403346
POST CODE: 610031

GUIZHOU BRANCH

BOC BLDG., 347 RUIJIN
SOUTH ROAD,
GUIYANG,
GUIZHOU PROV.,
CHINA
SWIFT: BKCHCNBJ240
TEL: (86) 0851-85822419
FAX: (86) 0851-85863981
POST CODE: 550002

YUNNAN BRANCH

515 BEIJING ROAD,
KUNMING,
YUNNAN PROV.,
CHINA
SWIFT: BKCHCNBJ640
TEL: (86) 0871-63191216
FAX: (86) 0871-63175573
POST CODE: 650051

TIBET BRANCH

113 JINZHU XI LU,
LHASA,
TIBET AUTONOMOUS
REGION,
CHINA
SWIFT: BKCHCNBJ900
TEL: (86) 0891-6835311
FAX: (86) 0891-6835311
POST CODE: 850000

SHAANXI BRANCH

18 TANGYAN ROAD BEIDUAN,
LIANHU DISTRICT,
XI'AN,
SHAANXI PROV.,
CHINA
SWIFT: BKCHCNBJ620
TEL: (86) 029-89593900
FAX: (86) 029-89592999
POST CODE: 710077

GANSU BRANCH

525 TIANSHUI SOUTH ROAD,
CHENGGUAN DISTRICT
LANZHOU,
GANSU PROV.,
CHINA
SWIFT: BKCHCNBJ660
TEL: (86) 0931-7825004
FAX: (86) 0931-7825004
POST CODE: 730000

QINGHAI BRANCH

218 DONGGUAN STREET,
CHENG DONG DISTRICT,
XINING,
QINGHAI PROV.,
CHINA
SWIFT: BKCHCNBJ280
TEL: (86) 0971-8178888
FAX: (86) 0971-8174971
POST CODE: 810000

NINGXIA BRANCH

39 XINCHANG EAST ROAD,
JINFENG DISTRICT,
YINCHUAN,
NINGXIA HUI
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ260
TEL: (86) 0951-5681505
FAX: (86) 0951-5681509
POST CODE: 750002

XINJIANG BRANCH

1 DONGFENG ROAD,
URUMQI,
XINJIANG UYGUR
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ760
TEL: (86) 0991-2328888
FAX: (86) 0991-2825095
POST CODE: 830002

CHONGQING BRANCH

218 ZHONG SHAN YI ROAD,
YU ZHONG DISTRICT,
CHONGQING,
CHINA
SWIFT: BKCHCNBJ59A
TEL: (86) 023-63889234
FAX: (86) 023-63889217
POST CODE: 400013

SHENZHEN BRANCH

INTERNATIONAL FINANCE
BUILDING,
2022 JIANSHE ROAD,
LUOHU DISTRICT,
SHENZHEN,
GUANGDONG PROV.,
CHINA
SWIFT: BKCHCNBJ45A
TEL: (86) 0755-22331155
FAX: (86) 0755-22331051
POST CODE: 518001

SUZHOU BRANCH

128 WANGDUN ROAD,
SUZHOU INDUSTRIAL PARK,
SUZHOU,
JIANGSU PROV.,
CHINA
SWIFT: BKCHCNBJ95B
TEL: (86) 0512-67555898
FAX: (86) 0512-65112719
POST CODE: 215028

NINGBO BRANCH

3–18/F, 48–49/F, 318 HEYUAN
ROAD AND 255 DINGTAI
ROAD, NINGBO CITY,
ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ92A
TEL: (86) 0574-55555099
POST CODE: 315100

QINGDAO BRANCH

59 HONGKONG
MIDDLE ROAD,
QINGDAO,
SHANDONG PROV.,
CHINA
SWIFT: BKCHCNBJ50A
TEL: (86) 0532-85979700
FAX: (86) 0532-67755601
POST CODE: 266071

DALIAN BRANCH

9 ZHONGSHAN SQUARE,
ZHONGSHAN DISTRICT,
DALIAN,
LIAONING PROV.,
CHINA
SWIFT: BKCHCNBJ81A
TEL: (86) 0411-82586666
FAX: (86) 0411-82637098
POST CODE: 116001

XIAMEN BRANCH

BOC BLDG.,
NO. 40 NORTH HUBIN ROAD
XIAMEN,
CHINA
SWIFT: BKCHCNBJ73A
TEL: (86) 0592-5317519
FAX: (86) 0592-5095130
POST CODE: 361012

HEBEI XIONGAN BRANCH

149 LUOSA STREET,
RONGCHENG,
HEBEI PROV.,
CHINA
SWIFT: BKCHCNBJ220
TEL: (86) 0312-5988023
FAX: (86) 0312-5557047
POST CODE: 071700

BANK OF CHINA INSURANCE CO., LTD.

9/10/11F
NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT,
BEIJING,
CHINA
TEL: (86) 010-83260001
FAX: (86) 010-83260006
POST CODE: 100032
WEBSITE: www.bocins.com

BANK OF CHINA INVESTMENT MANAGEMENT CO., LTD.

45/F, BOC BUILDING
200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-38834999
FAX: (86) 021-68873488
POST CODE: 200120
WEBSITE: www.bocim.com

BANK OF CHINA CONSUMER FINANCE CO., LTD.

1409#, BOC BUILDING
200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-63291722
FAX: (86) 021-63291789
POST CODE: 200120
EMAIL: zyxf@boccfc.cn
WEBSITE: www.boccfc.cn

BOC INTERNATIONAL (CHINA) CO., LTD.

39/F, BOC BUILDING
200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-20328000
FAX: (86) 021-58883554
POST CODE: 200120
EMAIL:
admindiv.china@bocichina.com
WEBSITE:
www.bocichina.com

BOC FULLERTON COMMUNITY BANK CO., LTD.

9/F,
NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT,
BEIJING,
CHINA
TEL: (86) 010-57765000
FAX: (86) 010-57765550
POST CODE: 100032
WEBSITE:
www.bocfullertonbank.com

BOC-SAMSUNG LIFE INS. CO., LTD.

9/F, NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT,
BEIJING,
CHINA
TEL: (86) 010-83262688
FAX: (86) 010-83262777
POST CODE: 100032
WEBSITE:
www.boc-samsunglife.cn

BOC FINANCIAL ASSET INVESTMENT CO., LTD.

8/F, NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT,
BEIJING,
CHINA
TEL: (86) 010-83262479
FAX: (86) 010-83262478
POST CODE: 100032
EMAIL: bocfi@bocfi.com

BOC WEALTH MANAGEMENT CO., LTD.

8F/11F/12F,
No. 6 Jinrong St,
Xicheng District,
Beijing,
China
TEL: (86) 010-83937333
FAX: (86) 010-83937555
POST CODE: 100033
WEBSITE:
https://www.bocwm.cn

BOC FINANCIAL TECHNOLOGY CO., LTD.

NO. 288 KAYUAN 2ND ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-20408162
FAX: (86) 021-38973713
POST CODE: 201201
WEBSITE:
www.fintechboc.com

BOC FINANCIAL LEASING CO., LTD.

NO. 131 ZOURONG ROAD,
YUZHONG DISTRICT,
CHONGQING
CHINA
TEL: (86) 023-63031966
FAX: (86) 023-63031966
POST CODE: 400010
EMAIL: bocfl@bankofchina.com

MAJOR BRANCHES AND SUBSIDIARIES IN HONG KONG, MACAO AND TAIWAN OF CHINA

BOC HONG KONG (HOLDINGS) LIMITED

24/F, BANK OF CHINA TOWER,
1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 28462700
FAX: (852) 28105830
WEBSITE: www.bochk.com

BOC INTERNATIONAL HOLDINGS LIMITED

26/F, BANK OF CHINA TOWER,
1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 39886000
FAX: (852) 21479065
EMAIL: info@bocigroup.com
WEBSITE: www.bocigroup.com

HONG KONG BRANCH

7/F, BANK OF CHINA TOWER,
1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 28101203
FAX: (852) 25377609

BANK OF CHINA GROUP INSURANCE COMPANY LIMITED

9/F, WING ON HOUSE,
71 DES VOEUX ROAD CENTRAL,
HONG KONG, CHINA
TEL: (852) 28670888
FAX: (852) 25221705
EMAIL: info_ins@bocgroup.com
WEBSITE: www.bocgins.com

BANK OF CHINA GROUP INVESTMENT LIMITED

23/F, BANK OF CHINA TOWER,
1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 22007500
FAX: (852) 28772629
EMAIL: bocginv_bgi@bocgroup.com
WEBSITE: www.bocgi.com

BOC GROUP LIFE ASSURANCE CO., LTD.

13/F, CITYPLAZA ONE,
1111 KING'S ROAD,
TAIKOO SHING,
HONG KONG, CHINA
TEL: (852) 21608800
FAX: (852) 28660938
EMAIL: enquiry@boclife.com.hk
WEBSITE: www.boclife.com.hk

MACAU BRANCH

BANK OF CHINA BUILDING,
AVENIDA DOUTOR MARIO SOARES,
MACAO, CHINA
SWIFT: BKCHMOMX
TEL: (853) 88895566
FAX: (853) 28781833
EMAIL: bocmo@bocmacau.com
WEBSITE: www.bankofchina.com/mo

TAI FUNG BANK LIMITED

418, ALAMEDA DR. CARLOS, d'ASSUMPCAO,
MACAO, CHINA
TEL: (853) 28322323
FAX: (853) 28570737
EMAIL: tfbsecr@taifungbank.com
WEBSITE: www.taifungbank.com

TAIPEI BRANCH

1–5/F, NO. 105, SONGREN ROAD,
XINYI DIST., TAIPEI CITY,
TAIWAN, CHINA
SWIFT: BKCHTWTP
TEL: (886) 227585600
FAX: (886) 227581598
EMAIL: service.tw@bankofchina.com
WEBSITE: www.bankofchina.com/tw

MAJOR BRANCHES AND SUBSIDIARIES IN OTHER COUNTRIES AND REGIONS

ASIA-PACIFIC AREA

SINGAPORE BRANCH

4 BATTERY ROAD,
BANK OF CHINA BUILDING,
SINGAPORE
SWIFT: BKCHSGSGXXX
TEL: (65) 67795566
FAX: (65) 65343401
EMAIL:
service.sg@bankofchina.com
WEBSITE:
www.bankofchina.com/sg

TOKYO BRANCH

BOC BLDG. 3-4-1 AKASAKA
MINATO-KU,
TOKYO 107-0052
JAPAN
SWIFT: BKCHJPJT
TEL: (81) 335058818
FAX: (81) 335058868
EMAIL:
service.jp@boctokyo.co.jp
WEBSITE:
www.bankofchina.com/jp

SEOUL BRANCH

1/2/3F YOUNG POONG BLDG.
41, CHEONG GYE CHEON-RO,
JONGNO-GU,
SEOUL 03188
KOREA
SWIFT: BKCHKRSEXXX
TEL: (82) 16705566
FAX: (82) 23996265
WEBSITE:
www.bankofchina.com/kr

BANK OF CHINA (MALAYSIA) BERHAD

GROUND, MEZZANINE, &
1ST FLOOR PLAZA OSK,
25 JALAN AMPANG
50450 KUALA LUMPUR,
MALAYSIA
SWIFT: BKCHMYKL
TEL: (60) 323878888
FAX: (60) 321615150
EMAIL: service.my@bankofchina.com
WEBSITE: www.bankofchina.com/my

BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

179/4 BANGKOK CITY TOWER,
SOUTH SATHORN ROAD,
TUNGMAHAMEK
SATHORN DISTRICT,
BANGKOK 10120,
THAILAND
SWIFT: BKCHTHBK
TEL: (66) 22861010
FAX: (66) 22861020
CUSTOMER SERVICE CENTRE:
(66) 26795566
EMAIL: service.th@bankofchina.com
WEBSITE: www.bankofchina.com/th

BANK OF CHINA (HONGKONG) LIMITED JAKARTA BRANCH

TAMARA CENTER
11TH FLOOR,
Jl. JENDRAL
SUDIRMAN KAV. 24,
JAKARTA SELATAN, 12920,
INDONESIA
SWIFT: BKCHIDJA
TEL: (62) 215205502
FAX: (62) 215201113/215207552
EMAIL: cs@bankofchina.co.id
WEBSITE: www.bankofchina.co.id

BANK OF CHINA (HONGKONG) LIMITED PHNOM PENH BRANCH

CANADIA TOWER,
1ST & 2ND FLOOR,
#315 ANG DOUNG ST.
P.O. BOX 110, PHNOM PENH,
CAMBODIA
SWIFT: BKCHKHPP
TEL: (855) 23988886
FAX: (855) 23988880
EMAIL: service.kh@bankofchina.com
WEBSITE: www.bankofchina.com/kh

BANK OF CHINA (HONGKONG) LIMITED HOCHIMINH CITY BRANCH

GROUND & 11TH FL,
TIMES SQUARE BUILDING,
22–36 NGUYEN HUE STREET,
DISTRICT 1,
HOCHIMINH CITY,
VIETNAM
SWIFT: BKCHVNVX
TEL: (84) 2838219949
FAX: (84) 2838219948
EMAIL: service.vn@bankofchina.com
WEBSITE: www.bankofchina.com.vn

BANK OF CHINA (HONGKONG) LIMITED — MANILA BRANCH

28/F. THE FINANCE CENTER
26th STR. Cor. 9th AVE., BGC
TAGUIG CITY, METRO
MANILA PHILIPPINES
SWIFT: BKCHPHMM
TEL: (63) 282977888
FAX: (63) 288850532
EMAIL: customercare_ph@bank-of-china.com

BANK OF CHINA (HONGKONG) LIMITED VIENTIANE BRANCH

NO. A1003–A2003,
VIENTIANE CENTER,
KHOUVIENG ROAD,
NONGCHAN VILLAGE,
SISATTANAK DISTRICT,
VIENTIANE CAPITAL,
LAO P.D.R.
SWIFT: BKCHLALAXXX
TEL: (856) 21228888
FAX: (856) 21228880
EMAIL: service.la@bankofchina.com
WEBSITE: www.bankofchina.com.la

BANK OF CHINA (HONGKONG) LIMITED BRUNEI BRANCH

KIARONG JAYA KOMPLEK,
LOT NO. 56244,
SIMPANG 22,
JALAN DATO
RATNA,
KAMPONG KIARONG,
BANDAR SERI
BEGAWAN BE1318,
BRUNEI
DARUSSALAM
SWIFT: BKCHBNBB
TEL: (673) 2459888
FAX: (673) 2459878

BANK OF CHINA (HONGKONG) LIMITED YANGON BRANCH

ZONE B, 1ST FLOOR,
GOLDEN CITY
BUSINESS CENTER,
YANKIN ROAD,
YANKIN TOWNSHIP,
YANGON REGION,
MYANMAR
SWIFT: BKCHMMMY
TEL: (95) 19376130
FAX: (95) 19376142
EMAIL: bocyangon@bochk.com

BANK OF CHINA (HONG KONG) LIMITED REPRESENTATIVE OFFICE IN HANOI

18 FLOOR, NO. 1 TOWER,
CAPITAL PLACE BUILDING,
29 LIEU GIAI STREET,
NGOC KHANH WARD,
BA DINH DISTRICT,
HA NOI,
VIET NAM
TEL: (84) 909009222
EMAIL: service.hn@bankofchina.com.vn

SYDNEY BRANCH

GROUND FLOOR,
140 SUSSEX STREET,
SYDNEY NSW 2000,
AUSTRALIA
SWIFT: BKCHAU2S
TEL: (61) 282355888
FAX: (61) 292621794
EMAIL: banking.au@bankofchina.com
WEBSITE: www.bankofchina.com/au

BANK OF CHINA (AUSTRALIA) LIMITED

GROUND FLOOR,
140 SUSSEX STREET,
SYDNEY NSW 2000,
AUSTRALIA
SWIFT: BKCHAU2A
TEL: (61) 282355888
FAX: (61) 292621794
EMAIL: banking.au@bankofchina.com
WEBSITE: www.bankofchina.com/au

BANK OF CHINA (NEW ZEALAND) LIMITED

LEVEL 17, TOWER 1,
205 QUEEN STREET,
AUCKLAND, 1010,
NEW ZEALAND
SWIFT: BKCHNZ22
TEL: (64) 99809000
FAX: (64) 99809088
EMAIL: service.nz@bankofchina.com
WEBSITE: www.bankofchina.com/nz

AUCKLAND BRANCH

LEVEL 17, TOWER 1,
205 QUEEN STREET,
AUCKLAND, 1010,
NEW ZEALAND
SWIFT: BKCHNZ2A
TEL: (64) 99809000
FAX: (64) 99809088
EMAIL: service.nz@bankofchina.com
WEBSITE: www.bankofchina.com/nz

JSC AB (BANK OF CHINA KAZAKHSTAN)

71B, MICRODISTRICT
ZHETYSU-2,
AUEZOV DISTRICT, 050063,
ALMATY,
REPUBLIC OF KAZAKHSTAN
SWIFT: BKCHKZKA
TEL: (7727) 2585510
FAX: (7727) 2585514
EMAIL: boc@bankofchina.kz

KARACHI BRANCH

5TH FLOOR, CORPORATE
OFFICE BLOCK,
DOLMEN CITY, HC-3, BLOCK 4,
SCHEME 5, CLIFTON,
KARACHI,
PAKISTAN
SWIFT: BKCHPKKA
TEL: (92) 2133110688
FAX: (92) 2133110600
EMAIL: services.pk@bankofchina.com
WEBSITE: www.bankofchina.com/pk

COLOMBO BRANCH

NO. 40, YORK STREET
COLOMBO 001
SRI LANKA
SWIFT: BKCHLKLX
TEL: (94) 0112195566
FAX: (94) 0112118800
EMAIL: service.lk@bankofchina.com

MUMBAI BRANCH

41-B, 4TH FLOOR,
4 NORTH AVENUE,
MAKER MAXITY,
BANDRA KURLA COMPLEX,
BANDRA EAST,
MUMBAI,
INDIA
SWIFT: BKCHINBB
TEL: (91) 2268246666
FAX: (91) 2268246667
EMAIL: bocmumbai@bankofchina.com

DUBAI BRANCH

LEVEL 11 TOWER 2,
AL FATTAN CURRENCY HOUSE
DUBAI INTERNATIONAL
FINANCIAL CENTRE
P.O. BOX 118842,
DUBAI, U.A.E
SWIFT: BKCHAEADXXX
TEL: (971) 43819100
FAX: (971) 43880778
EMAIL: service.ae@bankofchina.com

ABU DHABI BRANCH

UNIT 8–11, 46F,
ADDAX COMMERCIAL TOWER,
AL REEM ISLAND,
P.O. BOX 73098,
ABU DHABI, U.A.E.
SWIFT: BKCHAEAA
TEL: (971) 24180999
FAX: (971) 24180996
EMAIL: abudhabi.ae@bankofchina.com

QATAR FINANCIAL CENTRE BRANCH

24TH FLOOR, ALFARDAN
TOWERS-OFFICE TOWER,
BUILDING NO. 12, ZONE 61,
AL FUNDUQ, STREET NO. 814,
DOHA,
QATAR
P.O. BOX: 5768
SWIFT: BKCHQAQA
TEL: (974) 44473681/44473682
FAX: (974) 44473696
EMAIL: service.qa@bankofchina.com

BANK OF CHINA TURKEY A.S.

BUYUKDERE CAD.NO: 209,
TEKFEN TOWER K.21,
343944. LEVENT/SISLI/
ISTANBUL
TURKEY
SWIFT: BKCHTRIS
TEL: (90) 2122608888
FAX: (90) 2122798866
EMAIL: contact@bankofchina.com.tr
WEBSITE: www.bankofchina.com.tr

ULAANBAATAR REPRESENTATIVE OFFICE

11TH FLOOR CENTRAL TOWER,
SUKHBAATAR SQUARE-2,
SBD-8,
ULAANBAATAR 14200,
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EMAIL: service.mn1@bankofchina.com

BAHRAIN REPRESENTATIVE OFFICE

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AL JASRAH TOWER,
DIPLOMATIC AREA
BUILDING 95,
ROAD 1702, BLOCK 317,
MANAMA
KINGDOM OF BAHRAIN
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FAX: (973) 17531009
EMAIL:
bldbcbgs@bank-of-china.com

BOC AVIATION LIMITED

8 SHENTON WAY #18-01
SINGAPORE 068811
TEL: (65) 63235559
FAX: (65) 63236962
EMAIL: information@bocaviation.com
WEBSITE: www.bocaviation.com

EUROPE

LONDON BRANCH

1 LOTHBURY,
LONDON EC2R 7DB,
U.K.
SWIFT: BKCHGB2L
TEL: (44) 2072828888
FAX: (44) 2076263892
EMAIL:
service.uk@bankofchina.com
WEBSITE:
www.bankofchina.com/uk

BANK OF CHINA (UK) LIMITED

1 LOTHBURY,
LONDON EC2R 7DB,
U.K.
SWIFT: BKCHGB2U
TEL: (44) 2072828888
FAX: (44) 2076263892
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