



北京 2022 年冬奧會官方合作夥伴
Official Partner of the Olympic Winter Games Beijing 2022

BUILD A FIRST-CLASS GLOBAL BANKING GROUP



2020 Annual Report

Bank of China Limited

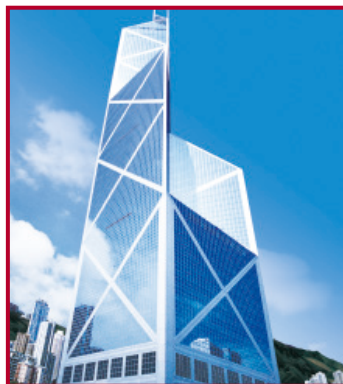
(a joint stock company incorporated in the People's Republic of China with limited liability)

Ordinary H-Share Stock Code: 3988

Offshore Preference Share Stock Code: 4619



BOC Head Office



BOCHK



Singapore Branch



⊕ AUCKLAND

LOS ANGELES ⊕

⊕ VANCOUVER

⊕ CALGARY

CHICAGO ⊕

TORONTO ⊕

⊕ MONTREAL

⊕ NEW YORK

⊕ MEXICO CITY

⊕ GRAND CAYMAN

PANAMA CITY ⊕

⊕ LIMA

⊕ RIO DE JANEIRO

⊕ SAO PAULO

SANTIAGO ⊕

⊕ BUENOS AIRES



London Branch



New York Branch



Shanghai Branch

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 ten 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. From 2021, the year in which China's 14th Five-Year Plan is launched, the Bank will enter into a new stage of its reform and development, while aligning its endeavours with national development, and embark upon a brand new journey towards building a first-class global banking group.

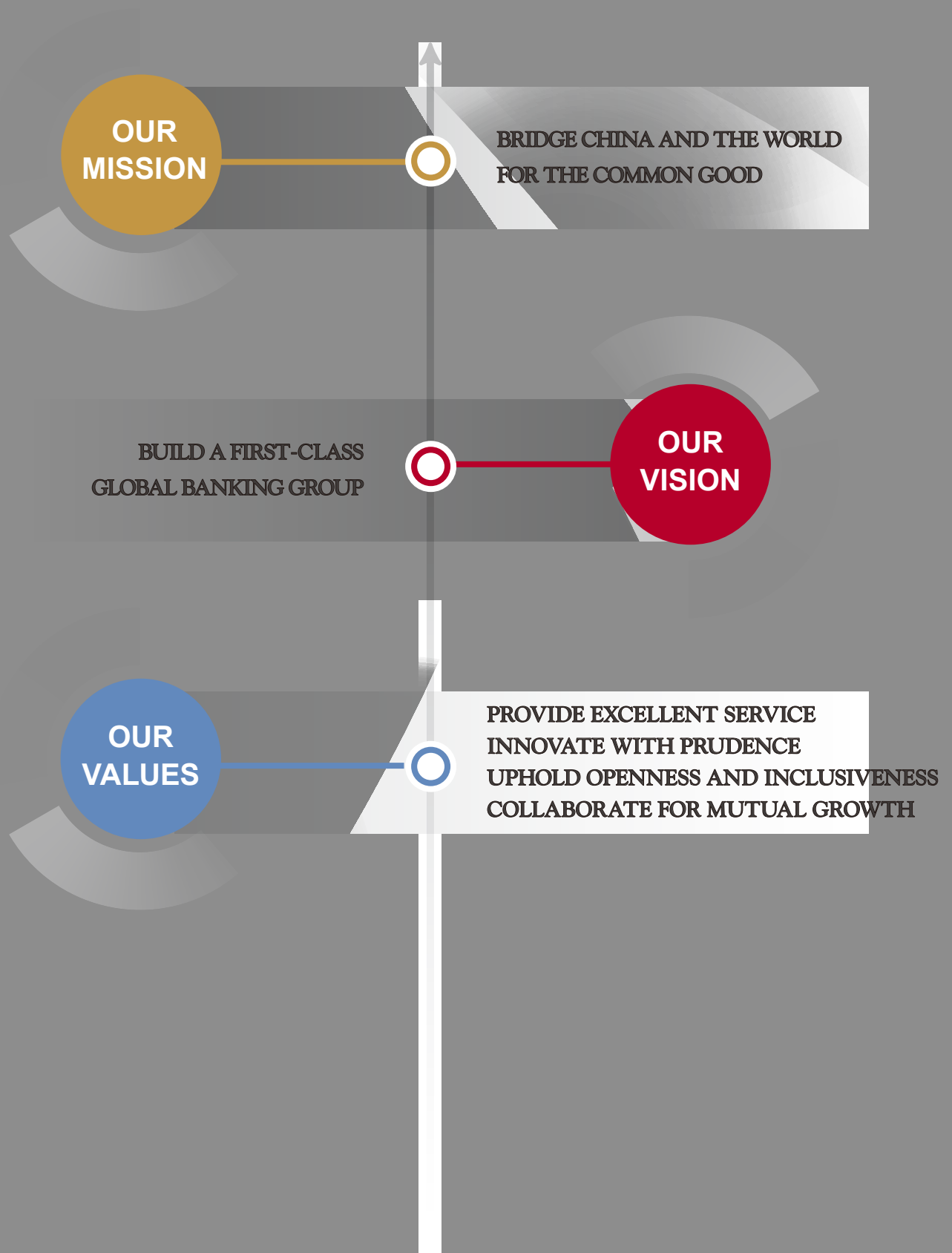
As China's most globalised and integrated bank, Bank of China has institutions across the Chinese mainland as well as in 61 countries and regions, and BOCHK and the Macau Branch serve as local note-issuing banks in their respective markets. The Bank has a well-established global service network and an 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, financial leasing and other areas, thus providing its customers with a comprehensive range of financial services.

Bank of China embodies a noble sense of duty and commitment. Over its 109-years history, the Bank has upheld the spirit of "pursuing excellence" and remained committed to delivering benefits to the society and contributing to the prosperity of the nation. With adoration of the nation in its soul, integrity as its backbone, reform and innovation as its path forward and "people first" as its guiding principle, the Bank has built up an excellent brand image that is widely recognised within the industry and by its customers. As a large state-owned commercial bank faced with a period of historic opportunities for great achievements, the Bank will follow Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, develop a full understanding of the new development stage, apply the new development philosophy and serve the new development paradigm; 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 that, makes an even greater contribution to realising the Chinese Dream of national rejuvenation and the aspirations of the people to live a better life and build a community with a shared future for mankind.

Development Strategy

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will focus on the new development stage, apply the new development philosophy and serve the new development paradigm. With reform and innovation as the basic driving force, we aim to meet people's growing demand for better lives. We will adhere to the general principle of pursuing progress while ensuring stability, deepen supply-side structural reform in the financial sector, step up our efforts to accelerate digital transformation and promote high-quality and sustainable development and facilitate higher-standard opening up. We will stand up to our responsibilities and missions as a major state-owned bank, mobilise resources to serve the real economy, and dedicate further efforts to technology finance, inclusive finance, green finance, wealth finance, cross-border finance, consumer finance and county-level finance. We will continue to put risk control and management high on our agenda and exercise prudence and compliance in operation. We will uphold a systematic concept in fostering a development pattern in which the Bank's business is centred on domestic commercial banking and bolstered by our global reach and integrated operation arms. We will stick to our 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



Honours and Awards

FINANCIAL STABILITY BOARD (FSB)

- Global Systemically Important Bank

THE BANKER

- Ranked 4th in Top 1,000 World Banks
- Ranked 4th in Top 500 Global Banking Brands

FORTUNE

- Ranked 43rd in Global 500 (2020)

FORBES

- Ranked 10th in Global 2000

ASIAMONEY

- Best Overall Chinese Bank for Belt and Road Initiative
- Best Transaction Bank for Trade Finance
- Best Transaction Bank
- Best Bank for Leveraged Finance

FINANCE ASIA

- Best DCM House

THE ASIAN BANKER

- Best AI Initiative in China
- Overseas Wealth Management Service of the Year in China

ASIAN PRIVATE BANKER

- Best National Private Bank in China (State-owned Banks)

PBOC

- First Prize for Technological Development of Banks

CHINA FOREIGN EXCHANGE TRADE SYSTEM

- Best Comprehensive Market-making Institution

CBN

- Best Digitalised Bank

CHINA BUSINESS JOURNAL

- Mobile Banking with Excellent Competitiveness

FINANCIAL NEWS

- 2020 Bank with Best Inclusive Finance Services

SECURITIES TIMES

- Award of Top List of Intelligent Investment Advisory Service in China (Wealth Management)

SINA

- Best Bank with Responsible Investment

CHINA SME INVESTMENT & FINANCE EXPO

- Excellent Case of Financial Services for Small and Medium-sized Enterprises

DIRECTORS & BOARDS

- "Golden Prize of Round Table" for Excellent Board of Directors

LEAGUE OF AMERICAN COMMUNICATIONS PROFESSIONALS (LACP)

- Gold Award of the Annual Report

HONG KONG MANAGEMENT ASSOCIATION (HKMA)

- Excellence Award for H-Share & Red Chip Entries

CHINA BANKING ASSOCIATION

- Award of Best Socially Responsible Manager
- Award for Achievements in Supporting the Three Critical Battles
- Award for Achievements in Pursuing Belt and Road Initiative
- Most Socially Responsible Outlet with Special Contributions in China's Banking Industry

CHINA NEWSWEEK

- 2020 Responsible Enterprise

WORLD BRAND LAB

- Ranked 12th in China's 500 Most Valuable Brands

HURUN RESEARCH INSTITUTE

- Ranked 2nd in the Hurun List of Brands with Most Historical and Cultural Heritage in 2020

CHINAHR.COM

- Top 100 Employers in the Opinion of Chinese University Students

Contents

6	Definitions
7	Important Notice
8	Financial Highlights
11	Corporate Information
13	Message from the Chairman
17	Message from the Chairwoman of the Board of Supervisors
19	Management Discussion and Analysis
19	Financial Review
35	Business Review
76	Risk Management
88	Organisational Management, Human Resources Development and Management
93	Outlook
95	Corporate Social Responsibilities
104	Changes in Share Capital and Shareholdings of Shareholders
109	Directors, Supervisors and Senior Management Members
124	Corporate Governance
141	Report of the Board of Directors
149	Report of the Board of Supervisors
154	Significant Events
156	Independent Auditor's Report
162	Consolidated Financial Statements
330	Reference for Shareholders
333	Organisational Chart
335	List of Major Branches and Subsidiaries

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 Financial Technology	BOC Financial Technology Co., Ltd.
BOC Fullerton Community Bank	BOC Fullerton Community Bank Co., Ltd.
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 2020 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 30 March 2021. The number of directors who should attend the meeting is 14, with 11 directors attending the meeting in person. Independent Directors Mr. Martin Cheung Kong LIAO and Mr. CHUI Sai Peng Jose did not attend the meeting due to other important business engagements and both appointed Independent Director Mr. WANG Changyun as their authorised proxy to attend and vote on their behalves. Independent Director Ms. CHEN Chunhua did not attend the meeting due to other important business engagements and appointed Independent Director Mr. JIANG Guohua as her authorised proxy to attend and vote on her behalf. 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 2020 financial statements prepared by the Bank in accordance with CAS and IFRS have been audited by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with Chinese and international auditing standards, respectively. Both auditors issued an unqualified opinion.

Chairman of the Board of Directors LIU Liange, 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 2020 of RMB1.97 per ten shares (before tax), subject to the approval of the forthcoming Annual General Meeting scheduled on 20 May 2021. 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 violated the applicable regulations and procedures.

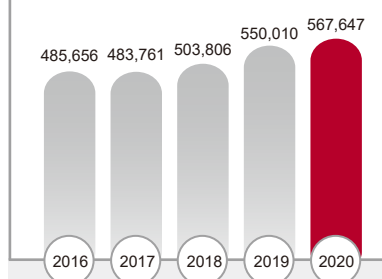
This report may contain forward-looking statements that involve risks and future plans. These forward-looking statements are based on the Bank's own information and information from other sources that the Bank believes to be reliable. They relate to future events or the Bank's future financial, business 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

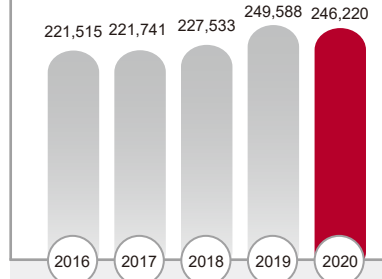
Operating income

RMB Million



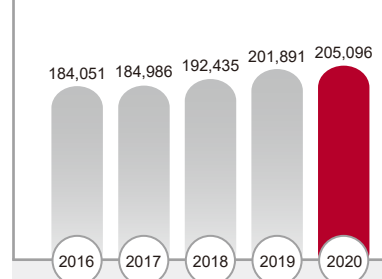
Operating profit

RMB Million



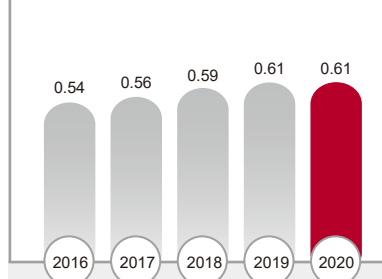
Profit for the year

RMB Million



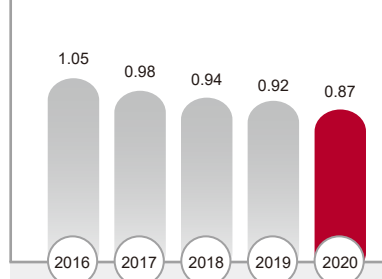
EPS (basic)

RMB



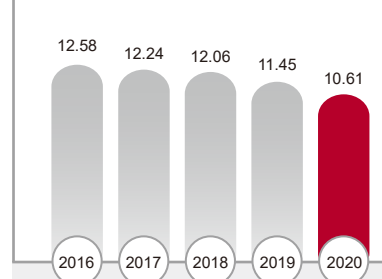
ROA

%



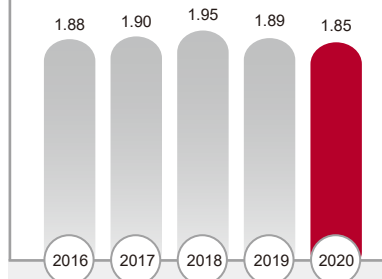
ROE

%



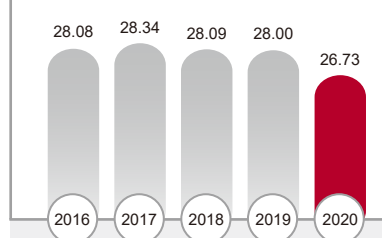
Net interest margin

%



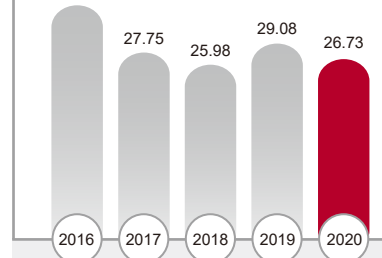
Cost to income ratio (calculated under regulations in the Chinese mainland)

%



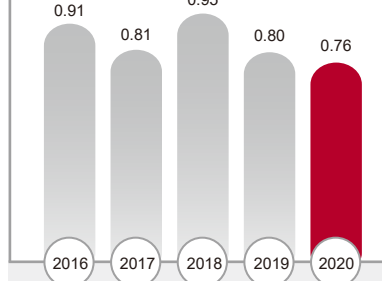
Non-interest income to operating income

%



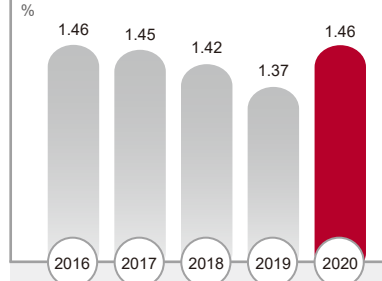
Credit cost

%



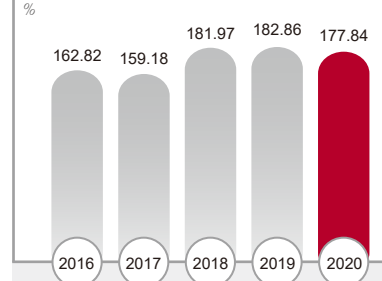
Non-performing loans to total loans

%



Allowance for loan impairment losses to non-performing loans

%



Financial Highlights

Note: The financial information in this report has been prepared in accordance with IFRS¹. The data are presented in RMB and reflect amounts related to the Group, unless otherwise noted.

Unit: RMB million

	Note	2020	2019	2018	2017	2016
Results of operations						
Net interest income		415,918	390,050	372,930	349,535	316,011
Non-interest income	2	151,729	159,960	130,876	134,226	169,645
Operating income		567,647	550,010	503,806	483,761	485,656
Operating expenses		(202,411)	(198,269)	(176,979)	(173,859)	(175,069)
Impairment losses on assets		(119,016)	(102,153)	(99,294)	(88,161)	(89,072)
Operating profit		246,220	249,588	227,533	221,741	221,515
Profit before income tax		246,378	250,645	229,643	222,903	222,412
Profit for the year		205,096	201,891	192,435	184,986	184,051
Profit attributable to equity holders of the Bank		192,870	187,405	180,086	172,407	164,578
Total dividend of ordinary shares		N.A.	56,228	54,167	51,812	49,457
Financial position						
Total assets		24,402,659	22,769,744	21,267,275	19,467,424	18,148,889
Loans, gross		14,216,477	13,068,785	11,819,272	10,896,558	9,973,362
Allowance for loan impairment losses	3	(368,619)	(325,923)	(303,781)	(252,254)	(237,716)
Investments	4	5,591,117	5,514,062	5,054,551	4,554,722	3,972,884
Total liabilities		22,239,822	20,793,048	19,541,878	17,890,745	16,661,797
Due to customers		16,879,171	15,817,548	14,883,596	13,657,924	12,939,748
Capital and reserves attributable to equity holders of the Bank		2,038,419	1,851,701	1,612,980	1,496,016	1,411,682
Share capital		294,388	294,388	294,388	294,388	294,388
Per share						
Basic earnings per share (RMB)		0.61	0.61	0.59	0.56	0.54
Dividend per share (before tax, RMB)	5	0.197	0.191	0.184	0.176	0.168
Net assets per share (RMB)	6	5.98	5.61	5.14	4.74	4.46
Key financial ratios						
Return on average total assets (%)	7	0.87	0.92	0.94	0.98	1.05
Return on average equity (%)	8	10.61	11.45	12.06	12.24	12.58
Net interest margin (%)	9	1.85	1.89	1.95	1.90	1.88
Non-interest income to operating income (%)	10	26.73	29.08	25.98	27.75	34.93
Cost to income ratio (calculated under regulations in the Chinese mainland, %)	11	26.73	28.00	28.09	28.34	28.08
Capital ratios						
Common equity tier 1 capital	12	1,730,401	1,620,563	1,488,010	1,377,408	1,297,421
Additional tier 1 capital		287,843	210,057	109,524	105,002	103,523
Tier 2 capital		458,434	394,843	347,473	264,652	225,173
Common equity tier 1 capital adequacy ratio (%)		11.28	11.30	11.41	11.15	11.37
Tier 1 capital adequacy ratio (%)		13.19	12.79	12.27	12.02	12.28
Capital adequacy ratio (%)		16.22	15.59	14.97	14.19	14.28
Asset quality						
Credit-impaired loans to total loans (%)	13	1.46	1.37	1.42	1.45	1.46
Non-performing loans to total loans (%)	14	1.46	1.37	1.42	1.45	1.46
Allowance for loan impairment losses to non-performing loans (%)	15	177.84	182.86	181.97	159.18	162.82
Credit cost (%)	16	0.76	0.80	0.95	0.81	0.91
Allowance for loan impairment losses to total loans (%)	17	2.96	2.97	3.07	2.77	2.87
Exchange rate						
USD/RMB year-end central parity rate		6.5249	6.9762	6.8632	6.5342	6.9370
EUR/RMB year-end central parity rate		8.0250	7.8155	7.8473	7.8023	7.3068
HKD/RMB year-end central parity rate		0.8416	0.8958	0.8762	0.8359	0.8945

Financial Highlights

Notes:

- 1 Starting on 1 January 2018, the Bank has applied the *International Financial Reporting Standard No. 9 — Financial Instruments* (IFRS 9) published by the International Accounting Standards Board. Since 2020, the bank has reclassified the financing charges from the installment business of credit card holders, from net fee and commission income to interest income. The comparative figures for the same period in 2019, 2018, 2017 and 2016 were restated.
- 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 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

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, Hong Kong, China

Selected Newspapers for Information Disclosure (A Share)

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website Designated by CSRC for Publication of the 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

Ernst & Young Hua Ming LLP

Office Address:

Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, China

Certified Public Accountants who signed the auditor's report: LEUNG Shing Kit, ZHANG Fan

International Auditor

Ernst & Young

Office Address:

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

Unified Social Credit Code

911000001000013428

Financial Institution Licence Serial Number

B0003H111000001

Corporate Information

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

Joint Sponsors for Domestic Preference Share
(Third Tranche, Fourth Tranche)

CITIC Securities Company Limited

Office Address:

North Tower, Excellence Times Plaza II,
No. 8 Zhongxinsan Road, Futian District,
Shenzhen,

Guangdong Prov., China

Sponsor Representatives:

MA Xiaolong, WANG Chen

BOC International (China) Co., Ltd.

Office Address:

39/F, BOC Building,
200 Mid. Yincheng Road,
Pudong New Area, Shanghai, China

Sponsor Representatives:

DONG Wendan, LIU Guoqiang

Continuous Supervision Period

From 17 July 2019 to

31 December 2020 (Third Tranche)

From 26 August 2019 to

31 December 2020 (Fourth Tranche)



Message from the Chairman

Bidding farewell to the Year of the Rat, we embrace the Year of the Ox. After witnessing unprecedented events in 2020, we now forge ahead in this hopeful year. I am pleased to present our 2020 annual results to the shareholders of the Bank and the public. According to International Financial Reporting Standards, the Bank achieved a profit for the year of RMB205.1 billion, a year-on-year increase of 1.59%, and a profit attributable to equity holders of the Bank of RMB192.9 billion, a year-on-year increase of 2.92%. At the end of 2020, the Bank's total assets stood at RMB24.40 trillion, total liabilities amounted to RMB22.24 trillion and equity attributable to shareholders of the Bank was RMB2.04 trillion, representing an increase of 7.17%, 6.96% and 10.08% respectively from the prior year-end. The ratio of non-performing loans was 1.46%, up 0.09 percentage point from the prior year-end. The Board of Directors has proposed a cash dividend of RMB1.97 per ten ordinary shares for 2020, representing a dividend payout ratio of 30%.

Last year witnessed sudden and perplexing changes in the international environment and a deep recession of the global economy due to the onslaught of COVID-19. As China's most globalised and integrated bank, Bank of China faced particularly serious risks and challenges. The new era posed unprecedented situations and novel requirements. We earnestly implemented the decisions and plans of the CPC Central Committee and the State Council, actively undertook the mission of "Bridge China and the World for the Common Good", focused on our main responsibilities and main business, served the Party and national strategies, implemented the new development philosophy and integrated into the new development paradigm. With 2020 designated as the "Year of Enhanced Implementation", we responded to pressure and rose to challenges, making coordinated efforts in pandemic prevention and control as well as reform and development. We fostered new vitality, gained new momentum and achieved new breakthroughs. Despite considerable difficulties, our performance exceeded expectations, our results saw steady progress, and we made new headway in building our comprehensive strengths.

In 2020, we considered the big picture and strongly supported the real economy and national strategies. Remaining true to our founding mission at all times, we unswervingly integrated our own development with the destiny of the nation, so as to deliver benefit to society, contribute to the nation's prosperity, support opening-up with quality services, and boost high-quality and sustainable development. In 2020,

the Bank's newly granted domestic RMB loans set a new record, with a focus on inclusive finance, private enterprises, green finance and other sectors. Our balance of inclusive finance loans granted to micro and small-sized enterprises stood at RMB611.7 billion, up 48% over the prior year-end. Outstanding medium and long-term loans granted to the manufacturing sector grew by 34.1%. Manufacturing loans as a percentage of total corporate loans remained at a relatively high level compared to other large Chinese banks, with solid growth achieved in green credit. We continued to enhance business presence in key regions and cities such as Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Hainan Free Trade Port, and Chengdu-Chongqing Economic Circle. We became the first among our peers to issue comprehensive service programmes and maintained a leading position among Chinese banks in the Guangdong-Hong Kong-Macao Greater Bay Area. We adopted 13 measures to stabilise foreign trade and facilitated smooth flows across the foreign trade industrial chain and supply chain, securing a leading edge over Chinese peers in international settlement and financing under export credit insurance. We served the China International Import Expo (CIIE) as the sole strategic partner for the third consecutive year, earning a strong reputation in the market.

In 2020, we fulfilled our responsibilities as a major state-owned bank, coordinated our efforts in pandemic control and financial services, and contributed to the fight against poverty. Following the outbreak of COVID-19, we adhered to a coordinated response among our domestic and overseas operations, continuously arranged for pandemic prevention and employee health protection measures in our workplaces and business premises, and flexibly adopted methods such as online office and online services to maintain smooth and orderly business operations across the globe. Devoting more efforts to fight the pandemic through financial services, we took the lead in introducing "30 Measures" to fully support Hubei in fighting against the virus and resuming business. We implemented policies for dedicated limits on re-lending and rediscount, and worked hard to increase the proportion of unsecured loans and medium and long-term loans, as well as the first-time loan ratio, to help enterprises overcome difficulties. Our domestic and overseas institutions stood together through storm and stress. We allocated pandemic prevention and control supplies in a coordinated manner across the globe, providing more than 10 million items of supplies for over 57 countries and regions at home and abroad, which was widely

Message from the Chairman

praised. We made great efforts to bolster poverty alleviation by stepping up support for targeted areas through financial services, and saw rapid growth in the balance of poverty alleviation loans. Through our assistance, the four counties of Yongshou, Xunyi, Chunhua and Changwu in Xianyang, Shaanxi Province completed the task of poverty alleviation, and 1,034 poverty-stricken villages across the country were lifted out of poverty, demonstrating the Bank's great contributions to the national initiatives of poverty alleviation and rural revitalisation.

In 2020, we strengthened infrastructure development in order to advance our business transformation. Technological innovation and business transformation have an important bearing on the Bank's long-term competitiveness and prosperity. We accelerated digital transformation and advanced enterprise-level architecture development. Through these efforts, our project management and quality control system took preliminary shape, the supporting capacities of our information infrastructure were continuously enhanced, and technology played a bigger role in enabling development. We made remarkable achievements in the structural reform of personal banking unit and promoted digital transformation across the whole business process in an in-depth manner, to cover all segments of customers and all types of assets. As a result, personal banking made a much greater contribution to our business development. In terms of corporate banking, we gradually fortified our regular current account and bank settlement account business, as well as the management of basic work and primary-level institutions. Deposit quality and credit structure improved steadily, and the building of our global transaction banking service platform was accelerated. We continued to advance the expansion of our financial institution customer base, maintaining a leading position among Chinese banks in terms of cross-border custody and Panda bonds, and remaining in first place among Chinese banks regarding the number of foreign currencies traded. Steady progress was made in the building of the four strategic scenario ecosystems, namely, of cross-border, education, sports, and silver economy. With these ecosystems, our capability to reach and serve customers was greatly enhanced and our service penetrated further down to the community level, enabling the Bank to expand customer base and business scope. We made fruitful advances in smart operations and outlet transformation, and our integrated online and offline service capacities were strengthened continuously. Mobile banking gained more abundant functions, offering a constantly improved customer experience.

In 2020, leveraging our characteristic advantages, we continued to improve our globalised and integrated

operations. The unique advantages of an extensive global network and diversified business platforms represent our accumulated historical wealth and inheritance after one hundred years of development. We pushed forward with reform of the regional management and intensive operations of our overseas institutions, and took important steps in terms of regional integration and regional headquarters development, with the overseas service network now covering 61 countries and regions. From 2015 to 31 December 2020, we followed up with more than 600 major overseas projects along the Belt and Road, and granted a variety of credit exceeding USD185.1 billion to countries and regions along the route. We maintained a leading position in high-end structured financing businesses, offering syndicated loans and M&A loans. We vigorously grew our customer base of overseas institutional investors, with transaction volumes in the inter-bank bond market increasing dramatically. Our overseas institutions accounted for half of overseas RMB clearing banks, consolidating the leading position in terms of cross-border RMB settlement and clearing. Meanwhile, we have drafted and put in place guiding principles and concrete policies to strengthen the management of our integrated operations, among which, BOCI China was listed, BOC Financial Leasing and Amundi BOC Wealth Management were successively established, and the investment management village bank of BOC Fullerton Community Bank opened for business in Xiongan New Area. Through these efforts, our comprehensive operation layout demonstrated good results, and our comprehensive financial service capabilities were enhanced.

In 2020, we remained constantly mindful of worst-case scenarios and comprehensively improved our risk compliance and management capabilities. Risk management is the lifeline of commercial banks. We proactively assessed emerging risk situations, enhanced asset quality monitoring, carried out many rounds of inspections on the impact of COVID-19, and strengthened NPL collection and mitigation. Initial results were achieved in improving the corporate credit management mechanism through enhanced risk control. We also strengthened AML and sanctions compliance management. In addition, we enhanced consumer rights protection and improved dispute mediation and compensation mechanism. We dynamically improved our risk appetite policy, properly coped with changes in financial markets, and maintained a stable performance in terms of major risk indicators such as liquidity risk and market risk.

In 2020, we adhered to deepening reform on all fronts and continuously stimulated the vitalities of officials and employees. Reform is the only way to liberate and develop the productive forces and fundamental drivers

Message from the Chairman

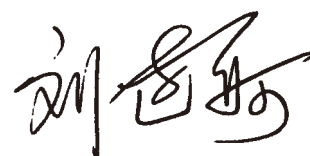
of business development. BOC's most valuable assets are our energetic employees, more than 300,000 in number, who consistently compete and excel. We deepened reform of our organisational structure, business model and management mechanism, kept improving the Bank's governance capabilities, and accomplished 117 tasks under 24 reform projects during the year. We set up the Education & Development Department at the Head Office, established BOC University, and constantly improved the training system for all employees. In addition, we established the Asset & Liability Management Department to enhance the refined and professional management of assets and liabilities. We continuously improved the corporate credit management mechanism and promoted the transformation of the marketing management mechanism in a coordinated manner. To further enable the Head Office to better exercise leadership and build up capacity, we formulated overarching frameworks of reform to enhance comprehensive risk management and human resource management. We made vigorous efforts to cultivate our talent pool, putting qualified young people onto management posts and introducing more intra-Group rotation programmes.

In 2020, we persisted in strengthening the corporate culture fostering. Guided by core socialist values, we created a corporate culture that complies with the trend of the times, has its own characteristics and conforms to the law of development through creative transformation and innovative development, and put forward a culture concept system consisting of mission, vision, values, code of conduct of employees and action maxims. Through the power of culture, we built a consensus on the values of employees, unified their behaviour, guided and motivated all officials and employees to carry forward the Bank's century-old tradition of serving the people, and gave play to our unique advantages in global services.

In 2020, we persistently improved and modernised our corporate governance. A sound corporate governance system is the cornerstone of a bank's stability and long-term development. We enhanced our governance system, in which the Party Committee takes overall charge, the Board of Directors develops strategies and makes decisions, the Board of Supervisors conducts supervision according to law, and the management is responsible for business operation. We also refined the corporate governance mechanism, which features a proper division of responsibilities, coordinated functioning and effective checks and balances. We strengthened communication and coordination with the controlling shareholder, effectively safeguarded the rights of minority shareholders to access information, participate and make decisions regarding the Bank's affairs, gained the understanding and

support of shareholders for our major decisions, and improved the efficiency of our corporate governance and operations. The members of the Board of Directors performed their duties diligently and earnestly, put forward constructive comments and suggestions regarding the Bank's key areas of work based on their outstanding professionalism, abundant professional experience and excellent capabilities, and thereby effectively supported the efficient operation and scientific decision-making of the Board of Directors.

Let us set sail on a new voyage in 2021, which marks the opening year of China's 14th Five-Year Plan period. After successfully completing the latest stage of strategic planning, we will embark on a new journey of building a first-class global banking group with an all-round approach. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will focus on the new development stage, apply the new development philosophy and serve the new development paradigm. With reform and innovation as the basic driving force, we aim to meet people's growing demand for better lives. We will adhere to the general principle of pursuing progress while ensuring stability, deepen supply-side structural reform in the financial sector, step up our efforts to accelerate digital transformation and promote high-quality and sustainable development and facilitate higher-standard opening up. We will stand up to our responsibilities and missions as a major state-owned bank, mobilise resources to serve the real economy, and dedicate further efforts to technology finance, inclusive finance, green finance, cross-border finance, consumer finance, county-level finance and wealth finance. We will continue to put risk control and management high on our agenda and exercise prudence and compliance in operation. We will uphold a systematic concept in fostering a development pattern in which the Bank's business is centred on domestic commercial banking and bolstered by our global reach and integrated operation arms. We will stick to our strategic approach of "invigorate, adapt to change and drive for major breakthroughs", and thus strive to build a first-class global banking group!



LIU Liange

Chairman

30 March 2021



Message from the Chairwoman of the Board of Supervisors

In 2020, with the aim of building a first-class global banking group and meeting the objectives of the “Year of Enhanced Implementation”, the Board of Supervisors stimulated vitality, made agile response and achieved breakthroughs in key areas, in compliance with relevant laws and regulations, regulatory requirements and the Articles of Association of the Bank. It proactively assessed external trends and changes, diligently supervised the Bank’s duty performance, financial management, risk management and internal control in a more forward-looking, insightful and professional manner, and effectively played a effective and constructive supervisory role within the corporate governance system, thus continuously contributing to the high-quality development of the Bank.

In 2020, the Board of Supervisors performed its supervisory duties in strict accordance with the applicable laws and regulations, and constantly enhanced its supervision efficiency. It engaged in regular supervision and annual evaluation of the duty performance of the Board of Directors, the Senior Management and its members in an orderly manner, so as to promote their legally prescribed duty performance. It continued to strengthen strategic and financial supervision. It followed and evaluated the implementation progress of the Bank’s development strategies under the new circumstances, and provided insights and suggestions for the preparation of the Bank’s strategies for the 14th Five-Year Plan period. Based on routine financial supervision, it reviewed, supervised and gave supervisory opinions on the preparation, audit and disclosure of regular reports. It proactively analysed the significant impact of COVID-19 on the internal and external operating environments of the banking industry, studied the new problems and new challenges the Bank faced in terms of risk management and internal control with worst-case scenarios in mind, and followed up on the progress of key tasks in risk management and internal control. Moreover, the Board of Supervisors sent regular letters of supervisory recommendation to the Board of Directors and the Senior Management, outlined its concerns, and issued risk alerts on COVID-19 and other related risk events. It strengthened supervision in specific fields and issued supervision and evaluation opinions on key supervisory matters as required by regulators. It carried out special surveys on matters related to the Bank’s development strategies, operation and management, risk management and internal control, and offered targeted and practical suggestions to the Board of Directors and the Senior Management. Furthermore, it proactively leveraged on supervision synergy by insisting the cooperation between directors and supervisors as well as reinforcing its coordination with the second and third lines of defence and the comprehensive management departments. It made optimal use of internal and external audit findings, broadening its supervision horizons and improving its supervision efficiency.

In 2020, the Board of Supervisors further strengthened self-improvement. It hosted a special seminar to study

its work priorities and methods, focusing on the Bank’s central tasks and on problems encountered during supervision, so as to improve its efficiency. In addition, special training courses were delivered for supervisors to enhance their competence and duty performance ability. All members of the Board of Supervisors performed their supervisory duties faithfully and diligently, and provided professional, well-considered and independent suggestions. The Board of Directors and the Senior Management attached great importance and gave strong support to the work of the Board of Supervisors, carefully studied the suggestions and recommendations of the Board of Supervisors in its letters of supervisory recommendation and special survey reports, pushed forward rectification, and regularly updated the Board of Supervisors on rectification progress. As a result, the constructive supervisory role of the Board of Supervisors, through which supervision promotes improvement and development, was brought into full play. The 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.

In January 2021, Mr. WANG Xiquan tendered his resignation as Chairman of the Board of Supervisors, Shareholder Representative Supervisor and Chairman of the Duty Performance and Due Diligence Supervision Committee due to reason of age. During the past four years of his tenure, Mr. WANG Xiquan fulfilled his responsibilities faithfully and diligently, and made important contributions to the Bank in improving the corporate governance of the Bank and operation of the Board of Supervisors, strengthening supervision of duty performance, financial matters, risk management and internal control, and promoting the sustainable and healthy development of the Bank. On behalf of the Board of Supervisors, I would like to express our sincere gratitude to Mr. WANG Xiquan.

In 2021, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and focusing on the Bank’s work arrangements and keeping the big picture in mind, the Board of Supervisors will perform its supervision duties as required by laws and regulations as well as the Articles of Association of the Bank, strictly ensure corporate governance compliance, improve its supervision methods and conduct the supervision of duty performance, financial management, risk management and internal control in a more forward-looking, timely and professional manner, so as to give full play to its supervisory role.



ZHANG Keqiu

Chairwoman of the Board of Supervisors
30 March 2021

Management Discussion and Analysis

Financial Review	20	Economic and Financial Environment
	21	Income Statement Analysis Net Interest Income and Net Interest Margin Non-interest Income Operating Expenses Impairment Losses on Assets Income Tax Expense
	27	Financial Position Analysis Loans and Advances to Customers Investments Due to Customers Equity
	32	Off-balance Sheet Items
	32	Cash Flow Analysis
	33	Segment Reporting by Geography
	34	Critical Accounting Estimates and Judgements
	34	Fair Value Measurement
	34	Other Financial Information

Management Discussion and Analysis — Financial Review

Economic and Financial Environment

In 2020, affected by the COVID-19 pandemic, the global economy situation has become more complex and uncertain amid serious recession, with international trade and investment plunging. Major economies experienced divergent growth patterns. The US, the EU and Japan were mired in a deep economic recession, with Brexit exacerbating Europe's economic woes. By contrast, a number of emerging economies led the recovery.

Global monetary policy entered an easing cycle. The US Federal Reserve slashed interest rates twice in succession. The European Central Bank and Bank of Japan continued to adopt negative interest rates. The balance sheets of major economies' central banks remained at high levels as central banks conducted large-scale asset purchases, while interest rate cuts occurred in most emerging economies. As a result, global liquidity remained relatively abundant. International financial markets gradually stabilised after drastic fluctuations. Stock markets around the world experienced a robust rebound after languishing at low levels, and bond markets saw declining yields. Commodity prices fluctuated within a broader band, and the gold price reached a record high. The US dollar index trended downwards. The exchange rates of major emerging economies began to diverge. Currencies of Latin American countries depreciated, while those of Asian emerging economies appreciated slightly.

The Chinese government carried out COVID-19 pandemic prevention and control and promoted economic and social development, making the utmost efforts to ensure stability on the six fronts (namely, employment, financial sector, foreign trade, foreign investment, domestic investment, and expectations) and security in the six 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), thus driving positive economic growth across the whole year. The economic structure continued to be optimised, high-tech industries maintained rapid growth, and new patterns

and new models of the digital economy constantly emerged. New achievements were made in high-level opening-up. The *Master Plan for the Hainan Free Trade Port* was released and implemented, and the Regional Comprehensive Economic Partnership (RCEP) Agreement was officially signed. The structure of export products continued to improve. In 2020, China's gross domestic product (GDP) increased by 2.3%. Total retail sales of consumer goods (TRSCG) dropped by 3.9%, total fixed asset investments (TFAI) grew by 2.9%, exports rose by 4.0%, value added of high-tech manufacturing climbed by 7.1%, and the consumer price index (CPI) went up by 2.5%.

The People's Bank of China adopted a sound monetary policy in a more flexible, more appropriate and better targeted manner, so as to create a favourable monetary and financial environment for stabilising market entities and securing employment, and to provide strong support for pandemic prevention and control and economic recovery. Market-oriented financial reform continued to gather pace, the new *Securities Law of the People's Republic of China* was implemented, the *Measures for Assessment of Systemically Important Banks* was released, and the supervision of internet finance was continuously enhanced. Overall, financial markets operated smoothly, liquidity was maintained at an adequate and reasonable level, and RMB exchange rates became more flexible. The outstanding broad money supply (M2) grew by 10.1% year-on-year. Outstanding RMB loans increased by RMB19.6 trillion, RMB2.8 trillion more than the increase amount of the prior year. The outstanding all-system financing aggregates amount was RMB284.83 trillion, an increase of 13.3% compared with the previous year. The cumulative value of bond issuances expanded to a total of RMB56.9 trillion, an increase of 26% compared with the prior year. The central parity rate of RMB against USD was up by 6.92% compared with the prior year-end. The SSE Composite Index increased 423 points compared with the end of the prior year. The combined market capitalisation of the Shanghai and Shenzhen Stock Exchanges stood at RMB64.36 trillion, an increase of 33.12% year-on-year.

Management Discussion and Analysis — Financial Review

China's banking institutions dedicated more efforts to serving the real economy and adopted various measures to address the difficulties of micro, small and medium-sized businesses and private enterprises, improving the service quality and efficiency. The banking sector actively supported major state strategies and key national projects, and bolstered technological innovation and advanced manufacturing. Banking institutions actively realised the concept of green development and facilitated the development of energy-saving and environmental protection industry chains. They continuously pushed forward China's two-way opening-up and accelerated technological empowerment. The banking industry improved financial risk management, replenished capital through multiple channels and safeguarded the bottom line that no systemic risk should occur. As at the end of 2020, the total assets of China's banking industry grew by 10.1% from the prior year-end to RMB319.7 trillion, while total liabilities increased by 10.2% to RMB293.1 trillion. Commercial banking institutions recorded an aggregate profit after tax of RMB1.94 trillion. Outstanding non-performing loans (NPLs) stood at RMB2.7 trillion at the year-end, with an NPL ratio of 1.84%.

Income Statement Analysis

In line with the designated "Year of Enhanced Implementation", the Bank made continuous efforts to build an enhanced version of the Group's development strategy. It coordinated each aspect of its work with the fight against COVID-19 and the pursuit of reform and development, stimulated vitality, made agile response, and achieved breakthroughs in key areas, and maintained sound momentum towards making progress while ensuring stability in operations and management. In 2020, the Group achieved a profit for the year of RMB205.096 billion, an increase of RMB3.205 billion or 1.59% compared with the prior year. It realised a profit attributable to equity holders of the Bank of RMB192.870 billion, an increase of RMB5.465 billion or 2.92% compared with the prior year. Return on average total assets (ROA) was 0.87%, and return on average equity (ROE) was 10.61%.

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

Unit: RMB million, except percentages

Items	2020	2019	Change	Change (%)
Net interest income	415,918	390,050	25,868	6.63%
Non-interest income	151,729	159,960	(8,231)	(5.15%)
Including: net fee and commission income	75,522	73,812	1,710	2.32%
Operating income	567,647	550,010	17,637	3.21%
Operating expenses	(202,411)	(198,269)	(4,142)	2.09%
Impairment losses on assets	(119,016)	(102,153)	(16,863)	16.51%
Operating profit	246,220	249,588	(3,368)	(1.35%)
Profit before income tax	246,378	250,645	(4,267)	(1.70%)
Income tax expense	(41,282)	(48,754)	7,472	(15.33%)
Profit for the year	205,096	201,891	3,205	1.59%
Profit attributable to equity holders of the Bank	192,870	187,405	5,465	2.92%

A detailed review of the Group's principal items in each quarter of 2020 is summarised in the following table:

Unit: RMB million

Items	For the three-month period ended			
	31 December 2020	30 September 2020	30 June 2020	31 March 2020
Operating income	137,345	143,319	138,440	148,543
Profit attributable to equity holders of the Bank	47,159	44,794	48,334	52,583
Net cash flow from operating activities	23,184	(87,513)	(296,989)	434,346

Management Discussion and Analysis — Financial Review

Net Interest Income and Net Interest Margin

In 2020, the Group achieved a net interest income of RMB415.918 billion, an increase of RMB25.868 billion or 6.63% compared with the prior year. Specifically, interest income grew by RMB2.063 billion or 0.27% to RMB760.070 billion, and interest expense reached RMB344.152 billion, a decrease of RMB23.805 billion or 6.47% compared with the prior year.

Interest Income

In 2020, interest income on loans was RMB550.354 billion, an increase of RMB16.989 billion or 3.19% compared with the prior year, which was primarily attributable to an increase in loan scale.

Interest income on investments amounted to RMB150.553 billion, a decrease of RMB4.573 billion or 2.95% compared with the prior year, mainly due to a decrease in investment yield.

Interest income on balances with central banks and due from and placements with banks and other financial institutions was RMB59.163 billion, a decrease of RMB10.353 billion or 14.89% 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 2020, interest expense on due to customers was RMB258.439 billion, a decrease of RMB10.885 billion or 4.04% compared with the prior year, principally due to a decrease in the interest rate of deposits.

Interest expense on due to and placements from banks and other financial institutions was RMB49.994 billion, a decrease of RMB17.697 billion or 26.14% compared with the prior year, primarily attributable to a decrease in the interest rate of due to and placements from banks and other financial institutions.

Interest expense on bonds issued was RMB35.719 billion, an increase of RMB4.777 billion or 15.44% compared with the prior year, mainly attributable to an increase in the scale of bonds issued.

Net Interest Margin

In 2020, the Group's net interest margin was 1.85%, a decrease of 4 basis points compared with the prior year. This was mainly due to a decrease in asset yields caused by cuts to both the loan prime rate (LPR) and US dollar interest rates. The Bank continuously optimised its assets and liabilities structure. It strengthened control over debt costs and actively reduced high-cost deposits, with the average interest rate of Group's interest-bearing liabilities falling by 27 basis points compared with the prior year. In addition, the Bank allocated more credit facilities to medium- and long-term loans in an effort to mitigate downward pressures on asset returns. In 2020, the proportion of the average balance of RMB medium- and long-term loans to RMB loan business in the Chinese mainland increased by 1.43 percentage points compared with the prior year.

Management Discussion and Analysis — Financial Review

The average balances¹ 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 factor², are summarised in the following table:

Unit: RMB million, except percentages

Items	2020			2019			Analysis of changes in interest income/expense		
	Average balance	Interest income/expense	Average interest rate	Average balance	Interest income/expense	Average interest rate	Volume factor	Interest rate factor	Total
Interest-earning assets									
Loans	13,883,933	550,354	3.96%	12,435,000	533,365	4.29%	62,159	(45,170)	16,989
Investments	4,850,972	150,553	3.10%	4,852,547	155,126	3.20%	(50)	(4,523)	(4,573)
Balances with central banks and due from and placements with banks and other financial institutions	3,726,838	59,163	1.59%	3,333,123	69,516	2.09%	8,229	(18,582)	(10,353)
Total	22,461,743	760,070	3.38%	20,620,670	758,007	3.68%	70,338	(68,275)	2,063
Interest-bearing liabilities									
Due to customers	16,351,229	258,439	1.58%	15,140,952	269,324	1.78%	21,543	(32,428)	(10,885)
Due to and placements from banks and other financial institutions	3,247,899	49,994	1.54%	3,031,768	67,691	2.23%	4,820	(22,517)	(17,697)
Bonds issued	1,129,581	35,719	3.16%	852,620	30,942	3.63%	10,054	(5,277)	4,777
Total	20,728,709	344,152	1.66%	19,025,340	367,957	1.93%	36,417	(60,222)	(23,805)
Net interest income		415,918			390,050		33,921	(8,053)	25,868
Net interest margin			1.85%			1.89%			(4)Bps

Notes:

- Investments include debt securities at fair value through other comprehensive income, debt securities at amortised cost, investment trusts and asset management plans, etc.
- 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.
- Due to and placements from banks and other financial institutions include due to and placements from banks, 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 interest rate factor is calculated based on the changes in the average interest rates of interest-earning assets and interest-bearing liabilities during the reporting period. The impact relating to the combined changes in both the volume factor and the interest rate factor has been classified as changes in interest rate factor.

Management Discussion and Analysis — Financial Review

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

Unit: RMB million, except percentages

Items	2020		2019		Change	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
RMB businesses in the Chinese mainland						
Loans						
Corporate loans	5,632,658	4.27%	5,115,971	4.45%	516,687	(18)Bps
Personal loans	4,710,348	4.88%	4,200,695	4.84%	509,653	4 Bps
Trade bills	334,182	2.65%	260,026	3.22%	74,156	(57)Bps
Total	10,677,188	4.49%	9,576,692	4.59%	1,100,496	(10)Bps
Including:						
Medium- and long-term loans	7,887,644	4.83%	6,937,809	4.80%	949,835	3 Bps
Short-term loans within 1 year and others	2,789,544	3.52%	2,638,883	4.05%	150,661	(53)Bps
Due to customers						
Corporate demand deposits	3,469,983	0.75%	3,221,912	0.70%	248,071	5 Bps
Corporate time deposits	2,417,325	2.82%	2,364,226	2.81%	53,099	1 Bp
Personal demand deposits	2,266,307	0.39%	2,372,681	1.07%	(106,374)	(68)Bps
Personal time deposits	3,092,794	3.00%	2,682,371	2.85%	410,423	15 Bps
Other	816,731	3.40%	629,277	3.83%	187,454	(43)Bps
Total	12,063,140	1.85%	11,270,467	1.91%	792,673	(6)Bps
Foreign currency businesses in the Chinese mainland						
					Unit: USD million, except percentages	
Loans	43,182	1.69%	38,574	3.15%	4,608	(146)Bps
Due to customers						
Corporate demand deposits	52,111	0.46%	43,777	0.73%	8,334	(27)Bps
Corporate time deposits	31,931	1.76%	29,067	2.61%	2,864	(85)Bps
Personal demand deposits	26,516	0.02%	24,717	0.04%	1,799	(2)Bps
Personal time deposits	17,835	0.69%	17,782	0.73%	53	(4)Bps
Other	1,799	2.06%	1,614	2.29%	185	(23)Bps
Total	130,192	0.74%	116,957	1.07%	13,235	(33)Bps

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

Non-interest Income

In 2020, the Group reported a non-interest income of RMB151.729 billion, a decrease of RMB8.231 billion or 5.15% compared with the prior year. Non-interest income represented 26.73% of operating income.

Net Fee and Commission Income

The Group earned a net fee and commission income of RMB75.522 billion, an increase of RMB1.710 billion or 2.32% compared with the prior year. Net fee and commission income represented 13.30% of operating income. This was mainly due to the Bank actively seizing opportunities arising from the rapid development of capital markets. As a result, the Bank's fee and commission income from agency distribution of funds and custodian business recorded sound growth.

Management Discussion and Analysis — Financial Review

Unit: RMB million, except percentages

Items	2020	2019	Change	Change (%)
Group				
Agency commissions	25,367	20,320	5,047	24.84%
Bank card fees	13,825	16,013	(2,188)	(13.66%)
Settlement and clearing fees	14,383	14,713	(330)	(2.24%)
Credit commitment fees	11,912	12,746	(834)	(6.54%)
Consultancy and advisory fees	3,535	4,446	(911)	(20.49%)
Spread income from foreign exchange business	5,871	7,154	(1,283)	(17.93%)
Custodian and other fiduciary service fees	4,831	4,120	711	17.26%
Other	8,916	8,587	329	3.83%
Fee and commission income	88,640	88,099	541	0.61%
Fee and commission expense	(13,118)	(14,287)	1,169	(8.18%)
Net fee and commission income	75,522	73,812	1,710	2.32%
Chinese mainland				
Agency commissions	18,289	14,233	4,056	28.50%
Bank card fees	11,772	12,740	(968)	(7.60%)
Settlement and clearing fees	12,913	13,077	(164)	(1.25%)
Credit commitment fees	5,779	6,141	(362)	(5.89%)
Consultancy and advisory fees	3,320	4,021	(701)	(17.43%)
Spread income from foreign exchange business	5,556	6,489	(933)	(14.38%)
Custodian and other fiduciary service fees	4,675	3,970	705	17.76%
Other	4,883	4,573	310	6.78%
Fee and commission income	67,187	65,244	1,943	2.98%
Fee and commission expense	(9,030)	(8,860)	(170)	1.92%
Net fee and commission income	58,157	56,384	1,773	3.14%

Other Non-interest Income

The Group realised other non-interest income of RMB76.207 billion, a decrease of RMB9.941 billion or 11.54% compared with the prior year. This was primarily attributable to a decrease in net trading gains compared with the prior year as a result of market price fluctuations and other aspects. Please refer to Notes V.3, 4, 5 to the Consolidated Financial Statements for detailed information.

Unit: RMB million, except percentages

Items	2020	2019	Change	Change (%)
Net trading gains	8,055	28,563	(20,508)	(71.80%)
Net gains on transfers of financial asset	9,547	3,477	6,070	174.58%
Other operating income	58,605	54,108	4,497	8.31%
Total	76,207	86,148	(9,941)	(11.54%)

Management Discussion and Analysis — Financial Review

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 2020, the Group recorded operating expenses of RMB202.411 billion, an increase of RMB4.142 billion or 2.09% compared with the prior year. The Group's cost to income ratio (calculated in accordance with regulations in the Chinese mainland) was 26.73%, a decrease of 1.27 percentage points compared with the prior year. Please refer to Notes V.6, 7 to the Consolidated Financial Statements for detailed information.

Unit: RMB million, except percentages

Items	2020	2019	Change	Change (%)
Staff costs	89,334	90,762	(1,428)	(1.57%)
General operating and administrative expenses	38,944	41,845	(2,901)	(6.93%)
Depreciation and amortisation	22,871	21,175	1,696	8.01%
Taxes and surcharges	5,465	4,984	481	9.65%
Insurance benefits and claims	30,581	26,037	4,544	17.45%
Other	15,216	13,466	1,750	13.00%
Total	202,411	198,269	4,142	2.09%

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 2020, the Group's impairment losses on assets totalled RMB119.016 billion, an increase of RMB16.863 billion or 16.51% compared with the prior year. Please refer to the section "Risk Management — Credit Risk Management" and Notes V.9, 17, VI.3 to the Consolidated Financial Statements for more information on loan quality and allowance for loan impairment losses.

Income Tax Expense

In 2020, the Group incurred income tax of RMB41.282 billion, a decrease of RMB7.472 billion or 15.33% compared with the prior year. The Group's effective tax rate was 16.76%. Please refer to Note V.10 to the Consolidated Financial Statements for the reconciliation of statutory income tax expense to effective income tax expense.

Management Discussion and Analysis — Financial Review

Financial Position Analysis

The Bank committed itself to the nation's new development philosophy, vigorously supported the real economy and improved its business structure, thus achieving steady growth in asset and liability scale. As at the end of 2020, the Group's total assets amounted to RMB24,402.659 billion, an increase of RMB1,632.915 billion or 7.17% compared with the prior year-end. The Group's total liabilities amounted to RMB22,239.822 billion, an increase of RMB1,446.774 billion or 6.96% compared with the prior year-end.

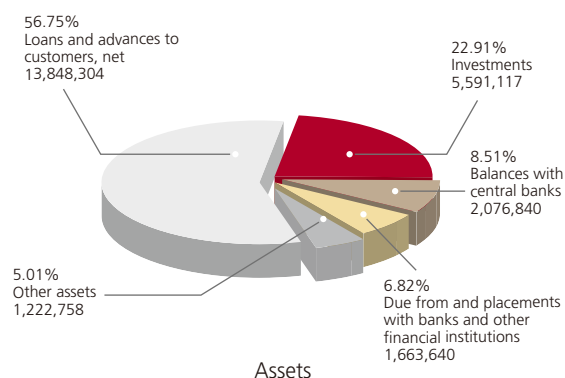
The principal components of the Group's consolidated statement of financial position are set out below:

Unit: RMB million, except percentages

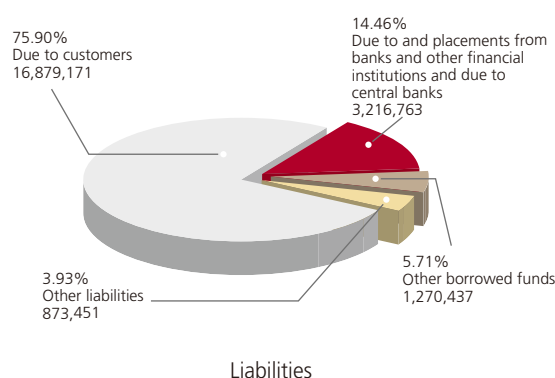
Items	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Assets				
Loans and advances to customers, net	13,848,304	56.75%	12,743,425	55.97%
Investments	5,591,117	22.91%	5,514,062	24.22%
Balances with central banks	2,076,840	8.51%	2,078,809	9.13%
Due from and placements with banks and other financial institutions	1,663,640	6.82%	1,399,519	6.15%
Other assets	1,222,758	5.01%	1,033,929	4.53%
Total assets	24,402,659	100.00%	22,769,744	100.00%
Liabilities				
Due to customers	16,879,171	75.90%	15,817,548	76.07%
Due to and placements from banks and other financial institutions and due to central banks	3,216,763	14.46%	3,153,998	15.17%
Other borrowed funds	1,270,437	5.71%	1,124,098	5.41%
Other liabilities	873,451	3.93%	697,404	3.35%
Total liabilities	22,239,822	100.00%	20,793,048	100.00%

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

Unit: RMB million, except percentages



Unit: RMB million, except percentages



Management Discussion and Analysis — Financial Review

Loans and Advances to Customers

The Bank earnestly fulfilled its responsibilities as a large state-owned bank, scaled up support for business expansion in such key areas as inclusive finance, private enterprises, high-end manufacturing, green finance, strategic emerging industries, and rural revitalisation, and maintained steady growth in lending scale while effectively preventing credit risk. It continued to strictly control credit facilities granted to industries characterised by high pollution, high energy consumption and overcapacity. It also earnestly implemented the requirements of national real estate control policies, strengthened concentration management and strictly controlled financial risks. As at the end of 2020, the Group's loans and advances to customers amounted to RMB14,216.477 billion, an increase of RMB1,147.692 billion or 8.78% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB11,338.990 billion, an increase of RMB1,189.645

billion or 11.72% compared with the prior year-end, while its foreign currency loans amounted to USD441.001 billion, an increase of USD22.515 billion or 5.38% 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 a relatively stable asset quality. As at the end of 2020, the balance of the Group's allowance for loan impairment losses amounted to RMB368.619 billion, an increase of RMB42.696 billion compared with the prior year-end. The balance of the Group's restructured loans amounted to RMB21.692 billion, an increase of RMB9.314 billion compared with the prior year-end.

Unit: RMB million, except percentages

Items	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Corporate Loans	8,600,090	60.50%	7,986,380	61.11%
Personal Loans	5,583,295	39.27%	5,047,809	38.62%
Accrued interest	33,092	0.23%	34,596	0.27%
Total Loans	14,216,477	100.00%	13,068,785	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 2020, the Group held investments of RMB5,591.117 billion, an increase of RMB77.055 billion or 1.40% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB4,366.310 billion, an increase of RMB139.926 billion or 3.31% compared with the prior year-end, while foreign currency investments totalled USD187.713 billion, an increase of USD3.131 billion or 1.70% 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 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	504,549	9.02%	518,250	9.40%
Financial assets at fair value through other comprehensive income	2,107,790	37.70%	2,218,129	40.23%
Financial assets at amortised cost	2,978,778	53.28%	2,777,683	50.37%
Total	5,591,117	100.00%	5,514,062	100.00%

Management Discussion and Analysis — Financial Review

Investments by Issuer Type

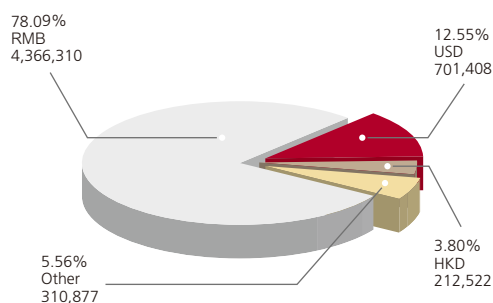
Unit: RMB million, except percentages

Items	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Debt securities				
Issuers in the Chinese mainland				
Government	3,033,111	54.25%	2,861,756	51.90%
Public sector and quasi-governments	130,695	2.34%	109,923	1.99%
Policy banks	447,037	7.99%	435,212	7.89%
Financial institutions	424,672	7.59%	521,077	9.45%
Corporates	216,751	3.88%	212,509	3.86%
China Orient Asset Management Corporation	152,433	2.73%	152,433	2.76%
Subtotal	4,404,699	78.78%	4,292,910	77.85%
Issuers in Hong Kong, Macao, Taiwan and other countries and regions				
Governments	556,612	9.95%	524,874	9.52%
Public sector and quasi-governments	65,825	1.18%	119,221	2.16%
Financial institutions	172,107	3.08%	160,840	2.92%
Corporates	141,476	2.53%	174,135	3.16%
Subtotal	936,020	16.74%	979,070	17.76%
Equity instruments and others	250,398	4.48%	242,082	4.39%
Total	5,591,117	100.00%	5,514,062	100.00%

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

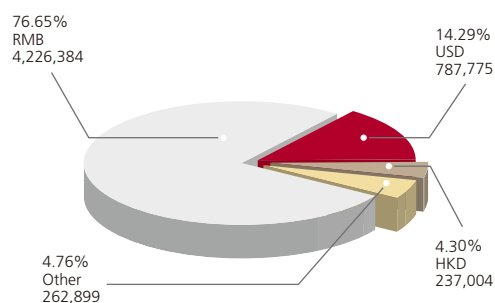
Investments by Currency

Unit: RMB million, except percentages



As at 31 December 2020

Unit: RMB million, except percentages



As at 31 December 2019

Management Discussion and Analysis — Financial Review

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 2020	12,160	2.96%	2030-04-17	–
Bond issued by policy banks in 2017	11,800	4.39%	2027-09-08	–
Bond issued by policy banks in 2018	11,089	4.88%	2028-02-09	–
Bond issued by financial institutions in 2020	10,880	4.20%	2030-09-14	–
Bond issued by policy banks in 2018	10,730	4.73%	2025-04-02	–
Bond issued by policy banks in 2020	9,215	3.23%	2030-03-23	–
Bond issued by policy banks in 2019	8,837	3.48%	2029-01-08	–
Bond issued by financial institutions in 2019	7,400	4.28%	2029-03-19	–
Bond issued by policy banks in 2017	7,330	4.30%	2024-08-21	–

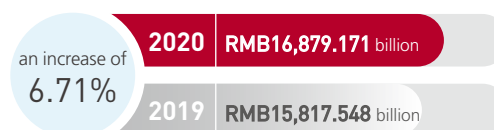
Note: Financial bonds refer to debt securities issued by financial institutions in the bond market, including the bonds issued by policy banks, other banks and non-bank financial institutions, but excluding restructured bonds and PBOC bills.

Due to Customers

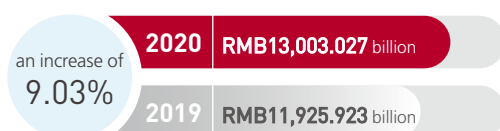
The Bank continuously accelerated product and service innovation, enhanced its financial services offering and expanded the scale of customers' financial assets, thus promoting the steady growth of its liability business. It actively expanded upstream businesses such as salary payment agency, third-party custody, cash management and social security card, and improved the management modes for liability business such as certificates of deposit (CDs), structured deposits and negotiated deposits. It effectively controlled interest payment costs, leading to continuous improvement in the development quality of its deposit business. As at the end of 2020, the Group's due to customers amounted to RMB16,879.171 billion, an increase of RMB1,061.623 billion or 6.71% compared with the

prior year-end. Specifically, the Group's RMB due to customers totalled RMB13,003.027 billion, an increase of RMB1,077.104 billion or 9.03% compared with the prior year-end, while its foreign currency due to customers stood at USD594.054 billion, an increase of USD36.211 billion or 6.49% compared with the prior year-end.

The Group's due to customers



RMB due to customers



Foreign currency due to customers



Management Discussion and Analysis — Financial Review

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

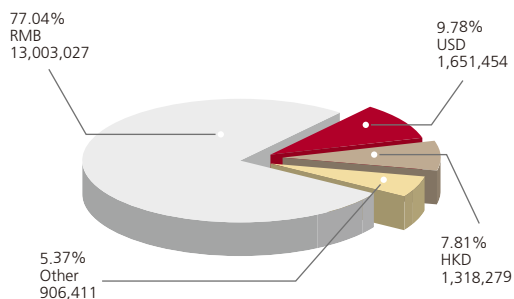
Items	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Group				
Corporate deposits				
Demand deposits	4,956,751	29.37%	4,434,051	28.03%
Time deposits	3,621,775	21.46%	3,619,512	22.88%
Structured deposits	254,553	1.50%	247,906	1.57%
Subtotal	8,833,079	52.33%	8,301,469	52.48%
Personal deposits				
Demand deposits	3,355,893	19.88%	3,147,889	19.90%
Time deposits	3,854,531	22.84%	3,416,862	21.60%
Structured deposits	379,680	2.25%	424,897	2.69%
Subtotal	7,590,104	44.97%	6,989,648	44.19%
Certificates of deposit	206,146	1.22%	283,193	1.79%
Others	249,842	1.48%	243,238	1.54%
Total	16,879,171	100.00%	15,817,548	100.00%
Chinese mainland				
Corporate deposits				
Demand deposits	4,165,682	30.43%	3,778,828	29.92%
Time deposits	2,616,098	19.11%	2,559,842	20.27%
Structured deposits	232,736	1.70%	233,235	1.85%
Subtotal	7,014,516	51.24%	6,571,905	52.04%
Personal deposits				
Demand deposits	2,597,483	18.97%	2,516,976	19.93%
Time deposits	3,463,984	25.30%	2,894,407	22.92%
Structured deposits	375,812	2.75%	421,614	3.34%
Subtotal	6,437,279	47.02%	5,832,997	46.19%
Others	238,943	1.74%	224,554	1.77%
Total	13,690,738	100.00%	12,629,456	100.00%

Note: "Others" is inclusive of accrued interest.

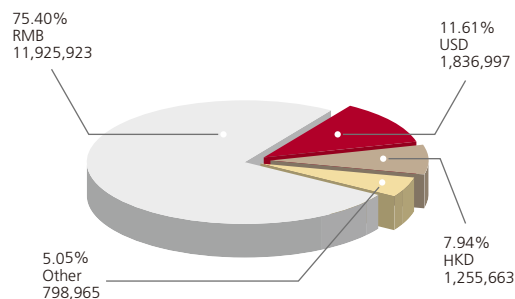
Due to Customers by Currency

Unit: RMB million, except percentages

Unit: RMB million, except percentages



As at 31 December 2020



As at 31 December 2019

Management Discussion and Analysis — Financial Review

Equity

As at the end of 2020, the Group's total equity stood at RMB2,162.837 billion, an increase of RMB186.141 billion or 9.42% compared with the prior year-end. This was primarily attributable to the following factors: (1) In 2020, the Group realised a profit for the year of RMB205.096 billion, among which profit attributable to equity holders of the Bank amounted to RMB192.870 billion. (2) The Bank pushed forward its external capital replenishment projects in a proactive and prudent manner, successfully issuing RMB90.0 billion of undated capital bonds and USD2.820 billion of offshore preference shares. (3) As per the 2019 dividends distribution plan approved at the Annual General Meeting, a cash dividend of RMB56.228 billion was paid out on ordinary shares. (4) The Bank paid a dividend on its preference shares of RMB10.2295 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.41 to the Consolidated Financial Statements for more detailed information on contingent liabilities and commitments.

Cash Flow Analysis

As at the end of 2020, the balance of the Group's cash and cash equivalents was RMB1,494.868 billion, an increase of RMB148.976 billion compared with the prior year-end.

In 2020, net cash flow from operating activities was an inflow of RMB73.028 billion, as compared to an outflow of RMB484.266 billion in the prior year. This was mainly attributable to a net increase in due to banks and other financial institutions whereas it was a net decrease in the prior year, and a larger net increase of due to customers compared to the prior year.

Net cash flow from investing activities was an outflow of RMB17.066 billion, a decrease of RMB148.612 billion compared with the prior year. This was mainly attributable to an increase in proceeds from financial investments compared with the prior year.

Net cash flow from financing activities was an inflow of RMB126.617 billion, a decrease of RMB166.494 billion compared with the prior year. This was mainly attributable to an increase in repayments of debts issued compared with the prior year.

Management Discussion and Analysis — Financial Review

Segment Reporting by Geography

The Group conducts its business activities in the Chinese mainland, Hong Kong, Macao, Taiwan and other countries and regions. 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, Macao and Taiwan		Other countries and regions		Elimination		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net interest income	362,993	334,665	37,560	39,835	15,365	15,485	–	65	415,918	390,050
Non-interest income	73,641	85,604	73,807	68,767	6,637	7,680	(2,356)	(2,091)	151,729	159,960
Including: net fee and commission income	58,157	56,384	14,662	14,308	4,135	4,474	(1,432)	(1,354)	75,522	73,812
Operating expenses	(140,087)	(140,920)	(56,479)	(51,388)	(8,201)	(7,686)	2,356	1,725	(202,411)	(198,269)
Impairment losses on assets	(107,622)	(101,010)	(4,981)	(1,429)	(6,413)	286	–	–	(119,016)	(102,153)
Profit before income tax	188,740	178,338	50,250	56,843	7,388	15,765	–	(301)	246,378	250,645
As at the year-end										
Assets	19,454,269	17,923,536	4,306,679	4,217,013	2,090,165	2,062,659	(1,448,454)	(1,433,464)	24,402,659	22,769,744
Liabilities	17,753,122	16,413,115	3,917,100	3,825,613	2,017,915	1,987,643	(1,448,315)	(1,433,323)	22,239,822	20,793,048

As at the end of 2020, total assets³ of the Bank's Chinese mainland segment amounted to RMB19,454.269 billion, an increase of RMB1,530.733 billion or 8.54% compared with the prior year-end, representing 75.26% of the Group's total assets. In 2020, this segment recorded a profit before income tax of RMB188.740 billion, an increase of RMB10.402 billion or 5.83% compared with the prior year, representing 76.60% of the Group's profit before income tax.

Total assets of the Hong Kong, Macao and Taiwan segment amounted to RMB4,306.679 billion, an increase of RMB89.666 billion or 2.13% compared with the prior year-end, representing 16.66% of the Group's total assets. In 2020, this segment recorded a profit before income tax of RMB50.250 billion, a decrease of RMB6.593 billion or 11.60% compared with the prior year, representing 20.40% of the Group's profit before income tax.

Total assets of the other countries and regions segment amounted to RMB2,090.165 billion, an increase of RMB27.506 billion or 1.33% compared with the prior year-end, representing 8.08% of the Group's total assets. In 2020, this segment recorded a profit before income tax of RMB7.388 billion, a decrease of RMB8.377 billion or 53.14% compared with the prior year, representing 3.00% of the Group's profit before income tax.

Please refer to the section "Business Review" for more detailed information on the Group's business segments.

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

Management Discussion and Analysis — Financial Review

Critical Accounting Estimates and Judgements

The Bank makes accounting estimates and judgements that affect the reported 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 2020	As at 31 December 2019	Change in the year	Impact on profit for the year
Financial assets at fair value through profit or loss				
Debt securities	347,243	371,232	(23,989)	
Equity instruments	88,025	79,456	8,569	2,339
Fund investments and other	69,281	67,562	1,719	
Loans and advances to customers at fair value	362,658	339,687	22,971	243
Financial assets at fair value through other comprehensive income				
Debt securities	2,086,362	2,196,352	(109,990)	(4,244)
Equity instruments and other	21,428	21,777	(349)	
Derivative financial assets	171,738	93,335	78,403	409
Derivative financial liabilities	(212,052)	(90,060)	(121,992)	
Due to and placements from banks and other financial institutions at fair value	(3,831)	(14,767)	10,936	(30)
Due to customers at fair value	(25,742)	(17,969)	(7,773)	–
Bonds issued at fair value	(6,162)	(26,113)	19,951	(9)
Short position in debt securities	(17,912)	(19,475)	1,563	(7)

The Bank has put in place a sound internal control mechanism for fair value measurement. In accordance with the *Guidelines on Market Risk Management in Commercial Banks*, the *Regulatory Guidelines on Valuation of Financial Instruments in Commercial Banks*, CAS and IFRS, with reference to the New Basel Capital Accord, and drawing on the best practices of 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.6 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.

Management Discussion and Analysis

Business Review 37

Commercial Banking in the Chinese Mainland

Corporate Banking
Personal Banking
Financial Markets Business
Village Bank

55 Globalised Operation

Corporate Banking
Personal Banking
Financial Markets Business
Clearing Business
Online Services Channels
Technology Support
BOCHK

63 Comprehensive Operation

Investment Banking Business
Asset Management Business
Insurance
Investment Business
Leasing Business
Financial Technology

71 Service Channels

Online Channels
Offline Channels

73 Information Technology Development

Management Discussion and Analysis — Business Review

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

Unit: RMB million, except percentages

Items	2020		2019	
	Amount	% of total	Amount	% of total
Commercial banking business	507,110	89.33%	497,424	90.44%
Including: Corporate banking business	217,590	38.33%	221,123	40.21%
Personal banking business	221,634	39.04%	186,744	33.95%
Treasury operations	67,886	11.96%	89,557	16.28%
Investment banking and insurance	41,017	7.23%	35,226	6.40%
Others and elimination	19,520	3.44%	17,360	3.16%
Total	567,647	100.00%	550,010	100.00%

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

Unit: RMB million

Items	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Corporate deposits			
Chinese mainland: RMB	6,453,523	6,027,076	5,884,433
Foreign currency	560,993	544,829	453,815
Hong Kong, Macao, Taiwan and other countries and regions	1,818,563	1,729,564	1,594,165
Subtotal	8,833,079	8,301,469	7,932,413
Personal deposits			
Chinese mainland: RMB	6,136,873	5,544,204	5,026,322
Foreign currency	300,406	288,793	302,256
Hong Kong, Macao, Taiwan and other countries and regions	1,152,825	1,156,651	1,093,892
Subtotal	7,590,104	6,989,648	6,422,470
Corporate loans			
Chinese mainland: RMB	6,266,331	5,591,228	5,057,654
Foreign currency	255,601	259,463	280,878
Hong Kong, Macao, Taiwan and other countries and regions	2,078,158	2,135,689	2,009,066
Subtotal	8,600,090	7,986,380	7,347,598
Personal loans			
Chinese mainland: RMB	4,979,214	4,450,464	3,933,840
Foreign currency	645	1,253	1,177
Hong Kong, Macao, Taiwan and other countries and regions	603,436	596,092	505,068
Subtotal	5,583,295	5,047,809	4,440,085

Management Discussion and Analysis — Business Review

Commercial Banking in the Chinese Mainland

Focusing on the three main tasks of serving the real economy, preventing and mitigating financial risks, and deepening financial reform, the Bank adhered to the general principle of pursuing progress while ensuring stability and strengthened the implementation of its development strategies, thus achieving stable growth across all businesses and recording steady improvement in operating results. In 2020, the commercial banking business in the Chinese mainland achieved an operating income of RMB429.033 billion, an increase of RMB14.870 billion or 3.59% compared with the prior year. Details are summarised in the table below:

Unit: RMB million, except percentages

Items	2020		2019	
	Amount	% of total	Amount	% of total
Corporate banking business	186,956	43.58%	187,866	45.36%
Personal banking business	199,508	46.50%	163,429	39.46%
Treasury operations	41,763	9.73%	62,925	15.19%
Others	806	0.19%	(57)	(0.01%)
Total	429,033	100.00%	414,163	100.00%

Corporate Banking

The Bank continuously pushed forward the transformation of corporate banking, and endeavoured to promote the high-quality development of corporate banking by focusing on consolidating its customer base, refining customer structure and innovating products and services. Centring on the key customer groups of administrative institutions, the Bank stepped up marketing efforts at the source and enhanced its comprehensive service capability. Focusing on the building of the national social security system, the Bank advanced product innovation, optimised system functions, and provided customers with a series of products such as enterprise annuities, occupational annuities, employee benefit plans and pension security management products, thereby continuously improving customer satisfaction. The Bank fully supported the pandemic prevention and control as well as the resumption of work and production. It stepped up efforts to serve the real economy, supported the high-quality development of the manufacturing industry, and continued to consolidate the foundations for the development of private enterprises. It also explored financial solutions for targeted poverty alleviation, actively promoted green credit assets, and continuously improved the services

for rural revitalisation. What's more, the Bank actively integrated into and served the national strategies for regional development, and focused on supporting the coordinated development of key regions. It actively implemented the country's opening-up strategy, and leveraged its role as the main channel of financial services for foreign trade and economic cooperation. The Bank also continuously pushed forward RMB internationalisation, and served as the main channel for cross-border RMB circulation and the leader in service innovation. In 2020, the Bank's corporate banking business in the Chinese mainland realised an operating income of RMB186.956 billion, a decrease of RMB0.910 billion or 0.48% compared with the prior year.

Corporate Deposits

Upholding the customer-centric approach, the Bank focused on diversified financial needs of customers, expanded the customers' total financial assets, enhanced the fund retention capacity, and boosted the sound and sustainable development of deposit business. It set up the Administrative Institutions Department at the Head Office to further increase the strategic resource input to the administrative institutions business. Focusing on the key customer

Management Discussion and Analysis — Business Review

groups of administrative institutions, the Bank stepped up marketing efforts at the source and enhanced its comprehensive service capability. It also sharpened its market competitiveness in key areas through scenario-based marketing across the entire industrial chain of education, medical care and other industries. The Bank properly conducted scenario building and cross-selling of products, enhanced the ability to acquire and activate customers, and consolidated the development foundations of its deposit business. As at the end of 2020, RMB corporate deposits in the Bank's operations in the Chinese mainland totalled RMB6,453.523 billion, an increase of RMB426.447 billion or 7.08% compared with the prior year-end. Foreign currency corporate deposits amounted to USD85.977 billion, an increase of USD7.879 billion or 10.09% compared with the prior year-end.

Corporate Loans

The Bank fulfilled its responsibilities, and fully supported pandemic prevention and control as well as the resumption of work and production. Implementing the national development strategy, the Bank actively supported the high-quality development of the manufacturing industry and continued to consolidate the foundations for the development of private enterprises. It effectively coordinated targeted poverty alleviation through finance and rural revitalisation, and effectively improved the services for the real economy. Moreover, the Bank moved faster in improving credit structure, focused on such areas as new infrastructure and new urbanisation initiatives and major projects, high-end manufacturing, people's livelihood consumption, digital economy and new energy, and seized development opportunities arising from the Olympic and Paralympic Winter Games Beijing 2022 (Beijing 2022 Games). To support the development of key regions, the Bank improved its business layout in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, the Hainan Pilot Free Trade Port and other national strategic regions. It also formulated supporting policies and comprehensive financial service plans for the large-scale development

in the western region, the ecological protection in the Yellow River basin and the development of the Chengdu-Chongqing economic circle and other key regions. Meanwhile, the Bank provided solid financial services for the Belt and Road Initiative, and strengthened "Going Global" efforts and overseas economic and trade cooperation. As at the end of 2020, RMB corporate loans of the Bank's operations in the Chinese mainland totalled RMB6,266.331 billion, an increase of RMB675.103 billion or 12.07% compared with the prior year-end. Foreign currency corporate loans totalled USD39.173 billion, an increase of USD1.980 billion or 5.32% compared with the prior year-end.

Financial Institutions Business

The Bank continued to deepen cooperation with various financial institutions. It built up its integrated financial services platform, maintaining a leading position in terms of financial institution customer coverage. It has established correspondent relationships with over 1,400 institutions, providing multinational institutions and enterprises with financial services such as international settlement, bond financing, foreign exchange trading, investment custody and global cash management. Closely following the implementation of the Belt and Road Initiative, the Bank strengthened cooperation with key correspondent banks in countries and regions along the Belt and Road. It continued to deepen comprehensive cooperation with organisations and institutions such as Asian Infrastructure Investment Bank, BRICS New Development Bank and the Silk Road Fund, participated in the investment and financing projects of local policy financial institutions, and provided extensive financial services. As lead underwriter, it successfully facilitated the issuance of the first Panda Bond of the Asian Infrastructure Investment Bank, as well as serving as joint lead underwriter for the New Development Bank's Coronavirus Combating Panda Bond and debut overseas USD-denominated bond. By increasing efforts to expand its cross-border RMB businesses, the Bank has become the major RMB clearing channel and main RMB cooperating bank for overseas central banks and

Management Discussion and Analysis — Business Review

Continuously supporting green finance development

The Bank actively implemented the state's green development philosophy and continued to promote green finance. The Board of Directors and the Management attached great importance to green finance, and increased support for green development across the Bank. Specifically, the Board of Directors regularly reviewed the Bank's green finance development, and the Management held regular meetings of the Green Finance Management Committee and made arrangements to promote green finance. Guided by the *Green Finance Development Plan of Bank of China*, the Bank incorporated requirements for green development into its organisational structure, corporate governance, policies and rules, product system, risk management, corporate culture and information disclosure.

The Bank's green credit structure was optimised step by step. The Bank actively supported green and low-carbon industries such as clean energy, environmental protection, energy conservation and green transportation. It also actively supported the development of overseas green projects. It granted credit to a number of landmark projects such as the world's largest photovoltaic plant, a 1.5GW solar photovoltaic power plant in Abu Dhabi, and the world's largest photovoltaic complex, a 950MW photothermal and photovoltaic integrated power station project in Dubai. As at the end of 2020, the balance of green credit in the Chinese mainland denominated in RMB was RMB896.798 billion, maintaining rapid growth over the previous year. The credit balance for high-carbon industries such as coal mining and coal-power continued to decline.

The Bank made remarkable achievements in green bond business. In 2020, the Bank successfully issued a dual-currency blue bond amounting to RMB3.0 billion and USD500 million, which was the first blue bond issued in the Asia-Pacific region and the first blue bond issued by a commercial institution across the world. In 2020, the Bank underwrote domestic green bonds of RMB14.587 billion, ranking first among commercial banks. It also underwrote overseas green bonds of a total value equivalent to about RMB37.0 billion, ranking first among Chinese lead underwriters in the Chinese offshore green bond market. In early 2021, the Bank assisted China Three Gorges Corporation, Huaneng Power International and State Power Investment Corporation Limited in issuing the first batch of carbon neutrality bonds in China.

The Bank participated in international cooperation and global practice regarding green finance. The Bank actively performed the role of Co-Chairman of the Task Force of Green Financial Product Innovation under the Green Investment Principles (GIP) for the Belt and Road Initiative, and hosted the "Online International Seminar on Green Financial Innovation Products". Besides, the Bank was elected as a member of the 2020/2021 Advisory Council of the Green Bond Principles and Social Bond Principles Executive Committee of the International Capital Market Association (ICMA). At the beginning of 2021, the Bank became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), and actively participated in the work of the Task Force on UK-China Climate and Environmental Information Disclosure Pilot, the Domestic Expert Working Group on Sustainable Finance Standardisation, Liaison with ISO/TC 322 and the International Platform on Sustainable Finance (IPSF) Taxonomy Technical Expert Group of PRC. As the most globalised and integrated bank in China, the Group made active explorations in the field of green finance. Specifically, BOCHK launched the first RMB corporate green time deposit product certified by a third party in Hong Kong, and the London Branch assessed and managed the climate risk of its financial business.

Management Discussion and Analysis — Business Review

The Bank continuously improved its green finance capabilities. It actively carried out multi-party cooperation, intensified frontier research and capacity building, and signed the *Framework Cooperation Agreement on Jointly Establishing the Liangshan Green Finance Institute* with the Beijing Green Finance and Sustainable Development Research Institute and the Huzhou Municipal Government of Zhejiang Province. As a founding core partner, the Bank participated in the establishment of the Singapore Green Finance Centre led by the Monetary Authority of Singapore. It also issued the *Guidelines on Green Credit of Bank of China* based on green finance policies in the Chinese mainland and the actual business conditions of the Bank.

In the next stage, the Bank will enhance the top-level design of green finance and build a green financial system tailored to its new high-quality development pattern of “One Body with Two Wings”. It will support the leap-forward development of green finance business. Leveraging its advantages in globalised and integrated operations, the Bank will improve its comprehensive green finance services and expand its advantages of green business in the international community. It will also build up a brand image of green finance and become the first-choice bank for green financial services.



Management Discussion and Analysis — Business Review

other sovereign institutions, commercial banks and exchange houses. The Bank has now opened 1,485 cross-border RMB clearing accounts for correspondent banks across 116 countries and regions, thus maintaining a leading position among Chinese banks. It also promoted the RMB Cross-Border Interbank Payment System (CIPS) and signed cooperation agreements for indirect participant relationships with 359 domestic and overseas financial institutions, seizing the largest market share among peers. The Bank's custodian service for Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII) and its agency service for overseas central banks and other sovereign institutions all earned a leading position in the industry in terms of both customer base and business scale. It also signed an agreement on transaction agency service in China's interbank foreign exchange market with Bank of Korea. It participated deeply in the comprehensive promotion of the H-Share full circulation programme, and jointly launched the "Shanghai-Macao Gold Road" project with the Shanghai Gold Exchange, thus enhancing its image as a co-brand in the financial factors market. As at the end of 2020, the

Bank ranked first in terms of market share in foreign currency deposits from financial institutions. The Bank applied FinTech to boost the upgrading of business modes, and launched "BOC Bank-Securities Express", a QR Code-based account opening product for third-party depository, securing its leading position among peers in terms of growth in both the number and market share of third-party custody customers.

Transaction Banking Business

Actively adapting to the trend of FinTech innovation and the integrated financial needs of customers, the Bank continuously developed its transaction banking business. It actively built a transaction banking product and service system featuring online and offline coordination, diverse scenarios, a satisfactory user experience and innovative and flexible portfolios, vigorously boosted the building of the BOC Intelligent Global Transaction Banking service platform (iGTB platform), an all-channel portal offering integrated financial services for corporate banking customers, and supported the COVID-19 pandemic prevention and control and the development of the real economy.



Management Discussion and Analysis — Business Review

Implementing the country's opening-up strategy, the Bank leveraged its role as the main channel of financial services for foreign trade and economic cooperation. In 2020, the Group's international trade transaction volume reached USD5.75 trillion, an increase of 10.68% compared with the prior year. The Bank's institutions in the Chinese mainland retained the largest market share in the international trade settlement market, and held the leading position among peers in cross-border guarantee business. It implemented the requirement of "ensuring stable foreign trade", issued the *Several Measures to Fully Support "Ensuring Stable Foreign Trade" during COVID-19 Pandemic Prevention and Control*, strengthened whole-process financial services, gave more financing support and lowered fees for foreign trade enterprises, and thus provided financial services to nearly one-quarter of China's import and export trade in 2020. As a strategic partner, the Bank provided all-round high-quality services for the third China International Import Expo (CIIE) and the 127th and 128th China Import and Export Fair (Canton Fair), despite the onslaught of COVID-19. The Bank continued to pioneer financial service innovations in free trade zone ports, releasing a number of financial support plans including the comprehensive financial service plan for Hainan Free Trade Port and the action plan for supporting the expansion of Zhejiang Free Trade Zone.

The Bank continuously pushed forward RMB internationalisation. It served as the main channel for RMB cross-border flows and acted as a market leader in service innovation. In 2020, the Group's transaction volume of cross-border RMB payment reached RMB9.20 trillion, up 25.75% compared with the prior year, of which the Bank's institutions in the Chinese mainland settled RMB6.75 trillion, an increase of 34.37% 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 went up by nearly 10% over the previous year. The Bank 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 stepped up the establishment of application scenarios of transaction banking business, improved the service level of account, payment and settlement, reshaped the process of opening accounts for corporate customers at outlet counters to improve efficiency, and launched multi-channel account services such as door-to-door account opening using mobile smart counter devices as well as an online reservation account opening service. The Bank devoted great efforts to promoting the expansion of supply chain finance, supported SME financing, deepened financial services innovation in key industries, undertook the pilot implementation of multi-tier supply chain financing, and facilitated the reopening of the economy through the coordination of industrial chains. Meanwhile, the Bank continued to enhance its global cash management service capability, and promoted the standardised and batch expansion of cash management business in specific scenarios and industries. It further improved the comprehensive product system of its "Global Cash Management Platform+" to support applications for education, government affairs, medical care and other key scenarios, and consolidated its advantages in cross-border business through cross-border cash pool and offshore cash pool services by aiming for new heights in its opening-up initiatives. It also promoted the integration and innovation of business and technology, and vigorously pushed forward the application and promotion of blockchain and other cutting-edge technologies. It successfully processed the world's first transaction using the cross-border RMB trade finance transfer service platform of Shanghai Commercial Paper Exchange Corporation Ltd., as well as China's first electronic L/C settlement using the blockchain-based cross-border trade platform.

Management Discussion and Analysis — Business Review



Facilitating the rapid development of national key areas of technological innovation

The Bank actively implemented the national policy orientation, provided all-round and integrated financial services for high-tech enterprises, and facilitated the rapid development of key technology innovation fields of the country.

Serving national strategies and clarifying policy guidance. The Bank formulated and continuously improved policies for high-tech fields supported by the state, adopted credit policies for electronic information technology, biological medicine, new materials, new energy and other industries, and guided the whole bank to improve the accuracy of credit extension, thereby supporting the development of high-quality technology enterprises.

Promoting debt-equity combination financing and enriching the product system. The Bank further promoted the innovation of “debt-equity combination financing” product portfolio. In 2020, it launched the option loan product and granted more than 140 option loans. In addition, focusing on the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and other cluster areas of technology enterprises, the Bank set up equity investment funds for technology enterprises, as well as providing “debt-equity combination financing” services and support for small and medium-sized technology enterprises.

Serving leading enterprises and deepening strategic cooperation. The Bank has established strategic partnerships with a number of leading technology enterprises to provide them with a package of financial services including investment and financing, cross-border finance, supply chain finance and inclusive finance. At the same time, the Bank jointly promoted the development and application of financial scenarios like smart marketing and smart risk control, continuously deepening strategic cooperation with leading technology enterprises.

Leveraging cross-border advantages to win overseas projects. As the most globalised Chinese bank, the Bank gave full play to its advantages in coordination between domestic and overseas operations, actively assisted technology enterprises in “Going Global”, and led overseas syndicated loans and M&A projects for a number of top technology enterprises, providing financing support for the globalised development of technology enterprises.

Strengthening Group-wide coordination to improve comprehensive services. Relying on its advantages of diversified and full-license operations, the Bank strengthened the Group-wide cooperation among investment, loan and bond products, improved financial service arrangements covering the full life cycle of enterprises, and provided comprehensive services such as equity investment, credit support, underwriting and sponsor for technology enterprises.

Promoting digital transformation and enhancing FinTech applications. Following the trend of accelerated integration of technology and finance, the Bank further deepened the application of emerging technologies such as big data, artificial intelligence, blockchain and biological identification, continuously enhanced its capabilities of digital and intelligent development, and responded accurately and efficiently to demand from technology enterprises.

In the future, the Bank will continue to focus on serving the real economy, build new methods of FinTech services based on continuous innovation, enhance its FinTech supporting capabilities, and boost the national development of technology innovation.

Management Discussion and Analysis — Business Review

In 2020, the Bank was recognised as “Best Transaction Bank” and “Best Transaction Bank for Trade Finance” by *Asiamoney*, and “Best Service Provider-Transaction Bank” and “Best RMB Bank” by *The Asset*, and was granted cash management awards such as “Asia Pacific Market Leader (Asian banks only)” and “China Market Leader (Asian banks only)” by *Asiamoney*, and “2020 Euromoney Cash Management Non-Financial Institutions Survey 1st China Market Leader” by *Euromoney*, demonstrating the Bank’s professional advantages in transaction banking.

Inclusive Finance

Conscientiously implementing national policies and measures to support the development of micro and small-sized enterprises, and following relevant regulatory requirements, the Bank continuously promoted the development of inclusive finance services. Focusing on the overall requirements of “increasing volume, reducing price, improving quality, expanding coverage”, the Bank continued to extend more credit to micro and small-sized enterprises and reduced their financing costs. As at the end of 2020, the Bank’s outstanding inclusive finance loans granted to micro and small-sized enterprises⁴ reached RMB611.7 billion, an increase of 48% compared with the prior year-end, outpacing the growth rate of the

Bank’s total loans. The number of micro and small-sized customers was over 480,000, higher than the beginning of the year. The average interest rate of new inclusive finance loans to micro and small-sized enterprises was 3.93%. The Bank strengthened risk control and improved operational compliance, and thus maintained stable quality of loans granted to micro and small-sized enterprises.

The Bank resolutely implemented national requirements for COVID-19 pandemic prevention and control policies and immediately introduced a package of supporting measures such as repayment deferrals. It launched online financing products for inclusive finance such as “BOC Enterprise E-Credit • Unsecured Loan” and “BOC Enterprise E-Credit • Bank Tax Loan”, and employed internet, big data, biometric authentication and other emerging technologies to provide online services featuring “online application, instant approval, borrowing and repayment at any time”. The Bank established a key outlet system for the initiation of inclusive finance credit, advanced the development of community-level institutions for inclusive finance credit services, and strengthened its ability to provide inclusive finance loans, thereby continuously improving the coverage, availability and customer satisfaction of its inclusive finance services.



⁴ Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Circular of the General Office of China Banking and Insurance Regulatory Commission on Promoting the Work of “Volume Increase, Coverage Expansion, Quality Improvement and Cost Reduction” Concerning Financial Services for Micro and Small-sized Enterprises in 2020* (Yin Bao Jian Ban Fa [2020] No. 29).

Management Discussion and Analysis — Business Review

Improving the quality and efficiency of inclusive finance services

Actively assuming responsibilities and providing targeted assistance to the resumption of work and production. Actively assuming its responsibilities as a large state-owned bank and leveraging its unique advantages as a hundred-year-old Chinese bank, the Bank spared no effort to support routine pandemic prevention and control and the resumption of work and production. It assisted key enterprises in the field of pandemic prevention and control and ensured adequate credit supply to such enterprises by establishing a green channel, simplifying approval procedures, improving approval efficiency and lowering interest rates, so as to help enterprises to resume production and expand production capacity.

Improving the quality and efficiency of financial services via several measures. The Bank made innovation in its “BOC Enterprise E-Credit” online financing product system. It improved the quality and efficiency of inclusive finance services through FinTech, launching new products such as “BOC Enterprise E-Credit • Unsecured Loan” and “BOC Enterprise E-Credit • Bank Tax Loan”. Employing internet and big data technologies, the Bank adopted a risk control model strategy for conducting comprehensive assessment of micro and small-sized enterprises, and delivered online financing services including customer application, review and approval, drawdown and repayment, effectively improving the efficiency of its inclusive finance services.

Supporting micro and small-sized enterprises to improve through a clear focus. The Bank launched a financing service for such enterprises in more than a dozen branches in Guangdong, Zhejiang, Hunan, etc., so as to support key customer groups including “specialised, refined, featured and innovative” enterprises, “small giant” enterprises and “single champion” enterprises in the manufacturing industry. In nine places including Beijing, Shanghai, Guangzhou and others, the Bank replicated and promoted the science and technology finance model known as the “ZhongGuanCun Model”, and supported small and medium-sized science and technology innovation enterprises with core technology and good market prospects.

Leveraging advantages to further deepen cross-border matchmaking services. In 2020, the Bank actively overcame the adverse effects of the COVID-19 pandemic and leveraged its advantages in online matchmaking services in order to hold 11 cross-border matchmaking events, facilitating more than 3,000 enterprises from 64 countries and regions to engage in business cooperation.

In the next stage, the Bank will continue to fulfil its mission as a large state-owned bank and offer greater support to inclusive finance. With product innovation as the key breakthrough, model upgrading as the basis and digital inclusive finance as the objective, the Bank will develop a business model that integrates online and offline services, and make every effort to build the BOC inclusive finance brand.



Management Discussion and Analysis — Business Review

Pension Business

Focusing on the development of China's social security system, the Bank continuously extended its pension business coverage, promoted product innovation and improved system functions, and provided a range of products including enterprise annuities, occupational annuities, employee benefit plans and pension security management products, achieving steady improvement in customer satisfaction. It intensified efforts in the strategic layout of its pension business and advanced scenario building for the silver economy, thereby vigorously supporting its development. As at the end of 2020, pension funds under custody reached RMB101.792 billion, an increase of RMB49.526 billion or 94.76% compared with the prior year-end. The total number of enterprise annuity individual accounts held by the Bank reached 3.4136 million, an increase of 0.3772 million or 12.42% compared with the prior year-end. Assets under custody amounted to RMB592.872 billion, an increase of RMB205.727 billion or 53.14% compared with the prior year-end, with 16,000 clients served by the Bank.

Personal Banking

Emphasising a customer-centric approach, the Bank responded swiftly to challenges arising from the pandemic and changes in market conditions, and comprehensively improved its personal banking business, including its organisational structure, business philosophy and operational indicators, and realised early success in its reform. The Bank enhanced its growth drivers for personal banking and adapted to the trends of digitalisation and consumption upgrading, it continuously improved its account management services, focused on building advantageous brands in wealth management, consumer finance, private banking, foreign exchange and bank card, and boosted capital-light operations

by developing its financial assets under management. The Bank's retail indicators recorded an overall improvement. In 2020, the Bank's personal banking business in the Chinese mainland realised an operating income of RMB199.508 billion, an increase of RMB36.079 billion or 22.08% compared with the prior year.

Account Management Business

The Bank solidly promoted the use of "smart accounts", upgraded account service functions, integrated all of its debit card and credit card data, and rolled out the "Cai Shen" ("God of Wealth") version of annual bank statements for personal customers. It accelerated the development of non-card personal banking service project, and basically realised the services without debit cards at smart counters, counters, ATMs and other proprietary channels, covering more than 80% of transaction scenarios. Via mobile banking, personal banking customers can now use their BOC accounts to make balance inquiries and access transaction records of their non-BOC bank accounts, as well as to transfer funds from their accounts with other mainstream banks. The Bank integrated and improved its personal customer account information, and linked up the mobile banking authorisation interface for personal accounts at BOC Insurance, BOC-Samsung Life, BOC Consumer Finance and BOCI China, thus enabling comprehensive inquiry through "one username, one set of passwords".

The Bank improved the process of payment settlement service, thus satisfying differentiated customer needs. It further expanded its salary payment agency business by classifying customer groups and improving the connectivity between corporate and personal businesses. It also provided salary payment agency customers with a package of integrated service

Management Discussion and Analysis — Business Review

solutions, including account opening, salary payment, consumption and investment. The Bank launched an online margin deposit business featuring multiple transaction scenarios. It streamlined the operating procedures for all personal banking business, and promoted “no or rare manual processing” for high-frequency business, thereby further improving the quality and efficiency of its services for personal customers.

Wealth Management Business

Focusing on customers’ wealth management needs, the Bank strived to develop professional and inclusive products and services, and comprehensively enhanced its asset allocation capabilities, achieving the highest level of growth rate in terms of both customer numbers and financial assets under management of medium- and high-end customers of the last three years. It strengthened product supply, selected high-quality products from the market, and built a tiered product platform, further enriching its product system and sharpening its competitive edge. Meanwhile, the Bank enhanced its intelligent investment advisory services by launching an agile intelligent investment advisory service for mobile banking, which allocating investment portfolios for different scenarios and different customer groups. The “BOC Robot Advisor” generated sales of RMB20.7 billion and posted an average yield of 34.91%, winning the “Gold Award for Technology Innovation Application” in the 2020 China FinTech Innovation Competition. The Bank also developed the “BOC Zhi Hui” customer loyalty rewards platform, and expanded its ecosystem of non-financial scenarios, offering rewards including “clothing, food, hotel, transportation, tourism, entertainment, learning and pensions”. It enhanced its R&D capabilities, and built an investment strategy research service system covering stocks, bonds,

foreign exchange, commodities and policies, providing customers with asset allocation reports. It issued the *BOC White Paper on Personal Banking Global Asset Allocation* for the third consecutive year. As at the end of 2020, the Bank had set up 8,112 wealth management centres and 1,101 prestigious wealth management centres in the Chinese mainland. It was awarded “Best Wealth Management Bank” by the China Banking Association and “2020 Excellent Wealth Management Brand” by *China Business Journal*.



Consumer Finance Business

In strict compliance with national policies, the Bank proactively adjusted its structure and promoted transformation, maintained the steady development of its residential mortgage business, and accelerated the upgrading of inclusive finance and consumer loan business. As at 31 December 2020, the Bank’s RMB personal loans in the Chinese mainland totalled RMB4,979.214 billion, an increase of RMB528.750 billion or 11.88% compared with the prior year-end. Within this increase, the proportion of non-housing loans in the incremental personal loans of commercial banks in the Chinese mainland rose relatively rapidly. The Bank prioritised demand from families in key regions seeking loans for first-time own-use home purchase, and the proportion of residential mortgage loans granted to key regions continuously increased. The Bank built an efficient and convenient consumer

Management Discussion and Analysis — Business Review

loan product system and realised centralised and intelligent post-lending management with the online loan product “BOC E-Credit” as the breakthrough point. At the same time, the Bank developed and implemented the online personal business loan product “Tax Loan” based on tax data. It continued to enrich its inclusive finance personal loan products by launching the innovative “Work Resumption Loan” to facilitate the resumption of work and production of individual businesses and micro and small-sized enterprises. It also increased the supply of small-amount loans for poverty alleviation, contributing to an all-round victory in national poverty alleviation.

Private Banking Business

The Bank accelerated the development of its private banking business, vigorously boosted business innovation and improved its customer service system, providing high-net-worth customers with professional, comprehensive and globalised financial services. As at 31 December 2020, the Group had 132,900 private banking customers with RMB1.85 trillion financial assets under management. The Bank accelerated the development of its wealth inheritance business, witnessed a year-on-year increase of 102.2% in the number of family trust service customers, and released the *Report on Family Wealth Management of Chinese Entrepreneurs*. It focused on cultivating teams of relationship managers, private bankers and investment advisors, and intensified efforts to enhance the layout of private banking centres in key cities. As at 31 December 2020, the Bank had established 77 private banking centres in the Chinese mainland. In addition, the Bank continued to build its Asia-Pacific private banking platform, and provided cross-border integrated corporate and private banking solutions for high-net-worth customers, thereby further enhancing its global service capability. The Bank was

awarded “Overall Best State-Owned Private Bank” and “Best Private Bank for International Network” by *Asiamoney*, “Best National Private Bank in China (State-owned Banks)” for the second time by *Asian Private Banker*, “Trustworthy Private Bank” by *The Economic Observer*, “Excellent Financial Institution for Family Service Capability” by Huiyu Global Family Office Think Tank, and “Best Private Bank in China — Family Inheritance Service Award” by *Wealth*, further boosting the continuous growth of the Bank’s brand influence and reputation.

Personal Foreign Exchange Business

The Bank further enriched its foreign exchange services by increasing the number of currencies available in its personal deposit and withdrawal business to 25 and the number of convertible foreign currencies available to customers to 39, thus maintaining a leading position among peers. It also improved customer experience by launching a foreign exchange cash reservation service for 23 currencies via e-channels such as mobile banking, WeChat banking and online banking in major cities in the Chinese mainland. It actively leveraged its advantages in foreign exchange business and provided services for major events such as the CIIE. The Bank actively implemented state requirements regarding financial support for COVID-19 pandemic prevention and control, established a green channel to simplify the procedures and files required for foreign exchange purchase and payment relating to the import of pandemic prevention and control materials, and effectively improved business handling efficiency. It also arranged for its overseas institutions to reduce or waive fees for donations to the fight against the pandemic. For all of the above, the Bank was awarded “Best Bank for Cross-border Financial Services” by the China Banking Association.

Management Discussion and Analysis — Business Review

Bank Card Business

In pursuit of high-quality development, the Bank accelerated the digital transformation and scenario building for its bank card business. It steadily promoted its debit card business and expanded scenario-based applications for mobile payment, thus continuing to improve customer experience. It leveraged its advantages in higher education institution services and made efforts to create a “Whole Education” scenario by expanding its service scope to primary and high schools, kindergartens, training institutions and other “blue ocean” educational markets. The Bank kept enriching 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 functions of the electronic social security cards and medical insurance e-voucher. As at 31 December 2020, the Bank had cumulatively issued 112 million physical social security cards and 2.5496 million electronic cards. It developed rail travel scenarios and completed the application of Railway e-Card on 28 railway lines, covering such national strategic regions as the Beijing-Tianjin-Hebei region, the Yangtze River Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan Pilot Free Trade Port, and serving over 2 million customers.

The Bank adopted new measures to promote its credit card business by focusing on specific customer groups and building up unique brands. Leveraging its advantages as an official partner of the Beijing 2022 Games, it made great efforts to develop preferential merchants for winter sports, and supported the development of core products such as Winter Olympic Card and Winter Sports Card with winter sports scenario and featured services. It promoted the building of a card acceptance environment for the Beijing 2022 Games, and supported the building of cross-border, education, medical and other important scenarios. Focusing on mobile payment, the Bank launched the “Thousand Stores in a Hundred Cities” campaign under the “BOC Benefit Day” brand to promote frequent small-amount transactions. Focusing on people’s livelihood consumption, the Bank boosted the recovery of the consumer market through Head Office activities, branches’ featured activities and government coupons. It improved the functions of BOC digital credit cards and improved the online experience of scenario-generated customers by strengthening online platform building to promote customer vitality. Assisting pandemic prevention and control, the Bank opened a fee-free donation channel for over 170 charitable medical institutions nationwide and waived fees for micro and small-sized merchants in Hubei Province. Besides, it provided exclusive credit card instalment services for frontline anti-pandemic customers in sectors such as medical care and education.

Management Discussion and Analysis — Business Review

The Bank's bank card issuance and transaction volumes as at the end of 2020 are set forth below:

Unit: million cards/RMB billion, except percentages

Items	As at 31 December 2020	As at 31 December 2019	Change (%)
Cumulative number of debit cards	594.2693	565.1313	5.16%
Cumulative number of credit cards	131.7439	124.9501	5.44%
Cumulative number of social security cards with financial functions	111.5483	108.4211	2.88%
Balance of credit card receivables	488.086	462.150	5.61%
	2020	2019	Change (%)
Transaction amount of debit cards	8,031.941	7,115.278	12.88%
Transaction amount of credit cards	1,639.427	1,777.209	(7.75%)
Instalments volume of credit cards	363.798	325.606	11.73%

Management Discussion and Analysis — Business Review

Fully supporting the transformation and upgrading of consumer finance

Adhering to the direction of mobile, scenario-based, intelligent, asset-light and integrated development, the Bank accelerated the coordination between business and technology, fully bolstered the comprehensive upgrading of household consumption, and contributed to the new development paradigm where domestic and international circulations reinforcing each other.

The Bank constantly improved the efficiency of customer reach. It updated its four mobile banking channels, launched its “thousand customers, thousand faces” in-depth personalised services, and improved over 200 features in terms of functions, experience, scenarios and technology application. As at 31 December 2020, the number of active mobile banking customers reached 211 million and the transaction amount for the whole year stood at RMB32.28 trillion, a year-on-year increase of 16.44% and 14.14% respectively. It also improved the service experience by upgrading BOC WeChat banking. The Bank moved faster in embedding and standardising the “open banking” concept, covering 13 categories of financial services such as account, gold, cross-border, financing and payment to connect with such institutions as the national government affairs platform and the 12306 platform. The Bank has formed an online closed-loop marketing system, and developed whole-process digital marketing experience.

The Bank intensified efforts to enrich its products and services. Closely following customers’ livelihood and consumption demands, the Bank provided a variety of consumer credit products covering clothing, food, shelter, transportation, medical care, learning, tourism and entertainment. Specifically, the Bank launched a pure credit service product, “BOC E-Credit”, which uses scenarios and big data to deliver whole-process online personal credit services; pledge products based on certificates of deposits, government bonds and wealth management; “Youth E-Credit” for students, “BOC Smart Loan” for key customers and other secured/pledge credit service products, thus delivering consumers in the Chinese mainland with consumer credit loan services anytime and anywhere. Focusing on people’s livelihood consumption, the Bank boosted the recovery of the consumer market through Head Office activities, branches’ featured activities and government coupons. It improved the functions of BOC digital credit cards, launched the “BOC Auto Zone”, and improved the online experience of scenario-generated customers by strengthening online platform building so as to promote customer vitality.

In the future, the Bank will launch flexible product and service forms by keeping in step with new technologies and new consumption modes. It will strengthen the analysis and expansion of scenario cooperation, and make use of the platforms in smart home, smart community etc. to deliver whole-chain and customised consumer finance services including remote application, smart face-to-face interview, intelligent approval, instant loan granting and smart repayment. Closely following the green finance and rural revitalisation strategies, the Bank will extend the reach of financial services among consumer groups in counties and rural areas, and make consumer finance services available in all fields of their lives.

Management Discussion and Analysis — Business Review

Financial Markets Business

The Bank actively aligned itself with trends towards interest rate and exchange rate liberalisation and RMB internationalisation. By closely tracking market developments, it continuously improved its business structure and strengthened efforts to achieve compliance with regulatory requirements, thus maintaining its competitive advantages in financial markets business.

Securities Investment

By strengthening its analysis and forecast regarding the macro-economic situation and market interest rates, the Bank proactively seized market opportunities, fine-tuned its investment activity as appropriate, and dynamically adjusted its investment portfolio, in a bid to mitigate risk. It actively participated in local government bond investment, and supported the development of the real economy. Following trends in global bond markets, the Bank dynamically managed its bond portfolio and optimised its foreign currency bond investment portfolio.

Trading

The Bank continuously improved its financial markets business systems and raised its comprehensive customer service capabilities. It continued to outperform peers in terms of market share of foreign currency exchange against RMB, with the Bank providing 39 currency pairs available for exchange. The total number of tradable foreign currencies was 110, among which 99 were currencies of emerging economies and 46 were currencies of countries along the Belt and Road. Seizing opportunities arising from the two-way opening-up of financial markets, the Bank took steps to expand its overseas institutional investor customer base, relying on a multi-tier service system integrating “trading, sales and research”. It also made use of financial market trading instruments to provide convenient and effective hedging services, so as to support the real economy. The Bank strengthened its quantitative trading capacity,

promoted the construction of a quantitative trading platform, and refined its quantitative strategy. It enhanced its risk management and control capability, improved infrastructure construction, and consolidated the foundations for its business development. The Bank also improved its online service capabilities and realised growth in its online transaction volumes and customer scale.

Investment Banking

The Bank fully leveraged the operational advantages of its international business and integrated services, focused on serving the real economy, provided its clients with comprehensive, professional, and customised “onshore + offshore”, “financing + intelligence” integrated financial services plans, including financial products and services such as bond underwriting and distribution, asset-backed securitisation, and professional financial advisory services, etc.

To facilitate the construction of China’s multi-layered capital market system and support customers in their direct financing, the Bank underwrote bonds in the China interbank market with a total amount of RMB1,575.925 billion. It actively supported COVID-19 pandemic prevention and control by underwriting a total amount of RMB33.650 billion of pandemic prevention and control bonds for non-financial enterprises and international development institutions. The Bank’s underwriting business for financial institutions was greatly boosted, with its financial bond underwriting volume and market share continuing to increase for a further consecutive year. It enhanced its cross-border competitiveness by assisting overseas entities including Asian Infrastructure Investment Bank and New Development Bank in issuing Panda Bonds, maintaining its leadership in the market share of Panda Bonds underwriting. Acting as lead underwriter and bookrunner, the Bank assisted the MOF in successfully issuing USD and EUR sovereign bonds, totalling more than USD10.0 billion equivalent. These issuances further constructed the yield curve of foreign currency-denominated sovereign

Management Discussion and Analysis — Business Review

bonds and strengthened international investors' confidence in China's economy. The Bank maintained the largest market share in China's offshore bond underwriting market. It also made efforts to promote the development of green finance, led the China interbank market in green bond underwriting, and assisted Chinese entities to issue offshore green bonds. The Bank proactively contributed to the war against poverty and helped China Three Gorges Corporation to issue poverty alleviation bonds. Moreover, it strongly supported private enterprise financing, underwriting debt financing instruments for private enterprises totalling RMB40.121 billion and thus further expanding financing channels for private enterprises. The Bank also maintained the leading market share among all commercial banks in the interbank market in terms of asset-backed securitisation underwriting business. As a result, the Bank was awarded "Best DCM House" by *FinanceAsia*, "Best for Cross Border Debt Capital Markets", "Green Deal of the Year" and "Best Firm for ABN" by *Asiamoney*, and "Best Bond Adviser-Global", "Best Anti-COVID-19 Deal", "Best Sovereign Bond", "Best Social Bond", and "Best Sustainability Bond" by *The Asset*. As such, the brand influence of "BOC Debt Capital Markets" was continuously enhanced. The Bank steadily promoted its credit asset-backed securitisation business and optimised the structure of its existing assets. The Bank successfully issued two residential mortgage-backed securities with a total amount of RMB15.365 billion and two non-performing credit asset-backed securities with a total amount of RMB1.230 billion.

The Bank continued to build its professional financial advisory service system and strengthened group-level coordination. It provided clients with professional advisory services such as divestitures, M&A, debt restructuring, equity financing and project financing.

Asset Management

The Bank promoted the orderly transformation of its wealth management business in compliance with

regulatory requirements, and persistently enhanced its investment management and research capabilities. It steadily advanced the rectification of its existing wealth management business, the appropriate disposal of assets under its existing wealth management products (WMPs), and the management of net-value WMPs that satisfy the "New Asset Management Regulation" to be undertaken by BOC Wealth Management (BOCWM). BOCWM maintained sound development, accelerated its offering of net-value WMPs, constantly broadened its product range and rapidly increased product volume. As at the end of 2020, the total balance of non-principal-guaranteed WMPs offered by the Bank and BOCWM amounted to RMB1,388.904 billion, among which the balance of net-value WMPs offered by BOCWM was RMB718.122 billion.

Custody Business

Pursuing serving economic and social development as its main task, the Bank improved the value creation capabilities and comprehensive service capability of its custody business. As at the end of 2020, total assets of the Group's custody business amounted to RMB11.79 trillion, with its market share increasing in terms of custody business income. The Bank achieved the strongest growth rates among major peers in terms of size and income of mutual funds under custody, and ranked among the top class in the industry in terms of the number and size of newly issued mutual funds under custody. It provided custody services for the first mutual fund in the custody market for COVID-19 pandemic prevention and control and economic development in Hubei Province, as well as for the first batch of funds on the new third board and funds on the registration-based IPO system of ChiNext. Meanwhile, the Bank won all of the tenders and occupied large shares of the contracts for custodian bank services made by 35 provincial and municipal occupational annuities, and recorded many firsts in custody services for credit asset-backed securitisation. It also worked to refine the functions of its custody business system, and hence further improved its operational service efficiency.

Management Discussion and Analysis — Business Review

Delivering high-quality financial services for the Beijing 2022 Games

As the official banking partner of the Olympic and Paralympic Winter Games Beijing 2022 (Beijing 2022 Games), the Bank delivered quality financial services for the event, continuously developed the ice and snow sports industry, and fostered an atmosphere of participating in and sharing Beijing 2022 Games.

The Bank solidly pushed forward the preparation of financial services for Beijing 2022 Games. According to the characteristics of “three competition zones across Beijing and Zhangjiakou” of the event, the Bank made plans for Games-time financial services, set up temporary outlets and self-service equipment in key areas, and actively developed an exclusive payment service environment for Beijing 2022 Games, with the purpose of delivering all-round services during the games. So far, the Bank has launched six bank cards themed on the emblem, mascot and popular ice and snow sports of Beijing 2022 Games, continuously enriching the special rights and interests of related products. It also actively promoted the pilot application of new payment products for the event. As the sole distribution bank, the Bank continued to promote the sales of licensed precious metal products and gold and silver commemorative coins for Beijing 2022 Games.

The Bank took multiple measures to support the development of the ice and snow sports industry. The Bank vigorously supported the construction of key ice and snow projects of Beijing 2022 Games by granting a total of RMB25.9 billion loans. It took measures such as lowering the interest rate of existing loans, adjusting the term of repayment of principal and interest, and granting new working capital loans to help some ice and snow enterprises affected by the pandemic. Leveraging its diversified advantages, the Bank provided comprehensive financial services for the ice and snow sports industry through business collaboration among commercial banking, investment banking and financial leasing.

The Bank strengthened the promotion of Beijing 2022 Games in an all-round manner. Under the precondition of effective pandemic prevention and control, the Bank held a series of offline and online events such as “Talent Show of Creative Winter Olympics”, online lectures on the National Fitness Day, and “Coming Together with BOC for Winter Sports”. It sponsored a number of outstanding athletes and sports teams as the Bank’s Olympic image spokespersons. What’s more, the Bank expanded its online service coverage, and launched the Beijing 2022 Games zone in mobile banking to serve as a bridge for users to learn about the Winter Olympics and participate in winter sports, so as to help promote winter sports through financial means.

In the next step, the Bank will continue to provide excellent financial services for the Beijing 2022 Games and support the Nationwide Winter Sports Promotion Programme. It will facilitate the implementation of the “Healthy China” and “Sports Power” strategies, promote the sustainable development of winter sports and the winter sports industry in China, and contribute to the hosting of a “simple, safe and exciting” Winter Olympic Games.



Management Discussion and Analysis — Business Review

Village Bank

BOC Fullerton Community Bank actively implemented the national strategy of rural revitalisation with the aim of “focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities”. It is committed to providing modern financial services to county-level micro and small-sized enterprises, individual merchants, wage earners and farmers, developing inclusive finance, and facilitating poverty alleviation.

BOC Fullerton Community Bank established an investment management village bank to support the construction of the Xiongan New Area and to further improve its intensive management and professional services. On 18 August 2020, BOC Fullerton Community Bank Co., Ltd. opened for business, with a registered capital of RMB1.0 billion and the registered place of Xiongan New Area, Hebei.

As at the end of 2020, BOC Fullerton Community Bank controlled 124 village banks with 176 sub-branches in 22 provinces (including municipalities directly under the Central Government), being the largest domestic village bank group in terms of total institutions. It also continuously improved its product and service system to further expand its customer base and business scale. As at the end of 2020, the registered capital of BOC Fullerton Community Bank amounted to RMB8.618 billion, with total assets and net assets standing at RMB75.935 billion and RMB12.851 billion respectively. The balances of total deposits and loans of these banks stood at RMB46.588 billion and RMB55.169 billion respectively, an increase of 12.02% and 24.07% compared with the prior year-end. The NPL ratio was 1.43%, and the ratio of allowance for loan impairment losses to NPLs was 249.11%. In 2020, BOC Fullerton Community Bank achieved a profit for the year of RMB850 million.

Globalised Operation

As the most internationalised Chinese bank, the Bank is committed to creating a new pattern of global

development based on the new stage of development, and to building itself into a financial channel for smooth domestic and international circulations. Focusing on serving national strategies and supporting the real economy, the Bank continuously enhanced value creation and realised high-quality development. As at the end of 2020, the Bank's overseas commercial banking customer deposits and loans totalled USD485.144 billion and USD407.797 billion respectively, an increase of 6.80% and 4.58% respectively from the prior year-end. In 2020, the Bank's overseas commercial banking business achieved a profit before income tax of USD6.728 billion, accounting for 18.83% of the Group's total profit before income tax.

The Bank continued to improve its global institutional layout and enhanced its capabilities to serve global customers. As at the end of 2020, the Bank had 559 overseas institutions, covering 61 countries and regions, including 25 countries along the Belt and Road. In July 2020, BOC (Peru) officially launched operations.

The Bank further improved the operation mode and organisational structure of its overseas institutions, striving to build an efficient and flattened matrix management approach with differentiated operation modes. It constantly deepened the development and management of its overseas Regional Headquarters in regions including Southeast Asia and Europe, and further promoted the integrated operation of different business lines. The Bank leveraged the advantages of its three overseas syndicated loan centres, improved the operation management mode of the Europe-Africa Syndicated Loan Centre, and refined supporting mechanisms for the Europe-Africa Credit Approval Centre. Overseas information centres kept improving their IT service capabilities, steadily upgraded and reconstructed relevant infrastructure, and strengthened local development capacity, thus providing stronger support for regional business development. The Head Office and overseas trading centres built a global trading network by product line and time zone, instituting backup facilities in Beijing, Shanghai, London, Hong Kong and New York to ensure business continuity. The Bank

Management Discussion and Analysis — Business Review

managed overseas institutions by category and set forth differentiated development strategies, so as to enhance the sustainable development capability of its overseas institutions as well as the collaboration efficiency of the Group.

Corporate Banking

Keeping a close eye on market changes, the Bank strengthened risk management, took effective measures in line with local conditions, and gave full play to its advantages in globalised operations to deliver high-quality, efficient, personalised and all-round comprehensive financial services for the smooth operation of global corporate customers. As a result, overseas corporate deposits and loans maintained stable growth, and the industry and customer structure continuously improved. The Bank vigorously supported the real economy as well as key areas and projects such as upgrading of industrial chain and value chain, infrastructure construction, cooperation in advantageous production capacity, and overseas cooperation parks by virtue of its advantageous products and services including syndicated loan, M&A financing, project financing, letter of guarantee, international settlement, trade finance, commodity financing and global cash management. The Bank delivered quality financial services to support the Belt and Road Initiative, boosted global economic and trade exchanges, facilitated the smooth domestic and international circulations, and bolstered the steady and sustainable overseas investment and operation of enterprises. As at the end of 2020, the Bank ranked first among peers in the syndicated loan market in the Asia-Pacific region (excluding Japan), and first among Chinese banks in the European-African and American syndicated loan markets. It was awarded the “Best Bank for Leveraged Finance 2020” by *Asiamoney*, and the “Best Performance Award” and 12 “Best Project Awards” for syndicated loans by *China Banking*, showcasing continuously enhanced brand influence of the Bank.

The Bank continued to expand its customer base of global institutional investors along with its business

coverage. The Bank carried out all-round cooperation with various financial institution customers in activities such as RMB and foreign currency clearing, international settlement, bilateral and syndicated loans, investment, treasury operations and agency, bond issuance, underwriting and distribution. The Bank kept boosting information exchange in the international financial sector, and held a number of cross-border online forums, introducing new policies and opportunities for China’s market opening-up to global customers in a timely manner, and providing practical solutions and supporting services. It organised the “China-UK Financial Dialogue” at the Annual Conference of Financial Street Forum 2020, which was well received by all participants.

The Bank actively promoted the integration of business resources, and comprehensively upgraded its cross-border matchmaking capability. As at the end of 2020, the Bank has held 72 cross-border matchmaking events worldwide, serving 30,000 Chinese and foreign enterprises from 125 countries and regions and facilitating enterprises’ business cooperation on trade, investment and technology introduction, thus winning high praise from all circles of society. Based on the demands of customers in the Chinese mainland, the Bank helped domestic enterprises resume work and production by piloting medium- and long-term matchmaking services such as the “2020 Shandong (China) SME Cross-border Investment and Trade Conference”. The Bank also supported the connectivity and high-quality development of SMEs through country-specific matchmaking events such as the “2020 China-CEEC SMEs Cross-border Matchmaking Conference (Poland)”, the “2020 China-Italy SMEs Cross-border Online Matchmaking Forum” and the “China-Argentina Trade and Investment Matchmaking Conference of the Third China International Import Expo (CIIE)” as well as industry-specific matchmaking events including the “The VR Industry Investment and Cooperation Docking Meeting”. The Bank hosted the Trade and Investment Matchmaking Conference of the CIIE for the third consecutive year, and adopted a large-scale online and offline matchmaking interface covering multiple places and all time zones. The conference attracted nearly

Management Discussion and Analysis — Business Review

700 exhibitors and more than 1,300 buyers, with a cumulative 18 hours of negotiation, resulting in 861 cooperation intentions.

Personal Banking

The Bank continued to improve its overseas service system for personal customers, and expanded its business to cover more than 30 countries and regions. Focusing on key regions, the Bank developed its cross-border business with regional characteristics, improved its financial service system in the Guangdong-Hong Kong-Macao Greater Bay Area, and opened over 120,000 accounts in total via its “Greater Bay Area Account Opening” service in the region.

The Bank built a one-stop comprehensive service platform covering the whole service process. Relying on cross-border scenarios, it vigorously promoted business innovation, provided various services such as account, settlement, debit card and mobile banking for overseas business travellers, students studying abroad, expatriates and local customers. It enriched its cross-border financial service system, stepped up efforts to enhance product competitiveness, and improved remittance services for students studying abroad and remuneration exchange settlement services for the expatriates. The Bank steadily pushed forward the development of overseas private banking and wealth management. By focusing on the two themes of overseas personal asset allocation and investment in China, the Bank accelerated to build globalised brands in private banking and wealth management. Meanwhile, the Bank stepped up the promotion of overseas versions of mobile banking and expanded its services to 30 countries and regions. The Bank continued to improve its overseas debit card offerings and issued debit cards in 19 countries and regions, covering the three brands of UnionPay, Visa and MasterCard. It improved its debit card acceptance network, joined local clearing organisations, facilitated customer card use, and reduced transaction costs, thereby better satisfying the global card usage demands of overseas customers. It also launched an upgraded

overseas system, unifying the approval and scoring system for domestic and overseas personal loans.

The Bank facilitated work and production resumption, and made agile responses to the relief measures implemented by the local governments of Macao, Thailand and Phnom Penh to benefit people by reducing the interest rates and fees of credit cards, and adjusting minimum repayment amounts, etc. The Bank made timely adjustments to its cross-border business development strategy, leveraged its advantages in cross-border online shopping business, and attached great importance to serving overseas resident customers such as overseas students. It steadily promoted its overseas card issuance and acquiring business, and further expanded the overseas version of “BOC Smart Payment” in Southeast Asia, which was launched in the Vientiane BOC Branch and Malaysia BOC Branch.

Financial Markets Business

The Bank actively carried out bond investment business while steadily improving the global integrated management level of its investment operations. It carried out overseas branch investment in an appropriate manner, and strengthened risk control.

The Bank took full advantage of its global operations to overcome the impact of the COVID-19 pandemic and provide continuous and stable quotation services worldwide. It actively consolidated infrastructure construction and continuously improved customer experience. Following the national strategy, the Bank continued to actively carry out RMB quotations in Taiwan, Singapore, South Korea, Dubai, Kazakhstan, Russia and other countries and regions. It continued to improve the quotation levels and customer service capabilities, thus promoting the internationalisation of RMB. The Bank consolidated the advantages of its globally integrated trading business and strengthened the capacity construction of overseas trading centres. The Hong Kong Offshore RMB Trading Centre continued to improve its market-making capabilities

Management Discussion and Analysis — Business Review

and actively carried out Dim Sum Bond market-making and Bond Connect business. The London Trading Centre actively coped with the impact of the pandemic, insistently remained on duty, and achieved stable operations.

The Bank successfully issued 5.0 billion patacas equivalent of dual-currency SME special social responsibility bonds related to COVID-19 pandemic prevention and control in the international market, representing the first anti-pandemic themed bonds in the international market. It successfully issued USD939 million equivalent of dual-currency blue bonds, the first blue bonds issued by a commercial institution in the world. In 2020, the Bank underwrote Panda Bonds with a total volume of RMB17.4 billion, with a market share of 31.90%, ranking first in the market. It underwrote offshore China bonds with a total volume of USD13.213 billion and a market share of 6.26%, also ranking first in the market. It underwrote USD15.621 billion of Asia (excluding Japan) G3 currency bonds, achieving a market share of 4.50%, ranking first among Chinese banks.

The Bank was a front runner among Chinese peers in terms of cross-border custody business, ranking first among the Big Four banks according to the scale and growth rate of cross-border custody business, and further securing its advantages. It rolled out the first global depositary receipts (GDR) programmes for insurance funds and that for industrial enterprises respectively, marking significant projects for supporting the “Going Global” efforts of Chinese enterprises.

Clearing Business

The Bank continuously improved its cross-border RMB clearing capabilities and pushed forward the cross-border application of RMB, thus further consolidating its leading edge in international payments. As at the end of 2020, the Bank accounted for 13 of the world’s 27 authorised RMB clearing banks and continued to lead its peers. It also ranked first in terms of the number of CIPS indirect participants, with the Macau Branch accessing CIPS as a direct participant.

In 2020, the Bank’s cross-border RMB clearing transactions totalled RMB471 trillion, an increase of more than 8% compared with the prior year, maintaining first place in the global market. The Bank was reappointed as US dollar settlement bank of the China Foreign Exchange Payment System.

Online Services Channels

The Bank further consolidated its leading position among Chinese banks in overseas corporate online banking services, covering 58 overseas institutions in 51 countries and regions, with 14 available languages including Chinese, English, Korean, Japanese, German, French and Russian by the end of 2020. It further promoted the construction of its overseas global cash management system, and used key products such as physical cash pooling, Global Vision, and SWIFT direct connection to provide global cash management services for “Going Global” companies, covering 33 overseas countries and regions. It stepped up the development of overseas personal mobile banking and expanded its personal mobile banking services to 30 countries and regions.

Technology Support

The Bank increased IT investment in its 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 requirements and adapt to regulatory requirements related to new business patterns such as open banking and Payment Service Directive 2 (PSD2).

BOCHK

Against the backdrop of a complex and challenging environment, BOCHK actively responded to changes in the market environment, strengthened the execution of its strategic plans and steadily pushed forward its business priorities. BOCHK continued to give full play to its regional synergies in Southeast Asia in order to implement its integrated business systems. It captured new opportunities from the Guangdong-Hong Kong-

Management Discussion and Analysis — Business Review

Macao Greater Bay Area and continued to develop its local market in Hong Kong. BOCHK expedited its digital and innovation-driven development and increased the application of FinTech in its products and services. It constantly optimised its environmental, social and governance (ESG) framework and targets and promoted green and sustainable development. BOCHK strengthened its risk and compliance controls, with major financial indicators remaining at solid levels. As at the end of 2020, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD3,320.981 billion and net assets reached HKD319.655 billion. Its profit for the year was HKD28.468 billion.

BOCHK improved its operational presence in Southeast Asia and proactively pushed forward its integrated regional development.

With BOCHK Yangon Branch in Myanmar already commenced business, BOCHK's regional business covered nine Southeast Asian countries, representing an even more comprehensive regional presence. It continuously optimised its regional management mechanism and fully utilised its advantages as a regional centre in order to improve the service capabilities of its Southeast Asian entities in terms of product innovation, marketing, business promotion and technology-driven operation. BOCHK bolstered regional collaboration and successfully acquired key projects and core customers in the region, capturing business opportunities in syndicated loans and cash management, while constantly promoting digital transformation and financial product innovation. All these initiatives helped its Southeast Asian entities to gradually expand into the local mainstream markets. BOCHK set up a regional operation centre, promoting centralised operations in order to reduce operating costs and reap the benefits of economies of scale. It also pushed forward the optimisation of its Southeast Asian entities' systems and technology in order to strengthen their risk management foundations in terms of compliance, anti-money laundering and anti-fraud, with a view to enhancing its regional management capabilities.

BOCHK innovated and optimised products and services and enhanced regional service capabilities.

Bank of China (Thai) Public Company Limited took the lead in introducing a new business that supports third-party payment platforms and officially launched Prompt Pay, a real-time payments platform in Thailand. Bank of China (Malaysia) Berhad became the first financial institution in its local market to launch a UnionPay QR code cross-border payment service and introduced a BOCHK attestation service for account opening in Malaysia. BOCHK Manila Branch officially launched its RMB clearing bank service in January 2021. BOCHK Phnom Penh Branch became the first overseas bank to be appointed as a quoting bank for RMB to Cambodian Riel ("KHR") in the regional market, and successfully completed the first RMB to KHR direct exchange trade for its clients. BOCHK Jakarta Branch received approval from the Indonesian regulatory authority to upgrade its status to a tier three Commercial Bank, ranked first among all foreign banks in Indonesia in terms of overall operations in the Indonesian banking industry for two consecutive years, and was named "Best Robust Foreign Bank" in the Indonesia Best Bank Awards 2020.

BOCHK actively explored market opportunities in its core market of Hong Kong and outperformed its peers in key business areas.

The growth of BOCHK's total customer deposits and loans outpaced the market average. Its deposit structure was continually optimised, while the asset quality of its loan portfolio outperformed the local market. BOCHK remained the top mandated arranger in the Hong Kong-Macao syndicated loan market for the 16th consecutive year and maintained its top market position as an IPO main receiving bank and in the total number of new mortgage loans in Hong Kong. BOCHK worked alongside the HKSAR Government and the Hong Kong Monetary Authority to launch a number of initiatives, including the launch of loan schemes and relief measures for SMEs to address their business challenges and navigate the difficult times alongside them. Moreover, BOCHK continued to deepen its cooperation with large local corporates, achieving breakthroughs in debt issuance and payment

Management Discussion and Analysis — Business Review

businesses. It optimised its customer segment services by launching a brand new premium Private Wealth service for high-end customers, offering more prestigious services to targeted clients, and thus continuously improved its customer structure and numbers. It expedited its FinTech innovation by promoting digital enhancement and scenario-based application in products and services, with the aim of better meeting needs for people's livelihood financial services.

BOCHK captured new opportunities from the development of the Greater Bay Area and expanded featured cross-border services.

Actively responding to financial policies for the Guangdong-Hong Kong-Macao Greater Bay Area, BOCHK continuously strengthened cross-border business collaboration, tapped into the financial services demands of major industries and clients, provided diversified products and services to support the development of corporations in the technological innovation sector, and promoted financial market connectivity and resource flow within the area. Continuing to focus on people's livelihood, BOCHK met the needs of Guangdong-Hong Kong-Macao Greater Bay Area residents for financial services, such as those for account opening, travel support, employment and living expenses. It also improved customer experience across the entire process by enhancing its Mainland personal account opening attestation service and the Guangdong-Hong Kong-Macao Greater Bay Area Personal Loan mortgage service. Moreover, BOCHK enriched BoC Pay's application scenarios with the launch of a cross-border remittance service for Chinese mainland clients living in Hong Kong.

BOCHK expedited its digital transformation and deepened innovation in FinTech.

By deepening the application of innovative FinTech, BOCHK drove its transformation into a digital bank. Focusing on the five core digital capabilities of innovation, agility, data application, mobility and regionalisation, it aims to establish three catalysing platforms, namely an

intelligent platform, a data platform and an open platform, and five scenario platforms for property purchase, wealth management, government-related services, education-related services and cross-border transactions, in order to build a foundation for stable, reliable and centralised cloud technology and safe governance. Through technology-driven business reform, BOCHK introduced brand-new digital solutions in customer service, financial products, service processes, operational management and risk control, with the aim of gradually becoming a digital bank characterised by ecosystem-based operations, digital processes, intelligent operations, agile project management and cloud computing. By actively promoting key initiatives in digitalisation, scenario-based application and customer migration to online transactions, BOCHK achieved significant year-on-year growth in the total number of transactions conducted via mobile banking and the total number and transaction volume of online applications for various services. Meanwhile, its market share of bill payment services through Faster Payment System led the market.

During the year, BOCHK was recognised as "Strongest Bank in Asia Pacific and Hong Kong", "Best Transaction Bank in Hong Kong" and "Best Cash Management Bank in Hong Kong" by *The Asian Banker*, "Best Bank for CSR in Hong Kong" by *Asiamoney*, "Hong Kong Domestic Trade Finance Bank of the Year" and "Hong Kong Domestic Cash Management Bank of the Year" by *Asian Banking & Finance*, "Excellent Overseas Participant in Inter-bank FX Market" by the China Foreign Exchange Trade System, and received the "Outstanding International Member Award" from the Shanghai Gold Exchange and 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.)

Management Discussion and Analysis — Business Review

Delivering comprehensive services to international trading platforms and contributing to the new dual circulation development paradigm

Driven by a strong sense of responsibility and mission, the Bank gave full play to its advantages in globalised and comprehensive operations in support of the nation's opening-up strategy. It positively delivered services to the CIIE, Canton Fair, China-ASEAN Expo and other major international economic and trade activities, helping the development of foreign trading and investment. Especially as the sole strategic partner of CIIE, the Bank assisted the Ministry of Commerce and the China International Import Expo Bureau in holding the third CIIE, delivering a high quality event as scheduled, while practicing strict pandemic prevention measures and ensuring security.

Deeply involved in exhibitors and businesses invitation. Since the end of the second CIIE, the Bank leveraged its extensive global institutional network to publicise and promote the third CIIE, holding on-site and online business promotion activities in more than 10 countries and regions in its role as an “overseas business invitation undertaking institution”. In its capacity as a “supporting organisation for the overall programme of domestic business invitation road shows”, the Bank supported business invitation road shows in 23 cities held across the country by the China International Import Expo Bureau and local commerce authorities, and invited thousands of enterprises in the Chinese mainland to participate in the CIIE.

Facilitated supply-demand matchmaking. During the third CIIE, the Bank once again organised the Trade and Investment Matchmaking Conference, attracting 674 exhibitors and 1,351 purchasers from 64 countries and regions. Together, these reached 861 cooperation intentions worth a total of USD2.16 billion. The Bank added an “Investment Facilitation” session to the matchmaking conference, upgraded the BOC Global Matchmaking System (GMS) to provide full-process services including cloud negotiation, cloud contracting and cloud live broadcasting, so as to help enterprises to achieve “zero-distance” negotiation despite geographical restrictions.

Successfully held themed events. During the third CIIE, the Bank hosted a forum with the theme of “The Building and Digital Development of Inclusive Finance”, inviting experts and scholars as well as representatives of financial regulators, industry associations and Chinese and foreign financial institutions to conduct in-depth discussions on the opportunities and challenges facing inclusive finance given the impact of the pandemic and the latest FinTech applications and developments.

Incorporated targeted poverty alleviation into the CIIE. The Bank continued to perform its responsibilities as a large bank, introducing “Xianyang Malanhong” apples from a poverty-stricken county under its targeted assistance at the CIIE. It promoted the apple brand to guests from all over the world with a view to assisting local people in alleviating poverty through consumption, and thus fully supporting poverty alleviation in poverty-stricken areas.

Delivered comprehensive financial services. The Bank optimised and upgraded on-site services, adopted new FinTech such as AI, big data and cloud computing, built intelligent outlets and provided convenient online digital financial services for participating enterprises and individuals.

Management Discussion and Analysis — Business Review

The Bank actively assisted the 127th and the 128th sessions of Canton Fair that were held online. Leveraging its advantages of globalisation, the Bank precisely invited overseas customers to attend Canton Fair, and built online financial services zone for Canton Fair, providing upgraded comprehensive cross-order financial services. The Bank also held the finance connecting activities themed “BOC stabilising foreign trade, realising win-win cooperation in Canton Fair”, launched a financial online studio themed “the show of BOC financial services for Canton Fair”. During the two sessions of the Canton Fair, the Bank ranked first among financial institutions in the number of invited overseas customers, the volume of the cross-border settlement, the volume of finance and the visit times of online financial services zone.

Continuously implementing the national and regional development strategies, the Bank served the China-ASEAN Expo for 17 consecutive years, assisted to build an open financial gateway for ASEAN, and contributed its financial strength to build a closer China-ASEAN community of shared future.

In the future, the Bank will continue to give full play to its advantages in globalisation and integration, participate deeply in the services of the CIIE, Canton Fair and other major trade fairs, and serve establishment of the new development pattern with “dual circulations reinforcing each other”, and contribute to global economic development.



Management Discussion and Analysis — Business Review

Comprehensive Operation

The Bank intensified efforts in assessing the overall situation, and clarified and improved its comprehensive development strategy. Capitalising on opportunities arising from the development of the multi-tiered capital market, the Bank promoted the overall synergy of the Group, and pushed forward its integrated and high-quality development. The Bank continued to serve the real economy, supported pandemic prevention and control, forestalled various risks, and made its comprehensive financial services more adaptable, competitive and inclusive.

Investment Banking Business

BOCI

The Bank is engaged in investment banking business through BOCI. As at the end of 2020, BOCI had an issued share capital of HKD3.539 billion, total assets of HKD100.254 billion, and net assets of HKD21.374 billion. In 2020, BOCI realised a profit for the year of HKD1.488 billion.

BOCI enhanced its cross-border service capability as a functional advantage. Leveraging its advantages in integrated and globalised operations, BOCI stepped up the implementation of its “traditional investment banking + wealth and asset management” dual-engine strategy. It consolidated its advantages in traditional investment banking, accelerated the development of wealth and asset management business, and supported the new development paradigm in which domestic and international circulations reinforce each other in terms of IPO, bond issuance, securities investment, M&A and restructuring, and global commodities. In 2020, BOCI assisted with the secondary listing of a number of US-listed China Concept enterprises on the HKEX, becoming one of the most experienced Chinese investment banks in this field. It continued to improve its global customer service capability and was the only Chinese investment bank to participate in the issuance of Saudi Aramco’s multi-tranche bonds in 2020.

BOCI made plans for business development in key areas and served the real economy. It devoted great efforts to building the infrastructure of the Group’s Asia Pacific private banking centre. 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. BOCI ranked among the top in terms of Hong Kong market turnover, including both securities and derivatives (warrants & CBBC) products, and actively participated in the Mainland-Hong Kong Mutual Recognition of Funds programme. The “BOCI Greater Bay Area Leaders Index” continued to outperform its peers. In addition, BOCI facilitated the internationalisation of the onshore commodities derivatives market, and enhanced the Shanghai International Energy Exchange crude oil derivatives trading service offered to its clients.

Accelerating its digital transformation and improving agile response, BOCI applied big data and AI to vigorously expand its listing services, equity sales and wealth management business. To overcome the impact of the COVID-19 pandemic, BOCI made its online services more user-friendly by upgrading its client interface, mobile applications and web-based platforms. By adopting robot process automation (RPA) in FinTech application, BOCI will continuously improve user experience and maintain the steady growth of its brokerage business.

BOCI was awarded “Oil and Products House of the Year” again by Risk.net, an authoritative global media in the commodity industry, “Triple A Best Private Bank, Hong Kong — HNWIs” and “Best Bond Adviser — Global (China)” by *The Asset*, and “Best Financial Services in the 9+2 Guangdong-Hong Kong-Macao Greater Bay Area” by Hong Kong Ta Kung Wen Wei Media Group Limited.

BOCI China

BOCI China is engaged in securities-related business in the Chinese mainland. As at the end of 2020, the

Management Discussion and Analysis — Business Review

registered capital, total assets and net assets of BOCI China were RMB2.778 billion, RMB53.960 billion and RMB15.006 billion respectively. In 2020, it realised a profit for the year of RMB885 million.

BOCI China accelerated the transformation of wealth management services for individual customers as well as the construction of a business ecosystem for institutional customers, using technological empowerment to strengthen its head office and full-function branches. BOCI China accelerated its wealth management business transformation and continued to perfect its individual customer service chain by improving the service capabilities of investment consultants with technology. Deepening the synergistic advantages of “investment banking + commercial banking”, “investment banking + investment” and “domestic + overseas” in its investment banking business, BOCI China shifted its investment banking focus towards transaction-driven comprehensive financial services, and its asset management business focus towards active management. As a result, its customer service capability and market influence firmly strengthened. In 2020, BOCI China ranked 10th for the scale of bond underwriting, as well as fifth and 13th for assets under management and net income respectively, showcasing an increasing influence in the market. BOCI China continued to receive numerous awards from authoritative media, such as the “Junding Award for Bond Financing Team, China (2020)”, “Junding Award for STAR Market Project, China (2020)” from *Securities Times*, and “Best Local Investment Bank” by *New Fortune* for its investment banking business, “Junding Award for Asset Management Brokers, China (2020)” and the “Junding Award for Top 10 Innovative Asset Management Products, China (2020)” for its asset management business, “Junding Award for Investment Advisory Team, China (2020)” for its wealth management business, and “Best Stock Trading APPs in China (2020)” by *Financial Circle*, among others.

On 26 February 2020, BOCI China was successfully listed on the main board of the Shanghai Stock

Exchange, receiving wide recognition from investors. BOCI China will give full play to its brand value and synergies as it develops into a first-class investment bank.

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

Asset Management Business

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at the end of 2020, BOCIM’s registered capital amounted to RMB100 million, its total assets stood at RMB5.184 billion and its net assets totalled RMB4.090 billion. In 2020, its profit for the year reached RMB1.054 billion.

By steadily expanding its asset management business and implementing robust internal controls and risk management, BOCIM maintained stable profitability, improved its brand and market reputation and further enhanced its comprehensive strengths. As at the end of 2020, BOCIM’s AUM stood at RMB501.5 billion. In particular, its public-offered funds reached RMB357.0 billion and its non-monetary public-offered funds reached RMB287.8 billion.

BOCIM won a number of prestigious awards, including “Golden Fund • TOP Bond Funds Return on Fund Managers” from *Shanghai Securities News*, which also awarded its BOC Steadiness Enhanced Bond Fund with “Golden Fund • TOP Ten-year Bond Fund”, and its BOC Steadiness Profit Bond Fund with “Golden Fund • TOP Five-year Bond Fund”.

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, consulting, and other asset management related products and services. As at the end of 2020, BOC Wealth Management’s registered capital

Management Discussion and Analysis — Business Review

was RMB10.000 billion, its total assets amounted to RMB11.065 billion and its net assets totalled RMB10.473 billion. In 2020, its profit for the year reached RMB455 million.

BOC Wealth Management steadfastly complied with regulatory requirements and prudently carried out its business operations. It promoted the issuance of net-value products, expanded its product line and investment strategies, and rapidly increased its assets under management. As at the end of 2020, BOC Wealth Management's product balance amounted to RMB718.122 billion. To serve the real economy, BOC Wealth Management further improved its asset allocation, maintaining its traditional advantage in fixed income while at the same time increasing investment in non-standard debt instruments and equity assets. Meanwhile, BOC Wealth Management continuously promoted and devoted resources to the development of financial technology, strengthened trading capacity, and established a comprehensive operational system, steadily improving its business infrastructure. BOC Wealth Management collaborated with Amundi Asset Management to establish Amundi BOC Wealth Management Co., Ltd., the first joint venture wealth management company in the Chinese mainland. Amundi BOC opened for business in September 2020.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at the end of 2020, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD9.695 billion and net assets of HKD4.260 billion. In 2020, BOCG Insurance recorded gross written premiums of HKD2.663 billion and realised a profit for the year of HKD53 million.

BOCG Insurance actively implemented the development strategies of the country, and steadily expanded the general insurance business. In response

to national policy, it provided group medical insurance and fire insurance for employees dispatched to BOCHK Phnom Penh Branch. It actively developed business in the Guangdong-Hong Kong-Macao Greater Bay Area, and promoted the innovative development of financial business and the coordinated development of BOC institutions in the region. It also developed a cross-border auto insurance product with equivalent effect in Hong Kong, Macao and the Chinese mainland. Its online "quotation for auto insurance in the Greater Bay Area" provides more convenient quotation with simplified procedures. The Hong Kong-Zhuhai-Macao Bridge auto insurance, Greater Bay Area personal accident insurance and Greater Bay Area tourism insurance schemes launched by BOCG Insurance have been well received. In addition, BOCG Insurance deepened bancassurance cooperation by jointly launching a "Remote Insurance Purchase" service with BOCHK and BOC Life, thereby increasing sales capacity through banking channels and further improving insurance purchase efficiency. In response to the pandemic, BOCG Insurance accelerated the building of its online platform, realising online purchase, claim application, customer information maintenance and service information inquiry for 14 products. It also launched a new version of its mobile APP, bringing a more convenient and high-quality service experience to customers. In line with market demand for new products, BOCG Insurance launched two special group insurance schemes to provide medical support related to COVID-19 for community groups in Hong Kong, fulfilling its corporate social responsibilities.

BOC Life

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at the end of 2020, BOC Life's issued share capital was HKD3.538 billion, total assets amounted to HKD179.864 billion and net assets amounted to HKD11.400 billion. Its profit for the year was HKD878 million. BOC Life maintained its leading position in the life insurance sector and remained the market leader in RMB insurance business in Hong Kong.

Management Discussion and Analysis — Business Review

BOC Life further strengthened the transformation of its product mix and continuously launched new whole life insurance plans with both savings and critical illness protection features, including the “Forever Wellbeing Whole Life Plan” and “SmartUp Pro Whole Life Plan”. It enhanced its business development via online channels amid the pandemic, with the launch of a number of products available via mobile and online banking. BOC Life was the first insurance company to introduce an online Qualifying Deferred Annuity Policy. Undertaking social responsibility, BOC Life introduced a series of coverage and services tailored to customers, including hospital cash benefit for customers diagnosed with COVID-19 and an extension of the grace period for premium payment. Additional coverage was provided to customers of designated critical illness plans who were diagnosed with COVID-19. These benefits included cash benefits, admission to intensive care unit coverage and death benefits.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at the end of 2020, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB12.907 billion and net assets of RMB4.539 billion. In 2020, it realised written premiums of RMB5.209 billion and a profit for the year of RMB316 million.

BOC Insurance actively served the Bank’s globalisation strategy. It maintained a leading position in the overseas insurance business, covering more than 30 industries in 70 countries and regions in Asia, Africa and South America. Supporting regional development strategies, BOC Insurance developed integrated insurance action plans for the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. It supported China’s industrial upgrading by offering an insurance compensation mechanism for the first (set of) major technical equipment, so as to facilitate the upgrading of major technical equipment, with a cumulative issued amount of

RMB1.9 billion. It supported customs clearance facilitation reform by providing services for the “single window in international trade” and moving online the full process of tariff guarantee insurance and cargo transportation insurance. To support the development of private enterprises, BOC Insurance formulated and implemented 19 measures for serving private enterprises. It also played an active role in COVID-19 pandemic prevention and control, carried out the “BOC Protection Scheme for Doctors and Nurses” campaign, and provided exclusive insurance services for over 140,000 medical workers with a total insured amount of RMB6.3 billion. In addition, it assumed its share of social responsibility by joining the China Nuclear Insurance Pool, the China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool, the single-purpose pre-paid card performance bond insurance pool and the Residential Project Inherent Defect Insurance (IDI) supplier list, and by obtaining the qualifications to provide serious illness insurance for urban and rural residents. In addition, BOC Insurance introduced new forms of claim settlement services, increasingly applied technology to claim settlement, simplified claim settlement formalities, thus improving the efficiency of claim settlement. Attaching importance to consumer protection, BOC Insurance focused on complaint management and customer services, and actively carried out consumer education activities. It was awarded as an excellent organiser of the “3.15 Week of Financial Consumer Protection Publicity” and the “Month of Financial Knowledge Popularisation” campaigns in the Chinese bancassurance industry.

BOC Insurance received an “A” integrated risk rating (classified regulation) for the 17th consecutive quarter, and also maintained an “A-” rating and “stable” outlook from Standard & Poor’s for the seventh consecutive year. It was awarded “Contributor to the Fight against COVID-19 in the Insurance Industry” and “Insurance Service Brand Deserving Attention in 2020” in the China Finance Billboard by Hexun and the “Excellence Award for Outstanding Insurance Brand” in the Piloting China Awards organised by JRJ.com.

Management Discussion and Analysis — Business Review

BOC-Samsung Life

The Bank is engaged in life insurance business in the Chinese mainland through BOC-Samsung Life. As at the end of 2020, BOC-Samsung Life's registered capital stood at RMB2.467 billion, total assets amounted to RMB32.996 billion and net assets amounted to RMB2.573 billion. In 2020, BOC-Samsung Life recorded written premiums and premium deposits of RMB13.182 billion and a profit for the year of RMB67 million.

BOC-Samsung Life maintained rapid business growth, realising a year-on-year increase of 40% in premiums for the year 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 27% in first year premiums of high-value regular policies. It pushed forward innovative development by establishing an Online Insurance Department and making active plans for its online insurance business. Capitalising on FinTech trends, BOC-Samsung Life adopted facial recognition, electronic signature and other technologies, and built a simple, quick and secure all-round online service system. It accelerated digital transformation, implemented digitalised, intelligent, platform-based, mobile, virtual and cloud-based IT applications, and advanced the building of its enterprise-level architecture and data middle office. It actively served the silver economy and launched signature pension products such as "BOC YueXiangJinSheng Annuity Insurance". Furthermore, BOC-Samsung Life made every effort to combat COVID-19. It carried out the "BOC Protection Scheme for Doctors and Nurses" campaign, offering a special insurance programme for nearly 60,000 medical personnel working in key areas of pandemic prevention and control, and expanded the insurance coverage of 11 products to include COVID-19. In the 2020 Golden Censer Prize, BOC-Samsung Life won "2020 Excellent Life Insurance Company". It was also granted the "2020 Brand Value Prize" by Yidian Finance, while its "BOC JuLi Annuity Insurance" product was granted the Golden Pixiu "2020 Gold Medal Bancassurance Innovation Product" award.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment's business coverage includes private equity investment, fund investment and management, real estate investment and management and special situation investment. As at the end of 2020, BOCG Investment recorded issued share capital of HKD34.052 billion, total assets of HKD133.763 billion and net assets of HKD69.234 billion. In 2020, it recorded a profit for the year of HKD4.905 billion.

Overcoming the impact of a complex and severe external environment, BOCG Investment strived to align with the new national development pattern, strengthened the integration strategies and promoted fund-based business transformation. It actively implemented the comprehensive strategy of "competition through cooperation" by developing its business in the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, broadening investment and loan linkage channels, and participating in the construction of the ecosystems. Focusing on key industries, such as high-end manufacturing, medical treatment and logistics, BOCG Investment supported the development of the real economy by investing in a series of enterprises, including Suqian Unitech Group, Guozi Robotics, Youde Yiliao, Yimi Dida and Manbang, etc. It established the Shenzhen Startup Enterprises Fund and commenced investment. BOCG Investment continued to optimise its financing structure, successfully issuing an RMB1.5 billion Panda Bond and in total USD900 million senior bonds. Leveraging its resource advantages and investment ecosystem expertise, BOCG Investment assisted enterprises in their recovery from the impact of COVID-19. During the year, it was recognised as one of the "Top 50 Chinese Private Equity Investment Institutions of 2020" by Qingke organisations.

Management Discussion and Analysis — Business Review

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 2020, the registered capital of BOC Asset Investment was RMB10.000 billion, with total assets and net assets standing at RMB78.747 billion and RMB11.149 billion respectively. In 2020, it realised a profit for the year of RMB858 million.

BOC Asset Investment conducted debt-for-equity swap business based on market-oriented and rule-of-law principles, with the aim of improving enterprises' business operations and helping them to reduce leverage ratios and improve market value. It facilitated work and production resumption by establishing a special fund for debt-for-equity swaps in Hubei Province and by conducting swap programmes for a number of enterprises that played key roles in national COVID-19 pandemic prevention and control. BOC Asset Investment was also committed to the development of high-quality private enterprises, and succeeded in launching the first debt-for-preference-share swaps for listed companies among its financial asset investment peers. As at the end of 2020, its cumulative market-oriented debt-for-equity swap business reached RMB158.803 billion, representing an increase of RMB13.169 billion during the year.

Leasing Business

BOC Aviation

The Bank is engaged in the aircraft leasing business through BOC Aviation. BOC Aviation is one of the world's leading aircraft operating leasing companies and is the largest aircraft operating leasing company headquartered in Asia, as measured by value of owned aircraft. As at the end of 2020, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD23.568 billion and net assets of USD4.777 billion. It recorded a profit for the year of USD510 million.

Committed to pursuing sustainable growth, BOC Aviation continued to implement its robust business

strategy and steadily promoted its standing in the aircraft leasing industry. Actively supporting the Belt and Road Initiative, it had leased over 64% of its aircraft to airlines of Belt and Road countries and regions, as well as airlines based in the Chinese mainland, Hong Kong, Macao and Taiwan, as at 31 December 2020. Continuing to closely track customer demand, the company took delivery of 54 aircraft, including one aircraft that an airline customer purchased at delivery, as it expanded its owned fleet. All of these aircraft have been placed on long-term leases. BOC Aviation signed 102 leases for future deliveries and added three new customers, totalling to 87 customers in 39 countries and regions. The company consistently sought to optimise its asset structure and to improve its sustainable development. It sold 12 owned aircraft during the year, leaving it with an average owned fleet age of 3.5 years (weighted by net book value) as at 31 December 2020, one of the youngest aircraft portfolios in the aircraft leasing industry.

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

BOCL

The Bank operates financial leasing, transfer and receiving of financial leasing assets and other related businesses through BOCL. BOCL was established in June 2020 and registered in Chongqing. As at 31 December 2020, BOCL recorded registered capital of RMB10.800 billion, total assets of RMB10.727 billion and net assets of RMB10.653 billion.

Following the strategic objectives of the Group, BOCL focused on national strategies and key regions, upheld the development philosophy of specialisation, differentiation and featured characteristics, highlighted the featured characteristics of financial leasing, refined and strengthened its leasing brand, continued to deepen internal connectivity and collaboration, and achieved key business breakthroughs. As at the end of 2020, it had conducted more than RMB10 billion in financial leasing business, involving transportation,

Management Discussion and Analysis — Business Review

water conservancy, energy production and supply, construction, manufacturing and other industries, thus taking practical steps to support the development of the real economy.

Financial Technology

BOC Financial Technology

The Bank conducts financial technology innovation, software development, platform operation, and technical consulting services through Bank of China Financial Technology Company Limited. As at the end of 2020, the registered capital of BOC Financial Technology was RMB600 million, with total assets and net assets standing at RMB764 million and RMB615 million respectively. In 2020, it realised a profit for the year of RMB14 million.

Serving the development strategies of the Group, BOC Financial Technology devoted efforts to reforming the company's credit authorisation system and the core construction of data governance, built anti-money

laundering and inclusive finance products, and fully developed the BOC Pension Scenario Construction Platform, BOC Culture & Tourism Scenario Construction Platform, BOC Transportation Scenario Construction Platform and BOC Intelligent Hospital. BOC Financial Technology supported the IT construction of the Group's integrated operation companies, developing three basic public platforms including operation and management, business synergy, and information sharing. It provided support for key regions, pushed forward the integrated business synergy of the Yangtze River Delta with IT support, comprehensively boosted the construction of Smart Hainan and Digital Xiongan, achieving its goal of exporting financial technology products and services out of the Group. Its products won many prestigious awards. BOC Robot Advisor won the "Gold Award for Technological Innovation Application" in the 2020 China FinTech Innovation Contest held by the China Financial Certification Authority (CFCA), while BOC Intelligent Risk Control Platform received a "Top Ten Award for Smart Risk Control Innovations" from *The Banker*.

Management Discussion and Analysis — Business Review

Ensuring effectiveness of comprehensive operation layout and enhancing comprehensive financial service capabilities

The Bank has adhered to its original aspiration of serving the real economy, focused on the principal position of commercial banking in the Chinese mainland, endeavoured to build a comprehensive operation and service system featuring complete functionality, smooth collaboration and a powerful competitive edge, and built a “one-stop” financial service brand.

Continuously improved the comprehensive operation layout. Seizing opportunities arising from the development of the Chengdu-Chongqing economic circle, the Bank established BOC Financial Leasing Co., Ltd., the first national corporate headquarters for financial leasing in Chongqing with a registered capital of more than RMB10 billion. The Bank also optimised the Group-wide management structure of village banks, and promoted the opening of the investment management village bank in Xiongan New Area, thus implementing the national strategies of inclusive finance and rural revitalisation, as well as supporting the development of Xiongan New Area. The Bank led investment in the National Green Development Fund, contributing RMB8.0 billion to the initial capital raise. The Bank also took the initiative in preventing and defusing financial risks, implemented regulatory requirements, and resolutely and steadily pushed forward the Group’s equity clearing and equity structure streamlining plans.

Continuously enhanced corporate governance efficiency. The Bank further improved its organisational structure, established a steering group for the Group’s comprehensive operation and development, and made overall plans for the top-level design and major strategies of comprehensive operation. It improved its long-acting mechanism for corporate governance, and adjusted the composition of the Board of Directors and the Board of Supervisors. It reinforced the performance support and management of dispatched directors and supervisors, and built an effective incentive and constraint mechanism for the duty performance of directors and supervisors, thereby boosting the efficient and standardised operation of the boards of directors of comprehensive operation companies.

Continuously developed a business collaboration ecosystem. The Bank deepened the regional joint meeting mechanism by applying it in 40 domestic and overseas branches, and took multiple measures to support the coordinated marketing of major projects. It supported the major national strategies for regional development, allocated more resources to key regions, and built demonstration zones for comprehensive financial services. In the Yangtze River Economic Delta the Bank set up a comprehensive operation office in Suzhou, Jiangsu Province, which served as an integrated service platform for regional comprehensive operation. In the Guangdong-Hong Kong-Macao Greater Bay Area, BOCG Investment, BOC Asset Investment and

the Shenzhen Branch jointly explored a new mode of investment-lending financial services for technological innovation enterprises. All these efforts ensured the synergistic effects of comprehensive operation, and drove the growth of deposits, loans and custody business of the Group’s commercial banks.

Seized new opportunities arising from the two-way opening-up of capital markets. The Bank stepped up international cooperation in asset management business. Amundi BOC, the first Sino-foreign joint venture wealth management company in China, opened for business, enhancing its competitiveness in the asset management market. The Bank also served the overseas financing needs of Chinese enterprises, assisting with the second listing of a number of China Concepts Stocks in Hong Kong, the listing of Shanghai Lujiazui International Financial Asset Exchange Co., Ltd. and Guangzhou Xiaopeng Motors Technology Company Ltd. etc. on US stock exchanges, and the overseas bond issuance of large state-owned enterprises and large private enterprises. The Bank also expanded capital replenishment channels. In February 2020, BOCI China was successfully listed on the main board of the Shanghai Stock Exchange, further enhancing its business operation strengths and risk prevention capability.

In the future, following the requirements of the strategic development pattern featuring “One Body with Two Wings”, the Bank will leverage its characteristics of integrated operations focusing on commercial banking, boost high-quality development, and thereby become the Group’s value creator, function pioneer and mechanism explorer.



Management Discussion and Analysis — Business Review

Service Channels

Upholding the concepts of centralisation, integration, sharing, wisdom and openness, the Bank accelerated the transformation and upgrading of all service channels. It built online channels with stronger scenario integration capabilities and offline channels with greater value creation vitality. As a result, it cultivated an ecosystem centred on customer experience 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 the trend of digital transformation, the Bank continued to increase its efforts to expand online channels and upgrade its mobile banking service, realising a rapid growth in online businesses. In 2020, the Bank’s substitution ratio of e-banking channels for outlet-based business transactions reached 95.31%. Its e-channel transaction amount reached RMB274.97 trillion, an increase of 12.80% compared with the prior year. Among this, mobile banking transaction volumes reached RMB32.28 trillion, an increase of 14.14% compared with the prior year, making mobile banking the online trading channel with the most active customers.

Unit: million customers, except percentages

Items	As at 31 December 2020	As at 31 December 2019	Change (%)
Number of corporate online banking customers	5.4351	4.6163	17.74%
Number of personal online banking customers	194.2267	182.3062	6.54%
Number of mobile banking customers	210.5524	180.8226	16.44%
Number of telephone banking customers	111.3692	112.7403	(1.22%)

Unit: RMB billion, except percentages

Items	2020	2019	Change (%)
Transaction amount of corporate online banking	232,166.028	204,334.071	13.62%
Transaction amount of personal e-banking	40,520.497	36,366.825	11.42%
Transaction amount of mobile banking	32,277.028	28,278.569	14.14%

Following mobile internet trends, the Bank built a mobile portal to host the Group’s integrated financial services for corporate banking customers. In 2020, relying on the BOC iGTB platform, the Bank focused on high-frequency and open scenarios with mobile features, and delivered mobile value-added services for small and medium-sized enterprises. On top of bank reconciliation, transfer and remittance, account management, salary payment and other high-frequency basic services for corporate customers, the Bank also launched featured services including foreign exchange settlement, international settlement documents services and L/G inquiry services, as well as rolling out To-do Centre, Info Centre, corporate card, tax ID inquiry and other convenient services, so as to improve customer experience. Meanwhile, the Bank enhanced FinTech applications, promoted more integrated service scenarios, continually enriched the functions of cross-border e-commerce products, improved the outward remittance route for cross-border e-commerce via CIPS, and developed functions relating to cross-border e-commerce export. The Bank launched services concerning donations for fighting the virus by providing a green channel in corporate online banking that simplified contracting procedures for enterprises.

Management Discussion and Analysis — Business Review

The Bank continued to improve the functions of its mobile banking for personal customers and facilitated the digital transformation of personal banking. Employing big data and artificial intelligence technologies, the Bank launched the “thousand customers, thousand faces” in-depth personalised services based on user labels and browsing behaviours. It launched four featured zones of cross-border, education, sports and silver economy, and combined scenarios and relevant services to deliver one-stop financial and lifestyle services. The Bank launched new services including one-click card binding, LPR conversion, credit reference inquiry, permanent credit card withdrawal, registration using Hong Kong and Macao mobile phone numbers, and download and printing of transaction records, and improved account and asset management, transfer and remittance, income and expenditure records, fund, wealth management product purchase and other services, thus offering a high-quality operational experience. As at 31 December 2020, the number of mobile banking customers reached 211 million and the transaction amount for the whole year stood at RMB32.28 trillion, a year-on-year increase of 16.44% and 14.14% respectively. During the pandemic period, mobile banking, WeChat banking and other channels launched pandemic prevention zones, covering 39 services in 12 categories, with the total number of visits reaching 32.42 million. The Bank enhanced the digital risk control capacity for its online channels, and accumulatively monitored 6.193 billion transactions through the “Cyber Defence” smart risk control and prevention system in 2020, an increase of 67.38% year on year. As at 31 December 2020, the Bank opened accounts for 12.10 million customers through its mobile banking-oriented digitalised authorisation tool, an increase of 281.70% over the previous year.

During the year, the Bank won numerous awards including “People’s Product with Ingenuity” from people.cn, “Best Mobile Banking” from *China Internet Weekly*, “2020 Mobile Banking with Excellent Competitiveness” from *China Business Journal*, “2020 Bank with Excellent Customer Experience (Mobile Banking)” from *The Economic Observer*, “2020 Smart Finance Award (Mobile Banking)” from *The Paper*, and “Best Mobile Banking User Experience Award” from cebnet.com.cn.

Offline Channels

The Bank pushed forward key reforms in outlet transformation and smart operation. The Bank made preliminarily progress in forging a development pattern featuring smart outlet services, diversified staff composition, refined management, differentiated operations and intensive businesses, and built outlets into a marketing service ecosystem encompassing all channels and all scenarios.

The Bank deepened the building of an intelligent service system. In 2020, the service capacities of smart counters were continually improved with 17 times of upgrading. The Bank launched a one-stop social security card issuance service, where cards can be opened with both the financial function and the social security function and claimed on the spot, significantly improving service efficiency and customer experience. It also launched a number of scenarios for government affairs and people’s livelihood with local features, and delivered over 100 convenient services such as provident fund, social security and civil affairs, thereby effectively enhancing its capacities in serving people’s livelihood. What’s more, the Bank launched tablet-version smart counters, using more flexible and accessible devices that can provide customers with a more considered and personalised “one-to-one” service experience in various scenarios. Adapting to the trend of transformation towards intelligent outlets and aiming to promote personnel transformation, the Bank made full use of its human resources through the standard allocation of counters, integration of authorities, reform of appraisal mechanism, innovation of position combination and other measures, reshaped the production relations at outlets, stimulated staff vitality, and hence improved outlet efficiency.

Management Discussion and Analysis — Business Review

The Bank accelerated the refined management of outlets. By launching smart screens in outlet halls, the Bank realised standardised and three-dimensional display of various products and promotional information of outlets. It created a staff channel and a digital outlet management platform to display the operating results and business data of its outlets in a visual and panoramic manner, and propelled outlets to develop from smart processes to digital processes, services, marketing and management. It continuously carried forward the classified management and differentiated development of its outlets. The Bank deepened cross-line coordination and enhanced the value creation capacity of various outlets. It pushed forward the establishment of an outlet scenario ecosystem, built featured outlets based on cross-border, education, sports, silver economy and other scenarios, and provided offline support for the implementation of scenario strategy. The Bank integrated operation resources, and incorporated 40 businesses under six categories into the operation centre for processing, enhanced intensive operation capacity, and facilitated the transformation and operation upgrading of outlets.

As at the end of 2020, the Bank's commercial banking network in the Chinese mainland (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised 10,487 branches and outlets. Its non-commercial banking institutions in the Chinese mainland totalled 504, and the number of its institutions in Hong Kong, Macao, Taiwan and other countries and regions totalled 559.

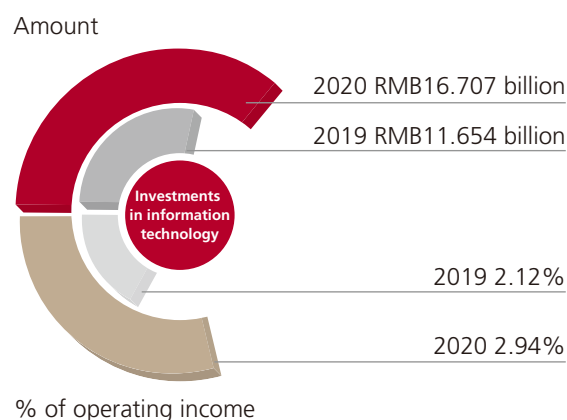
Unit: single item, except percentages

Items	As at 31 December 2020	As at 31 December 2019	Change (%)
ATM	33,314	37,331	(10.76%)
Smart counter	31,960	30,425	5.05%
Self-service terminal	855	1,875	(54.40%)

Information Technology Development

The Bank actively promoted the reform of technological mechanisms and processes, continued to improve its agile technological response capabilities, focused on key issues of the information technology, steadily promoted the implementation of strategic projects, strengthened its ability to lead technological innovation, and resolutely won the battle for technological reform. In 2020, the Bank made investments of RMB16.707 billion in information technology.

The Bank made greater efforts in enabling advancement through technology, and formulated the IT development plan. It firmly pushed forward the construction of basic, long-term and strategic projects, and built the Group's digital capacity supporting precise customer service and featuring agile product innovation, intensive and efficient operation, and smart and flexible risk control. Focusing on digital transformation, the Bank promoted the innovation and application of new technologies, integrated technological DNA into all business fields and across the whole process, cultivated a digital driving force, and sharpened its core competitiveness.



Management Discussion and Analysis — Business Review

The Bank moved faster in its OASIS project so as to open a new chapter for the development of a digital bank. It pushed forward the transformation of technological architecture and business architecture in an all-round manner, and injected new vitality and new driving force into the Group's digital transformation. The Bank advanced business analysis, model building and IT implementation in parallel, completed the promotion of a user unity project, and completed the pilot launch of the two-network integration project which successfully promoted efficiency and benefit. It continued to promote the IT agile delivery project and the IT operation and maintenance capability enhancement project, continuously improving its IT delivery capability. According to the planning concept of "multi-centre multi-location", the Bank steadily advanced the construction of computer rooms and cloud centres in Huhhot, Inner Mongolia and Hefei, Anhui, laying a solid foundation for building a digital bank.

The Bank actively implemented the Group's strategy and promoted the development of key projects. It accelerated the ecosystem building for strategic scenarios, and continuously enriched non-financial services from four dimensions of cross-border, education, sports and silver economy. The Bank kept improving the customer service capability of its transaction banking platform and facilitated digitalisation in terms of marketing, management and risk control. The online financing product system of inclusive finance was continuously improved, and the inclusive finance business developed rapidly. The Bank continued to upgrade its mobile banking and developed it into an integrated service platform. It continued to diversify the shape of its smart counter services, and formed an online and offline integrated intelligent service system step by step. The smart customer service system was promoted to 29 overseas branches and comprehensive operation companies including BOC Insurance, enhancing the Group's globalised and comprehensive service capability. The Bank pushed forward the building of the Group's

comprehensive risk management portal and intelligent risk data, and established a monitoring and early warning mechanism featuring coordinated first and second lines of defence and interconnection between the Head Office and branches. It continuously carried out data governance and improved the big data platform and data governance system.

The Bank continuously improved the IT management process and increased operation and management efficiency. It established a connection mechanism between the financial budget and project size of application projects, and enhanced the support of IT capacity to the Group's strategy. It improved the IT resource allocation mechanism and process, and enhanced the dynamic resource allocation and management capacity. It also optimised the management mechanism for featured applications of domestic branches, reinforced the collaboration between the Head Office and branches, standardised the management process, and promoted application sharing. The Bank promoted the in-depth integration of technology and business, and preliminarily formed a sound situation featuring shared objectives, shared risks and interests. Focusing on key areas, it accelerated innovation and research, carried out research on new business patterns, promoted the implementation of new models, realised the application of new technologies, and promoted the transformation of new achievements, in order to support the development of key areas. The Bank vigorously promoted the construction of its innovation research base, innovated communication and cooperation platforms, promoted communication and cooperation among nations and/or industries, stimulated innovation vitality, and boosted business product innovation.

In 2020, the Bank won numerous technology awards from the PBOC, state agencies, media and industry associations, reflecting its fruitful achievements in IT innovation development.

Management Discussion and Analysis — Business Review

Accelerating the promotion of BOC IT digital transformation strategy

Centring on the Group's development strategy, the Bank implemented the "NeoBOC+" technological innovation strategy, advanced the enterprise-level business architecture and the enterprise-level IT architecture transformation, thus building the IT capabilities of business digitisation, scenario ecosystem and platform-oriented technology. It pushed forward the implementation of the "One Body with Two Wings" strategic development pattern through digital development, built up the "NeoBOC+" brand as an important cornerstone and a new driving force for the building of a first-class global banking group.

The Bank deepened whole-process digital transformation, promoted the application of emerging technologies such as big data, artificial intelligence, blockchain and biometric authentication, and continuously enhanced its digitalisation and intelligent development capacities. It pushed forward scenario merging, enhanced product functions, and continuously promoted customer experience. The Bank strived to develop online channels, continually upgraded mobile banking application, and pushed forward the rapid growth of online business. It built staff channel and outlet digital management platform, which presents a visual and panoramic view of operation and management data of outlets, promoting the outlet transformation from intelligent process to an all field digitalisation in process, service, marketing and management.

During the next period, the Bank will push ahead with the FinTech development to a higher level. It will develop a digital sharing platform at the group level for precise customer services, agile product innovation, intensive and efficient operation as well as smart and flexible risk control, reaching the industry-leading level in terms of cloud computing, artificial intelligence, 5G and the internet of things.



Management Discussion and Analysis

Risk Management

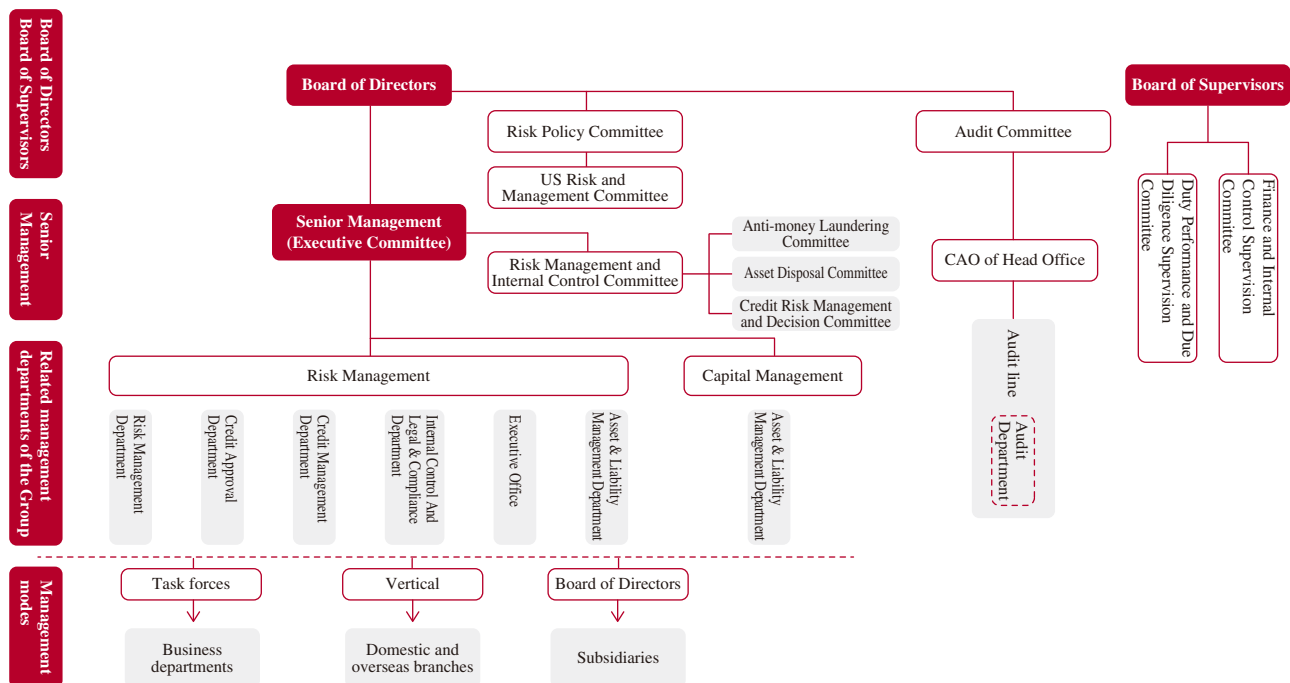
- 77** **Credit Risk Management**
- 82** **Market Risk Management**
- 82** **Management of Interest Rate
Risk in the Banking Book**
- 83** **Liquidity Risk Management**
- 84** **Reputational Risk Management**
- 84** **Internal Control and Operational
Risk Management**
 - Internal Control
 - Operational Risk Management
 - Compliance Management
- 86** **Country Risk Management**
- 86** **Capital Management**
 - Capital Adequacy Ratios
 - Leverage Ratio

Management Discussion and Analysis — Risk Management

The Bank continued to improve its risk management system in line with the Group's strategies. Amid the global spread of COVID-19 and the economic downturn, the Bank strengthened emergency management, established a pandemic response mechanism at the Group level, focused on potential risks in key areas, and reinforced the risk management and control of its domestic and overseas institutions. It fully implemented regulatory requirements, and carried out rectification and accountability for the CBIRC's initiatives such as "review of market disruption rectification" and quarterly regulatory notifications. The Bank continued to improve the compliance of its effective risk data aggregation and risk reporting, moved ahead with the establishment of an implementation mechanism for new regulations on online loans, and actively responded to reform of the inter-bank offered rate (IBOR), so as to ensure compliant operation. It also

refined its risk management system, promoted the building of the "Three Lines of Defence" for risk management, updated the Group's risk appetite, and strengthened the development of business departments as the middle office of risk control. In addition, the Bank established a multi-tiered consolidated risk management system to improve the effectiveness of the Group's consolidated risk management and control. It pushed forward capital-saving transformation, consolidated the foundation for the Basel III implementation, made stress tests more responsive, and enriched its comprehensive risk measurement and monitoring tools. It also consolidated the foundations of the IT system for risk management, continued to expand scenarios for risk data intelligent application, and actively promoted risk data governance.

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



Credit Risk Management

Closely tracking changes in macroeconomic and financial conditions, the Bank further 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 adjusted and optimised its credit structure. With the aim of advancing strategic implementation and balancing risk, capital and return, it improved the management plans for its credit portfolios. In line with national industrial policy orientation, the Bank intensified its support to the real economy, bolstered the improvement of weak links

Management Discussion and Analysis — Risk Management

in infrastructure, scaled up support for such areas as new infrastructure and new urbanisation initiatives and major transportation and water conservancy projects, and boosted the high-quality development of the manufacturing industry. It also enacted guidelines for industrial lending and continued to push forward the building of an industrial policy system, so as to optimise its credit structure.

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

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

The Bank stepped up efforts in the mitigation of NPAs, and continued to adopt the centralised and tiered management of NPA projects. It reinforced

the supervision of key regions and key projects, and improved the quality and efficiency of disposal. The Bank proactively explored the application of "Internet Plus" in NPA collection, and diversified its disposal channels. In addition, it enhanced the application of write-off and debt-for-equity swaps to consolidate asset quality and prevent and resolve financial risks.

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. The overseas institutions of the Bank operated in line with the *Guidelines for Loan Credit Risk Classification* or the local applicable rules and requirements on credit risk classification, whichever was stricter.

As at the end of 2020, the Group's NPLs⁵ totalled RMB207.273 billion, an increase of RMB29.038 billion compared with the prior year-end. The NPL ratio was 1.46%, an increase of 0.09 percentage point compared with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB368.619 billion, an increase of RMB42.696 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 177.84%, a decrease of 5.02 percentage points compared with the prior year-end. The NPLs of the Bank's institutions in the Chinese mainland totalled RMB189.985 billion, an increase

⁵ Total loans and advances to customers in "Risk Management — Credit risk management" section are exclusive of accrued interest.

Management Discussion and Analysis — Risk Management

of RMB20.034 billion compared with the prior year-end. The NPL ratio of the Bank's institutions in the Chinese mainland was 1.65%, maintaining a similar level as compared with the prior year-end. The Group's outstanding special-mention loans stood at RMB264.594 billion, a decrease of RMB24.720 billion compared with the prior year-end, accounting for 1.87% of total loans and advances, down by 0.35 percentage point from the prior year-end.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Group				
Pass	13,711,518	96.67%	12,566,640	96.41%
Special-mention	264,594	1.87%	289,314	2.22%
Substandard	125,118	0.88%	77,459	0.59%
Doubtful	33,823	0.24%	51,804	0.40%
Loss	48,332	0.34%	48,972	0.38%
Total	14,183,385	100.00%	13,034,189	100.00%
NPLs	207,273	1.46%	178,235	1.37%
Chinese mainland				
Pass	11,089,055	96.41%	9,885,045	95.95%
Special-mention	222,751	1.94%	247,412	2.40%
Substandard	115,873	1.01%	72,611	0.70%
Doubtful	31,078	0.27%	50,334	0.49%
Loss	43,034	0.37%	47,006	0.46%
Total	11,501,791	100.00%	10,302,408	100.00%
NPLs	189,985	1.65%	169,951	1.65%

Migration Ratio

Unit: %

Items	2020	2019	2018
Pass	1.21	1.40	2.20
Special-mention	32.66	21.45	23.70
Substandard	24.68	40.86	51.89
Doubtful	28.62	18.76	33.57

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 2020, the Group's stage 1 loans totalled RMB13,642.318 billion, accounting for 96.21% total loans; stage 2 loans totalled RMB330.133 billion, accounting for 2.33% total loans; and stage 3 loans totalled RMB207.273 billion, accounting for 1.46% total loans.

Management Discussion and Analysis — Risk Management

As at the end of 2020, the Group's credit-impaired loans totalled RMB207.273 billion, an increase of RMB29.038 billion compared with the prior year-end. The credit-impaired loans to total loans ratio was 1.46%, an increase of 0.09 percentage point compared with the prior year-end. Credit-impaired loans of the Bank's institutions in the Chinese mainland totalled RMB189.985 billion, an increase of RMB20.034 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 1.65%, keeping the same level compared with the prior year-end. The Bank's operations in Hong Kong, Macao, Taiwan and other countries and regions reported credit-impaired loans of RMB17.288 billion and a credit-impaired loans to total loans ratio of 0.64%, an increase of RMB9.004 billion and an increase of 0.34 percentage point compared with the prior year-end respectively.

Movement of Credit-Impaired Loans

Unit: RMB million

Items	2020	2019	2018
Group			
Balance at the beginning of the year	178,235	166,952	157,882
Increase during the year	100,392	94,870	83,009
Decrease during the year	(71,354)	(83,587)	(73,939)
Balance at the end of the year	207,273	178,235	166,952
Chinese mainland			
Balance at the beginning of the year	169,951	162,778	154,208
Increase during the year	86,209	88,658	80,680
Decrease during the year	(66,175)	(81,485)	(72,110)
Balance at the end of the year	189,985	169,951	162,778

Loans and Credit-Impaired Loans by Currency

Unit: RMB million

Items	As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
	Total loans	Impaired loans	Total loans	Impaired loans	Total loans	Impaired loans
Group						
RMB	11,313,067	164,072	10,125,083	150,532	9,074,501	151,313
Foreign currency	2,870,318	43,201	2,909,106	27,703	2,713,182	15,639
Total	14,183,385	207,273	13,034,189	178,235	11,787,683	166,952
Chinese mainland						
RMB	11,245,545	161,651	10,041,692	149,808	8,991,494	151,292
Foreign currency	256,246	28,334	260,716	20,143	282,055	11,486
Total	11,501,791	189,985	10,302,408	169,951	9,273,549	162,778

The Bank makes adequate and timely 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.3 to the Consolidated Financial Statements for the accounting policy in relation to allowances for impairment losses.

Management Discussion and Analysis — Risk Management

In 2020, the Group's impairment losses on loans and advances stood at RMB103.630 billion, an increase of RMB4.859 billion compared with the prior year. The credit cost was 0.76%, down 0.04 percentage point compared with the prior year. Specifically, the Bank's institutions in the Chinese mainland registered impairment losses on loans and advances of RMB93.585 billion, a decrease of RMB3.871 billion compared with the prior year. The credit cost of the Bank's institutions in the Chinese mainland was 0.86%, down 0.14 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 2020	As at 31 December 2019	As at 31 December 2018
Loan concentration ratio of the largest single borrower	≤10	2.8	3.2	3.6
Loan concentration ratio of the ten largest borrowers	≤50	13.9	14.5	15.3

Notes:

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

Please refer to Notes V.17 and VI.3 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 2020.

Unit: RMB million, except percentages

	Industry	Related Parties or not	Outstanding loans	% of total loans
Customer A	Transportation, storage and postal services	No	68,501	0.48%
Customer B	Manufacturing	No	42,423	0.30%
Customer C	Transportation, storage and postal services	No	37,372	0.26%
Customer D	Production and supply of electricity, heating, gas and water	No	34,940	0.25%
Customer E	Commerce and services	No	34,483	0.24%
Customer F	Transportation, storage and postal services	No	32,380	0.23%
Customer G	Transportation, storage and postal services	No	23,953	0.17%
Customer H	Manufacturing	No	22,843	0.16%
Customer I	Real estate	No	22,000	0.16%
Customer J	Transportation, storage and postal services	No	21,351	0.15%

Management Discussion and Analysis — Risk Management

Market Risk Management

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

The Bank enhanced the quality and efficiency of its market risk management by improving its market risk appetite transmission mechanism and optimising the Group's market risk limit management model. It strengthened market judgment and analysis, and made risk management more flexible, proactive and forward-looking. It effectively implemented regulatory requirements, intensified and coordinated derivative risk management and control, conducted more forward-looking management and control of counterparty credit risk, and enhanced risk warning and mitigation capacity. It continuously promoted the building of the market risk system, optimised risk measurement models and refined risk management. Please refer to Note VI.4 to the Consolidated Financial Statements for detailed information regarding market risk.

The Bank continued to strengthen risk control of securities investment, strengthened the early-warning and tracking of domestic bond market defaults, enhanced its post-investment monitoring and early-warning capability, and consolidated the quality control of its bond investment business. The Bank also further strengthened the Group's coordinated management of the risks arising in the securities and asset management businesses.

In terms of exchange rate risk management, the Bank sought to achieve currency matching between fund source and application. The Bank controlled its foreign exchange exposure through currency conversion and hedging, thus maintained 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 macroeconomic and market conditions, so as to achieve a reasonable balance between risk and return, and thus maximise shareholder value.

The Bank assessed the interest rate risk in the banking book mainly through the analysis of interest rate repricing gaps, and 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. 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 follows⁶.

Unit: RMB million

Items	As at 31 December 2020				As at 31 December 2019			
	RMB	USD	HKD	Other	RMB	USD	HKD	Other
Up 25 bps	(3,405)	(921)	16	203	(3,962)	(1,077)	534	(29)
Down 25 bps	3,405	921	(16)	(203)	3,962	1,077	(534)	29

⁶ This analysis includes interest-sensitive off-balance sheet positions.

Management Discussion and Analysis — Risk Management

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 2020, 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 2020	As at 31 December 2019	As at 31 December 2018
Liquidity ratio	RMB	≥25	54.5	54.6	58.7
	Foreign currency	≥25	58.6	60.4	54.8

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 2020, the Bank's liquidity gap was as follows (please refer to Note VI.5 to the Consolidated Financial Statements):

Unit: RMB million

Items	As at 31 December 2020	As at 31 December 2019
Overdue/undated	2,036,554	2,077,009
On demand	(8,932,662)	(8,035,944)
Up to 1 month	(693,580)	(1,010,716)
1–3 months (inclusive)	(143,909)	(348,821)
3–12 months (inclusive)	70,657	269,460
1–5 years (inclusive)	2,895,333	2,721,272
Over 5 years	6,930,444	6,304,436
Total	2,162,837	1,976,696

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

Management Discussion and Analysis — Risk Management

Reputational Risk Management

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

Internal Control and Operational Risk Management

Internal Control

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

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

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

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

Management Discussion and Analysis — Risk Management

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 its internal control rules, process and system, stepped up efforts in the building of its internal control inspection team and organised bank-wide risk screening, thereby improving the quality and efficiency of internal control and case prevention. The Bank also focused on the rectification of issues or findings, raised employees' compliance awareness and fostered an internal control compliance culture.

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

The Bank established and implemented a systematic financial accounting policy framework in accordance with 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. The Bank has endeavoured to implement sound accounting standards and establish a long-term accounting management mechanism since 2019. It continuously strengthened the quality management of its accounting information, so as 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 2020, the Bank succeeded in preventing 178 external cases involving RMB384 million.

Operational Risk Management

The Bank continuously improved its operational risk management system. It promoted the application of operational risk management tools, including Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC), etc., to identify, assess and monitor operational risk, and further standardised the operational risk reporting mechanism, thus continuously improving its risk management measures. The Bank enhanced its IT-system support capability by optimising its operational risk management information system. It strengthened its business continuity management system, optimised its operating mechanism to enhance operational sustainability, improved business continuity rules and regulations, conducted business impact analysis, 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 stable development and sustainable operation of the Group. It strengthened its anti-money-laundering (AML) and sanction compliance policies and procedures, optimised AML resource allocation, deepened AML efforts and strengthened sanction compliance monitoring and management. It intensified system and model building and improved system functionality. The Bank continuously strengthened the establishment of a robust

Management Discussion and Analysis — Risk Management

management framework for overseas compliance, improved the compliance risk assessment programme, refined relevant management policies, and enhanced the compliance management capabilities of overseas institutions. It improved the AML and sanction compliance training management mechanism and conducted various forms of compliance training, so as to enhance all employees' compliance awareness and abilities.

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

Country Risk Management

The Group 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.

In face of the extremely complicated international situation, the Bank continued to strengthen country risk management in strict accordance with regulatory requirements and based on business development needs. It reviewed the Group's country risk across the board and made timely adjustments to the country risk limit. It actively pushed forward the provisioning

of country risk allowances and enhanced its ability to offset country risk. It also reviewed and optimised the methodology for country risk rating and limit approval, and made rating and limit management more reasonable and effective. What's more, the Bank optimised the country risk management system, and strengthened the monitoring and reporting of country risk exposures. The Group's 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 capital adequacy, promote the Group's business development, resist various risks including credit risk, market risk and operational risk, guarantee that the Group and related institutions always meet capital regulatory requirements, and improve its capital use efficiency and value creation capabilities.

In order to realise these objectives, the Bank has formulated a medium- and long-term plan for capital management and defined the capital management principles and measures. In accordance with regulatory policies, the Bank carried out the internal capital adequacy assessment process. The Bank 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. The Bank optimised its on- and off-balance sheet asset structure, actively developed capital-light businesses, reasonably controlled the risk weight of assets, and strived to improve the endogenous capacity of capital. The Bank replenished capital through external financing channels in a prudent manner to consolidate its capital base.

Management Discussion and Analysis — Risk Management

In 2020, the Bank successfully issued USD2.820 billion of preference shares, RMB90.0 billion of undated capital bonds and RMB75.0 billion of tier 2 capital bonds, further enhancing its capital strength. It strengthened the management of existing capital instruments and redeemed RMB32.0 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 2020, the Group's capital adequacy ratio reached 16.22%, an increase of 0.63 percentage point from the end of 2019, remaining at a robust and reasonable level.

Capital Adequacy Ratios

As at the end of 2020, 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 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Net common equity tier 1 capital	1,704,778	1,596,378	1,441,977	1,346,623
Net tier 1 capital	1,992,621	1,806,435	1,719,467	1,546,517
Net capital	2,451,055	2,201,278	2,162,054	1,927,188
Common equity tier 1 capital adequacy ratio	11.28%	11.30%	10.99%	10.99%
Tier 1 capital adequacy ratio	13.19%	12.79%	13.10%	12.62%
Capital adequacy ratio	16.22%	15.59%	16.47%	15.72%

Please refer to Note VI.7 to the Consolidated Financial Statements for detailed information.

Leverage Ratio

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

Unit: RMB million, except percentages

Items	As at 31 December 2020	As at 31 December 2019
Net tier 1 capital	1,992,621	1,806,435
Adjusted on- and off-balance sheet assets	25,880,515	24,303,201
Leverage ratio	7.70%	7.43%

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

Management Discussion and Analysis

— Organisational Management, Human Resources Development and Management

Organisational Management

As at the end of 2020, the Bank had a total of 11,550 institutions worldwide, including 10,991 institutions in the Chinese mainland and 559 institutions in Hong Kong, Macao, Taiwan and other countries and regions. Its commercial banking business in the Chinese mainland comprised 10,487 institutions, including 38 tier-1 and direct branches, 370 tier-2 branches and 10,078 outlets.

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

Unit: RMB million/unit/person, except percentages

Items	Assets		Organisations		Employees	
	Total assets	% of total	Number	% of total	Number	% of total
Northern China	7,564,504	29.19%	2,066	17.89%	62,157	20.11%
Northeastern China	818,379	3.16%	905	7.84%	24,177	7.82%
Eastern China	5,404,172	20.86%	3,529	30.55%	91,941	29.75%
Central and Southern China	3,892,462	15.02%	2,778	24.05%	67,222	21.75%
Western China	1,833,965	7.08%	1,713	14.83%	37,815	12.23%
Hong Kong, Macao and Taiwan	4,306,679	16.62%	428	3.71%	19,495	6.31%
Other countries and regions	2,090,165	8.07%	131	1.13%	6,277	2.03%
Elimination	(1,507,667)					
Total	24,402,659	100.00%	11,550	100.00%	309,084	100.00%

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

Human Resources Development and Management

As at the end of 2020, the Bank had 309,084 employees. There were 283,312 employees in the Chinese mainland, of which 270,261 worked in the Bank's commercial banking business in the Chinese mainland. The Bank had 25,772 employees in Hong Kong, Macao, Taiwan and other countries and regions. As at the end of 2020, the Bank bore costs for a total of 5,147 retirees.

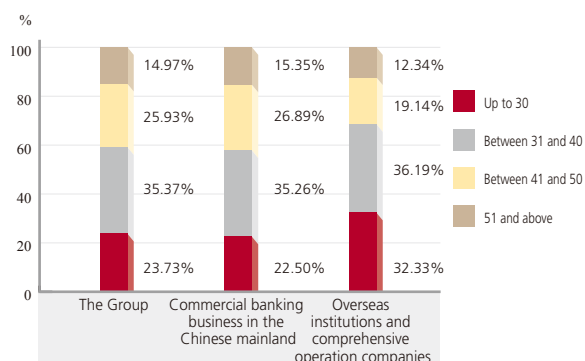
In 2020, centring on the Group's strategies and annual priorities, the Bank deepened its reform of organisational structure and management mechanism. Emphasising the key strategic tasks of enterprise-level structure building, strategic scenario development, data governance, smart operation and outlet

transformation, it moved forward with reform of its organisational structure and innovation of its systems and mechanisms. Focusing on "strong innovation, strong services, strong coordination and strong sharing", the Bank made continuous efforts to build a "strong headquarters", optimised the functional framework for globalised management, education and training, asset and liability management, corporate banking and other areas, and comprehensively improved the modernisation of the Group's governance system and governance capacity. In active response to national strategies and development, the Bank improved its regional management mode, strengthened its mechanism development, supported the development of key regions, continuously optimised its institutional management mode in provincial capitals, and further improved its organisational system for inclusive finance.

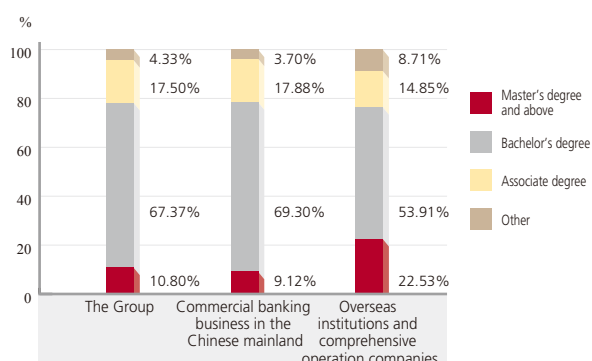
Management Discussion and Analysis

— Organisational Management, Human Resources Development and Management

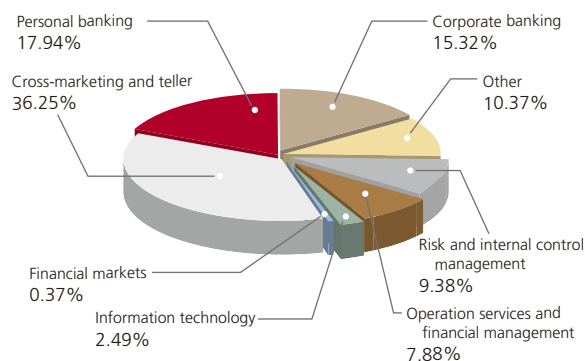
Composition of Staff by Age Group



Composition of Staff by Education Level



**Composition of Staff by Job Function
(Commercial Banking Business in the Chinese Mainland)**



The Bank vigorously strengthened and improved its human resources, intensified the cultivation of young professionals and technicians, and continuously trained internationalised and all-round talented personnel. It intensified the “two teams” building of expatriates and local employees of its overseas institutions, and continuously implemented the programme for the cultivation of minority language personnel. It stepped up the building of professional development pathways, and formulated and issued the *Implementation Plan for Further Strengthening the Building of Professional Development Pathways*. Following national strategies, the Bank implemented a special recruitment plan for ensuring stable employment, a special recruitment plan for impoverished college students, and a special recruitment plan for children of medical staff working in the front lines of COVID-19 prevention and control. In addition, the Bank actively selected and assigned officials for poverty alleviation initiatives, continued to consolidate and expand its achievements in poverty alleviation, and ensured the overall stability of its policy, funding and strength regarding poverty alleviation support.

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 the assessment of serving the real economy, developing inclusive finance and supporting private enterprises, and guided the establishment of an appropriate perspective on performance.

Management Discussion and Analysis — Organisational Management, Human Resources Development and Management

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 remuneration and benefits. Basic salary is determined by the value of the position and the ability of employees to perform their duties; performance 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 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. 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 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 branches' completion of comprehensive benefits goal, 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 so as to effectively boost the driving forces powering the sustainable development of the Bank.

Management Discussion and Analysis

— Organisational Management, Human Resources Development and Management

Building an education and training system aligned with the first-class global banking group

The Bank actively implemented the national strategy of integrating industry with education and advanced the reform of vocational education in the financial industry by establishing Bank of China University (“BOC University” or “BOCU”). The purpose is to build a first-class corporate university of financial institution featuring pursuit of noble values, an advanced schooling mode, distinctive features and advantages and excellent brand influence, develop a first-class training system and cultivate high-calibre talents, thereby contributing to building a first-class global banking group.

Demonstrating advanced concepts based on four empowerments. In May 2020, the Bank officially inaugurated BOC University, with the mission of “empowering employees, empowering the Group, empowering customers and empowering society”. Upholding the school-running philosophy of “integration of industry, university, research and innovation, available to the general public, combining education and development, online and offline digitalisation, and global cooperation and sharing”, the Bank aims to build a platform-based organisation and learning community, and demonstrate its value in implementing national policies, advancing the Group’s strategies, serving society and customers and cultivating core talents.

Pooling wisdom of concerned parties to improve governance. Drawing on the governance mechanism and mode of international advanced universities, the Bank explored the introduction of strategic partners and set up a board of directors and special committee to take charge of resources and intellects introduction, counselling and planning, supervision and guidance. Furthermore, the Bank invited select institutions of higher learning and advanced enterprises to dispatch personnel to serve as members of the board of directors and special committees of BOC University, and convened the first meeting of the board of directors, forums of the board of directors, forums of special committees and multiple President’s Office meetings to continuously improve the governance of BOC University.

Cooperating with external parties to serve the country and society. The Bank signed strategic cooperation agreements with Tsinghua University, Peking University, Shanghai Jiao Tong University, Oxford University, National University of Singapore and other famous universities at home and abroad. It also cooperated with Huzhou Municipal People’s Government and Beijing Institute of Green Finance and Sustainability to build the Green Finance College, and launched a number of external cooperation and empowerment training programmes, including the “School of Smart Government Services”, “10,000 Principals of Universities” and “Job Training Service Platform for College Students”.

Focusing on top-quality programmes to raise distinctive advantages. Focusing on the implementation of key programmes such as acceleration of leadership reform, IT consulting and digital marketing of outlets, the Bank organised learning activities with wide influence, such as staff learning day, Teachers’ Day and a new employee development community by means of community learning and action learning, to improve the quality and efficiency of learning and promote business development.

Management Discussion and Analysis — Organisational Management, Human Resources Development and Management

Accelerating digital transformation to enhance infrastructure. In response to the new situation of pandemic prevention and control, the Bank strengthened the building of a digital enterprise university (“BOC University” cloud platform) following the new requirements for training, and arranged online and offline training programmes in accordance with new concepts and new ideas. As at the end of 2020, the platform received more than 100 million visits and released more than 14,000 online learning courses, with an average daily number of active participants of over 40,000, and held 1,936 online special training sessions and 4,338 online live training sessions with nearly 5 million participants.

In the future, building on BOC University and leveraging its unique advantages, the Bank will bring into fuller play its exemplary and leading role as a large state-owned bank in deepening the reform of industry/education integration, and actively explore new models of reforming vocational education and training innovative personnel while improving its talent cultivation capability in an all-round way, with an aim of promoting the modernisation of China’s educational cause.



Management Discussion and Analysis — Outlook

In 2021, the banking industry will face a complicated operating environment. From an international perspective, the world economic situation remains complicated and grim. The global economic recovery is expected to be unstable and uneven, and the potential risks caused by COVID-19 pandemic should not be ignored. From a domestic perspective, China's economy is in good condition from a long-term perspective, with the new development pattern being built at an accelerating pace and endogenous capacity gradually improving.

At the same time, 2021 marks the first year of the 14th Five-Year Plan period and the new journey toward a modern socialist country. The Bank will follow the general principle of pursuing progress while ensuring stability, develop a full understanding of the new development stage, apply the new development philosophy, serve the new development paradigm, focus on high-quality development, uphold the systemic concept, coordinate safety and development, focus on serving the real economy, and emphasise developing technology finance, inclusive finance, green finance, cross-border finance, consumer finance, county-level finance and wealth finance. Following our strategic approach of "invigorate, adapt to change and drive for major breakthroughs", the Bank will accelerate the building of a strategic development pattern with domestic commercial banks as the main body, globalisation and integration as the two wings, and build a first-class global banking group.

First, it will serve the overall situation of the country and support the development of the real economy.

The Bank will serve supply-side structural reform, increase investment in high-quality credit, and deepen the linkages between investment, loan, bond, equity, insurance and lease. It will serve the strategy of coordinated regional development and give full play to the leading role of key regions. It will serve the strategy of expanding domestic demand and improve its product and service system in order to align with new consumption patterns. To serve common prosperity for all, it will continue to strengthen inclusive financial services, actively integrate into the rural revitalisation strategy and increase support for the county economy. To serve high-level opening-up, it will support enterprises to "bring in high quality" and "go out at a high level". It will also serve the ecological civilisation strategy and help sustainable economic and social development. In 2021, the Bank's RMB loans in the Chinese mainland are expected to grow by approximately 10%.

Second, it will optimise its layout and plan to enhance global competitiveness.

Upholding the systemic concept, the Bank will promote the development of domestic commercial banks, globalisation and integrated business, thus accelerating the development of the "One Body with Two Wings" strategic development. It will give full play to the role of key regions and key businesses in enhancing the competitiveness of the domestic business market. It will coordinate the development of the international business of its overseas institutions and domestic institutions, enhance international operations and integrated global services, and promote the steady development of overseas business. It will accelerate the promotion of overall customer marketing, collaborative product development and channel sharing, and solidly enhance the level of integrated services.

Management Discussion and Analysis — Outlook

Third, it will strengthen the construction of basic capabilities and accelerate innovation and transformation.

The Bank will accelerate the construction of enterprise-level architecture and the transformation of its technology system, deepen the integration of technology and business, and improve the responsiveness and output efficiency of technology. It will continuously promote the drive for innovation, deepen the construction of its product innovation management system, and strengthen innovation research and development as well as the application of results. In addition, it will continuously promote the construction of scenario ecosystems, gradually promote the transformation from local pilot to full-scale rollout, and improve the agility of market response and internal management. It will also continuously strengthen data governance and data empowerment, and establish a data operation system covering external customers and internal staff. Continuously deepening intelligent operation and branch transformation, it will accelerate the transformation of branch functions to focus on customer relationship maintenance, professional product sales and scenario ecosystems support.

Fourth, it will adhere to bottom-line thinking and effectively prevent and resolve risks.

The Bank will accelerate the construction of a comprehensive risk management system, effectively enhance the systemic, synergistic and forward-looking nature of risk management, improve automated and intelligent risk control capabilities, and promote risk management capabilities in order to empower business and reduce burdens for its frontline operations. It will also strengthen credit risk management, continue to enhance risk control in key industries, key areas and key customers, and maintain stable asset quality. In addition, it will improve internal control and compliance management, increase forward-looking investment in the areas of anti-money laundering and sanctions compliance, carry out remediation in key areas and pay close attention to the rectification of key issues. It will effectively protect consumer rights and interests and implement consumer protection requirements throughout the entire process of products, channels, data and services.

Corporate Social Responsibilities

In 2020, the Bank actively shouldered its responsibilities as a state-owned commercial bank, and spared no effort to provide society with solid financial services. By proactively functioning as a financial hub and industry connector, the Bank increased its support for the real economy and the lifting of living standards. It also continually improved its environmental, social and corporate governance mechanisms. Based on the new development concepts of “innovation, coordination, green development, opening up and sharing”, the Bank continuously launched extensive practical initiatives in sustainable development, and actively built up its economic, social and environmental influence.

Bravely assumed responsibilities to fight COVID-19 together

At the start of the epidemic, the Bank immediately established an emergency response steering group for COVID-19. It actively supported global fight against the virus by leveraging the advantages of its global institutional layout. It thoroughly formulated emergency plans, integrated bank-wide resources, and made inter-institution arrangements for headquarters and its domestic and overseas branches. The Bank prioritised the work of fighting the pandemic and ensuring employee safety and health, and supported the pandemic containment.

The Bank built a pandemic prevention safety net to ensure uninterrupted financial services. During the pandemic, all outlets arranged work shifts, reduced activities that cause physical clustering, and adopted protective and quarantine measures. They also cleaned and disinfected all workplaces to cut off the transmission chain of the virus. At the same time, the Bank strengthened its electronic channel services, such as mobile banking, online banking and ATMs, to continuously ensure that customers' needs for financial services were met. In face of the overseas pandemic, the Bank timely formulated and implemented the continuity plan and emergency response plan, continuously enhanced the risk resistance capacity of overseas businesses, and ensured the safe, continuous and prudential

operation of overseas business. At the same time, the Bank continuously refined the emergency response plan, strengthened country risk monitoring, and reinforced the management of credit risk, market risk and liquidity. It also intensified the application of risk quantification techniques, inspected the overseas business and asset quality, and hence lifted the risk warning capability. The Bank pushed forward the building of a long-effect compliance management mechanism for overseas institutions, reinforced the implementation of rules and regulations, enhanced the compliance management capability, and thereby ensured the safe and sound operation of business.

The Bank improved the supply of credit resources and provided greater financial support for pandemic prevention and control. In quick response to the financing needs of anti-pandemic organisations, the Bank formulated credit policies for key industries involved in pandemic prevention and control, satisfied the credit demands arising from pandemic prevention and control, and actively supported the production and supply of medical materials. In 2020, the Bank cumulatively granted RMB21.2 billion of new preferential loans to 834 national key enterprises involved in pandemic prevention and control, and RMB11.693 billion of new preferential loans to 485 local key enterprises involved in pandemic prevention and control.

The Bank actively supported the resumption of work and production and increased its assistance to enterprises affected by the pandemic. It issued the *Notice on Increasing Financial Support for Enterprises to Resume Work and Production*, and set up a special corporate credit programme of RMB200 billion. At the same time, the Bank granted a special credit line of RMB50 billion to Hubei, and formulated 30 special measures to support the epidemic prevention and control in Hubei Province and the resumption of work and production at different levels in different regions. The Bank gave full play to its advantages in global network layout, spared no efforts to provide various financial services for the pandemic prevention and control as well as the reopening of economy across the globe. Specifically, the Bank improved fund

Corporate Social Responsibilities

settlement, financing support and online services, opened a special account for pandemic-related donations, and upgraded mobile banking, online banking and other supporting services. Furthermore, the Bank provided services for central banks and policy banks in many countries, supported the pandemic-related fund raising and remittance in relevant countries, and made its due contributions to the global fight against the virus.

The Bank mobilised its resources across the world to donate goods and funds to regions severely affected by the pandemic. Immediately following the onset of the epidemic, the Bank donated RMB30 million to Hubei Province, and established the “Joint Fight against COVID-19 in Hubei” programme. In conjunction with the China Charity Federation, the Bank called on staff to donate to Hubei, with total donations amounting to RMB18.02 million from

135,400 donors. Meanwhile, the Bank closely tracked the pandemic situation, and coordinated prevention materials to support domestic and overseas pandemic containment. Based on its global presence, the Bank provided anti-pandemic supplies and necessary living assistance for Chinese students stranded overseas, and donated anti-pandemic supplies to neighbouring countries, countries along the Belt and Road, and key overseas markets of the Bank. All domestic and overseas institutions of the Bank stuck together through thick and thin, participated in the fight against the pandemic through charitable donations, materials raising and voluntary services, and built a solid defence line for the fight. They donated more than 10 million pieces of anti-prevention supplies to the Chinese mainland and 57 countries and regions, and hence contributed to the pandemic prevention and control.



Corporate Social Responsibilities



Adopted New Assistance Measures to Win a Decisive Victory in Poverty Alleviation

In strict accordance with national requirements for achieving results in poverty alleviation during the prevention and control of COVID-19, the Bank made coordinated efforts to advance pandemic prevention and control and poverty alleviation. It formulated the *Bank of China Plan for Targeted Poverty Alleviation in 2020* and the *Measures on Strengthening Targeted Poverty Alleviation Efforts of Bank of China*. It also focused on consolidating the results of its past assistance efforts, bolstering areas of weakness, and linking poverty alleviation to rural revitalisation, in a bid to achieve the goal of poverty alleviation.

The Bank channelled greater resources to assisting targeted poverty-stricken areas and ensured that all impoverished people got out of poverty. In 2020, the Bank went all out to provide targeted assistance for the four poverty-stricken counties of Yongshou, Xunyi, Chunhua and Changwu in Xianyang, Shaanxi Province (the “four counties in Xianyang”), and arranged for institutions at all levels to offer assistance

to 1,034 villages across the country. Taking into account local natural endowments, resources and industrial weaknesses, the Bank implemented various industrial projects with good development prospects and remarkable results to help local counties get rid of poverty, and carried out livelihood programmes covering education, healthcare, care for the elderly, housing, drinking water safety, etc., to further improve impoverished people’s production capacity and quality of life. At the same time, relying on the “Bank of China Philanthropy” platform, the Bank boosted the consumption of rural products. To fully support rural areas in improving the brand influence of their agricultural products, the Bank arranged for the local specialty “Xianyang Malanhong” apples to be advertised by China Central Television and displayed at the 3rd China International Import Expo (“CIIE”). As at the end of 2020, 386 poverty-stricken villages in the four counties of Xianyang were all removed from poverty, with all of the 168,629 registered impoverished people from 47,347 households liberated from poverty. All of the 1,034 poverty-stricken villages that have received the assistance of institutions at all levels of the Bank also freed themselves of poverty.

Corporate Social Responsibilities

The Bank strengthened its financial service support for the goal of comprehensive poverty alleviation. It launched comprehensive products around the country, such as loans for industries involved in poverty alleviation, loans for programmes involved in poverty alleviation, small-amount loans for poverty alleviation, government-sponsored student loans, and poverty alleviation bonds, in order to support impoverished people in increasing their income and poverty-stricken areas in developing specialty industries. The Bank also addressed the financial needs of such sectors as transportation, water conservancy, electric power, tourism, environmental protection and industry in impoverished areas. It took special measures to further support the fight against poverty in areas of extreme poverty, namely the “three regions and three prefectures”, as well as areas where specific assistance goals have been publicised in advance and completion progress has been placed under supervision. As at the end of 2020, the Bank’s poverty alleviation loans granted to the “three regions and three prefectures” stood at RMB5.892 billion.

Implemented National Strategies to Support the Development of Dual Circulation

The Bank integrated its business development with the implementation of national strategy implementation. Within the national context of fostering a new development paradigm in which domestic and international circulations reinforce each other, the Bank gave full play to its advantages in globalised and integrated operations and vigorously boosted economic and social development.

The Bank utilised its financial resources to serve the domestic and international circulations. In implementing the national strategy of regional coordinated development, the Bank established an integrated regional financial services system which focused on and injected vitality into the Beijing-Tianjin-Hebei region, the Yangtze Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area, the Xiongan New Area and the Hainan Pilot Free Trade Port. It also followed up with more than 600 major overseas projects along the Belt and Road,

and granted a variety of credits exceeding USD185.1 billion. In addition, the Bank vigorously supported the RMB internationalisation. Across the year, its cross-border RMB settlement volume stood at RMB9.20 trillion, up 25.75% year on year, and its cross-border RMB clearing volume stood at RMB471 trillion.

The Bank strengthened domestic and foreign collaboration to help stabilise the fundamentals of foreign trade. It formulated and released 13 measures to “stabilise foreign trade”, and launched exclusive service plans or measures to “stabilise foreign trade and foreign investments” in more than 30 provinces and cities jointly with local commerce departments, further strengthening the financial service support for foreign trade enterprises. The Bank increased the support for export credit insurance financing to help companies hold orders and stabilise production. It set over 120 expert hotlines for import and export, with a total of more than 30,000 consulting services offered for foreign trade enterprises throughout the year. What’s more, the Bank continued providing all-round financial services for the CIIE. The online + offline trade and investment matchmaking conferences held via the BOC Global Matchmaking System attracted the participation of 674 exhibitors and 1,351 purchasers from 64 countries and regions, with 861 tentative deals reached.

The Bank integrated its advantageous resources to drive the development of new infrastructure. It formulated the *Guiding Opinions on Credit Granting for Supporting New Infrastructure and Strengthening Weak Links of Infrastructure*, placing equal emphasis on new and old infrastructure as well as new urbanisation. It also formulated credit policies for 5G, artificial intelligence, the industrial internet, big data centres, charging piles for new energy vehicles and other key areas of new infrastructure. In the meantime, the Bank focused on credit granting opportunities in areas such as expressway, urban rail transit and railway construction, explored key water conservancy projects, and conducted land transfer, urban renewal, the renovation of old urban communities and other services in an orderly manner.

Corporate Social Responsibilities

The Bank provided services to high-end manufacturing in order to activate new drivers for industrial development. To support the high-quality development of the manufacturing industry, the Bank issued credit policies for such industries as integrated circuits, new energy vehicles and new materials. As at the end of 2020, outstanding loans granted to the domestic manufacturing industry totalled RMB1.46 trillion, representing an increase of RMB105.7 billion over the year beginning.

Deeply Developed Inclusive Finance to Help Stabilise the Economy and Ensure Living Standards

The Bank fully implemented the nation's overall plans for ensuring stability on the six key fronts and maintaining security in the six key areas, and strengthened its comprehensive service capabilities in inclusive finance to ensure job security, basic living needs, and the operations of market entities.

The Bank increased credit support for inclusive finance to facilitate the steady and healthy development of micro and small-sized enterprises. In strict accordance with relevant requirements, the Bank cut fees for micro and small-sized enterprises, and launched inclusive preferential interest rates for such enterprises. Where enterprises suffered temporary operating difficulties, the Bank did not blindly withdraw their loans in advance, cancel their loans or delay the granting of loans. By doing so, the Bank eased the pressure on enterprises, individual businesses and owners of micro and small-sized firms on capital turnover. Meanwhile, the Bank supported enterprises' resumption of work and expansion of production capacity, and helped maintain stability in employment. As at the end of 2020, the balance of loans for inclusive finance under the target of "two no-less-than and two control" amounted to RMB611.662 billion,

an increase of RMB198.714 billion from the beginning of the year.

The Bank used FinTech to connect key nodes of inclusive finance. Relying on digital technologies, the Bank improved its digital service capabilities, intensified technical security and data protection, and strengthened the construction of inclusive financial infrastructure. In addition, the Bank continuously optimised the BOC Global Matchmaking System, and had held 72 cross-border matchmaking activities, attracting 30,000 Chinese and foreign enterprises from 125 countries and regions.

The Bank facilitated the country's rural revitalisation initiative by providing solid support for agriculture-related and small-sized enterprises in counties. As at the end of 2020, the Bank had outlets in 1,167 counties, with a coverage rate of 62.1%. Specifically, it set up 320 outlets in state-level poverty-stricken counties. It also established 89 outlets in the deep poverty-stricken areas of "three regions and three prefectures", with 703 offsite self-service banks opened and 519 mobile smart counters put into use. BOC Fullerton Community Bank had established 126 village banks and over 180 township sub-branches in 22 provinces (or municipalities) across the country. 65% of these institutions were distributed in the central and western regions in places with relatively weak access to financial services.

The Bank provided targeted financial services for business startups and innovation. It granted entrepreneurial loans to college graduates, returning migrant workers and veterans who intended to start their own businesses or work on innovation projects. The Bank granted a total of RMB1.102 billion of personal entrepreneurial loans in 2020, and the balance of such loans amounted to RMB2.273 billion, covering 18,119 customers.

Drove Innovations in Green Finance to Address Climate Challenges

Following the green development concept, the Bank promoted its green finance strategy. By improving its green finance management structure and formulating and refining green finance policies, rules and procedures, the Bank integrated green finance into its entire business process. This had the ultimate effect of providing financial momentum for the transformation of the economic development mode, the optimisation of its economic structure, and the development of the green economy, thus contributing to achieving China's "2060 carbon neutrality" goal.

The Bank strengthened strategic drivers and top-level design, and established a long-effect development mechanism for green finance. The Green Finance Management Committee was set up under the Senior Management (Executive Committee) to coordinate the Bank's green finance management and professional decision-making, with the Board of Directors regularly receiving the work report on green finance each year. The Bank formulated the *Green Finance Development Plan*, which embeds green finance into all of its business and management links, and identifies matters to be advanced, specific responsibilities and key nodes on a year-by-year basis. In doing so, it ensured the effective implementation of green finance throughout the Bank.

The Bank developed innovative green financial products so as to expand financing channels for green industries. It launched comprehensive businesses such as green credit, green bonds, climate investment and financing, and green bills, and built a multi-tiered and three-dimensional green financial business system to vigorously support green industries and projects. As at the end of 2020, the Bank's balance of green credit in the Chinese mainland denominated in RMB reached RMB896.798 billion. The Bank has established a management framework for sustainable development bonds. As at the end of 2020, the Bank's total scale of sustainable development bonds reached approximately USD9.3 billion, including 7 issues of

Corporate Social Responsibilities

green bonds equivalent to USD8.3 billion. In 2020, the Bank also issued the first "blue bond" among Chinese and foreign commercial organisations, with the funds raised used to support marine-related sewage treatment and offshore wind power projects.

The Bank actively participated in domestic and international cooperation to promote the development of green finance. It acted as Co-Chairman of the Task Force of Green Financial Product Innovation under the Green Investment Principles for the Belt and Road, and hosted the "Online International Seminar on Green Financial Innovation Products". As a full member and board member of the International Capital Market Association, the Bank assisted in the international promotion and integration of Chinese green bond standards. In 2020, the Bank participated in the preparation of the China National Green Development Fund and contributed RMB8.0 billion, accounting for 9.04% of the fund's total endowment. It also became a founding partner of the Singapore Green Finance Centre.

The Bank managed climate and environmental risks and deepened green finance practices. It closely monitored the climate and environmental risks and conducted stress tests for climate and environmental risks in some high-carbon industries and sensitive areas. In addition, the London Branch assessed and managed the climate risks of its financial business during the year.

Protected Customer Rights and Interests and Safeguarded Financial Security

The Bank attached great importance to consumer protection and incorporated it into its business development strategy and corporate culture building. It continuously refined relevant systems and mechanisms to consolidate the policy foundation, improved the whole-process control mechanism for consumer protection, and stressed the requirements for ex-ante consumer protection review, financial marketing and publicity control, and proper settlement of consumer complaints and disputes. With the focus placed on the protection of consumers' financial

Corporate Social Responsibilities

information, the Bank effectively protected the information security of customers. It carried out extensive publicity and education activities, such as the “3.15” consumer protection education and publicity campaigns, publicity and education campaigns against illegal fund-raising, the “Protecting Personal Wealth” campaign, and the “Financial Knowledge Popularisation Month” using its official website, WeChat official account and in workplaces. By doing so, the Bank further strengthened financial consumers’ self-protection awareness and risk prevention abilities, and created a healthy and harmonious financial consumption environment.

Built Professional Platforms to Continually Contribute to Public Welfare

The Bank set up professional public welfare institutions such as BOC Charity Foundation and Zhongyi Shanyuan to carry out targeted charitable assistance activities for the poor and vulnerable groups, and to jointly promote the development of the charitable cause.

In terms of education aid, the Bank carried out continuous public welfare programmes such as the “Winter Warm Heart Campaign”, “Yixinzhuxue Student Aid Action” and “Colourful Breaktime Growth Programme”. Through these programmes, the Bank strived to fund impoverished students’ schooling, improve the teaching environment in poverty-stricken areas, raise rural teachers’ overall quality, and promote educational equity. In terms of cultural inheritance, the Bank organised study tours, social events and other activities, in an effort to strengthen the education regarding excellent traditional Chinese culture,

facilitate the generational inheritance and sustainable development of such traditional culture, and to nourish national cultural confidence. In terms of care and aid for the elderly, in response to the *Opinions of the General Office of the State Council on Promoting the Development of Elderly Care Services*, the Bank developed the Bank of China Philanthropy Mutual Assistant Platform for Elderly Care with reference to time banking and other practices, and created innovative models of elderly care services, in a bid to support the development of public welfare pension undertakings. As at the end of 2020, this platform had been piloted in Beijing, Shanghai, Shenzhen, etc., engaging approximately 10,000 elderly people and volunteers.

The Bank continued to build and operate the “Bank of China Philanthropy” Online Public Donation-raising Information Platform for Charitable Organisations, one of the 20 platforms designated by the Ministry of Civil Affairs of the PRC. It committed itself to providing the public with convenient, transparent and secure donation services and helping charitable organisations to publish donation raising information and manage volunteers. At the same time, the Bank strived to mobilise its partners to participate in public welfare activities and jointly create a scenario of “public welfare + internet + finance” for the development of public welfare. In 2020, the “Bank of China Philanthropy” platform hosted a total of 142 programmes from 48 charitable organisations, raising RMB20.6818 million of funds from 254,600 donors.

For details of the Bank’s corporate social responsibility performance, please refer to the *2020 Corporate Social Responsibility Report of Bank of China*.

Corporate Social Responsibilities

Contributing to the Decisive Victory in Poverty Alleviation with Financial Strengths

Fixed-point poverty alleviation

From 1994 to 2001, the Bank carried out fixed-point poverty alleviation in four counties of Longyan City, Fujian Province. In 2002, the Bank turned to the four counties of Yongshou, Changwu, Xunyi and Chunhua in Xianyang City, Shaanxi Province, and provided targeted assistance there for 18 consecutive years. In addition, the Bank's institutions at all levels also provided targeted assistance to 1,034 villages across the country.

Since 2016, the Bank has accumulatively invested RMB700 million in over 5,900 poverty alleviation projects in agricultural industry, infrastructure, medical and health care, education and training, lifting 400,000 people out of poverty. A total of over 3,000 employees have been assigned to serve as poverty alleviation officials, and 322 village-stationed first secretaries and 862 poverty alleviation officials are still working hard on the frontline of poverty alleviation. At the same time, the Bank established the company Zhongyi Shanyuan, developed the "Bank of China Philanthropy" platform to support poverty alleviation through online consumption, with more than 30,000 kinds of agricultural products from 155 poverty-stricken counties across the country being offered. The Bank itself purchased and helped sell over RMB700 million agricultural products from impoverished areas. Moreover, it launched the first charitable foundation of a state-owned commercial bank, which raised more than RMB54 million at home and abroad, and implemented over 50 poverty alleviation projects.

In 2020, the Bank overcame the impact of the pandemic, and pushed ahead the pandemic containment and poverty alleviation in a coordinated manner. The Bank made more than RMB160 million of anti-poverty grant funding and helped introduce more than RMB83.00 million of such funds, totalling more than RMB243 million. Throughout the year, the Bank had implemented more than 1,700 poverty alleviation projects, purchased and helped sell agricultural products of RMB246 million from impoverished areas, and trained 110,000 primary-level officials and technicians. Through these efforts, the Bank has made its due contributions to the fight against poverty.

Finance-powered poverty alleviation

The Bank continued to leverage its industry advantages and enhanced credit support. As at the end of 2020, the Bank recorded a balance of poverty alleviation loans of RMB148.491 billion, underwrote six poverty alleviation bonds amounting to RMB10.77 billion, and cumulatively extended more than RMB24.6 billion of government-sponsored student loans, helping more than 1.8 million students with financial difficulties complete their studies. The Bank also launched products such as "Farmer's Benefit Loan" and small-amount loans for poverty alleviation, giving full play to its leading role in poverty alleviation through financial services. Meanwhile, the Bank made continuous efforts in outlet building in impoverished areas and improved financial facilities there. As at the end of 2020, 320 institutions were set up in former national-level poverty-stricken counties. About 20 branches nationwide, including Hebei Branch and Shandong Branch, set up rural aid stations in local rural areas. 89 institutions were established in the deep poverty-stricken areas of

Corporate Social Responsibilities

“three regions and three prefectures”, with 519 mobile smart counters put into use and 703 offsite self-service banks opened in the related branches. BOC Fullerton Community Bank, the village bank with the largest number of institutions and the widest geographical distribution in China, gave full play to its role in supporting agricultural enterprises and small and micro enterprises. As at the end of 2020, BOC Fullerton Community Bank granted 91.6% of its loans to agricultural enterprises and small and micro enterprises, and its balance of poverty alleviation loans stood at RMB2.859 billion. It set up 126 legal person institutions, 180 sub-branches and outlets, 109 rural aid stations and 6 inclusive finance service stations. 65% of these institutions were distributed in Central and Western China, with some established in 34 national-level poverty-stricken counties.



Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Share Capital

Unit: Share

	As at 1 January 2020		Increase/decrease during the reporting period					As at 31 December 2020	
	Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	Number of shares	Percentage
I. Shares subject to selling restrictions	-	-	-	-	-	-	-	-	-
II. Shares not subject to selling restrictions	294,387,791,241	100.00%	-	-	-	-	-	294,387,791,241	100.00%
1. RMB-denominated ordinary shares	210,765,514,846	71.59%	-	-	-	-	-	210,765,514,846	71.59%
2. Overseas listed foreign shares	83,622,276,395	28.41%	-	-	-	-	-	83,622,276,395	28.41%
III. Total Ordinary Shares	294,387,791,241	100.00%	-	-	-	-	-	294,387,791,241	100.00%

Notes:

- As at 31 December 2020, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.
- As at 31 December 2020, none of the Bank's A Shares and H Shares were subject to selling restrictions.

Number of Ordinary Shareholders and Shareholdings

Number of ordinary shareholders as at 31 December 2020: 724,763 (including 544,335 A-Share Holders and 180,428 H-Share Holders)

Number of ordinary shareholders as at the end of the last month before the disclosure of this report: 716,533 (including 537,042 A-Share Holders and 179,491 H-Share Holders)

The top ten ordinary shareholders as at 31 December 2020 are set forth below:

Unit: Share

No.	Name of ordinary shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	-	188,461,533,607	64.02%	-	None	State	A
2	HKSCC Nominees Limited	(14,801,197)	81,902,010,990	27.82%	-	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	-	8,596,044,925	2.92%	-	None	State-owned legal person	A
4	Central Huijin Asset Management Ltd.	-	1,810,024,500	0.61%	-	None	State-owned legal person	A
5	China Life Insurance Company Limited — dividend — personal dividend — 005L — FH0025H	138,256,625	977,844,499	0.33%	-	None	Other	A
6	HKSCC Limited	(100,598,710)	811,837,259	0.28%	-	None	Foreign legal person	A
7	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT0015H	223,180,724	712,689,170	0.24%	-	None	Other	A
8	MUFG Bank, Ltd.	-	520,357,200	0.18%	-	Unknown	Foreign legal person	H
9	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
10	China Life Insurance (Group) Company — traditional — general insurance product — southbound trading (innovation strategy)	169,172,162	169,172,162	0.06%	-	None	Other	A

Changes in Share Capital and Shareholdings of Shareholders

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

HKSCC Nominees Limited acted as the nominee for all the institutional and individual investors that maintain an account with it as at 31 December 2020. The aggregate number of the Bank's H Shares held by HKSCC Nominees Limited included the number of shares held by the National Council for Social Security Fund.

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

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

"China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH" and "China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH" are both under management of China Life Insurance Company Limited. "China Life Insurance (Group) Company — traditional — general insurance product — southbound trading (innovation strategy)" is under management of China Life Insurance (Group) Company. China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company.

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 2020, 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-Share capital	Percentage of total issued H-Share capital	Percentage of total issued ordinary share capital
Central Huijin Investment Ltd.	Beneficial owner	188,461,533,607	A	89.42%	–	64.02%
	Interest of controlled corporations	1,810,024,500	A	0.86%	–	0.61%
	Total	190,271,558,107	A	90.28%	–	64.63%
National Council for Social Security Fund	Beneficial owner	6,684,735,907	H	–	7.99%	2.27%
BlackRock, Inc.	Interest of controlled corporations	4,927,663,915	H	–	5.89%	1.67%
		22,172,000(S)	H	–	0.03%	0.01%

Notes:

- BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., while BlackRock Holdco 2 Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. Thus BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have equal interests in shares of the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. holds a long position of 4,927,663,915 H Shares and a short position of 22,172,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 4,927,663,915 H Shares, 74,701,000 H Shares are held through derivatives. In the short position of 22,172,000 H Shares, 14,620,000 H Shares are held through derivatives.
- "S" denotes short position.

Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 31 December 2020, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Changes in Share Capital and Shareholdings of Shareholders

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 fulfils 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 2020, 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.	13.3%
17	Guotai Junan Investment Management Co., Ltd.	14.54%

Notes:

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

Changes in Share Capital and Shareholdings of Shareholders

As at 31 December 2020, no other legal-person shareholder held 10% or more voting shares of the Bank (excluding HKSCC Nominees Limited).

Non-executive Directors Mr. ZHAO Jie, Ms. XIAO Lihong, Ms. WANG Xiaoya and Mr. ZHANG Jiangang, 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 on 4 March 2020 in the offshore market. Such Offshore Preference Shares have been listed on the Hong Kong Stock Exchange since 5 March 2020.

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

Number of preference shareholders as at 31 December 2020: 75 (including 74 domestic preference shareholders and 1 offshore preference shareholder)

Number of preference shareholders as at the end of the last month before the disclosure of this report: 77 (including 76 domestic preference shareholders and 1 offshore preference shareholder)

The top ten preference shareholders as at 31 December 2020 are set forth below:

Unit: Share

No.	Name of preference shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total preference shares	Number of shares pledged or frozen	Type of shareholder	Type of preference shares
1	Bosera Fund — ICBC — Bosera — ICBC — Flexible Allocation No. 5 Specific Multi-customer Assets Management Plan	(10,000,000)	210,000,000	14.21%	None	Other	Domestic Preference Shares
2	Bank of New York Mellon Corporation	197,865,300	197,865,300	13.39%	Unknown	Foreign legal person	Offshore Preference Shares
3	China Mobile Communications Group Co., Ltd.	—	180,000,000	12.18%	None	State-owned legal person	Domestic Preference Shares
4	CCB Trust Co., Ltd. — "Qian Yuan — Ri Xin Yue Yi" Open-ended Wealth Management Single Fund Trust	—	133,000,000	9.00%	None	Other	Domestic Preference Shares
5	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	(13,000,000)	73,000,000	4.94%	None	Other	Domestic Preference Shares
6	BOCOM Schroder Asset Management — BOCOM — BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	51,180,000	59,380,000	4.02%	None	Other	Domestic Preference Shares
7	CICC — ABC — CICC ABC Rui Chi No. 1 Collective Asset Management Plan	49,470,000	49,470,000	3.35%	None	Other	Domestic Preference Shares
8	China Resources SZITIC Trust Co., Ltd. — Investment No. 1 Single Fund Trust	(17,500,000)	49,000,000	3.32%	None	Other	Domestic Preference Shares
9	Bosera Fund — ABC — Agricultural Bank of China Limited	(24,000,000)	45,000,000	3.04%	None	Other	Domestic Preference Shares
10	Postal Savings Bank of China Co., Ltd.	—	40,000,000	2.71%	None	State-owned legal person	Domestic Preference Shares

Changes in Share Capital and Shareholdings of Shareholders

The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintain an account with Euroclear and Clearstream as at 31 December 2020, held 197,865,300 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.

As at 31 December 2020, “China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH” is one of both the Bank’s top ten ordinary shareholders and top ten preference shareholders.

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

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

Profit Distribution of Preference Shares

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

Exercising Redemption Rights of Preference Shares

On 23 November 2020, the Bank redeemed all 320,000,000 shares of the Domestic Preference Shares (First Tranche) issued on 21 November 2014. 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 2021
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 2021
ZHAO Jie	1962	Male	Non-executive Director	From August 2017 to the date of the Annual General Meeting in 2023
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 2021
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
WANG Zhiheng	1973	Male	Employee Supervisor	From December 2018 to the date of the 2021 Employee Delegates' Meeting
LI Changlin	1962	Male	Employee Supervisor	From December 2018 to the date of the 2021 Employee Delegates' Meeting
LENG Jie	1963	Male	Employee Supervisor	From December 2018 to the date of the 2021 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
Incumbent Senior Management Members				
Name	Year of birth	Gender	Position	Term of office as Senior Management Member
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
ZHENG Guoyu	1967	Male	Executive Vice President	From May 2019
LIU Qiuwan	1961	Male	Chief Information Officer	From June 2018
LIU Jiandong	1969	Male	Chief Risk Officer	From February 2019
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.

Directors, Supervisors and Senior Management Members

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
WU Fulin	1963	Male	Executive Director and Executive Vice President	From February 2019 to January 2020
LIAO Qiang	1974	Male	Non-executive Director	From September 2018 to March 2020
WANG Xiquan	1960	Male	Chairman of the Board of Supervisors	From November 2016 to January 2021
SUN Yu	1973	Male	Executive Vice President	From February 2019 to December 2020
XIAO Wei	1960	Male	Chief Audit Officer	From November 2014 to November 2020

Note:

- 1 No former director, supervisor or senior management member, except Mr. SUN Yu who held 10,000 H shares of the Bank, 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.
- 3 Please refer to the above table for the term of office of Mr. WU Fulin as former Executive Director of the Bank. His term of office as former Executive Vice President of the Bank started from December 2018.

Directors, Supervisors and Senior Management Members

Remuneration of Directors, Supervisors and Senior Management Members Paid in 2020

Remuneration before tax from the Bank in 2020 (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	15.76	–	77.70	No
WANG Wei	Executive Director and Executive Vice President	55.74	15.36	–	71.10	No
LIN Jingzhen	Executive Director and Executive Vice President	55.74	15.36	–	71.10	No
ZHAO Jie	Non-executive Director	–	–	–	–	Yes
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	63.47	–	–	63.47	Yes
Angela CHAO	Independent Director	45.00	–	–	45.00	Yes
JIANG Guohua	Independent Director	60.86	–	–	60.86	Yes
Martin Cheung Kong LIAO	Independent Director	45.00	–	–	45.00	Yes
CHEN Chunhua	Independent Director	22.45	–	–	22.45	Yes
CHUI Sai Peng Jose	Independent Director	13.75	–	–	13.75	Yes
ZHANG Keqiu	Chairwoman of the Board of Supervisors	–	–	–	–	–
WANG Zhiheng	Employee Supervisor	5.00	–	–	5.00	No
LI Changlin	Employee Supervisor	5.00	–	–	5.00	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
ZHENG Guoyu	Executive Vice President	55.74	15.37	–	71.11	No
LIU Qiuwan	Chief Information Officer	97.84	17.83	2.00	117.67	No
LIU Jiandong	Chief Risk Officer	97.84	17.88	2.00	117.72	No
MEI Feiqi	Secretary to the Board of Directors and Company Secretary	93.17	17.82	5.10	116.09	No
Former Directors, Supervisors and Senior Management Members						
WANG Jiang	Vice Chairman and President	61.94	15.76	–	77.70	No
WU Fulin	Executive Director and Executive Vice President	4.65	1.20	–	5.85	No
LIAO Qiang	Non-executive Director	–	–	–	–	Yes
WANG Xiquan	Chairman of the Board of Supervisors	61.94	15.76	–	77.70	No
SUN Yu	Executive Vice President	54.37	15.37	–	69.74	No
XIAO Wei	Chief Audit Officer	89.68	15.66	2.00	107.34	No

Directors, Supervisors and Senior Management Members

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 2020 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 2020, Non-executive Directors Mr. ZHAO Jie, Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. ZHANG Jiangang, Mr. CHEN Jianbo and Mr. LIAO Qiang 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 2020. 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 RMB12.9835 million in remuneration to its directors, supervisors and senior management members' services in 2020.

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

Save as disclosed above, in 2020, none of the Bank's directors, supervisors or senior management members held any position in the shareholding companies of the Bank.

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 People's Bank of China ("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.



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.

Directors



ZHAO Jie

Non-executive Director

Non-executive Director of the Bank since August 2017. Mr. ZHAO served as Inspector of the Agricultural Department of the Ministry of Finance from August 2014 to August 2017. He was an Inspector of the Office of Countryside Comprehensive Reform of the State Council from September 2008 to August 2014. From December 1991 to September 2008, Mr. ZHAO served successively as Chief of Division of Taxation and Chief of Comprehensive Division of the Department of Taxation, Deputy Chief of the Department of Taxation, Deputy Chief of the Department of Tax System and Regulations of the Ministry of Finance, Chief of Office of Panel of Countryside Taxation Reform of the State Council, and Deputy Chief and Inspector of Office of Countryside Comprehensive Reform of the State Council. He graduated from Jiangxi University of Finance and Economics and Public Institute of the Ministry of Finance in August 1982 and July 2005, respectively, with a Bachelor's Degree and a Doctor's Degree.



XIAO Lihong

Non-executive Director

Non-executive Director of the Bank since August 2017. Ms. XIAO has been serving as Director of China Galaxy Asset Management Co., Ltd. since December 2020, Non-executive Director of China Galaxy Securities Company Limited since February 2019, and as Director of China Galaxy Financial Holdings Company Limited since October 2018. From April 2014 to August 2017, she served as Inspector of the Current Account Management Department of the SAFE. 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 the 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.

Directors



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 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"), and the dean of Hangqing Advanced Institute of Economics and Finance, 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 of Hangqing 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 Finance Annual Meeting Committee, 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 standing committee member of Beijing Haidian District People's Political Consultative Conference, 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.

Directors



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, the UK P&I Marine Insurance Mutual, 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 has been appointed as a Non-Official Member of the Executive Council of the Hong Kong Special Administrative Region since 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.

Directors



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, Dean of BiMBA Business School of the National School of Development at Peking University and Professor of the Business Administration School at South China University of Technology. 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. (002308). 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 the 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 the General Manager of the Asset and Liability Management Department, the General Manager of the Financial Accounting Department and the 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.



WANG Zhiheng

Employee Supervisor

Employee Supervisor of the Bank since December 2018. Mr. WANG currently serves as Party Secretary of the Beijing Branch of the Bank and concurrently serves as Director of BOC Aviation Limited. Mr. WANG joined the Bank in July 1999, serving successively as Deputy General Manager of the Human Resources Department of the Head Office, Deputy General Manager of the Guangdong Branch, General Manager of the Qinghai Branch and General Manager of the Human Resources Department of the Head Office of the Bank. Mr. WANG graduated and obtained a Master's Degree in Finance from Nankai University in 1999.



LI Changlin

Employee Supervisor

Employee Supervisor of the Bank since December 2018. Mr. LI currently serves as Director of Bank of China Group Investment Limited. Mr. LI joined the Bank in September 1984, serving successively as Deputy General Manager of the Risk Management Department of the Head Office and General Manager of the Credit Approval Division of the Risk Management Unit of the Head Office and General Manager of the Credit Approval Department of the Head Office of the Bank. Mr. LI graduated from Central University of Finance and Economics (finance major) in 1984.

Supervisors



LENG Jie

Employee Supervisor

Employee Supervisor of the Bank since December 2018. Mr. LENG currently serves as General Manager of the 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 the Shandong Branch, Deputy General Manager of the Shanxi Branch, General Manager of the Ningxia Branch and General Manager of the 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 People's Bank of China ("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 External Supervisor of China CITIC Bank and 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 People's Bank of China ("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.

Senior Management Members



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"



ZHENG Guoyu

Executive Vice President

Executive Vice President of the Bank since May 2019. Mr. ZHENG joined the Bank in 1988. He served as General Manager of Sichuan Branch of the Bank from June 2015 to March 2019, and as General Manager of Shanxi Branch of the Bank from January 2012 to June 2015. Mr. ZHENG previously served as Assistant to General Manager and Deputy General Manager of BOC Hubei Branch. He served as Chairman of BOC Expresspay Co., Ltd from October 2019 to July 2020. Mr. ZHENG graduated from Wuhan Institute of Water Transportation Engineering in 1988, and from Huazhong University of Science and Technology as a Master of Business Administration Degree in 2000. He holds the title of Senior Economist.

Senior Management Members



LIU Qiuwan

Chief Information Officer

Chief Information Officer of the Bank since June 2018. Mr. LIU joined the Bank in 1994. He served as General Manager of Information Technology Department of the Bank from December 2014 to October 2018. From September 2009 to December 2014, he served as General Manager of the Software Center of the Bank. Mr. LIU previously served as Deputy General Manager of the Ningxia Branch and CEO of BOC SOFT Information Industrial (Shenzhen) Co., Ltd. He graduated from Xi'an Mining College with a Bachelor's Degree in Engineering in 1982. He holds the title of Senior Engineer.



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.



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.

Directors, Supervisors and Senior Management Members

Changes in Directors, Supervisors and Senior Management Members

Changes in the Bank's directors were as follows:

Mr. WANG Jiang 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 14 January 2020.

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

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

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

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

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

Mr. WANG Changyun ceased to serve as Chairman of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 11 September 2020.

Mr. CHUI Sai Peng Jose began to serve as Independent Director, member of the Corporate Culture and Consumer Protection Committee, member of the Audit Committee, Chairman and member of the Personnel and Remuneration Committee and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 11 September 2020.

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.

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.

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

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

Directors, Supervisors and Senior Management Members

Mr. XIAO Wei ceased to serve as Chief Audit Officer of the Bank as of 18 November 2020 due to reason of age.

Mr. SUN Yu ceased to serve as Executive Vice President of the Bank as of 23 December 2020 due to a change of job.

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

Mr. LIU Liange began to perform the duties of the President as of 7 February 2021, to the date the new President appointed by the Board of Directors officially performs duties.

The Board of Directors of the Bank considered and approved the appointment of Ms. ZHAO Rong as Chief Business and Management Officer of the Bank on 30

October 2020. Such appointment is subject to the approval by regulatory authorities.

The Board of Directors of the Bank considered and approved the appointment of Mr. LIU Jin as President of the Bank on 16 March 2021. Such appointment is subject to the approval by regulatory authorities.

The Board of Directors of the Bank considered and approved the appointment of Mr. CHEN Huaiyu as Executive Vice President of the Bank on 16 March 2021. Such appointment is subject to the approval by regulatory authorities.

The Board of Directors of the Bank considered and approved the appointment of Mr. ZHUO Chengwen as Chief Audit Officer of the Bank on 16 March 2021. 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

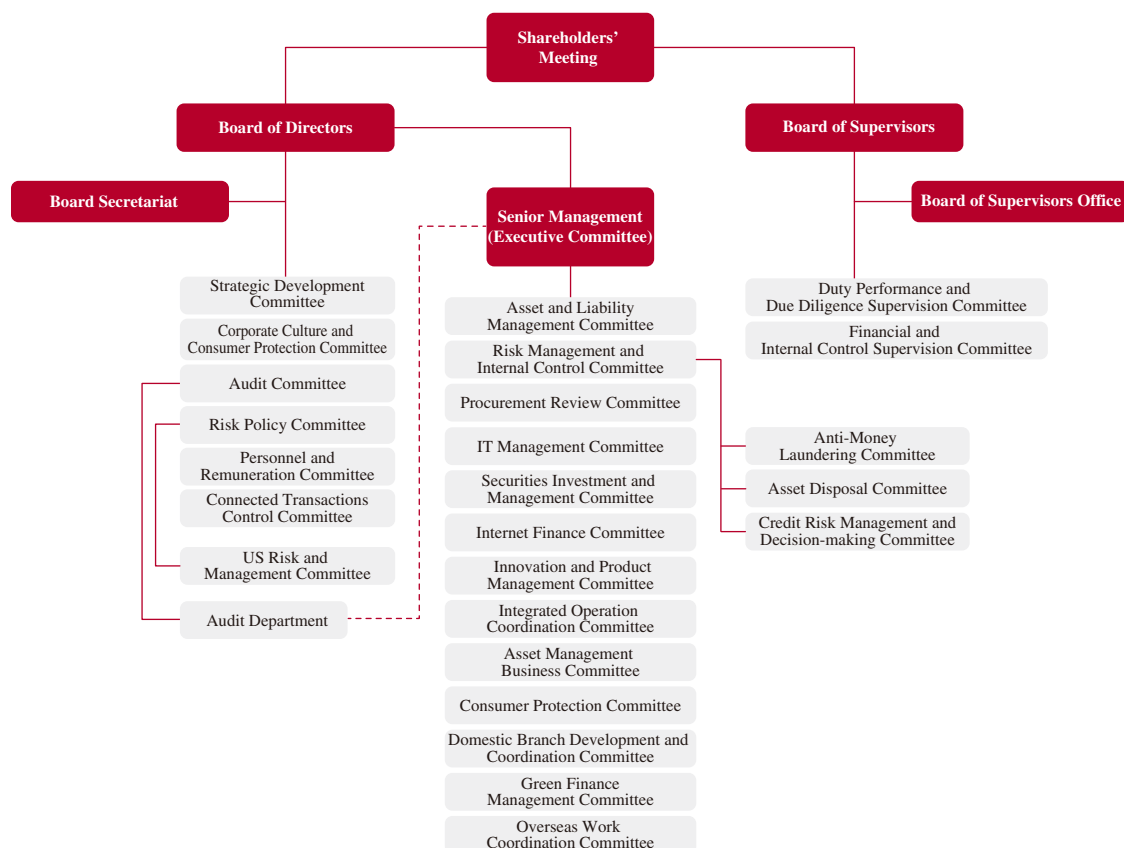
shareholders. The Bank focuses on constantly enhancing coordination with respect to the operation mechanisms of the Board of Directors, information disclosure and stakeholder engagement. It continues to support the Board of Directors to function more constructively and make scientific and efficient decisions. 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 2020, the Bank's corporate governance performance continued to be recognised by the capital markets and the public. The Bank was granted the 16th "Golden Prize of Round Table" for Excellent Board of Directors of Chinese Listed Companies.

Corporate Governance

Corporate Governance Framework



Corporate Governance Compliance

During the reporting period, the actual performance of the Bank's corporate governance was fully in compliance with the Company Law and the requirements for the governance of listed companies set out in the normative documents 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 2020.

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

Corporate Governance

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.

Corporate Governance

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

On 30 June 2020, the Bank held its 2019 Annual General Meeting on-site in Beijing, and A-Share Holders could also cast votes online. The meeting considered and approved 14 proposals, including the 2019 work report of the Board of Directors, the 2019 work report of the Board of Supervisors, the 2019 annual financial report, the 2019 profit distribution plan, the 2020 annual budget for fixed assets investment, the appointment of the Bank's external auditor for 2020, the election of Mr. ZHAO Jie, Ms. XIAO Lihong and Ms. WANG Xiaoya to be re-appointed as Non-executive Directors of the Bank, the election of Mr. CHEN Jianbo to be appointed as Non-executive Director of the Bank, the 2019 annual remuneration distribution plan for External Supervisors, the application for provisional authorisation of outbound donations, the bond issuance plan, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments, and the election of Mr. WANG Wei as Executive Director of Bank of China Limited. The meeting also heard the 2019 report on the connected transactions, the 2019 duty report of independent directors and the 2019 report on the implementation on the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China*. 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, and others were ordinary resolutions.

The aforementioned meeting was 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 30 June 2020, 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 2019 profit distribution plan, the 2020 annual budget for fixed assets investment, the bond issuance plan, the appointments of directors and 2020 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'

Corporate Governance

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.

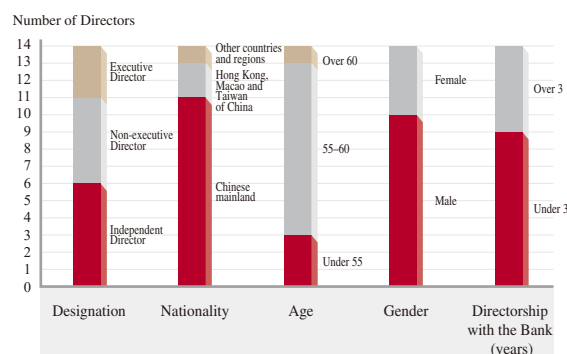
The Board of Directors of the Bank is rationally structured and diversified. Currently, the Board of Directors comprises fourteen members. Besides the Chairman, there are two executive directors, five non-executive directors and six independent directors. The proportion of independent directors reaches 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. Mr. WANG Jiang ceased to serve as President of the Bank as of 5 February 2021. Mr. LIU Liange began to perform the duties of the President as of 7 February 2021, to the date the new President appointed by the Board of Directors officially performs duties.

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 2020, the Bank convened eight on-site meetings of the Board of Directors and approved 55 proposals on 13 January, 27 March, 29 April, 30 June, 30 August, 23 September, 30 October and 21 December respectively. The proposals included the Bank's regular reports, the nomination of candidates for directors, the appointment of senior management members, the issuance of bonds, the profit distribution, etc. It also heard 23 reports related to the fight against the COVID-19 pandemic, strategy implementation, the circular on the regulatory situation and relevant rectification, country risk management, green finance development and other matters.

Corporate Governance

In 2020, the Bank convened nine meetings of the Board of Directors via written resolutions. At these meetings, the Board of Directors mainly reviewed and approved the proposals on the nomination of candidates for directors, the application for provisional authorisation of outbound donations, and the convening of extraordinary general meeting, 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. Ernst & Young Hua Ming 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 *2020 Internal Control Assessment Report of Bank of China Limited* and the *2020 Auditor's Report on Internal Control* issued by Ernst & Young Hua Ming LLP have been published on the websites of SSE, HKEX and the Bank.

Corporate Governance

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. Directors who did not attend certain meetings in person have authorised other directors to attend and vote at those meetings as their proxy.

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

Directors	Shareholders' Meetings	Meetings of the Board of Directors	Meetings of the Special Committees 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	1/1	15/17	8/9	4/4	–	–	–	–
WANG Wei	0/0	7/7	–	–	–	–	–	3/3
LIN Jingzhen	1/1	16/17	–	–	–	6/8	–	–
ZHAO Jie	1/1	17/17	–	–	6/6	8/8	7/7	–
XIAO Lihong	1/1	17/17	9/9	–	–	8/8	–	–
WANG Xiaoya	1/1	17/17	9/9	4/4	–	–	7/7	–
ZHANG Jiangang	1/1	17/17	9/9	–	6/6	–	–	–
CHEN Jianbo	0/0	7/7	4/4	3/3	–	5/5	–	–
WANG Changyun	1/1	17/17	9/9	–	6/6	8/8	7/7	–
Angela CHAO	1/1	13/17	–	–	1/6	3/8	–	1/4
JIANG Guohua	1/1	16/17	8/9	3/4	6/6	–	7/7	4/4
Martin Cheung Kong LIAO	1/1	16/17	9/9	–	4/6	–	7/7	4/4
CHEN Chunhua	0/0	7/7	4/4	3/3	–	–	2/3	–
CHUI Sai Peng Jose	0/0	5/6	–	2/2	1/1	–	1/2	2/2
Former Directors								
WANG Jiang	1/1	15/17	7/8	–	–	–	–	–
WU Fulin	0/0	2/3	–	–	–	–	–	–
LIAO Qiang	0/0	2/3	2/2	–	–	0/1	–	–

Training and Expertise Enhancement of Directors

In 2020, 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 the enhancement of corporate value management, economic development trend under the impact of pandemic, the preparation of the 14th Five-

Year Plan, and changes in domestic and international development situations. The Bank also gave special presentations and training to the directors newly appointed in 2020 regarding its development strategy, business development, corporate governance, overseas institutions and overseas operations. 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

Corporate Governance

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 2020, 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 2020, independent directors put forward constructive recommendations on FinTech development, the fostering of corporate culture, talent cultivation, capital replenishment, strategy implementation, Group-wide risk management, globalised and integrated operations, and profitability, among others. These recommendations were adopted and diligently implemented by the Bank.

In 2020, the independent directors did not raise any objection to the resolutions of the Board of Directors or its special committees.

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

Pursuant to the provisions and requirements set forth in the circular (ZhengJianFa [2003] No. 56) issued by CSRC, 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 and does not fall within the scope of guarantees as defined in the *Circular on Regulating Guarantee Businesses of Listed Companies*. 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 2020, the outstanding amount of letters of guarantee issued by the Bank was RMB1,035.517 billion.

Corporate Governance

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 nine members, including Chairman Mr. LIU Liange, 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 (policies on capital structure, capital adequacy ratio and risk-reward trade-off), 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.

The Strategic Development Committee held five on-site meetings and four meetings via written resolutions in 2020. At these meetings, it mainly reviewed the proposals on the business plan and financial budget of Bank of China for 2020, the profit distribution plan of Bank of China for 2019, 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 inclusive finance business plan for 2020, the development plan for enhancing service to private enterprises of Bank of China, the related proposal on donation for preventing and controlling the epidemic.

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

Corporate Governance

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 Chairman 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, overseeing and assessing the development and implementation of the Bank's corporate culture; reviewing 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.

The Corporate Culture and Consumer Protection Committee held four on-site meetings in 2020, at which it reviewed and approved the *2019 Corporate Social Responsibility Report of Bank of China* and the *Report on Consumer Protection in the First Half of*

2020. In addition, it heard *Bank of China Corporate Culture Building Report* and the *General Analysis Report of Corporate Culture of Bank of China*. Based on the Bank's 14th Five-Year Plan and the practices of domestic and overseas leading enterprises and peers, the Bank proposed to develop its corporate culture system by soliciting the opinions and suggestions of internal and external experts and its employees.

Audit Committee

The Audit Committee comprises seven members, including Non-executive Directors Mr. ZHAO Jie and 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.

The Audit Committee held six on-site meetings in 2020. It mainly reviewed and approved the 2020 work plan, financial budget and plan adjustment for internal audit, reviewed the Bank's 2019 financial report, 2020 interim financial report and financial

Corporate Governance

reports for the first and third quarters of 2020, the internal control work report for 2019 and the first half of 2020, the 2019 internal control assessment report, the audit results on internal control and management proposal, and the overall plan for the selection of external auditors, appointment of external auditors and audit fees for 2021. In addition, it heard the report on the Senior Management response to Ernst & Young's management proposal for 2019, reports on internal audit in 2019 and the first half of 2020, the report on three-year plan for IT application in audit and its implementation progress, the 2019 report on the overseas supervision information, the report on the progress of the internal control audit of Ernst & Young in 2019, updates on compliance with the principle of independence and the self-assessment report, the transitional audit plan for 2021 of PricewaterhouseCoopers Zhong Tian LLP, the report on asset quality in the first quarter of 2020, and the report on the prevention and control of external infringement cases in 2019.

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 2020 audit plan, including areas of focus for auditing the 2020 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 judgment 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 2021, the Audit Committee reviewed and approved the Bank's 2020 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 2020 external auditor made a summary report and submitted a report on their independence compliance to the committee.

In accordance with the *Measures for the Administration of Selection and Appointment of Accounting Firms by State-owned Financial Enterprises* formulated by the MOF, the maximum period of consecutive service for the Bank's 2020 external auditor will expire. As such, the Bank undertook the rotation of external auditors. After performing selection and appointment procedures as required by relevant regulators, the Audit Committee suggested appointing PricewaterhouseCoopers Zhong Tian LLP as the Bank's domestic auditor and internal control auditor for 2021, and appointing PricewaterhouseCoopers as the Bank's international auditor for 2021. Such proposals have been reviewed and approved by the Board of Directors and will be submitted to the Shareholders' Meeting for approval.

Corporate Governance

Risk Policy Committee

The Risk Policy Committee of the Bank comprises six members, including Executive Director Mr. LIN Jingzhen, Non-executive Directors Mr. ZHAO Jie, 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 Chairman 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.

The Risk Policy Committee held five on-site meetings and three meetings via written resolutions in 2020, at which it mainly considered the Group risk appetites statement, market risk management policy, trading book market risk limits, liquidity risk management policy, policies for interest rate risk in the banking book, policies on anti-money laundering, counter-terrorist financing and sanctions compliance, securities investment policy, capital adequacy ratio report and internal capital adequacy assessment 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, adjustments of 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 risks, including credit risk, market risk, operational risk, legal and compliance risk, liquidity risk and so on.

Corporate Governance

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 four members, all of whom are members of the Risk Policy Committee, including Non-executive Directors Mr. ZHAO Jie and Ms. XIAO Lihong, Independent Directors Mr. WANG Changyun and Ms. Angela CHAO. Independent Director Ms. Angela CHAO serves as the Chairman of the US Risk and Management Committee.

In 2020, the US Risk and Management Committee convened seven 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 and regulations of the Bank's institutions in the US and the New York Branch according to regulatory requirements.

The US Risk and Management Committee put forward opinions and recommendations regarding strengthening the prevention and control of risks and compliance based on US regulatory dynamics, market changes and the business development strategies of the Bank's US operations.

Personnel and Remuneration Committee

The Personnel and Remuneration Committee comprises seven members, including Non-executive Directors Mr. ZHAO Jie and 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 and monitoring the remuneration and incentive policies of the Bank; drafting the remuneration 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.

The Personnel and Remuneration Committee held four on-site meetings and three meetings by written resolutions in 2020. At these meetings, the committee mainly approved proposals on the performance evaluation results and remuneration distribution plan for the Chairman, Executive Directors and senior management members for 2019, the 2020 implementation plan for performance evaluation of the Chairman, President and other senior management members, the nomination of Mr. ZHAO Jie, Ms. XIAO Lihong and Ms. WANG Xiaoya to be re-appointed as Non-executive Directors of the Bank, the nomination of Mr. CHEN Jianbo as candidate for Non-executive Director of the Bank, the nomination of Mr. WANG Wei as candidate for Executive Director of the Bank, Mr. WANG Wei joining special committees of the

Corporate Governance

Board of Directors, Mr. CHEN Jianbo joining special committees of the Board of Directors, and the appointment of Ms. ZHAO Rong as Chief Business and Management Officer 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.

The Connected Transactions Control Committee held three on-site meetings and one meeting via written resolutions in 2020, at which it mainly reviewed and approved the report on the connected party list, the report on connected transactions in 2019, the statement of connected transactions of the Bank in 2019, 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.

Corporate Governance

Composition of the Board of Supervisors

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

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 2020, 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 four meetings by written resolution, and made relevant resolutions. The Duty Performance and Due Diligence Supervision Committee held four on-site meetings and five meetings by written resolution, while the Finance and Internal Control Supervision Committee held four on-site meetings. 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

In 2020, the Senior Management of the Bank managed the Bank's operations in accordance with the powers bestowed upon them by the Articles of Association and the authorisations of the Board of Directors. In line with the annual performance objectives approved by the Board of Directors, the Senior Management gave full play to 2020's designated status as "Year of Enhanced Implementation", scaled up the implementation of various strategic development tasks, and ensured steady improvement in the Group's operating results.

During the reporting period, the Senior Management of the Bank held 42 regular meetings, at which it focused on significant operation matters, and discussed and decided upon a series of significant matters, including the Group's pandemic prevention and control activities, business development, performance management, risk management, audit supervision, IT development, product and service innovation, integrated operation, globalised development, inclusive finance and scenario development. It also held special meetings to study and make plans for the Group's corporate banking, personal banking, financial markets, channel building, smart operation, compliance management and data governance.

During the reporting period, the Senior Management (Executive Committee) established an additional committee — namely the Overseas Work Coordination Committee, which is responsible for overall coordination on the key commercial banking issues of the Group's globalised operations pertaining to overseas institutions. The Senior Management currently presides over the Asset and Liability Management Committee, the Risk Management and

Corporate Governance

Internal Control Committee (which governs the Anti-money Laundering Committee, the Asset Disposal Committee and the Credit Risk Management and Decision-making Committee), the Procurement Review Committee, the IT Management Committee, the Securities Investment and Management Committee, the Internet Finance Committee, the Innovation and Product Management Committee, the Integrated Operation Coordination Committee, the Asset Management Business Committee, the Consumer Protection Committee, the Domestic Branch Development and Coordination Committee, the Green Finance Management Committee, and the Overseas Work Coordination 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 2019 Annual General Meeting, Ernst & Young Hua Ming LLP was reappointed as the Bank's domestic auditor and internal control auditor for 2020, and Ernst & Young was reappointed as the Bank's international auditor for 2020.

Fees paid to Ernst & Young and its member firms for financial statements audit of the Group, including those of the Bank's overseas subsidiaries and branches, were RMB237 million for the year ended 31 December 2020, of which the fees for internal control audit paid to Ernst & Young Hua Ming LLP totalled RMB14 million.

Ernst & Young and its member firms were not engaged in other significant non-auditing services with the Bank in 2020. The Bank paid RMB46.0918 million for non-auditing services to Ernst & Young and its member firms in the year.

Ernst & Young Hua Ming LLP and Ernst & Young have provided audit services to the Bank for eight consecutive years. Mr. LEUNG Shing Kit and Ms. ZHANG Fan 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 2020.

At the forthcoming 2020 Annual General Meeting, the Board of Directors will tender a resolution for review and approval regarding the proposal on engaging PricewaterhouseCoopers Zhong Tian LLP as the Bank's domestic auditor and internal control auditor for 2021, providing audit services on its financial statements and internal control pursuant to CAS; and engaging PricewaterhouseCoopers as the Bank's international auditor for 2021, providing financial statements audit services pursuant to IFRS.

Corporate Governance

Investor Relations and Information Disclosure

In 2020, the Bank actively responded to the complicated and volatile external market environment, innovated communication forms, expanded communication methods, continuously enhanced the effectiveness of market communication, and improved the professionalism of its shareholder services. The Bank, being the first bank among its main domestic peers, successfully held its 2019 annual results briefing and 2020 interim results briefing via live-streaming platform. The number of participants reached a record high. Taking into account changes in the external environment, the Bank made flexible use of the online and offline channels to maintain frequent communication with domestic and overseas analysts and investors, such as online road shows, conferences held by investment banks, group meetings and one-on-one meetings etc. The Bank continued to improve the professionalism and timeliness of market monitoring and analysis, earnestly listened to market feedback, and responded to key market concerns in a timely manner. It focused on continuously enhancing prompt communication with minority shareholders, and effectively protected shareholders' rights. The Bank endeavoured to ensure the smooth operation of its investors' relationship hotline and carefully responded to the shareholders' emails and enquiries from the "e-interaction online platform" run by SSE. The Bank continued to organise the open day for investors via the roadshow platform run by SSE, and actively participated in the special event of the 2nd "5.15 National Investor Protection Promotion Day" organised by the Listed Companies Association of Beijing. As at the end of the reporting period, the Bank's external ratings remained unchanged with a stable prospect, which had the continuous positive effect of lowering financing costs and enhancing the Bank's market image.

In 2020, the Bank prepared and disclosed its regular and provisional reports in strict adherence to the principles of truthfulness, accuracy, completeness,

timeliness and fairness. 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 sound information disclosure system and put in place clear specifications regarding information disclosure standard and the scope of application, responsibility and division of work, communication mechanism, as well as working procedures and internal monitoring measures. 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, 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 in strict compliance with relevant regulatory requirements and the rules of the Bank.

In 2020, 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 Company for Investor Relations" and "Best Secretary to the Board for Investor Relations" of the 11th Pegasus Award of China's Listed Companies Investor Relations from *Securities Times*, the 16th "New Fortune Gold Medal Secretary to the Board" and the 3rd "New Fortune HK Listed Companies with the Best IR". The Bank's annual report won a "Gold Award in the Overall Category of the Annual Report Competition" and "Most Engaging Report" of the League of American Communications Professionals (LACP). In addition, it once again won an "Excellence Award for H-Share & Red Chip Entries" from the Hong Kong Management Association (HKMA).

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 2020.

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 and financial technology business.

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 2020 are set out in the Consolidated Financial Statements. The Board of Directors has recommended a final dividend on ordinary shares for 2020 of RMB1.97 per ten shares (before tax), subject to the approval of the forthcoming Annual General Meeting scheduled on 20 May 2021. If approved, the 2020 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 20 May 2021 (inclusive), being the date of the Bank's Annual General Meeting. The A-Share dividend distribution date is expected to be 4 June 2021 and the H-Share dividend distribution date is expected to be 30 June 2021 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 2019 Annual General Meeting held on 30 June 2020, a final dividend on ordinary shares for 2019 of RMB1.91 per ten shares (before tax) was

approved for payment. The A-Share and H-Share dividends were distributed to the shareholders in July and August of 2020 in accordance with relevant regulations. The distribution plan has been accomplished and the actual distributed amount for ordinary shares was approximately RMB56.228 billion (before tax). No interim dividend on ordinary shares was paid for the period ended on 30 June 2020 by the Bank. The Bank did not propose any capitalisation of the capital reserve to share capital in 2020.

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

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

On 30 August 2020, the dividend distribution plans for the Bank's Domestic Preference Shares (First and Second Tranche) were approved by the Board. The Bank distributed a total of RMB1.920 billion (before tax) of dividends on the Domestic Preference Shares (First Tranche) on 23 November 2020, with an annual dividend rate of 6.00% (before tax). 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 plans have been accomplished.

Report of the Board of Directors

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.

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
2020	0.197	57,994	192,870	30%	Nil
2019	0.191	56,228	187,405	30%	Nil
2018	0.184	54,167	180,086	30%	Nil

Dividend Distribution for Preference Shares

Types of preference shares	Dividend payment date	Total dividend	Dividend rate
Offshore Preference Shares (First Tranche)	23 October 2018	439 (USD million, after tax)	6.75% (after tax)
Domestic Preference Shares (First Tranche)	21 November 2018	1,920 (RMB million, before tax)	6.00% (before tax)
Domestic Preference Shares (Second Tranche)	13 March 2019	1,540 (RMB million, before tax)	5.50% (before tax)
Offshore Preference Shares (First Tranche)	23 October 2019	439 (USD million, after tax)	6.75% (after tax)
Domestic Preference Shares (First Tranche)	21 November 2019	1,920 (RMB million, before tax)	6.00% (before tax)
Domestic Preference Shares (Second Tranche)	13 March 2020	1,540 (RMB million, before tax)	5.50% (before tax)
Domestic Preference Shares (Third Tranche)	29 June 2020	3,285 (RMB million, before tax)	4.50% (before tax)
Domestic Preference Shares (Fourth Tranche)	31 August 2020	1,174.5 (RMB million, before tax)	4.35% (before tax)
Domestic Preference Shares (First Tranche)	23 November 2020	1,920 (RMB million, before tax)	6.00% (before tax)
Offshore Preference Shares (Second Tranche)	4 March 2021	102 (USD million, after tax)	3.60% (after tax)
Domestic Preference Shares (Second Tranche)	15 March 2021	1,540 (RMB million, before tax)	5.50% (before tax)

Report of the Board of Directors

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

The procedure to formulate the aforementioned 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 2020, the Bank distributed dividends on ordinary shares for 2019 in strict compliance with the Articles

of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

The preference shareholders of the Bank receive dividend at the specified dividend rate prior to the ordinary shareholders. The Bank shall pay the dividend to the preference shareholders in cash. The Bank shall not distribute 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. The first dividend period begins on the date of issuance of the preference shares. 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 from 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 2020, 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, 29 May to Thursday, 3 June 2021 (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, Wanchai, Hong Kong, China, no later than 4:30 p.m. on Friday, 28 May 2021. The ex-dividend date of the Bank's H Shares will be on Thursday, 27 May 2021.

Donations

Charitable and other donations made by the Group during the reporting period amounted to approximately RMB162 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

Report of the Board of Directors

connected transactions to the Bank. Such transactions are monitored and administered by the Bank in accordance with the Hong Kong Listing Rules. In 2020, 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, Chairman 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. 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.

Report of the Board of Directors

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 2020, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code* 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 Share Capital 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 (First and Second Tranche), please refer to the section "Changes in Share Capital and Shareholdings of Shareholders" and the Notes to the Consolidated Financial Statements.

Please refer to the Notes to the Consolidated Financial Statements for details of purchase, sale or redemption of the Bank's securities by the Bank and its subsidiaries.

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

Report of the Board of Directors

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". 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 2020.

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*

Report of the Board of Directors

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.

Report of the Board of Directors

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 2020, the Bank formulated the *Framework Plan for Consumer Protection Efforts*, which comprehensively reviewed the current situation of the Bank’s consumer protection, and set forth the Bank’s strategic objectives for consumer protection and priorities for 2020.

In terms of policy formulation, in 2020, the Bank revised and issued the *Management Measures of Bank of China Limited for Consumer Protection (Version 2020)*, the *Management Measures of Bank of China Limited for Customer Complaints (Version 2020)*, the *Guidelines of Bank of China Limited on Financial Dispute Settlement for Personal Customers (Version 2020)*, the *Special Contingency Plan of Bank of China Limited for Material Emergencies in Consumer Protection (Version 2020)*, the *Management Measures of Bank of China Limited for Protection of Consumer Financial Information (Version 2020)* and other rules for consumer protection. The Bank further specified the overall management of consumer protection, complaint management, dispute settlement, material emergency response regarding consumer protection and consumer financial information protection in these policies 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 where the Head Office, branches and comprehensive operation companies coordinate with each other and online and offline activities are integrated. During the 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” in March, June and September, the Bank launched publicity and education activities in various interesting forms at outlets and through online media platforms such as WeChat, Weibo, official website, mobile banking and TikTok, which were recognised by regulatory authorities and consumers.

In terms of complaint management, despite the onslaught of COVID-19 pandemic and fluctuations in international markets, the Bank responded properly to extreme risk events, advanced complaint rectification, and kept improving its complaint handling capabilities. In 2020, the Bank handled 188,000 complaints. Based on analysis by business type, 34.2% of the complaints were about credit cards, 14.0% about debit cards, and 9.5% about loans. The above three types of complaints accounted for 57.7% of the total. From the perspective of geographical distribution, the top five regions in terms of number of complaints were Jiangsu (5.8%), Guangdong (5.0%), Hebei (4.4%), Henan (4.2%) and Beijing (4.1%). Complaints in the above five regions accounted for 23.5% of the total.

Members of the Board of Directors

Executive Directors: LIU Liange, WANG Wei, LIN Jingzhen

Non-executive Directors: ZHAO Jie, 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

30 March 2021

Report of the Board of Supervisors

Meetings of the Board of Supervisors

In 2020, the Bank convened four on-site meetings and four meetings by written resolution of the Board of Supervisors. At these meetings, the Board of Supervisors reviewed and approved 31 proposals regarding the Bank's four regular reports, 2019 profit distribution plan, 2019 internal control assessment report, 2019 corporate social responsibility report, 2019 work report of the Board of Supervisors, Special Report of the Deposit and Use of Proceeds Raised from the Issuance of 2019 Domestic Preference Shares, evaluation opinions of the Board of Supervisors on the duty performance of the Board of Directors, the Senior Management and its members for 2019, evaluation opinions of the Board of Supervisors on the Bank's strategy implementation in 2019, supervision and evaluation opinions of the Board of Supervisors on the Bank's duty performance in remuneration management, consolidated management, internal audit, anti-money laundering management, internal control, fraud prevention, information disclosure management, new product management, data governance management, market risk management, employee behavior management and compliance management, performance evaluation results for the Chairman of the Board of Supervisors for 2019, 2019 remuneration distribution plan for the Chairman of the Board of Supervisors and shareholder supervisors, implementation plan on performance management for the Chairman of the Board of Supervisors and shareholder supervisors in 2020, performance evaluation results and remuneration distribution plan for external supervisors, implementation plan on performance management for external supervisors in 2020, nomination of Ms. ZHANG Keqiu as candidate for Shareholder Representative Supervisor of the Bank, election of Ms. ZHANG Keqiu as the Chairman of the Board of Supervisors of the Bank, and appointment of Ms. ZHANG Keqiu as Chairman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank, among others.

In 2020, 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	0/0
WANG Zhiheng	8/8
LI Changlin	8/8
LENG Jie	8/8
JIA Xiangsen	8/8
ZHENG Zhiguang	8/8
Former Supervisors	
WANG Xiquan	8/8

In 2020, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held four on-site meetings and five meetings by written resolution, at which it reviewed and approved 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 2019, performance evaluation results for the Chairman of the Board of Supervisors for 2019, 2019 remuneration distribution plan for the Chairman of the Board of Supervisors and shareholder supervisors, implementation plan on performance management for the Chairman of the Board of Supervisors and shareholder supervisors in 2020, performance evaluation results and remuneration distribution plan for external supervisors, implementation plan on performance management for external supervisors in 2020, nomination of Ms. ZHANG Keqiu as candidate for Shareholder Representative Supervisor of the Bank, election of Ms. ZHANG Keqiu as the Chairman of the Board of Supervisors of the Bank, and appointment of Ms. ZHANG Keqiu as Chairman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank, among others. The Finance and Internal Control Supervision Committee of the Board of Supervisors held four on-

site meetings, at which it reviewed and approved the proposals regarding the Bank's four regular reports, 2019 profit distribution plan, 2019 internal control assessment report, 2019 corporate social responsibility report, and evaluation opinions of the Board of Supervisors on the Bank's strategy implementation in 2019, among others.

Performance of Supervision and Inspection by the Board of Supervisors

In 2020, with the aim of building a first-class global banking group and meeting the objectives of the "Year of Enhanced Implementation", the Board of Supervisors stimulated vitality, made agile response and achieved breakthroughs in key areas, in compliance with relevant laws and regulations, regulatory requirements and the Articles of Association of the Bank. It proactively assessed external trends and changes, diligently supervised the duty performance, financial management, risk management and internal control in a more forward-looking, insightful and professional manner, and effectively played a constructive supervisory role within the corporate governance system, thus continuously contributing to the high-quality development of the Bank.

Supervised and evaluated the duty performance of directors and senior management members in an orderly manner. First, the Board of Supervisors strictly supervised day-to-day duty performance. 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 of relevant departments, participated in symposiums, held interviews, analysed materials and carried out special surveys. This allowed supervisors to stay informed regarding the duty performance of directors and senior management members, and to follow up on the decision-making, implementation and progress of major issues and key operation and management measures. In 2020, the Board of Supervisors completed four analysis reports on the duty performance of the Board of Directors and the Senior Management, and expressed

Report of the Board of Supervisors

supervisory opinions or suggestions regarding major concerns. Second, it earnestly carried out annual duty performance evaluation. The Board of Supervisors collected duty performance and due diligence reports of directors and senior management members, organised interviews with directors and senior management members regarding their duty performance, evaluated the annual duty performance of the Board of Directors, the Senior Management and its members in an objective and fair manner with due regards to routine supervision information, and formulated annual duty performance evaluation opinions. After review and approval at the meeting of the Board of Supervisors, it reported evaluation results to the shareholders' meeting, and duly filed duty performance evaluation opinions with the regulator. The Board of Directors and the Senior Management attached great importance to and actively cooperated with the supervision and evaluation of duty performance carried out by the Board of Supervisors, clearly embodying how the Bank's corporate governance entities perform their respective duties and obligations in a coordinated manner and maintain effective checks and balances.

Solidified the review and supervision of strategy, finance and regular reports. First, the Board of Supervisors effectively performed the responsibility of strategy supervision. It kept a close eye on the Bank's support for major national strategies and plans, pandemic prevention and control, the resumption of work and production, and the development of the real economy, followed and evaluated the implementation progress of the Bank's development strategies under the new circumstances, and provided insights and suggestions for the preparation of the Bank's strategies in the 14th Five-Year Plan period. Second, the Board of Supervisors made steady progress in routine financial supervision. It followed up the Bank's progress in the implementation of its major financial policies and decisions on financial matters, such as the priorities of annual financial management, the annual business plan and the financial budget. It regularly sorted and analysed the Bank's financial and accounting data, strengthened its forward-

Report of the Board of Supervisors

looking analysis and judgment of the Bank's financial operation based on tracking and studying of the macro-economic and financial situation, regulatory policies and peer dynamics, completed four analysis reports on the Bank's financial position, and made timely prompts to relevant management departments to take effective measures to improve operating results. Third, the Board of Supervisors solidified the review and supervision of regular reports. It regularly heard reports on operating results and audit opinions, supervised and reviewed the authenticity, accuracy and completeness of financial materials such as regular reports, annual financial report and profit distribution plan, and all supervisors signed written confirmation opinions. The Board of Supervisors put forward four letters of supervisory recommendations, outlined 17 concerns and made 40 specific suggestions to the Board of Directors and the Senior Management. These were related to paying due attention to the impact of the pandemic on the Bank's operation, capturing opportunities for business development, responding to changes in the external environment, strengthening the business management of overseas institutions, following national policies such as "dual circulation", consolidating the foundation for high-quality development, strengthening comprehensive risk management, improving the quality and efficiency of asset quality control, tracking the latest capital regulatory policies, and intensifying capital replenishment and management.

Deepened the supervision of risk management and internal control. First, the Board of Supervisors strengthened the day-to-day supervision of risk management and internal control. In response to the continuously rising credit risk, market risk, liquidity risk, internal control and operational risk in the banking sector during the year, the Board of Supervisors proactively studied and analysed new problems and new challenges faced by the Bank with respect to risk management and internal control. Taking into consideration its risk supervision responsibilities and remaining mindful of worst-case scenarios, it continuously followed up on the implementation of key tasks related to risk management and internal

control. In 2020, it completed four analysis reports on risk management and internal control, issued risk prompts, and put forward relevant opinions and suggestions. Second, focusing on the concerns of regulators and internal and external auditors, the Board of Supervisors properly supervised comprehensive risk management and risk control in key areas. It responded to the COVID-19 pandemic and related risk events, and sent risk alerts to the Senior Management and relevant departments.

Strengthened supervision in specific fields. The Board of Supervisors identified 17 key supervision matters according to the supervisory responsibilities assigned to it by regulatory requirements and the Articles of Association, including strategy implementation, capital management and advanced capital measurement management, liquidity risk management, comprehensive risk management, market risk management, consolidated management, stress test management, anti-money laundering management, internal control, fraud prevention, compliance management, new product management, data governance management, employee behaviour management, remuneration management, information disclosure and internal audit. It formulated supervision plans for all of the above matters, established corresponding supervision indicator system, heard reports from relevant functional departments of the Bank, and issued supervision and evaluation opinions as required.

Enhanced its supervisory role through special surveys. In 2020, the Board of Supervisors continued to combine special surveys with the supervision of duty performance, strategy, finance, risk and internal control, conducted more targeted and specialised surveys, brought the value of research into play, and strengthened the application of research results. Focusing on the Bank's development strategy and priorities, the Board of Supervisors organised three special surveys on the development of overseas institutions, the building of transaction banking and the disposal of non-performing assets. The survey teams were led by supervisors and consisted of

directors and personnel from relevant departments of the Head Office. They interviewed directors and senior management members, held discussions with a total of 24 departments and institutions from the Head office and comprehensive operation subsidiaries, and conducted field surveys in five domestic tier-1 branches and tier-2 branches under jurisdiction. Due to the pandemic, they also held video seminars with 11 domestic and overseas institutions and carried out written surveys with 29 domestic and overseas institutions. Through these efforts, they developed a full understanding of the implementation of decisions and plans made by the Head Office, deeply analysed existing problems and difficulties, widely solicited proposed countermeasures, and submitted survey reports that provided the Board of Directors and the Senior Management with targeted and practical opinions and suggestions.

Actively improved synergies in supervision. The Board of Supervisors gave full play to the synergistic work of directors and supervisors. It strengthened information sharing with the Board of Directors in respect of macro information, regulatory information, the Bank's information and peer information, organised supervisors to attend the seminars of directors, supervisors and senior management members, and invited directors to participate in the surveys of the Board of Supervisors. It reinforced its coordination with the second and third lines of defence and comprehensive management departments, held special meetings with the audit line, and made best use of internal and external audit findings to broaden supervision horizons and improve supervision efficiency.

Strengthened self-improvement. The Board of Supervisors hosted a special seminar to study its work priorities and methods, focusing on the Bank's central tasks as well as problems encountered during supervision, so as to improve its work efficiency. The Board of Supervisors organised and completed the annual duty performance evaluation of itself and its members, and urged all supervisors to

earnestly perform the supervision duties delegated by laws, regulations and the Articles of Association. Special training courses were held to improve supervisors' professional competency around themes such as changes in current trends, challenges and opportunities faced by the banking industry, anti-money laundering and sanctions compliance management. All supervisors performed their duties faithfully and diligently, leveraged their respective expertise, and made efforts to sharpen their policy competence and duty performance capability. They also actively attended meetings, earnestly reviewed proposals, heard working reports, undertook special surveys and provided professional, well-considered and independent opinions, thus conscientiously fulfilling their supervisory function.

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 forms, they required senior management members and relevant functional departments to carefully study the opinions and suggestions offered by the Board of Supervisors in letters of supervisory recommendations and survey reports, push forward the rectification of existing problems, and regularly update the Board of Supervisors on rectification progress. As a result, the constructive supervisory role of the Board of Supervisors, through which supervision promotes improvement and development, was brought into full play. 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.

Report of the Board of Supervisors

Report of the Board of Supervisors

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 and the Risk Policy Committee as non-voting attendees, and personally 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 three special surveys and proposed the following independent opinions: Regarding the survey of the development of overseas institutions, they proposed

to adhere to the globalisation strategy and take the path of high-quality development by implementing new development concept. Regarding the survey concerning the building of transaction banking, they proposed to strengthen top-level design and improve the product and service system. Regarding the survey concerning the disposal of non-performing assets, they proposed to optimise resource allocation and strengthen technological application. 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

30 March 2021

Significant Events

Material Litigation and Arbitration

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

Purchase and Sale of Material Assets

During the reporting period, the Bank did not undertake any purchase and sale of material assets.

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.43 of the Consolidated Financial Statements.

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

During the reporting period, the Bank did not take any significant custody of, sub-contract or lease any material business assets from other companies, or allow its material business assets to be subject to such arrangements that are 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 accordance with the risks of the guarantee business and carries out this business accordingly. During the reporting period, save as disclosed above, the Bank did not enter into any material guarantee business that is required to be disclosed.

Other Major Contracts

During the reporting period, the Bank had no other major contract that was 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.

Significant Events

Undertakings

Huijin made a “non-competing commitment” when the Bank launched its IPO. As at 31 December 2020, Huijin has strictly observed and has not breached such undertaking.

The Bank’s Directors and Senior Management made “Commitments on Effective Implementation of the Remedial Measures” when the Bank issued its preference shares. As at 31 December 2020, the Bank’s Directors and Senior Management have 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 any investigation, compulsory measures or accusation of criminal responsibilities by relevant authorities or any investigation, administrative punishment or regulatory measures by CSRC, or had material administrative punishment imposed on them by other administrative authorities, or were publicly reprimanded by any stock exchange.

Integrity of the Bank and its Controlling Shareholder

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

Performing Social Responsibility for Poverty Alleviation

For details of the Bank’s performance of social responsibility regarding poverty alleviation during the reporting period, please refer to the section “Corporate Social Responsibilities” and the *2020 Corporate Social Responsibility Report of Bank of China* published on the websites of SSE, HKEX and the Bank.

Information on the Environmental, Social and Governance

For details of the Bank’s Information on the Environmental, Social and Governance, Please refer to the *2020 Corporate Social Responsibility Report of Bank of China* 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



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

To the shareholders of Bank of China Limited

(Established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 164 to 318, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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") issued by the International Auditing and Assurance Standards Board. 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 are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of loans and advances to customers</i>	
The Group uses a number of models and assumptions in the measurement of expected credit losses, for example: - Significant increase in credit risk — The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans with longer remaining periods to maturity. - Models and parameters — Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions. - Forward-looking information — Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights. - Individual impairment assessment — Identifying credit impaired loans requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows. Since loan impairment assessment involves many judgements and assumptions, and in view of the significance of the amount (as at 31 December 2020, gross loans and advances to customers amounted to RMB14,216,477 million, representing 58% of total assets, and impairment allowance for loans and advances to customers amounted to RMB368,619 million), impairment of loans and advances is considered a key audit matter. Relevant disclosures are included in Note II.4, Note III.1, Note V.17 and Note VI.3 to the consolidated financial statements.	We evaluated and tested the effectiveness of design and implementation of key controls related to the credit approval process, post approval credit management, loan grading system, collateral monitoring, loans with deferred principal and interest payments as well as loan impairment assessment, including relevant data quality and information systems. We adopted a risk-based sampling approach in our loan review procedures. We assessed the debtors' repayment capacity and evaluated the Group's loan grading, taking into consideration post-lending investigation reports, debtors' financial information, collateral valuation reports and other available information. With the support of our internal credit risk modelling experts, we evaluated and tested the important parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects: 1. Expected credit loss model: - In response to the macroeconomic changes, the COVID-19 pandemic implications and the supporting policies from government authorities, we assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, exposure at default, and significant increase in credit risk. - Assessed the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios. - Evaluated the models and the related assumptions used in individual impairment assessment and analysed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.

Independent Auditor's Report

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of loans and advances to customers (Continued)</i>	2. Design and operating effectiveness of key controls: - Evaluated and tested the data and key controls used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic data, as well as impairment system computational logic, inputs and interfaces among relevant systems. - Evaluated and tested key controls over expected credit loss models, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk and impairment allowance.
<i>Valuation of financial instruments</i>	
The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets including bonds, funds, equity investments and over-the-counter derivatives. These valuation techniques, particularly those requiring significant unobservable inputs, usually involve subjective judgement and assumptions. Valuation results can vary significantly when different valuation techniques and assumptions are applied. As at 31 December 2020, financial instruments measured at fair value of the Group mainly included RMB2,612,339 million in financial investments, representing 11% of total assets. Financial instruments which require significant unobservable inputs in estimating fair value, and hence categorised within level 3 of the fair value hierarchy, involve higher uncertainty in their valuation. As at 31 December 2020, 5% of financial investments measured at fair value were categorised within level 3. Due to the significance of financial instruments measured at fair value, and the uncertainty in valuation involving significant judgement for unlisted equity and fund investments as well as illiquid asset-backed securities, valuation of these financial instruments is considered a key audit matter. Relevant disclosures are included in Note III.2 and Note VI.6 to the consolidated financial statements.	We evaluated and tested the design and operating effectiveness of key controls related to the valuation of financial instruments, independent price verification, and independent model validation and approval. We evaluated the valuation techniques, inputs and assumptions through comparison with the valuation techniques commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources. For valuations which used significant unobservable inputs, such as unlisted equity investments and private equity fund investments, we involved our internal valuation specialists in assessing the models used, re-performing independent valuations, and analysing the sensitivities of valuation results to key inputs and assumptions. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value.

Independent Auditor’s Report

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Structured entities The Group has interests in various structured entities, such as bank wealth management products, funds and trust plans, in conducting financial investments, asset management business and credit assets transfers. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration the power arising from rights, variable returns, and the link between power and returns. The assessment of the Group’s control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, consolidation or non-consolidation of structured entities is considered a key audit matter. Relevant disclosures are included in Note III.7 and Note V.46 to the consolidated financial statements.	We evaluated and tested the design and operating effectiveness of the key controls related to the Group’s assessment of whether it controls a structured entity. We assessed the Group’s analysis and conclusions on whether or not it controls structured entities based on the Group’s analysis on its power over structured entities, and the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group has legal or constructive obligation to absorb any loss of structured entities by reviewing relevant term sheets, and whether the Group has provided liquidity support or credit enhancement to structured entities, as well as the fairness of transactions between the Group and structured entities. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities.

Independent Auditor's Report

Other Information included in the Annual Report

The directors of the Bank are responsible for the other information. The other information comprises 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 the Directors 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 of the Bank 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 of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made 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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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.
- 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 Leung Shing Kit.

Ernst & Young

Certified Public Accountants

Hong Kong
30 March 2021

Consolidated Financial Statements

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT	164
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	165
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	166
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	168
CONSOLIDATED STATEMENT OF CASH FLOWS	169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES	171
II. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES	171
III. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES	203
IV. TAXATION	205
V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	
1. Net interest income	206
2. Net fee and commission income	206
3. Net trading gains	207
4. Net gains on transfers of financial asset	207
5. Other operating income	207
6. Operating expenses	208
7. Staff costs	208
8. Directors', supervisors' and senior management's emoluments	209
9. Impairment losses on assets	212
10. Income tax expense	213
11. Earnings per share (basic and diluted)	214
12. Other comprehensive income	215
13. Cash and due from banks and other financial institutions	216
14. Balances with central banks	217
15. Placements with and loans to banks and other financial institutions	217
16. Derivative financial instruments and hedge accounting	218
17. Loans and advances to customers	225
18. Financial investments	229
19. Investment in associates and joint ventures	234
20. Property and equipment	235
21. Investment properties	237
22. Other assets	238
23. Impairment allowance	241
24. Due to banks and other financial institutions	241
25. Due to central banks	242
26. Government certificates of indebtedness for bank notes issued and bank notes in circulation	242
27. Placements from banks and other financial institutions	242
28. Financial liabilities held for trading	243

Consolidated Financial Statements (Continued)

CONTENTS (Continued)

29. Due to customers	243
30. Bonds issued	244
31. Other borrowings	246
32. Current tax liabilities	246
33. Retirement benefit obligations	246
34. Share appreciation rights plan	247
35. Deferred income taxes	247
36. Other liabilities	249
37. Share capital, capital reserve, treasury shares and other equity instruments	251
38. Statutory reserves, general and regulatory reserves and undistributed profits	255
39. Non-controlling interests	257
40. Changes in consolidation	257
41. Contingent liabilities and commitments	257
42. Note to the consolidated statement of cash flows	260
43. Related party transactions	260
44. Segment reporting	266
45. Transfers of financial assets	271
46. Interests in structured entities	272
47. Offsetting financial assets and financial liabilities	274
48. The Bank's statement of financial position and changes in equity	275
49. Events after the financial reporting date	277
VI. FINANCIAL RISK MANAGEMENT	
1. Overview	278
2. Financial risk management framework	278
3. Credit risk	278
4. Market risk	296
5. Liquidity risk	304
6. Fair value	310
7. Capital management	315
8. Insurance risk	317
SUPPLEMENTARY INFORMATION	
I. DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL STATEMENTS	318
II. UNAUDITED SUPPLEMENTARY INFORMATION	
1. Liquidity ratios, liquidity coverage ratio and net stable funding ratio	318
2. Currency concentrations	325
3. International claims	326
4. Overdue assets	327
5. Leverage ratio	327
6. Global systemic importance assessment indicators of commercial banks	329

Consolidated Income Statement

For the year ended 31 December 2020 (Amount in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
Interest income	V.1	760,070	758,007
Interest expense	V.1	(344,152)	(367,957)
Net interest income		415,918	390,050
Fee and commission income	V.2	88,640	88,099
Fee and commission expense	V.2	(13,118)	(14,287)
Net fee and commission income		75,522	73,812
Net trading gains	V.3	8,055	28,563
Net gains on transfers of financial asset	V.4	9,547	3,477
Other operating income	V.5	58,605	54,108
Operating income		567,647	550,010
Operating expenses	V.6	(202,411)	(198,269)
Impairment losses on assets	V.9	(119,016)	(102,153)
Operating profit		246,220	249,588
Share of results of associates and joint ventures	V.19	158	1,057
Profit before income tax		246,378	250,645
Income tax expense	V.10	(41,282)	(48,754)
Profit for the year		205,096	201,891
Attributable to:			
Equity holders of the Bank		192,870	187,405
Non-controlling interests		12,226	14,486
		205,096	201,891
Earnings per share (in RMB)	V.11		
— Basic		0.61	0.61
— Diluted		0.61	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 2020 (Amount in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
Profit for the year		205,096	201,891
Other comprehensive income:	V.12		
Items that will not be reclassified to profit or loss			
— Actuarial gains on defined benefit plans		101	13
— Changes in fair value on investments in equity instruments designated at fair value through other comprehensive income		(651)	2,146
— Other		10	(69)
Subtotal		(540)	2,090
Items that may be reclassified subsequently to profit or loss			
— Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income		(2,976)	11,919
— Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income		3,084	515
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(130)	(440)
— Exchange differences from the translation of foreign operations		(21,549)	7,089
— Other		(751)	602
Subtotal		(22,322)	19,685
Other comprehensive income for the year, net of tax		(22,862)	21,775
Total comprehensive income for the year		182,234	223,666
Total comprehensive income attributable to:			
Equity holders of the Bank		177,424	205,601
Non-controlling interests		4,810	18,065
		182,234	223,666

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

Consolidated Statement of Financial Position

As at 31 December 2020 (Amount in millions of Renminbi, unless otherwise stated)

		As at 31 December	
	Note	2020	2019
ASSETS			
Cash and due from banks and other financial institutions	V.13	803,145	565,467
Balances with central banks	V.14	2,076,840	2,078,809
Placements with and loans to banks and other financial institutions	V.15	939,320	898,959
Government certificates of indebtedness for bank notes issued	V.26	168,608	155,466
Precious metals		223,313	206,210
Derivative financial assets	V.16	171,738	93,335
Loans and advances to customers, net	V.17	13,848,304	12,743,425
Financial investments	V.18	5,591,117	5,514,062
— financial assets at fair value through profit or loss		504,549	518,250
— financial assets at fair value through other comprehensive income		2,107,790	2,218,129
— financial assets at amortised cost		2,978,778	2,777,683
Investments in associates and joint ventures	V.19	33,508	23,210
Property and equipment	V.20	248,589	244,540
Investment properties	V.21	22,065	23,108
Deferred income tax assets	V.35	58,916	44,029
Other assets	V.22	217,196	179,124
Total assets		24,402,659	22,769,744

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

Consolidated Statement of Financial Position (Continued)

As at 31 December 2020 (Amount in millions of Renminbi, unless otherwise stated)

		As at 31 December	
	Note	2020	2019
LIABILITIES			
Due to banks and other financial institutions	V.24	1,917,003	1,668,046
Due to central banks	V.25	887,811	846,277
Bank notes in circulation	V.26	168,751	155,609
Placements from banks and other financial institutions	V.27	411,949	639,675
Financial liabilities held for trading	V.28	17,912	19,475
Derivative financial liabilities	V.16	212,052	90,060
Due to customers	V.29	16,879,171	15,817,548
Bonds issued	V.30	1,244,403	1,096,087
Other borrowings	V.31	26,034	28,011
Current tax liabilities	V.32	55,665	59,102
Retirement benefit obligations	V.33	2,199	2,533
Deferred income tax liabilities	V.35	6,499	5,452
Other liabilities	V.36	410,373	365,173
Total liabilities		22,239,822	20,793,048
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital	V.37.1	294,388	294,388
Other equity instruments	V.37.4	277,490	199,893
Capital reserve	V.37.2	135,973	136,012
Treasury shares	V.37.3	(8)	(7)
Other comprehensive income	V.12	4,309	19,613
Statutory reserves	V.38.1	193,438	174,762
General and regulatory reserves	V.38.2	267,981	250,100
Undistributed profits	V.38	864,848	776,940
		2,038,419	1,851,701
Non-controlling interests	V.39	124,418	124,995
Total equity		2,162,837	1,976,696
Total equity and liabilities		24,402,659	22,769,744

Approved and authorised for issue by the Board of Directors on 30 March 2021.

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

LIU Liange
Director

WANG Wei
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 (Amount in millions of Renminbi, unless otherwise stated)

	Note	Attributable to equity holders of the Bank								Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares		
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	V.38.3	-	-	-	-	-	-	(68,257)	-	(6,982)	(75,239)
Net change in treasury shares	V.37.3	-	-	-	-	-	-	-	(1)	-	(1)
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	-	1,358	1,358
Capital contribution and reduction by other equity instruments holders	V.37.4	-	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

	Note	Attributable to equity holders of the Bank								Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares		
As at 1 January 2019		294,388	99,714	142,135	1,417	157,464	231,525	686,405	(68)	112,417	1,725,397
Total comprehensive income	V.12	-	-	-	18,196	-	-	187,405	-	18,065	223,666
Appropriation to statutory reserves	V.38.1	-	-	-	-	17,298	-	(17,298)	-	-	-
Appropriation to general and regulatory reserves	V.38.2	-	-	-	-	-	18,575	(18,575)	-	-	-
Dividends	V.38.3	-	-	-	-	-	-	(60,993)	-	(6,794)	(67,787)
Net change in treasury shares	V.37.3	-	-	-	-	-	-	-	61	-	61
Capital contribution by non-controlling shareholders		-	-	(22)	-	-	-	-	-	1,380	1,358
Capital contribution and reduction by other equity instruments holders		-	100,179	(6,205)	-	-	-	-	-	-	93,974
Other		-	-	104	-	-	-	(4)	-	(73)	27
As at 31 December 2019		294,388	199,893	136,012	19,613	174,762	250,100	776,940	(7)	124,995	1,976,696

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020 (Amount in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
Cash flows from operating activities			
Profit before income tax		246,378	250,645
Adjustments:			
Impairment losses on assets		119,016	102,153
Depreciation of property and equipment and right-of-use assets		22,441	21,136
Amortisation of intangible assets and other assets		5,065	4,219
Net gains on disposal of property and equipment, intangible assets and other long-term assets		(1,246)	(1,089)
Net gains on disposal of investments in subsidiaries, associates and joint ventures		(202)	(91)
Share of results of associates and joint ventures		(158)	(1,057)
Interest income arising from financial investments		(150,553)	(155,126)
Dividends arising from investment securities		(507)	(388)
Net gains on financial investments		(8,486)	(1,981)
Interest expense arising from bonds issued		35,719	30,942
Accreted interest on impaired loans		(1,236)	(1,497)
Interest expense arising from lease liabilities		829	876
Net changes in operating assets and liabilities:			
Net decrease in balances with central banks		47,092	64,656
Net increase in due from and placements with and loans to banks and other financial institutions		(206,736)	(144,184)
Net increase in precious metals		(17,061)	(25,019)
Net increase in loans and advances to customers		(1,204,492)	(1,322,755)
Net increase in other assets		(4,050)	(184,386)
Net increase/(decrease) in due to banks and other financial institutions		250,181	(60,531)
Net increase/(decrease) in due to central banks		43,963	(59,590)
Net (decrease)/increase in placements from banks and other financial institutions		(226,873)	27,391
Net increase in due to customers		1,043,998	932,931
Net decrease in other borrowings		(1,977)	(4,750)
Net increase in other liabilities		140,613	70,573
Cash inflow/(outflow) from operating activities		131,718	(456,922)
Income tax paid		(58,690)	(27,344)
Net cash inflow/(outflow) from operating activities		73,028	(484,266)

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

	Note	Year ended 31 December	
		2020	2019
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		4,087	10,554
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		1,085	1,459
Dividends received		909	1,693
Interest income received from financial investments		152,114	153,950
Proceeds from disposal/maturity of financial investments		3,302,506	2,800,591
Increase in investments in subsidiaries, associates and joint ventures		(12,655)	(1,249)
Purchase of property and equipment, intangible assets and other long-term assets		(39,622)	(39,019)
Purchase of financial investments		(3,425,490)	(3,093,657)
Net cash outflow from investing activities		(17,066)	(165,678)
Cash flows from financing activities			
Proceeds from issuance of bonds		1,135,331	985,472
Proceeds from issuance of other equity instruments		109,560	139,961
Proceeds from capital contribution by non-controlling shareholders		1,358	1,380
Repayments of debts issued		(984,337)	(684,069)
Cash payments for interest on bonds issued		(23,756)	(28,770)
Repayments of other equity instruments issued		(32,000)	(45,987)
Dividend payments to equity holders of the Bank		(65,948)	(60,993)
Dividend and coupon payments to non-controlling shareholders		(6,982)	(6,794)
Other net cash flows from financing activities		(6,609)	(7,089)
Net cash inflow from financing activities		126,617	293,111
Effect of exchange rate changes on cash and cash equivalents		(33,603)	14,125
Net increase/(decrease) in cash and cash equivalents		148,976	(342,708)
Cash and cash equivalents at beginning of year		1,345,892	1,688,600
Cash and cash equivalents at end of year	V.42	1,494,868	1,345,892

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

Notes to the Consolidated Financial Statements

(Amount in millions of Renminbi, unless otherwise stated)

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, Macao, Taiwan and other major international financial centres.

The Bank’s principal regulator is the CBIRC. The operations in Hong Kong, Macao, Taiwan 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 30 March 2021.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with 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 as 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.

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards, amendments and interpretations effective in 2020

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

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

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

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

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest rate benchmark reform. The implications of the adoption of amendments on the Group are addressed in Note V.16.3.

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

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

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

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

		Effective for annual periods beginning on or after
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	<i>Interest Rate Benchmark Reform — Phase 2</i>	1 January 2021
IFRS 3 Amendments	<i>Reference to the Conceptual Framework</i>	1 January 2022
IAS 16 Amendments	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
IAS 37 Amendments	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>	1 January 2022
IAS 1 Amendments	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
IAS 1 and IFRS Practice Statement 2 Amendments	<i>Disclosure of Accounting Policies</i>	1 January 2023
IAS 8 Amendments	<i>Definition of Accounting Estimates</i>	1 January 2023
IFRS 17 and Amendments	<i>Insurance Contracts</i>	1 January 2023
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2018–2020 Cycle (issued in May 2020)		1 January 2022

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address the accounting issues that arise when financial instruments that reference Interbank Offered Rates (“IBOR”) transition to nearly risk-free rates (“RFRs”). The amendments include a practical expedient for modifications, which permits contractual changes, or changes to cash flows that are directly required by the IBOR reform, to be treated as changes to a floating interest rate. The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation under both IFRS 9 and IAS 39 without the hedging relationship being discontinued. In addition, while IFRS 9 and IAS 39 require that a risk component (or a designated portion) is “separately identifiable” to be eligible for hedge accounting, the amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates is required by the amendments.

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2020 (Continued)

IFRS 3 Amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

IAS 16 Amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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”. The 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. 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.

IAS 1 Amendments specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement that a right to defer must exist at the end of the reporting period, classification is unaffected by the likelihood that an entity will exercise its deferral right, and only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

The amendments to IAS 1 and IFRS Practice Statement 2 (the PS) 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.

IAS 8 Amendments introduce a new definition of “accounting estimates”. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

IFRS 17 Insurance Contracts and IFRS 17 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.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 *Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2020 (Continued)*

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. 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.

Annual Improvements to IFRSs 2018–2020 Cycle were issued in May 2020, including an amendment to IFRS 9 Financial Instruments, which clarifies the 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.

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, amendments and interpretations will have no material impact on the financial statements.

2 Consolidation

2.1 *Subsidiaries*

Subsidiaries are all entities (including corporates, divided parts of associates and joint ventures, and structured entities controlled by corporates) over which the Group has control. That is the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over 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 the definition of control involved in the changes of relevant elements, the Group will re-evaluate whether subsidiaries are controlled.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The 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 assets.

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

2.1 Subsidiaries (Continued)

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 identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the identifiable net 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 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.

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. The dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as the current investment income of subsidiaries. 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. The 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 are 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.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

2.2 Associates and joint ventures (Continued)

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.

2.3 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests 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 have 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 are reclassified to the income statement.

3 Foreign currency translation

3.1 Functional and presentation currency

The functional currency of the operations in the Chinese mainland is the Renminbi ("RMB"). Items included in the financial statements of each of the Group's operations in Hong Kong, Macao, Taiwan 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 the 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.

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.

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

3 Foreign currency translation (Continued)

3.2 Transactions and balances (Continued)

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 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.

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.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

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 business model of the financial assets is "other". 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.

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.

Notes to the Consolidated Financial Statements

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

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.

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 gains or losses 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 gains or losses 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 gains or losses 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.

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.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

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.

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).

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

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.

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 Group's liabilities under such guarantees are measured at the higher of the initial measurement less amortisation calculated and the impairment allowance determined by the expected credit loss ("ECL") model, and any increase in the liability relating to guarantees is taken to the income statement.

Loan commitments are commitments provided by the Group to the 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 current bid prices and ask 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.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.4 Determination of fair value (Continued)

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.

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

The 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, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk since initial recognition are included in 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 in 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 in Stage 3, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments.

Notes to the Consolidated Financial Statements

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 on 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 change in lifetime expected credit losses since initial recognition at the financial reporting date as impairment allowance. At each financial reporting date, the Group recognises in profit or loss the amount of the changes 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;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 Group conducted an assessment of ECL according to forward-looking information and used a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's 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 such as:

- Criteria for determining significant increases in credit risk
- Definition of default and credit-impaired financial assets
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows
- Grouping of financial instruments for losses measured on a collective basis

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.6 Impairment measurement for losses on assets (Continued)

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 of the Group, 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 figure out 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 reporting date, the increase in remaining lifetime probability of default is considered significant, comparing with the one at initial recognition

Qualitative criteria

- Significant adverse change in debtor's operation or financial status
- Be classified into Special Mention category within five-category loan classification
- Be listed on the watch-list

Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.6 Impairment measurement for losses on assets (Continued)

Definition of default and credit-impaired financial asset

The Group considers a financial instrument as default when it is credit-impaired. The standard adopted by the Group to determine whether a financial asset is credit-impaired under IFRS 9 is consistent with the internal credit risk management objectives, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or obligor;
- 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 lender would not otherwise consider;
- It 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 debtor 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. For credit-impaired financial assets, the Group mainly evaluate the future cash flow (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 and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Parameters of ECL measurement

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 12 months or the entire lifetime respectively. 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 collaterals, repayments, etc.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.6 Impairment measurement for losses on assets (Continued)

Parameters of ECL measurement (Continued)

Relative 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 throughout the entire remaining lifetime. The Group adjusts PD based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and removing the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Based on the analysis of historical data, the Group identifies the key macroeconomic indicators that affect the credit risk and ECL of various business types, such as GDP, Investment in fixed assets, PPI, Home price index, CPI.

The specific values of the core macroeconomic indicators used by the Group to evaluate expected credit losses on December 31, 2020 are as follows:

Indicator	Number
YoY Growth Rate of China's GDP in 2021	8.0%

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applied experts' judgement in this analysis, according to the result of experts' judgement, the Group predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to a base economic scenario, the Group conducts statistical analysis with experts' judgement to determine other possible scenarios and their weights. The Group measures the weighted average ECL of 12 months (Stage 1) or life time (Stage 2 and Stage 3).

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.6 Impairment measurement for losses on assets (Continued)

Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognised in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

The Group monitors the ongoing performance of assets with modified contractual cash flows. Based on the Group's judgment, the Group determined that the credit risk of these assets had significantly improved after modification of contractual cash flows. Accordingly, these assets were transferred from either Stage 3 or Stage 2 to Stage 1, and the related impairment allowance was measured at an amount equal to the 12-month ECL instead of the lifetime ECL.

Grouping of financial instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. The Group uses credit rating, product types and client types, etc., for grouping the personal loans and advances to calculate the losses measured on a collective basis.

4.7 Write off

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the relevant legal or other 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 through impairment losses.

4.8 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.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.8 Derivative financial instruments and hedge accounting (Continued)

The method 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
- 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:

- Increase or decrease in the amounts of hedged items or 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.

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.8 Derivative financial instruments and hedge accounting (Continued)

(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.

(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.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.8 Derivative financial instruments and hedge accounting (Continued)

(3) Net investment hedge (Continued)

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. If the hedged items are transaction related, the amount accumulated in other comprehensive income shall be accounted for similarly to cash flow hedges. If the hedged items are time-period related, that amount is amortised on a systematic and rational basis over the period during which the hedged items could affect profit or loss, and the amortisation amount is reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

4.9 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.

4.10 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.

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

5 Precious metals and precious metals swaps

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 as precious metal deposits, 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.

Consistent with the substance of the transaction, if the precious metals swaps are for financing purposes, they are accounted for as precious metals subject to collateral agreements. Precious metals collateralised are not derecognised and the related counterparty liability is recorded in "Placements from banks and other financial institutions". If precious metals swaps are for trading purposes, they are accounted for as derivative transactions.

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".

The 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.

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.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

7 Property and equipment (Continued)

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%.

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.

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

8 Leases (Continued)

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 it is 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 institution and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

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.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

8 Leases (Continued)

8.1 As Lessee (Continued)

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.

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.

Notes to the Consolidated Financial Statements

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 lease payments receivable and derecognises the assets under finance leases at the commencement date. The finance lease receivables are recorded in the consolidated statement of financial position as loans and advances to customers. In the initial measurement of the lease payments receivable, the Group recognises the net investment in the lease as the book value. The net investment in the lease is the present value of the sum of the unguaranteed residual value and the unreceived lease payments receivable 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. 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 still 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. 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.

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 assets not retained plus related costs when they are obtained as the compensation for the loans' principal and interest. When there are indicators that the recoverable amount is lower than carrying amount, the carrying amount is written down immediately to its recoverable amount.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

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, Macao, Taiwan 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.

The obligations related to the defined benefit plans are calculated by independent actuaries using the projected unit credit method at each financial reporting date. The actuarial gains or losses are recognised in "Other comprehensive income" immediately when they occur, the 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.

The liability 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. The present value of the liability is 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. The actuarial gains or losses of supplemental retirement benefit are recognised in "Other comprehensive income" immediately when they occur. The actuarial gains or losses of early retirement benefit obligations and the 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.

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

12 Employee benefits (Continued)

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.

12.4 Share-based compensation

(1) Equity-settled share-based compensation schemes

The 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. The 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. The 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 equity.

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.

(Amount in millions of Renminbi, unless otherwise stated)

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 issues 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.

(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.

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

14 Insurance contracts (Continued)

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 Treasury shares, preference shares and perpetual bonds

Where the Bank or other members of the Group purchase the Bank's ordinary shares, "Treasury shares" are recorded at the amount of consideration paid and deducted from total equity until they are cancelled, sold or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in capital and reserves attributable to equity holders of the Bank.

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; and 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. The dividends on preference shares are recognised as profit distribution at the time of declaration.

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; and perpetual bonds issued includes 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. The 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.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

17 Fiduciary activities (Continued)

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 schedule. 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.

18 Interest income and expense

The “Interest income” and “Interest expense” in the Group’s income statement are the interest income and expense calculated by 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, etc.

The 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. The 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 the 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. The 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.

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 cases, 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.

Notes to the Consolidated Financial Statements

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

20 Income taxes (Continued)

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/(tax 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/(tax loss).

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.

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 the current year, including that the bank has reclassified the financing charges from credit card repayment by instalments from net fee and commission income to interest income since 2020. The comparative figures for the same period in 2019 were restated.

(Amount in millions of Renminbi, unless otherwise stated)

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities within 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 Impairment losses on loans and advances to customers

The models and assumptions used by the Group in assessing the expected credit losses on loans and advances to customers are highly dependent on management's judgement.

When determining whether the credit risk of a loan has significantly increased since initial recognition, the Group needs to consider internal and external historical information, current conditions and future economic forecasts. The criteria for a significant increase in credit risk will be used to determine whether impairment allowance for a loan should be measured as equal to lifetime expected credit losses, rather than 12 months expected credit losses.

The parameters used by the Group to measure the ECL model, including PD, LGD and EAD, each involves numerous judgements and assumptions. The Group made adjustments based on the results of the internal rating model of the New Basel Capital Accord and considered macroeconomic forecasts information to determine the debtor's PIT PD. When estimating the LGD, the Group also needs to make judgements by considering the type of counterparty, recourse arrangements, compensation seniority, the type and value of the collateral and historical loss data. For off-balance credit commitments and revolving credit facilities, judgements are also needed to determine the time period applicable for the EAD.

The Group applies expert judgements to predict macroeconomic indicators, analyses the correlations with modelled parameters such as PD, and makes forward-looking adjustments on parameters. At the same time, the Group also needs to estimate the probability of occurrence of multiple different macroeconomic scenarios and calculate probability-weighted expected credit losses.

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 granularity of financial information related to specific borrowers, the availability of meaningful information related to industry competitors and the relevance of sector trends to the future performance of individual borrowers and cash flows from the sale of collateral.

Notes to the Consolidated Financial Statements

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

2 Fair value of derivatives and other financial instruments

The Group establishes the 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.

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. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has made estimates for application of new tax legislation and items of uncertainty taking into account existing tax legislation and past practice, in particular, the treatment of supplementary PRC tax applied to results of overseas operations.

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.

(Amount in millions of Renminbi, unless otherwise stated)

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

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. The 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.

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.

The 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		
Hong Kong profits tax	Assessable profits	16.5%

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1 Net interest income**

	Year ended 31 December	
	2020	2019
Interest income		
Loans and advances to customers	550,354	533,365
Financial investments ⁽¹⁾	150,553	155,126
Due from and placements with and loans to banks and other financial institutions and central banks	59,163	69,516
Subtotal	760,070	758,007
Interest expense		
Due to customers	(258,439)	(269,324)
Due to and placements from banks and other financial institutions	(49,419)	(66,103)
Bonds issued and other	(36,294)	(32,530)
Subtotal	(344,152)	(367,957)
Net interest income	415,918	390,050
Interest income accrued on impaired financial assets (included within interest income)	1,236	1,497

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

2 Net fee and commission income

	Year ended 31 December	
	2020	2019
Agency commissions	25,367	20,320
Settlement and clearing fees	14,383	14,713
Bank card fees	13,825	16,013
Credit commitment fees	11,912	12,746
Spread income from foreign exchange business	5,871	7,154
Custodian and other fiduciary service fees	4,831	4,120
Consultancy and advisory fees	3,535	4,446
Other	8,916	8,587
Fee and commission income	88,640	88,099
Fee and commission expense	(13,118)	(14,287)
Net fee and commission income	75,522	73,812

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**3 Net trading gains**

	Year ended 31 December	
	2020	2019
Net gains from interest rate products	5,551	15,303
Net gains from fund investments and equity products	5,057	2,378
Net gains from foreign exchange and foreign exchange products	4,007	8,974
Net (losses)/gains from commodity products	(6,560)	1,908
Total ⁽¹⁾	8,055	28,563

(1) Included in "Net trading gains" above for the year ended 31 December 2020 are gains of RMB1,082 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (2019: gains of RMB3,426 million).

4 Net gains on transfers of financial asset

	Year ended 31 December	
	2020	2019
Net gains on derecognition of financial assets at fair value through other comprehensive income	7,987	2,900
Net gains on derecognition of financial assets at amortised cost ⁽¹⁾	1,560	577
Total	9,547	3,477

(1) All the net gains on the derecognition of financial assets at amortised cost result from disposals during the year ended 31 December 2020 and 2019.

5 Other operating income

	Year ended 31 December	
	2020	2019
Insurance premiums ⁽¹⁾	29,676	26,819
Aircraft leasing income	12,300	11,753
Revenue from sale of precious metals products	6,749	6,484
Dividend income ⁽²⁾	5,601	3,370
Gains on disposal of property and equipment, intangible assets and other assets	1,394	1,251
Changes in fair value of investment properties (Note V.21)	(1,505)	496
Gains on disposal of subsidiaries, associates and joint ventures	202	91
Other ⁽³⁾	4,188	3,844
Total	58,605	54,108

(1) Details of insurance premium income are as follows:

	Year ended 31 December	
	2020	2019
Life insurance contracts		
Gross earned premiums	33,290	28,073
Less: gross written premiums ceded to reinsurers	(9,348)	(7,591)
Net insurance premium income	23,942	20,482
Non-life insurance contracts		
Gross earned premiums	6,953	7,587
Less: gross written premiums ceded to reinsurers	(1,219)	(1,250)
Net insurance premium income	5,734	6,337
Total	29,676	26,819

(2) For equity instruments classified as financial assets at fair value through other comprehensive income, RMB507 million of dividend income is recognised for the year ended 31 December 2020 (2019: RMB388 million).

(3) For the year ended 31 December 2020, the government subsidy income from operating activities, as part of other operating income, is RMB365 million (2019: RMB283 million).

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**6 Operating expenses**

	Year ended 31 December	
	2020	2019
Staff costs (Note V.7)	89,334	90,762
General operating and administrative expenses ⁽¹⁾⁽²⁾	38,944	41,845
Insurance benefits and claims		
— Life insurance contracts	26,340	21,829
— Non-life insurance contracts	4,241	4,208
Depreciation and amortisation	22,871	21,175
Cost of sales of precious metal products	6,424	5,372
Taxes and surcharges	5,465	4,984
Other	8,792	8,094
Total ⁽³⁾	202,411	198,269

(1) Included in the “General operating and administrative expenses” is principal auditors’ remuneration of RMB237 million for the year ended 31 December 2020 (2019: RMB229 million), of which RMB75 million is for Hong Kong, Macao, Taiwan and other countries and regions of the Group (2019: RMB72 million).

(2) Included in the “General operating and administrative expenses” are lease expenses related to short-term leases and leases of low-value assets of RMB1,302 million for the year ended 31 December 2020 (2019: RMB1,405 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 RMB12,810 million (2019: RMB13,644 million).

7 Staff costs

	Year ended 31 December	
	2020	2019
Salary, bonus and subsidy	62,377	61,095
Staff welfare	4,218	3,896
Retirement benefits	50	60
Social insurance		
— Medical	3,109	4,085
— Pension	4,607	6,249
— Annuity	3,440	4,178
— Unemployment	150	207
— Injury at work	59	76
— Maternity insurance	136	256
Housing funds	4,774	4,595
Labour union fee and staff education fee	2,082	2,032
Reimbursement for cancellation of labour contract	28	15
Other	4,304	4,018
Total	89,334	90,762

(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 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⁾	619	79	79	777
WANG Wei ⁽⁴⁾⁽⁵⁾	— ⁽²⁾	557	75	79	711
LIN Jingzhen ⁽⁴⁾	— ⁽²⁾	557	75	79	711
WANG Jiang ⁽⁴⁾⁽⁵⁾⁽⁶⁾	— ⁽²⁾	619	79	79	777
WU Fulin ⁽⁴⁾⁽⁶⁾	— ⁽²⁾	47	5	7	59
Non-executive directors					
ZHAO Jie ⁽¹⁾	—	—	—	—	—
XIAO Lihong ⁽¹⁾	—	—	—	—	—
WANG Xiaoya ⁽¹⁾	—	—	—	—	—
ZHANG Jiangang ⁽¹⁾	—	—	—	—	—
CHEN Jianbo ⁽¹⁾⁽⁵⁾	—	—	—	—	—
LIAO Qiang ⁽¹⁾⁽⁶⁾	—	—	—	—	—
Independent directors					
WANG Changyun	635	—	—	—	635
Angela CHAO	450	—	—	—	450
JIANG Guohua	609	—	—	—	609
Martin Cheung Kong LIAO	450	—	—	—	450
CHEN Chunhua ⁽⁵⁾	225	—	—	—	225
CHUI Sai Peng Jose ⁽⁵⁾	138	—	—	—	138
Supervisors					
WANG Zhiheng	50 ⁽³⁾	—	—	—	50
LI Changlin	50 ⁽³⁾	—	—	—	50
LENG Jie	50 ⁽³⁾	—	—	—	50
JIA Xiangsen	260	—	—	—	260
ZHENG Zhiguang	260	—	—	—	260
WANG Xiquan ⁽⁴⁾⁽⁶⁾	—	619	79	79	777
	3,177	3,018	392	402	6,989

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**8 Directors', supervisors' and senior management's emoluments (Continued)**

For the year ended 31 December 2019

	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⁾	807	87	82	976
WANG Wei ⁽⁴⁾⁽⁵⁾	— ⁽²⁾	61	6	7	74
LIN Jingzhen ⁽⁴⁾	— ⁽²⁾	725	83	82	890
WANG Jiang ⁽⁴⁾⁽⁵⁾⁽⁶⁾	— ⁽²⁾	—	—	—	—
CHEN Siqing ⁽⁴⁾	— ⁽²⁾	269	31	26	326
WU Fulin ⁽⁴⁾⁽⁶⁾	— ⁽²⁾	726	83	82	891
Non-executive directors					
ZHAO Jie ⁽¹⁾	—	—	—	—	—
XIAO Lihong ⁽¹⁾	—	—	—	—	—
WANG Xiaoya ⁽¹⁾	—	—	—	—	—
ZHANG Jiangang ⁽¹⁾	—	—	—	—	—
CHEN Jianbo ⁽¹⁾⁽⁵⁾	—	—	—	—	—
LI Jucan ⁽¹⁾	—	—	—	—	—
LIAO Qiang ⁽¹⁾⁽⁶⁾	—	—	—	—	—
Independent directors					
WANG Changyun	621	—	—	—	621
Angela CHAO	450	—	—	—	450
JIANG Guohua	455	—	—	—	455
Martin Cheung Kong LIAO	146	—	—	—	146
CHEN Chunhua ⁽⁵⁾	—	—	—	—	—
CHUI Sai Peng Jose ⁽⁵⁾	—	—	—	—	—
LU Zhengfei	321	—	—	—	321
LEUNG Cheuk Yan	270	—	—	—	270
Supervisors					
WANG Xiquan ⁽⁴⁾⁽⁶⁾	—	807	87	82	976
WANG Zhiheng	50 ⁽³⁾	—	—	—	50
LI Changlin	50 ⁽³⁾	—	—	—	50
LENG Jie	50 ⁽³⁾	—	—	—	50
JIA Xiangsen	145	—	—	—	145
ZHENG Zhiguang	145	—	—	—	145
LIU Wanming ⁽⁴⁾	—	859	35	46	940
CHEN Yuhua	98	—	—	—	98
	2,801	4,254	412	407	7,874

(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)

- (1) For the years ended 31 December 2020 and 2019, these non-executive directors of the Bank were not remunerated by the Bank.
- (2) For the years ended 31 December 2020 and 2019, these executive directors of the Bank did not receive any fees.
- (3) Employee supervisors' above compensation is paid for serving as the supervisors of the Bank.
- (4) The total compensation packages for executive directors and supervisors for the year ended 31 December 2020 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 2020 financial statements. The final compensation for the year ended 31 December 2020 will be disclosed in a separate announcement when determined.

The compensation amounts for these directors and supervisors for the year ended 31 December 2019 were restated based on the finalised amounts as disclosed in the Bank's announcement on resolutions of the board of directors dated 23 September 2020.

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.

- (5) WANG Jiang began to serve as Vice-Chairman of the Board of Directors and Executive Director of the Bank as of 14 January 2020. WANG Wei began to serve as Executive Director of the Bank as of 30 June 2020. CHEN Jianbo began to serve as Non-executive Director of the Bank as of 30 June 2020. CHEN Chunhua began to serve as Independent Director of the Bank as of 20 July 2020. CHUI Sai Peng Jose began to serve as Independent Director of the Bank as of 11 September 2020. ZHANG Keqiu began to serve as Chairwoman of the Board of Supervisors and Shareholder Supervisor of the Bank as of 18 January 2021. Since ZHANG Keqiu did not hold any position at the Board of Supervisors of the Bank in 2020, no emoluments were disclosed in 2020.
- (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. WU Fulin ceased to serve as Executive Director of the Bank as of 27 January 2020. LIAO Qiang ceased to serve as Non-executive Director of the Bank as of 5 March 2020. WANG Xiquan ceased to serve as Chairman of the Board of Supervisors and Shareholder Supervisor of the Bank as of 18 January 2021.

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 2020 and 2019 respectively are as follows:

	Year ended 31 December	
	2020	2019
Basic salaries and allowances	23	24
Discretionary bonuses	98	124
Contributions to pension schemes and other	3	4
	124	152

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**8 Directors', supervisors' and senior management's emoluments (Continued)****Five highest paid individuals (Continued)**

Emoluments of the individuals were within the following bands:

Amounts in RMB	Year ended 31 December	
	2020	2019
16,000,001–20,000,000	4	–
20,000,001–50,000,000	1	4
50,000,001–70,000,000	–	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 2020 and 2019, 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.

9 Impairment losses on assets

	Year ended 31 December	
	2020	2019
Loans and advances		
— Loans and advances at amortised cost	103,743	98,483
— Loans and advances at fair value through other comprehensive income	(113)	288
Subtotal	103,630	98,771
Financial investments		
— Financial assets at amortised cost	1,872	(187)
— Financial assets at fair value through other comprehensive income	4,244	387
Subtotal	6,116	200
Credit commitments	5,454	2,117
Other	3,181	883
Subtotal of impairment losses on credit	118,381	101,971
Other impairment losses on assets	635	182
Total	119,016	102,153

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**10 Income tax expense**

	Year ended 31 December	
	2020	2019
Current income tax		
— Chinese mainland income tax	45,296	43,643
— Hong Kong profits tax	5,242	5,297
— Macao, Taiwan and other countries and regions taxation	3,455	4,768
Adjustments in respect of current income tax of prior years	1,557	3,870
Subtotal	55,550	57,578
Deferred income tax (Note V.35.3)	(14,268)	(8,824)
Total	41,282	48,754

The principal tax rates applicable to the Group are set out in Note IV.

The provision for Chinese mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Bank and each of its subsidiaries established in the Chinese mainland, and supplementary PRC tax on overseas operations as determined in accordance with the relevant PRC income tax rules and regulations (Note III.5).

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

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

	Year ended 31 December	
	2020	2019
Profit before income tax	246,378	250,645
Tax calculated at the applicable statutory tax rate	61,595	62,661
Effect of different tax rates for Hong Kong, Macao, Taiwan and other countries and regions	(4,278)	(5,282)
Supplementary PRC tax on overseas income	2,924	2,251
Income not subject to tax ⁽¹⁾	(29,791)	(27,846)
Items not deductible for tax purposes ⁽²⁾	11,226	13,442
Other	(394)	3,528
Income tax expense	41,282	48,754

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

(2) Non-deductible items primarily include non-deductible losses resulting from 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.

Notes to the Consolidated Financial Statements

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 reporting period.

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming the conversion of all potentially dilutive shares for the reporting 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 2020 and 2019.

	Year ended 31 December	
	2020	2019
Profit attributable to equity holders of the Bank	192,870	187,405
Less: dividends/interest on preference shares/ perpetual bonds declared	(12,029)	(6,826)
Profit attributable to ordinary shareholders of the Bank	180,841	180,579
Weighted average number of ordinary shares in issue (in million shares)	294,381	294,378
Basic and diluted earnings per share (in RMB)	0.61	0.61

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

	Year ended 31 December	
	2020	2019
Issued ordinary shares as at 1 January	294,388	294,388
Less: weighted average number of treasury shares	(7)	(10)
Weighted average number of ordinary shares in issue	294,381	294,378

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**12 Other comprehensive income**

Accrual amount of other comprehensive income:

	Year ended 31 December	
	2020	2019
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit plans	101	13
Changes in fair value on investments in equity instruments designated at fair value through other comprehensive income	(622)	2,790
Less: related income tax impact	(29)	(644)
Other	10	(69)
Subtotal	(540)	2,090
Items that may be reclassified subsequently to profit or loss		
Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income	3,950	17,694
Less: related income tax impact	(742)	(3,795)
Amount transferred to the income statement	(7,711)	(2,535)
Less: related income tax impact	1,527	555
	(2,976)	11,919
Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income	4,108	682
Less: related income tax impact	(1,024)	(167)
	3,084	515
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(174)	(587)
Less: related income tax impact	44	147
	(130)	(440)
Exchange differences from the translation of foreign operations	(21,021)	7,764
Less: net amount transferred to the income statement from other comprehensive income	(528)	(675)
	(21,549)	7,089
Other	(751)	602
Subtotal	(22,322)	19,685
Total	(22,862)	21,775

Notes to the Consolidated Financial Statements

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 2019	9,395	(10,959)	2,981	1,417
Changes in amount for the previous year	13,139	4,787	270	18,196
As at 1 January 2020	22,534	(6,172)	3,251	19,613
Changes in amount for the year	(344)	(14,285)	(675)	(15,304)
As at 31 December 2020	22,190	(20,457)	2,576	4,309

13 Cash and due from banks and other financial institutions

	As at 31 December	
	2020	2019
Cash	78,825	64,907
Due from banks in Chinese mainland	602,340	361,232
Due from other financial institutions in Chinese mainland	7,515	8,043
Due from banks in Hong Kong, Macao, Taiwan and other countries and regions	110,662	128,312
Due from other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	559	461
Subtotal ⁽¹⁾	721,076	498,048
Accrued interest	4,327	3,060
Less: allowance for impairment losses ⁽¹⁾	(1,083)	(548)
Subtotal due from banks and other financial institutions	724,320	500,560
Total	803,145	565,467

- (1) As at 31 December 2020 and 2019, the Group included the predominant majority of due from banks and other financial institutions in Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months (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	
	2020	2019
Mandatory reserves ⁽¹⁾	1,442,384	1,498,666
Surplus reserves ⁽²⁾	105,270	132,247
Other ⁽³⁾	528,491	447,048
Subtotal	2,076,145	2,077,961
Accrued interest	695	848
Total	2,076,840	2,078,809

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

15 Placements with and loans to banks and other financial institutions

	As at 31 December	
	2020	2019
Placements with and loans to:		
Banks in Chinese mainland	91,709	134,671
Other financial institutions in Chinese mainland	529,152	601,525
Banks in Hong Kong, Macao, Taiwan and other countries and regions	294,358	139,744
Other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	24,157	19,667
Subtotal ⁽¹⁾⁽²⁾	939,376	895,607
Accrued interest	2,429	4,090
Less: allowance for impairment losses ⁽²⁾	(2,485)	(738)
Total	939,320	898,959

- (1) "Placements with and loans to banks and other financial institutions" include balances arising from reverse repo agreements and collateralised financing agreements. They are presented by collateral type as follows:

	As at 31 December	
	2020	2019
Debt securities		
— Governments	182,724	37,435
— Policy banks	40,968	93,364
— Financial institutions	6,109	23,588
— Corporates	256	—
Subtotal	230,057	154,387
Less: allowance for impairment losses	—	—
Total	230,057	154,387

- (2) As at 31 December 2020 and 2019, the Group included the predominant majority of its placements with and loans to banks and other financial institutions in Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months (12-month ECL).

Notes to the Consolidated Financial Statements

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 on behalf of customers.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of 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 2020			As at 31 December 2019		
	Contractual/ Notional amount	Fair value		Contractual/ Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps ⁽¹⁾	6,304,310	118,600	(151,412)	6,469,750	65,477	(52,598)
Currency options	419,338	6,921	(3,789)	333,559	1,835	(2,019)
Currency futures	1,746	7	(20)	1,894	10	(6)
Subtotal	6,725,394	125,528	(155,221)	6,805,203	67,322	(54,623)
Interest rate derivatives						
Interest rate swaps	3,817,876	32,789	(42,520)	3,454,898	18,252	(23,188)
Interest rate options	63,772	16	(11)	17,729	31	(29)
Interest rate futures	543	–	(1)	2,400	3	(27)
Subtotal	3,882,191	32,805	(42,532)	3,475,027	18,286	(23,244)
Equity derivatives	12,927	376	(413)	9,219	137	(184)
Commodity derivatives and other	392,823	13,029	(13,886)	347,655	7,590	(12,009)
Total ⁽²⁾	11,013,335	171,738	(212,052)	10,637,104	93,335	(90,060)

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

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

(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			Line item in the statement of financial position
	Contractual/ Notional amount	Fair value		
		Assets	Liabilities	
As at 31 December 2020				
Interest rate risk				Derivative financial assets/liabilities
Interest rate swaps	100,936	240	(5,216)	
Foreign exchange and interest rate risk				
Cross-currency interest rate swaps	1,852	–	(206)	Derivative liabilities
Total	102,788	240	(5,422)	
As at 31 December 2019				
Interest rate risk				Derivative financial assets/liabilities
Interest rate swaps	113,883	372	(2,366)	
Foreign exchange and interest rate risk				Derivative financial liabilities
Cross-currency interest rate swaps	4,351	–	(711)	
Total	118,234	372	(3,077)	

Notes to the Consolidated Financial Statements

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 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
As at 31 December 2019						
Interest rate risk						
Interest rate swaps						
Notional amount	760	2,806	11,014	63,807	35,496	113,883
Average fixed interest rate	2.89%	3.12%	2.29%	3.05%	3.17%	N/A
Foreign exchange and interest rate risk						
Cross-currency interest rate swaps						
Notional amount	1,309	–	1,062	1,980	–	4,351
Average fixed interest rate	5.38%	–	4.50%	5.28%	–	N/A
Average exchange rate of USD/CNY	–	–	6.5717	6.1217	–	N/A
Average exchange rate of AUD/USD	0.9381	–	–	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				Line item in the statement of financial position
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		
	Assets	Liabilities	Assets	Liabilities	
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	
As at 31 December 2019					
Interest rate risk					
Financial investments	105,905	–	2,520	–	Financial investments
Bonds issued	–	(11,962)	–	(75)	Bonds issued
Foreign exchange and interest rate risk					
Bonds issued	–	(3,640)	–	711	Bonds issued
Total	105,905	(15,602)	2,520	636	

- (iii) The Group's net gains on fair value hedges are as follows:

	Year ended 31 December	
	2020	2019
Net gains on		
— hedging instruments	(2,843)	(3,097)
— hedged items	3,036	3,291
Ineffectiveness recognised in net trading gains	193	194

Notes to the Consolidated Financial Statements

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**

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 in the year ended 31 December 2020 (2019: Nil).

- (i) Details of due to customers and due to central banks used in the Group's net investment hedging strategies:

As at 31 December 2020, the carrying value of such due to customers amounted to RMB53,087 million (31 December 2019: RMB104,419 million) and due to central banks amounted to RMB1,060 million (31 December 2019: RMB1,407 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			Line item in the statement of financial position
	Contractual/ Notional amount	Fair value		
		Assets	Liabilities	
As at 31 December 2020				
Foreign exchange forward and swap contracts	3,966	12	(360)	Derivative financial assets/liabilities
Total	3,966	12	(360)	
As at 31 December 2019				
Foreign exchange forward and swap contracts	41,128	29	(308)	Derivative financial assets/liabilities
Total	41,128	29	(308)	

(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					Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	
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
As at 31 December 2019						
Foreign exchange risk						
Foreign exchange forward and swap contracts						
Notional amount	–	1,246	39,882	–	–	41,128
Average exchange rate of USD/HKD	–	–	7.8355	–	–	N/A
Average exchange rate of USD/ZAR	–	15.0995	15.2113	–	–	N/A
Average exchange rate of USD/INR	–	–	73.2963	–	–	N/A
Average exchange rate of USD/MXN	–	–	20.1698	–	–	N/A
Average exchange rate of NZD/USD	–	0.6909	–	–	–	N/A
Average exchange rate of USD/CLP	–	–	723.0169	–	–	N/A
Average exchange rate of USD/SGD	–	–	1.3597	–	–	N/A

Notes to the Consolidated Financial Statements

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	
	2020	2019
Amounts of fair value changes on hedging instruments recognised in "Other comprehensive income"	3,841	(849)
Amounts of forward element reclassified from "Other comprehensive income" to profit or loss	154	172
Net amounts of fair value changes on hedging instruments recognised in "Other comprehensive income"	3,995	(677)

16.3 IBOR Reform

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", etc.

As at 31 December 2020, the notional amount of interest rate derivatives designated in fair value hedged accounting relationships was 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.

(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 general condition**

	As at 31 December	
	2020	2019
Measured at amortised cost		
— Corporate loans and advances	8,235,520	7,644,359
— Personal loans	5,583,295	5,047,809
— Discounted bills	1,912	2,334
Measured at fair value through other comprehensive income ⁽¹⁾		
— Discounted bills	358,997	335,583
Subtotal	14,179,724	13,030,085
Measured at fair value through profit or loss ⁽²⁾		
— Corporate loans and advances	3,661	4,104
Total	14,183,385	13,034,189
Accrued interest	33,092	34,596
Total loans and advances	14,216,477	13,068,785
Less: allowance for loans at amortised cost	(368,173)	(325,360)
Loans and advances to customers, net	13,848,304	12,743,425

(1) As at 31 December 2020, loans at fair value through other comprehensive income of the Group were discounted bills. The allowance for impairment losses amounted to RMB446 million (31 December 2019: RMB563 million) and was credited to other comprehensive income.

(2) There was no significant change during the years ended 31 December 2020 and 2019, or cumulatively, in the fair value of the loans that was attributable to changes in the credit risk of the loans.

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.3.5.

Notes to the Consolidated Financial Statements

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**

(1) Allowance for loans at amortised cost

	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	–
Charge for the year ⁽ⁱ⁾	70,933	24,190	42,114	137,237
Reversal	(43,164)	(21,257)	(10,126)	(74,547)
Impairment (reversal)/losses due to stage transformation	(3,507)	9,357	35,203	41,053
Write-off and transfer out	(66)	–	(64,255)	(64,321)
Recovery of loans and advances written off	–	–	8,405	8,405
Unwinding of discount on allowance	–	–	(1,236)	(1,236)
Exchange differences and other	(1,483)	(764)	(1,531)	(3,778)
As at 31 December	134,566	70,712	162,895	368,173

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

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

(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 2020			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	547	16	–	563
Charge for the year	563	5	–	568
Reversal	(665)	(16)	–	(681)
Exchange differences and other	(4)	–	–	(4)
As at 31 December	441	5	–	446

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

The Group conducted an assessment of ECLs according to forward-looking information and used a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and debtors creditworthiness (e.g., the likelihood of default by debtors and the corresponding losses). The Group's assessment of ECLs on 31 December 2020 considered the impact of changes in the current economic environment on the ECL model, including: the debtor's operation or financial status, and the extent of the impact of the COVID-19 pandemic, the Group has granted deferred repayment and interest payment arrangements to some debtors affected by the pandemic, but a deferred principal and interest payment arrangement was not intended to be a judgment basis for automatically triggering a significant increase in the debtor's credit risk; specific industry risks affected by the pandemic; forward-looking forecasts on performance of key macroeconomic indicators based on the impact of the COVID-19 pandemic, among other factors, on economic development trends.

As at 31 December 2020, the expected credit losses comprehensively reflected the Group's credit risk and the expectations for macroeconomic development of the management.

Notes to the Consolidated Financial Statements

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)*

In 2020, the changes in gross carrying amounts of loans and advances to customers that have a significant impact on the Group's impairment allowance 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 RMB69,946 million (2019: RMB69,820 million) were transferred from Stage 1 to Stage 2 and Stage 3, and the impairment allowance increased correspondingly by RMB22,008 million (2019: RMB21,963 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 was RMB67,364 million (2019: RMB59,760 million), with a corresponding increase in impairment allowance of RMB20,900 million (2019: RMB22,340 million). The gross carrying amount of the loans transferred from Stage 2 to Stage 1 was RMB16,132 million (2019: RMB45,059 million), and the impairment allowance decreased correspondingly by RMB2,677 million (2019: RMB3,273 million). The gross carrying amount of loans transferred from Stage 3 to Stage 2 and Stage 1 was RMB16,720 million (2019: RMB5,857 million), and the impairment allowance decreased correspondingly by RMB6,656 million (2019: RMB1,677 million).
- The write-off and disposal of the non-performing loans by the domestic branches amounted to RMB60,630 million (2019: RMB78,404 million), resulting in a corresponding reduction of RMB56,567 million (2019: RMB69,468 million) in impairment allowance for Stage 3 loans.
- The domestic branches converted loans of RMB3,659 million (2019: RMB12,813 million) into equity through debt-to-equity swaps and other instruments, resulting in a decrease of RMB1,605 million in impairment allowance for Stage 3 loans (2019: RMB10,193 million).
- Through personal loan securitisation, the domestic branches transferred out loans of RMB18,323 million (2019: RMB50,871 million), resulting in a decrease of RMB66 million (2019: RMB269 million) and RMB1,702 million (2019: RMB354 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	
	2020	2019
Financial assets at fair value through profit or loss		
Financial assets held for trading and other		
financial assets at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	20,176	16,807
— Public sectors and quasi-governments	302	595
— Policy banks	31,755	40,005
— Financial institutions	188,092	169,477
— Corporate	42,122	44,629
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	18,919	23,416
— Public sectors and quasi-governments	45	177
— Financial institutions	10,106	16,617
— Corporate	9,603	10,721
	321,120	322,444
Equity instruments	88,025	79,456
Fund investments and other	69,183	67,562
Total financial assets held for trading and other financial assets at fair value through profit or loss	478,328	469,462
Financial assets at fair value through profit or loss (designated)		
Debt securities ⁽¹⁾		
Issuers in Chinese mainland		
— Government	3,073	8,797
— Policy banks	509	2,418
— Financial institutions	6,640	9,592
— Corporate	1,846	1,329
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	1,295	9,712
— Public sectors and quasi-governments	721	1,603
— Financial institutions	5,525	7,159
— Corporate	6,514	8,178
	26,123	48,788
Other	98	—
Total financial assets at fair value through profit or loss (designated)	26,221	48,788
Total financial assets at fair value through profit or loss	504,549	518,250

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**18 Financial investments (Continued)**

	As at 31 December	
	2020	2019
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	691,638	676,685
— Public sectors and quasi-governments	88,092	71,172
— Policy banks	328,713	299,599
— Financial institutions	174,517	315,779
— Corporate	135,590	153,617
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	434,344	412,194
— Public sectors and quasi-governments	27,340	51,252
— Financial institutions	98,545	106,951
— Corporate	107,583	109,103
	2,086,362	2,196,352
Equity instruments and other	21,428	21,777
Total financial assets at fair value through other comprehensive income ⁽²⁾	2,107,790	2,218,129
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government ⁽³⁾⁽⁴⁾	2,327,382	2,168,725
— Public sectors and quasi-governments	43,679	39,425
— Policy banks	93,376	100,638
— Financial institutions	59,250	30,637
— Corporate	39,529	15,677
— China Orient ⁽⁵⁾	152,433	152,433
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	103,432	80,472
— Public sectors and quasi-governments	37,950	66,356
— Financial institutions	59,762	31,937
— Corporate	19,166	47,588
	2,935,959	2,733,888
Investment trusts, asset management plans and other	14,447	13,544
Accrued interest	37,295	37,037
Less: allowance for impairment losses	(8,923)	(6,786)
Total financial assets at amortised cost	2,978,778	2,777,683
Total financial investments⁽⁶⁾⁽⁷⁾⁽⁸⁾⁽⁹⁾	5,591,117	5,514,062

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**18 Financial investments (Continued)**

	As at 31 December	
	2020	2019
Analysed as follows:		
Financial assets at fair value through profit or loss		
— Listed in Hong Kong	48,718	46,731
— Listed outside Hong Kong ⁽¹⁰⁾	283,523	255,171
— Unlisted	172,308	216,348
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong	233,244	130,743
— Listed outside Hong Kong ⁽¹⁰⁾	1,210,734	1,365,202
— Unlisted	642,384	700,407
Equity instruments and other		
— Listed in Hong Kong	6,031	7,083
— Listed outside Hong Kong ⁽¹⁰⁾	3,141	3,215
— Unlisted	12,256	11,479
Financial assets at amortised cost		
— Listed in Hong Kong	34,217	31,896
— Listed outside Hong Kong ⁽¹⁰⁾	2,618,215	2,308,222
— Unlisted	326,346	437,565
Total	5,591,117	5,514,062
Listed in Hong Kong	322,210	216,453
Listed outside Hong Kong ⁽¹⁰⁾	4,115,613	3,931,810
Unlisted	1,153,294	1,365,799
Total	5,591,117	5,514,062

	As at 31 December			
	2020		2019	
	Carrying value	Market value	Carrying value	Market value
Debt securities at amortised cost				
— Listed in Hong Kong	34,217	35,960	31,896	32,847
— Listed outside Hong Kong ⁽¹⁰⁾	2,618,215	2,637,926	2,308,222	2,670,795

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**18 Financial investments (Continued)**

- (1) In order to eliminate or significantly reduce accounting mismatches, certain debt securities are designated as financial assets at fair value through profit or loss.
- (2) The Group exercised its option irrevocably on certain unlisted equity investments, which were classified as financial assets at fair value through other comprehensive income.

The Group's accumulated impairment allowance for the debt securities at fair value through other comprehensive income as at 31 December 2020 amounted to RMB5,479 million (31 December 2019: RMB1,254 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 2020 amounted to RMB2,337 million (31 December 2019: RMB2,477 million).
- (5) The Bank transferred certain non-performing assets to China Orient Asset Management Corporation ("China Orient") in 1999 and 2000. On 1 July 2000, China Orient issued a ten-year bond ("Orient Bond") with a par value of RMB160,000 million and interest rate of 2.25% to the Bank as consideration. During the year ended 31 December 2010, the maturity of this bond was extended to 30 June 2020. In 2020, the Bank reached an agreement with China Orient Asset Management Co., Ltd., on extending the Orient Bond maturity for five years with the maturity date adjusted from 30 June 2020 to 30 June 2025. Pursuant to the requirements of the MOF, as of 1 January 2020, the annual yield of this bond will be determined based on the average yield of the five-year Government Bond calculated for the previous year and the MOF shall continue to provide funding support for the principal and interest of the Orient Bond held by the Bank after the extension of the maturity date. As at 31 December 2020, the Bank had received early repayments amounting to RMB7,567 million cumulatively.
- (6) In 2020 and 2019, the Group did not reclassify any of its debt securities subsequent to their initial recognition.
- (7) As at 31 December 2020, 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	
	2020	2019
Carrying value (accrued interest excluded)	979,089	981,662
Coupon rate range	0.00%–5.31%	0.00%–5.31%

- (8) Included in the Group's financial investments were certificates of deposit held amounting to RMB130,698 million as at 31 December 2020 (31 December 2019: RMB243,816 million).
- (9) As at 31 December 2020, RMB1,467 million of debt securities of the Group was determined to be impaired and was included in Stage 3 (31 December 2019: RMB1,140 million), with the impairment allowance fully accrued (31 December 2019: RMB1,140 million); RMB404 million of debt securities was included in Stage 2 (31 December 2019: RMB479 million), with an impairment allowance of RMB1 million (31 December 2019: RMB5 million); and the remaining debt securities at fair value through other comprehensive income and debt securities at amortised cost were included in Stage 1, with impairment allowance measured based on 12-month expected credit losses.
- (10) Debt securities traded in the domestic interbank bond market are included in "Listed outside Hong Kong".

(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 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

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

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

	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 transformation	–	(1)	494	493
Exchange differences and other	(19)	–	–	(19)
As at 31 December	4,979	–	500	5,479

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

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**19 Investment in associates and joint ventures**

	Year ended 31 December	
	2020	2019
As at 1 January	23,210	23,369
Additions	12,655	2,011
Disposals and transfer out	(1,157)	(1,368)
Share of results, net of tax	158	1,057
Dividends received	(402)	(1,302)
Exchange differences and other	(956)	(557)
As at 31 December	33,508	23,210

The carrying amounts of major investments in associates and joint ventures of the Group are as follows. Further details are disclosed in Note V.43.4.

	As at 31 December	
	2020	2019
China Insurance Investment Fund Co., Ltd.	11,563	N/A
BOC International (China) Co., Ltd.	5,022	4,733
Ying Kou Port Group CORP.	4,261	4,479
CGN Phase I Private Equity Fund Company Limited	1,622	1,569
Graceful Field Worldwide Limited	1,386	1,438
Sichuan Lutianhua Co., Ltd.	1,306	1,264
Wkland Investments II Limited	855	923
Wuhu Yuanzhong Jiaying Investment Limited Partnership	767	819
Wuhu Yinsheng Special Steel Investment Management Limited Partnership	755	727
Guangdong Small and Medium Enterprises Equity Investment Fund Company Limited	731	745
Other	5,240	6,513
Total	33,508	23,210

As at 31 December 2020, the ability of associates and joint ventures to transfer funds to the Group is not restricted.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**20 Property and equipment**

	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

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**20 Property and equipment (Continued)**

	Year ended 31 December 2019				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 31 December of prior year	117,948	74,319	30,233	115,153	337,653
Additions	340	6,921	15,977	15,177	38,415
Transfer from/(to) investment properties (Note V.21)	356	–	(11)	–	345
Construction in progress transfer in/(out)	2,238	816	(11,208)	8,154	–
Deductions	(2,388)	(4,639)	(2,467)	(8,746)	(18,240)
Exchange differences	583	239	381	2,083	3,286
As at 31 December	119,077	77,656	32,905	131,821	361,459
Accumulated depreciation					
As at 31 December of prior year	(38,041)	(58,752)	–	(12,437)	(109,230)
Additions	(3,999)	(6,272)	–	(4,180)	(14,451)
Deductions	1,755	4,443	–	2,131	8,329
Transfer to investment properties (Note V.21)	9	–	–	–	9
Exchange differences	(125)	(177)	–	(276)	(578)
As at 31 December	(40,401)	(60,758)	–	(14,762)	(115,921)
Allowance for impairment losses					
As at 31 December of prior year	(770)	–	(217)	(42)	(1,029)
Additions	(7)	–	(10)	–	(17)
Deductions	14	–	–	39	53
Exchange differences	(4)	–	–	(1)	(5)
As at 31 December	(767)	–	(227)	(4)	(998)
Net book value					
As at 31 December of prior year	79,137	15,567	30,016	102,674	227,394
As at 31 December	77,909	16,898	32,678	117,055	244,540

As at 31 December 2020, the net book amount of aircraft leased out by BOC Aviation Limited, a subsidiary of the Group, under operating leases was RMB123,133 million (31 December 2019: RMB114,659 million).

As at 31 December 2020, the net book amount of aircraft owned by BOC Aviation Limited, a subsidiary of the Group, that has been pledged for loan facilities was RMB14,893 million (31 December 2019: RMB20,338 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 2020, 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.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment (Continued)

The carrying value of buildings is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2020	2019
Held in Hong Kong		
on long-term lease (over 50 years)	3,749	3,694
on medium-term lease (10–50 years)	7,884	8,521
on short-term lease (less than 10 years)	8	10
Subtotal	11,641	12,225
Held outside Hong Kong		
on long-term lease (over 50 years)	4,507	4,353
on medium-term lease (10–50 years)	55,846	54,641
on short-term lease (less than 10 years)	6,910	6,690
Subtotal	67,263	65,684
Total	78,904	77,909

21 Investment properties

	Year ended 31 December	
	2020	2019
As at 1 January	23,108	22,086
Additions	1,626	468
Transfer to property and equipment, net (Note V.20)	(261)	(354)
Deductions	(15)	(11)
Fair value changes (Note V.5)	(1,505)	496
Exchange differences	(888)	423
As at 31 December	22,065	23,108

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 2020 amounted to RMB12,009 million and RMB7,835 million, respectively (31 December 2019: RMB14,059 million and RMB6,666 million). The valuations of these investment properties as at 31 December 2020 were principally performed by Knight Frank Petty Limited based on the open market price and other related information.

Notes to the Consolidated Financial Statements

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	
	2020	2019
Held in Hong Kong		
on long-term lease (over 50 years)	1,976	3,273
on medium-term lease (10–50 years)	9,836	10,556
Subtotal	11,812	13,829
Held outside Hong Kong		
on long-term lease (over 50 years)	4,288	4,002
on medium-term lease (10–50 years)	5,782	5,002
on short-term lease (less than 10 years)	183	275
Subtotal	10,253	9,279
Total	22,065	23,108

22 Other assets

	As at 31 December	
	2020	2019
Accounts receivable and prepayments ⁽¹⁾	141,286	107,124
Right-of-use assets ⁽²⁾	22,855	22,822
Intangible assets ⁽³⁾	15,614	13,352
Land use rights ⁽⁴⁾	6,526	6,903
Long-term deferred expense	3,215	3,222
Repossessed assets ⁽⁵⁾	2,120	2,400
Goodwill ⁽⁶⁾	2,525	2,686
Interest receivable	1,299	1,878
Other	21,756	18,737
Total	217,196	179,124

(1) Accounts receivable and prepayments

	As at 31 December	
	2020	2019
Accounts receivable and prepayments	146,144	111,395
Impairment allowance	(4,858)	(4,271)
Net value	141,286	107,124

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			
	2020		2019	
	Balance	Impairment allowance	Balance	Impairment allowance
Within 1 year	135,647	(944)	101,442	(491)
From 1 year to 3 years	4,038	(892)	5,895	(900)
Over 3 years	6,459	(3,022)	4,058	(2,880)
Total	146,144	(4,858)	111,395	(4,271)

(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					
	2020			2019		
	Buildings	Motor vehicles and other	Total	Buildings	Motor vehicles and other	Total
Cost						
As at 1 January	29,500	156	29,656	22,652	120	22,772
Additions	7,413	44	7,457	7,341	38	7,379
Deductions	(1,242)	(21)	(1,263)	(624)	(3)	(627)
Exchange differences	(420)	(3)	(423)	131	1	132
As at 31 December	35,251	176	35,427	29,500	156	29,656
Accumulated depreciation						
As at 1 January	(6,781)	(53)	(6,834)	(209)	–	(209)
Additions	(6,841)	(63)	(6,904)	(6,632)	(53)	(6,685)
Deductions	1,030	20	1,050	81	–	81
Exchange differences	115	1	116	(21)	–	(21)
As at 31 December	(12,477)	(95)	(12,572)	(6,781)	(53)	(6,834)
Net book value						
As at 1 January	22,719	103	22,822	22,443	120	22,563
As at 31 December	22,774	81	22,855	22,719	103	22,822

(3) Intangible assets

	Year ended 31 December	
	2020	2019
Cost		
As at 1 January	26,573	22,946
Additions	8,712	3,712
Deductions	(226)	(120)
Exchange differences	(350)	35
As at 31 December	34,709	26,573
Accumulated amortisation		
As at 1 January	(13,221)	(10,479)
Additions	(6,323)	(2,775)
Deductions	208	60
Exchange differences	241	(27)
As at 31 December	(19,095)	(13,221)
Net book value		
As at 1 January	13,352	12,467
As at 31 December	15,614	13,352

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**22 Other assets (Continued)**

(4) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2020	2019
Held outside Hong Kong		
on long-term lease (over 50 years)	60	83
on medium-term lease (10–50 years)	5,809	6,093
on short-term lease (less than 10 years)	657	727
Total	6,526	6,903

(5) Repossessed assets

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

	As at 31 December	
	2020	2019
Commercial properties	2,347	2,596
Residential properties	514	615
Other	161	159
Subtotal	3,022	3,370
Less: allowance for impairment losses	(902)	(970)
Repossessed assets, net	2,120	2,400

The total book value of repossessed assets disposed of during the year ended 31 December 2020 amounted to RMB602 million (2019: RMB276 million). The Group plans to dispose of the repossessed assets held at 31 December 2020 by auction, bidding or transfer.

(6) Goodwill

	Year ended 31 December	
	2020	2019
As at 1 January	2,686	2,620
Addition through acquisition of subsidiaries	–	27
Decrease resulting from disposal of subsidiaries	(25)	–
Exchange differences	(136)	39
As at 31 December	2,525	2,686

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,571 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**23 Impairment allowance**

	As at 1 January 2020	Additions/ (reversal), net	Write-off and transfer out	Exchange differences and other	As at 31 December 2020
Impairment allowance					
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
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
Credit commitments	23,597	5,454	—	(284)	28,767
Property and equipment	998	624	(20)	(39)	1,563
Land use rights	10	—	—	—	10
Repossessed assets	970	53	(120)	(1)	902
Other	6,524	3,139	(522)	(25)	9,116
Total	366,062	119,016	(57,838)	(3,861)	423,379

	As at 1 January 2019	Additions/ (reversal), net	Write-off and transfer out	Exchange differences and other	As at 31 December 2019
Impairment allowance					
Loans and advances to customers					
— at amortised cost	303,508	98,483	(78,094)	1,463	325,360
— at fair value through other comprehensive income	273	288	—	2	563
Financial investments					
— at amortised cost	7,754	(187)	(800)	19	6,786
— at fair value through other comprehensive income	862	387	—	5	1,254
Credit commitments	21,354	2,117	—	126	23,597
Property and equipment	1,029	17	(53)	5	998
Land use rights	10	—	—	—	10
Repossessed assets	837	152	(23)	4	970
Other	5,935	896	(300)	(7)	6,524
Total	341,562	102,153	(79,270)	1,617	366,062

24 Due to banks and other financial institutions

	As at 31 December	
	2020	2019
Due to:		
Banks in Chinese mainland	515,162	372,692
Other financial institutions in Chinese mainland	1,077,841	1,050,961
Banks in Hong Kong, Macao, Taiwan and other countries and regions	177,717	167,352
Other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	142,379	71,913
Subtotal	1,913,099	1,662,918
Accrued interest	3,904	5,128
Total	1,917,003	1,668,046

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**25 Due to central banks**

	As at 31 December	
	2020	2019
Foreign exchange deposits	251,533	218,364
Other	630,092	619,298
Subtotal	881,625	837,662
Accrued interest	6,186	8,615
Total	887,811	846,277

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 Macao Branch are note issuing banks for Hong Kong Dollar and Macao Pataca notes in Hong Kong and Macao, respectively. Under local regulations, these two entities are required to place deposits with the Hong Kong and Macao 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 Macao Branch.

27 Placements from banks and other financial institutions

	As at 31 December	
	2020	2019
Placements from:		
Banks in Chinese mainland	258,240	339,802
Other financial institutions in Chinese mainland	27,933	52,278
Banks in Hong Kong, Macao, Taiwan and other countries and regions	115,308	229,337
Other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	9,497	16,434
Subtotal	410,978	637,851
Accrued interest	971	1,824
Total ⁽¹⁾⁽²⁾	411,949	639,675

(1) In order to eliminate or significantly reduce an accounting mismatch, certain placements from banks and other financial institutions were designated as financial liabilities at FVPL by the Group in 2020. The corresponding total carrying amount of the above-mentioned financial liabilities was RMB3,831 million as at 31 December 2020 (31 December 2019: RMB14,767 million), of which the fair value was approximately the same as the amount that the Group would be contractually required to pay to the holders.

(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	
	2020	2019
Repurchase debt securities ⁽ⁱ⁾	127,202	177,410

(i) Debt securities used as collateral under repurchase agreements were principally government bonds and were included in the amount disclosed under Note V.41.2.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**28 Financial liabilities held for trading**

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

29 Due to customers

	As at 31 December	
	2020	2019
Demand deposits		
— Corporate deposits	4,956,751	4,434,051
— Personal deposits	3,355,893	3,147,889
Subtotal	8,312,644	7,581,940
Time deposits		
— Corporate deposits	3,621,775	3,619,512
— Personal deposits	3,854,531	3,416,862
Subtotal	7,476,306	7,036,374
Structured deposits ⁽¹⁾		
— Corporate deposits	254,553	247,906
— Personal deposits	379,680	424,897
Subtotal	634,233	672,803
Certificates of deposit	206,146	283,193
Other deposits ⁽²⁾	64,042	75,063
Subtotal due to customers	16,693,371	15,649,373
Accrued interest	185,800	168,175
Total due to customers ⁽³⁾	16,879,171	15,817,548

(1) According to the risk management policy, in order to match derivatives and reduce market risk, the Group designates some structured deposits as financial liabilities at fair value through profit or loss in the current period. As at 31 December 2020, the carrying amount of the above-mentioned financial liabilities was RMB25,742 million (31 December 2019: RMB17,969 million). At the financial reporting date, the fair value of the above-mentioned financial liabilities was approximately the same as the amount that the Group would be contractually required to pay to the holders. In the years of 2020 and 2019, there was no significant change in the Group's own credit risk for the above structured deposits, therefore, the amount of change in fair value due to the change in the Group's own credit risk is not significant.

(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 2020, the remaining maturity of special purpose funding ranges from 5 days to 33 years. The interest-bearing special purpose funding bears interest at floating and fixed rates ranging from 0.15% to 7.92% (31 December 2019: 0.15% to 7.92%). These terms are consistent with the related development loans granted to customers.

(3) Due to customers included margin deposits for security received by the Group as at 31 December 2020 of RMB304,314 million (31 December 2019: RMB290,076 million).

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**30 Bonds issued**

	Issue date	Maturity date	Annual interest rate	As at 31 December	
				2020	2019
Bonds issued at amortised cost					
Subordinated bonds issued					
2010 RMB Debt Securities ⁽¹⁾	9 March 2010	11 March 2025	4.68%	–	24,930
2011 RMB Debt Securities ⁽²⁾	17 May 2011	19 May 2026	5.30%	32,000	32,000
2012 RMB Debt Securities Second Tranche ⁽³⁾	27 November 2012	29 November 2027	4.99%	18,000	18,000
Subtotal ⁽¹⁴⁾				50,000	74,930
Tier 2 capital bonds issued					
2014 US Dollar Debt Securities ⁽⁴⁾	13 November 2014	13 November 2024	5.00%	19,518	20,852
2017 RMB Debt Securities First Tranche ⁽⁵⁾	26 September 2017	28 September 2027	4.45%	29,970	29,965
2017 RMB Debt Securities Second Tranche ⁽⁶⁾	31 October 2017	2 November 2027	4.45%	29,972	29,966
2018 RMB Debt Securities First Tranche ⁽⁷⁾	3 September 2018	5 September 2028	4.86%	39,983	39,983
2018 RMB Debt Securities Second Tranche ⁽⁸⁾	9 October 2018	11 October 2028	4.84%	39,985	39,985
2019 RMB Debt Securities First Tranche 01 ⁽⁹⁾	20 September 2019	24 September 2029	3.98%	29,988	29,988
2019 RMB Debt Securities First Tranche 02 ⁽¹⁰⁾	20 September 2019	24 September 2034	4.34%	9,996	9,996
2019 RMB Debt Securities Second Tranche ⁽¹¹⁾	20 November 2019	22 November 2029	4.01%	29,991	29,990
2020 RMB Debt Securities First Tranche 01 ⁽¹²⁾	17 September 2020	21 September 2030	4.20%	59,976	–
2020 RMB Debt Securities First Tranche 02 ⁽¹³⁾	17 September 2020	21 September 2035	4.47%	14,994	–
Subtotal ⁽¹⁴⁾				304,373	230,725
Other bonds issued ⁽¹⁵⁾					
US Dollar Debt Securities				198,317	223,192
RMB Debt Securities				73,165	52,788
Other				51,555	58,500
Subtotal				323,037	334,480
Negotiable certificates of deposit ⁽¹⁶⁾				554,801	423,658
Subtotal bonds issued at amortised cost				1,232,211	1,063,793
Bonds issued at fair value⁽¹⁷⁾				6,162	26,113
Subtotal bonds issued				1,238,373	1,089,906
Accrued interest				6,030	6,181
Total bonds issued ⁽¹⁸⁾				1,244,403	1,096,087

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Bonds issued (Continued)

- (1) The subordinated bonds issued on 9 March 2010, have a maturity of 15 years, with a fixed coupon rate of 4.68%, paid annually. The Bank is entitled to early redeem all of the bonds at face value at the end of the tenth year. If the Bank does not exercise this option, the coupon rate of the bonds for the third 5-year period shall be the original coupon rate plus 3.00%, and shall remain fixed until the maturity date. The bank has redeemed all the bonds in advance at face value on 11 March 2020.
- (2) 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 is entitled to early redeem all the subordinated bonds at the end of the tenth year. If the Bank does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall remain fixed at 5.30%.
- (3) The second subordinated bonds issued on 27 November 2012 have a maturity of 15 years, with a fixed coupon rate of 4.99%, paid annually. The Bank is entitled to early redeem all 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%.
- (4) 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%.
- (5) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 26 September 2017. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (6) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 31 October 2017. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (7) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 3 September 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.86%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (8) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 9 October 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.84%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (9) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 September 2019. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.98%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (10) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 20 September 2019. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.34%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (11) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 November 2019. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.01%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (12) The Bank issued tier 2 capital bonds in an amount of RMB60 billion on 17 September 2020. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.20%. The Bank is entitled to redeem the bonds at the end of the fifth year.
- (13) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 September 2020. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.47%. The Bank is entitled to redeem the bonds at the end of the tenth year.
- (14) The claims of the holders of subordinated bonds and tier 2 capital bonds will be subordinated to the claims of depositors and general creditors.
- (15) US Dollar Debt Securities, RMB Debt Securities and other Debt Securities were issued in Chinese mainland, Hong Kong, Macao, Taiwan and other countries and regions between 2013 and 2020 by the Group, with dates of maturity ranging from 2021 to 2030.

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**30 Bonds issued (Continued)**

- (16) The RMB negotiable certificates of deposit issued by the Bank in 2019 matured in 2020. The outstanding balance will mature in 2021.
- (17) According to risk management policy, in order to match derivatives and reduce market risk, the Group designates some bonds issued as financial liabilities at fair value through profit or loss in the current period. As at 31 December 2020, the carrying amount of the above-mentioned bonds issued by the Group is RMB6,162 million (31 December 2019: RMB26,113 million), and the difference between the fair value and the amount that the Group would be contractually required to pay to the holders is not significant (31 December 2019: not significant). In the years of 2020 and 2019, there is no significant change in the Group's credit risk as well as the fair value caused by credit risk of the above financial liabilities.
- (18) During the years ended 31 December 2020 and 2019, 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 2020, these other borrowings had a maturity ranging from 75 days to 5 years and bore floating and fixed interest rates ranging from 0.45% to 1.55% (31 December 2019: 2.14% to 3.26%).

During the years ended 31 December 2020 and 2019, the Group did not default on any principal, interest or redemption amounts with respect to its other borrowings.

32 Current tax liabilities

	As at 31 December	
	2020	2019
Corporate income tax	47,337	51,787
Value-added tax	6,742	6,039
City construction and maintenance tax	492	427
Education surcharges	326	297
Other	768	552
Total	55,665	59,102

33 Retirement benefit obligations

As at 31 December 2020, 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 RMB1,896 million (31 December 2019: RMB2,095 million) and RMB303 million (31 December 2019: RMB438 million), respectively, using the projected unit credit method.

The movements of the net liabilities recognised are as follows:

	Year ended 31 December	
	2020	2019
As at 1 January	2,533	2,825
Interest cost	74	85
Net actuarial gains recognised	(125)	(38)
Benefits paid	(283)	(339)
As at 31 December	2,199	2,533

(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	
	2020	2019
Discount rate		
— Normal retiree	3.25%	3.25%
— Early retiree	2.75%	2.50%
Pension benefit inflation rate		
— Normal retiree	3.0%	3.0%
— Early retiree	3.0%	4.0%–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 2020 and 2019, 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.

35 Deferred income taxes

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

	As at 31 December			
	2020		2019	
	Temporary differences	Deferred tax assets/(liabilities)	Temporary differences	Deferred tax assets/(liabilities)
Deferred income tax assets	234,905	58,916	166,707	44,029
Deferred income tax liabilities	(45,934)	(6,499)	(30,773)	(5,452)
Net	188,971	52,417	135,934	38,577

Notes to the Consolidated Financial Statements

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			
	2020		2019	
	Temporary differences	Deferred tax assets/(liabilities)	Temporary differences	Deferred tax assets/(liabilities)
Deferred income tax assets				
Asset impairment allowances	253,785	63,242	205,264	51,052
Pension, retirement benefits and salary payables	17,952	4,470	18,137	4,510
Financial instruments at fair value through profit or loss and derivative financial instruments	174,011	43,224	90,507	22,511
Financial assets at fair value through other comprehensive income	809	202	835	209
Other temporary differences	41,355	9,599	34,320	7,931
Subtotal	487,912	120,737	349,063	86,213
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	(174,976)	(42,853)	(93,862)	(23,336)
Financial assets at fair value through other comprehensive income	(30,836)	(7,445)	(29,403)	(7,228)
Depreciation and amortisation	(24,104)	(4,193)	(20,629)	(3,521)
Revaluation of property and investment properties	(8,845)	(1,722)	(8,986)	(1,712)
Other temporary differences	(60,180)	(12,107)	(60,249)	(11,839)
Subtotal	(298,941)	(68,320)	(213,129)	(47,636)
Net	188,971	52,417	135,934	38,577

As at 31 December 2020, deferred tax liabilities relating to temporary differences of RMB164,299 million associated with the Group's investments in subsidiaries had not been recognised (31 December 2019: RMB156,105 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** The movements of the deferred income tax account are as follows:

	Year ended 31 December	
	2020	2019
As at 1 January	38,577	33,656
Credited to the income statement (Note V.10)	14,268	8,824
Charged to other comprehensive income	(62)	(4,180)
Other	(366)	277
As at 31 December	52,417	38,577

35.4 The deferred income tax credit/charge in the income statement comprises the following temporary differences:

	Year ended 31 December	
	2020	2019
Asset impairment allowances	12,190	5,059
Financial instruments at fair value through profit or loss and derivative financial instruments	1,196	4,962
Pension, retirement benefits and salary payables	(40)	(72)
Other temporary differences	922	(1,125)
Total	14,268	8,824

36 Other liabilities

	As at 31 December	
	2020	2019
Insurance liabilities		
— Life insurance contracts	132,431	113,742
— Non-life insurance contracts	9,670	10,169
Items in the process of clearance and settlement	78,940	66,628
Salary and welfare payables ⁽¹⁾	34,179	33,373
Lease liabilities ⁽²⁾	21,893	21,590
Provision ⁽³⁾	29,492	24,469
Deferred income	11,532	10,476
Other	92,236	84,726
Total	410,373	365,173

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**36 Other liabilities (Continued)**

(1) Salary and welfare payables

	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

	As at 1 January 2019	Accrual	Payment	As at 31 December 2019
Salary, bonus and subsidy	23,929	61,095	(61,359)	23,665
Staff welfare	–	3,896	(3,896)	–
Social insurance				
— Medical	1,136	4,085	(3,626)	1,595
— Pension	181	6,249	(6,271)	159
— Annuity	310	4,178	(2,347)	2,141
— Unemployment	7	207	(208)	6
— Injury at work	2	76	(76)	2
— Maternity insurance	3	256	(256)	3
Housing funds	56	4,595	(4,612)	39
Labour union fee and staff education fee	4,792	2,032	(1,688)	5,136
Reimbursement for cancellation of labour contract	17	15	(13)	19
Other	564	4,018	(3,974)	608
Total⁽ⁱ⁾	30,997	90,702	(88,326)	33,373

(i) There was no overdue payment for staff salary and welfare payables as at 31 December 2020 and 2019.

(2) Lease liabilities

The Group's lease liabilities are analysed by the maturity date — undiscounted analysis

	As at 31 December	
	2020	2019
Less than 1 year	6,369	6,307
Between 1 to 5 years	12,487	12,965
Over 5 years	9,161	8,860
Undiscounted lease liabilities	28,017	28,132
Lease liabilities	21,893	21,590

(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	
	2020	2019
Allowance for credit commitments	28,767	23,597
Allowance for litigation losses (Note V. 41.1)	725	872
Total	29,492	24,469

The movement of the provision was as follows:

	Year ended 31 December	
	2020	2019
As at 1 January	24,469	22,010
Losses for the year	5,589	2,423
Utilised during the year	(281)	(90)
Exchange differences and other	(285)	126
As at 31 December	29,492	24,469

37 Share capital, capital reserve, treasury shares and other equity instruments**37.1 Share capital**

The Bank's share capital is as follows:

Unit: Share

	As at 31 December	
	2020	2019
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	
	2020	2019
Share premium	133,679	133,716
Other capital reserve	2,294	2,296
Total	135,973	136,012

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**37 Share capital, capital reserve, treasury shares and other equity instruments (Continued)****37.3 Treasury shares**

A wholly-owned subsidiary of the Group holds certain listed shares of the Bank in relation to its derivative business. These shares are treated as treasury shares, a deduction from equity. Gains and losses on sale or redemption of the treasury shares are credited or charged to equity. The total number of treasury shares as at 31 December 2020 was approximately 3.53 million (31 December 2019: approximately 2.34 million).

37.4 Other equity instruments

For the year ended 31 December 2020, the movements in the Bank's other equity instruments were as follows:

	As at 1 January 2020		Increase/(Decrease)		As at 31 December 2020	
	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount
Preference Shares						
Domestic Preference Shares (First Tranche) ⁽¹⁾	320.0	31,963	(320.0)	(31,963)	–	–
Domestic Preference Shares (Second Tranche) ⁽²⁾	280.0	27,969	–	–	280.0	27,969
Domestic Preference Shares (Third Tranche) ⁽³⁾	730.0	72,979	–	–	730.0	72,979
Domestic Preference Shares (Fourth Tranche) ⁽⁴⁾	270.0	26,990	–	–	270.0	26,990
Offshore Preference Shares (Second Tranche) ⁽⁵⁾	–	–	197.9	19,581	197.9	19,581
Subtotal	1,600.0	159,901	(122.1)	(12,382)	1,477.9	147,519
Perpetual Bonds						
2019 Undated Capital Bonds (Series 1) ⁽⁶⁾	–	39,992	–	–	–	39,992
2020 Undated Capital Bonds (Series 1) ⁽⁷⁾	–	–	–	39,990	–	39,990
2020 Undated Capital Bonds (Series 2) ⁽⁸⁾	–	–	–	29,994	–	29,994
2020 Undated Capital Bonds (Series 3) ⁽⁹⁾	–	–	–	19,995	–	19,995
Subtotal	–	39,992	–	89,979	–	129,971
Total		199,893		77,597		277,490

- (1) With the approvals of the relevant regulatory authorities in China, the Bank redeemed all 320 million Domestic Preference Shares (First Tranche) on 23 November 2020. The Bank fully paid the nominal value of the Domestic Preference Shares and the dividends declared but not yet distributed, totalling RMB33.92 billion.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Share capital, capital reserve, treasury shares and other equity instruments (Continued)

37.4 Other equity instruments (Continued)

- (2) With the approvals of the relevant regulatory authorities in China, the Bank issued 5.5% non-cumulative Domestic Preference Shares on 13 March 2015, in the aggregate par value of RMB28 billion. Each Domestic Preference Share has a par value of RMB100 and a total number of 280 million Domestic Preference Shares were issued.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may at its discretion redeem all or part of the Domestic Preference Shares on 13 March 2020 or any dividend payment date thereafter at the redemption price which is the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

- (3) With the approvals of 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 a total number of 730 million Domestic Preference Shares were issued. The dividend rate of the Preference Shares for the first five years is 4.50%, which is reset every 5 years.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained 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 which is the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

- (4) With the approvals of 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 a total number of 270 million Domestic Preference Shares were issued. The dividend rate of the Preference Shares for the first five years is 4.35%, which is reset every 5 years.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained 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 which is the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

- (5) With the approvals of the relevant regulatory authorities in China, the Bank issued the US Dollar settled non-cumulative Offshore Preference Shares on 4 March 2020. Each Offshore Preference Share has a par value of RMB100 and 197,865,300 Offshore Preference Shares were issued in total. The aggregate par value of the Offshore Preference Shares is USD2.820 billion as converted into USD using the fixed exchange rate (USD1.00 to RMB7.0168). The initial annual dividend rate is 3.60% and is subsequently subject to reset per agreement, but in no case shall exceed 12.15%. 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 having obtained 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 which is the sum of the par value of the Offshore Preference Shares and the dividends declared but not yet distributed, as calculated and paid in US Dollars.

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Share capital, capital reserve, treasury shares and other equity instruments (Continued)

37.4 Other equity instruments (Continued)

Save for such dividend at the agreed dividend payout ratio, the holders of the above preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The above preference shares are paid with 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 the full payment of dividends on the preference shares. Upon the occurrence of a trigger event for the compulsory conversion of preference shares into ordinary shares per agreement, the Bank shall convert the preference shares into ordinary shares in whole or in part after reporting to the CBIRC for its examination and approval decision.

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

- (6) With the approvals of the relevant regulatory authorities in China, the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 25 January 2019 and completed the issuance on 29 January 2019. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 4.50%, which is reset every 5 years.
- (7) With the approvals of the relevant regulatory authorities in China, the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 28 April 2020 and completed the issuance on 30 April 2020. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 3.40%, which is reset every 5 years.
- (8) With the approvals of the relevant regulatory authorities in China, the Bank issued RMB30 billion write-down undated capital bonds (the "Bonds") in the domestic 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 coupon rate of the Bonds for the first five years is 4.55%, which is reset every 5 years.
- (9) With the approvals of the relevant regulatory authorities in China, the Bank issued RMB20 billion write-down undated capital bonds (the "Bonds") in the domestic 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 coupon rate of the Bonds for the first five years is 4.70%, 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 trigger 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 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.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Share capital, capital reserve, treasury shares and other equity instruments (Continued)

37.4 Other equity instruments (Continued)

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

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

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 equity holders, 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 30 March 2021, the Bank appropriated 10% of the net profit for the year ended 31 December 2020 to the statutory surplus reserves, amounting to RMB17,720 million (2019: RMB16,576 million).

In addition, some operations in Hong Kong, Macao, Taiwan 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 30 March 2021, the Board of Directors of the Bank approved the appropriation of RMB20,822 million to the general reserve for the year ended 31 December 2020 (2019: RMB17,863 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 2020 and 2019, the reserve amounts set aside by BOCHK Group were RMB3,105 million and RMB6,773 million, respectively.

Notes to the Consolidated Financial Statements

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*

An ordinary share dividend of RMB56,228 million (before tax) in respect of the profit for the year ended 31 December 2019 was approved by the shareholders of the Bank at the Annual General Meeting held on 30 June 2020 and was distributed during the year.

An ordinary share dividend of RMB1.97 per ten shares (before tax) in respect of the profit for the year ended 31 December 2020 (2019: RMB1.91 per ten shares), amounting to a total dividend of RMB57,994 million (before tax), based on the number of shares issued as at 31 December 2020 will be proposed for approval at the Annual General Meeting to be held on 20 May 2021. The dividend payable is not reflected in the liabilities of the financial statements.

Dividends for Preference Shares

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

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

The dividend distribution of Domestic Preference Shares (First Tranche and Second Tranche) was approved by the Board of Directors of the Bank on 30 August 2020. The dividend of Domestic Preference Shares (First Tranche) amounting to RMB1,920 million (before tax) was distributed on 23 November 2020. The dividend of Domestic Preference Shares (Second Tranche) amounting to RMB1,540 million (before tax) was distributed on 15 March 2021.

The dividend distribution of Offshore Preference Shares (Second Tranche) was approved by the Board of Directors of the Bank at the Board Meeting held on 30 October 2020. The dividend of Offshore Preference Shares (Second Tranche) amounting to USD102 million (after tax) was distributed on 4 March 2021.

Others

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Non-controlling interests

Non-controlling interests of the subsidiaries of the Group are as follows:

	As at 31 December	
	2020	2019
BOC Hong Kong (Group) Limited	94,489	96,257
Bank of China Group Investment Limited	11,069	10,531
Tai Fung Bank Limited	9,878	10,180
Other	8,982	8,027
Total	124,418	124,995

40 Changes in consolidation

On 18 June 2020, the Bank set up a majority-owned subsidiary, BOC Financial Leasing Co., Ltd. ("BOCL"), which mainly engages in the financial leasing business. As at 31 December 2020, the Bank held 92.59% of the total capital of BOCL.

41 Contingent liabilities and commitments

41.1 Legal proceedings and arbitrations

As at 31 December 2020, the Group was involved in certain litigation and arbitration cases in the regular course of its business. In addition, in terms of the range and scale of its international operations, the Group may face a variety of legal proceedings within different jurisdictions. As at 31 December 2020, provisions of RMB725 million (31 December 2019: RMB872 million) were made based on court judgements or the advice of counsel (Note V.36). After consulting legal professionals, the senior management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

41.2 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	
	2020	2019
Debt securities	666,236	787,929
Bills	2,127	387
Total	668,363	788,316

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**41 Contingent liabilities and commitments (Continued)****41.3 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 2020, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB151,204 million (31 December 2019: RMB22,067 million). As at 31 December 2020, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB797 million (31 December 2019: RMB2,271 million). These transactions are conducted under standard terms in the normal course of business.

41.4 Capital commitments

	As at 31 December	
	2020	2019
Property and equipment		
— Contracted but not provided for	46,723	53,752
— Authorised but not contracted for	3,468	1,215
Intangible assets		
— Contracted but not provided for	1,242	1,048
— Authorised but not contracted for	199	66
Investment properties		
— Contracted but not provided for	1,252	1,231
Total	52,884	57,312

41.5 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, as at 31 December 2020, 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 RMB13,132 million not later than one year (31 December 2019: RMB12,763 million), RMB54,622 million later than one year and not later than five years (31 December 2019: RMB51,384 million) and RMB55,771 million later than five years (31 December 2019: RMB50,746 million).

41.6 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 2020, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB55,597 million (31 December 2019: RMB59,746 million). The original maturities of these Treasury bonds vary from 3 to 5 years and management expects the amount of redemption through the Bank prior to the maturity dates of these bonds will not be material.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**41 Contingent liabilities and commitments (Continued)****41.7 Credit commitments**

	As at 31 December	
	2020	2019
Loan commitments ⁽¹⁾		
— with an original maturity of less than 1 year	262,001	244,733
— with an original maturity of 1 year or above	1,417,031	1,360,065
Undrawn credit card limits	1,060,580	1,010,283
Letters of guarantee issued ⁽²⁾	1,035,517	1,049,629
Bank bill acceptance	301,602	259,373
Letters of credit issued	154,181	133,571
Accepted bills of exchange under letters of credit	81,817	92,440
Other	178,944	192,476
Total ⁽³⁾	4,491,673	4,342,570

(1) Loan commitments mainly represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at 31 December 2020, the unconditionally revocable loan commitments of the Group amounted to RMB334,384 million (31 December 2019: RMB299,556 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	
	2020	2019
Credit commitments	1,186,895	1,206,469

41.8 Underwriting obligations

As at 31 December 2020, there was no firm commitment in underwriting securities of the Group (31 December 2019: Nil).

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**42 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	
	2020	2019
Cash and due from banks and other financial institutions	453,505	347,724
Balances with central banks	587,113	541,837
Placements with and loans to banks and other financial institutions	361,872	393,674
Financial investments	92,378	62,657
Total	1,494,868	1,345,892

43 Related party transactions

43.1 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 enters into banking transactions with CIC in the normal course of its business on commercial terms.

43.2 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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**43 Related party transactions (Continued)****43.2 Transactions with Huijin and companies under Huijin (Continued)***(2) Transactions with Huijin*

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

Transaction balances

	As at 31 December	
	2020	2019
Debt securities	43,659	24,963
Due to Huijin	(18,047)	(2,913)

Transaction amounts

	Year ended 31 December	
	2020	2019
Interest income	1,028	987
Interest expense	(229)	(320)

(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 the purchase and sale of debt securities, money market transactions and derivative transactions.

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

Transaction balances

	As at 31 December	
	2020	2019
Due from banks and other financial institutions	126,104	59,332
Placements with and loans to banks and other financial institutions	144,640	115,781
Financial investments	390,508	395,205
Derivative financial assets	18,863	7,655
Loans and advances to customers	85,650	45,646
Due to customers, banks and other financial institutions	(256,582)	(185,610)
Placements from banks and other financial institutions	(137,131)	(244,059)
Derivative financial liabilities	(21,294)	(5,459)
Credit commitments	32,177	14,502

Transaction amounts

	Year ended 31 December	
	2020	2019
Interest income	12,561	17,021
Interest expense	(4,313)	(9,679)

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**43 Related party transactions (Continued)****43.2 Transactions with Huijin and companies under Huijin (Continued)***(3) Transactions with companies under Huijin (Continued)*

Interest rate ranges

	Year ended 31 December	
	2020	2019
Due from banks and other financial institutions	0.00%–5.20%	0.00%–5.00%
Placements with and loans to banks and other financial institutions	-0.21%–27.00%	-0.20%–4.50%
Financial investments	-0.05%–5.98%	0.00%–5.98%
Loans and advances to customers	0.18%–9.91%	1.44%–6.05%
Due to customers, banks and other financial institutions	-0.50%–6.00%	0.00%–3.58%
Placements from banks and other financial institutions	-0.50%–4.80%	-0.55%–9.50%

43.3 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.

43.4 Transactions with associates and joint ventures

The Group enters into banking transactions with associates and joint ventures in the normal course of business on commercial terms. These include loans and advances, deposit taking and other normal banking businesses. In the ordinary course of business, the main transactions that the Group entered into with associates and joint ventures are as follows:

Transaction balances

	As at 31 December	
	2020	2019
Loans and advances to customers	18,502	1,373
Due to customers, banks and other financial institutions	(10,641)	(6,046)
Credit commitments	23,144	76

Transaction amounts

	Year ended 31 December	
	2020	2019
Interest income	772	41
Interest expense	(316)	(220)

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**43 Related party transactions (Continued)****43.4 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 asset management; securities investment fund sales agency; margin financing and securities lending; distribution of financial products; management of publicly raised 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; asset management; investment consulting
Graceful Field Worldwide Limited	BVI	N/A	80.00	Note (1)	USD0.0025	Investment
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
Wkland Investments II Limited	BVI	N/A	50.00	50.00	USD0.00002	Investment holding
Wuhu Yuanzhong Jiaying Investment Limited Partnership	PRC	91340202MA2TBMDD6Q	70.00	Note (1)	N/A	Investment consulting; equity investment
Wuhu Yinsheng Special Steel Investment Management Limited Partnership	PRC	91340202MA2RENJEX9	21.20	28.57	N/A	Equity investment; industrial investment
Guangdong Small and Medium Enterprises Equity Investment Fund Company Limited	PRC	91440000564568961E	40.00	40.00	RMB1,578	Investment

(1) In accordance with the respective articles of association, the Group has significant influence or joint control over these companies.

43.5 Transactions with the Annuity Plan

Apart from the obligations for defined contributions to the Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**43 Related party transactions (Continued)****43.6 Transactions with key management personnel**

Key management personnel are those persons having the 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 2020 and 2019, 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 2020 and 2019 comprises:

	Year ended 31 December	
	2020	2019
Compensation for short-term employment benefits ⁽¹⁾	11	14
Compensation for post-employment benefits	1	1
Total	12	15

- (1) The total compensation package for the key management personnel for the year ended 31 December 2020 has not yet been finalised in accordance with the regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's 2020 financial statements. The final compensation will be disclosed in a separate announcement when determined.

43.7 Transactions with Connected Natural Persons

As at 31 December 2020, the Bank's balances of loans to the connected natural persons as defined in the *Administration of Connected Transactions between Commercial Banks and Their Insiders and Shareholders* and the *Administrative Measures for the Disclosure of Information of Listed Companies* totalled approximately RMB365 million (31 December 2019: RMB410 million) and RMB20 million (31 December 2019: RMB23 million) respectively.

43.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

Transaction balances

	As at 31 December	
	2020	2019
Due from banks and other financial institutions	31,487	21,908
Placements with and loans to banks and other financial institutions	184,792	152,839
Due to banks and other financial institutions	(190,167)	(88,195)
Placements from banks and other financial institutions	(28,057)	(52,285)

Transaction amounts

	Year ended 31 December	
	2020	2019
Interest income	2,304	1,569
Interest expense	(1,209)	(2,165)

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Related party transactions (Continued)

43.8 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	12 September 2001	HKD34,806	100.00	100.00	Holding company
BOC International Holdings Limited ⁽³⁾	Hong Kong	10 July 1998	HKD3,539	100.00	100.00	Investment banking
Bank of China Group Insurance Company Limited	Hong Kong	23 July 1992	HKD3,749	100.00	100.00	Insurance services
Bank of China Group Investment Limited	Hong Kong	18 May 1993	HKD34,052	100.00	100.00	Investment holding
Tai Fung Bank Limited	Macao	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	RMB10,000	100.00	100.00	Debt-to-equity swaps and other supporting businesses, etc.
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						
BOC Hong Kong (Holdings) Limited ⁽²⁾	Hong Kong	12 September 2001	HKD52,864	66.06	66.06	Holding company
Bank of China (Hong Kong) Limited ⁽³⁾	Hong Kong	16 October 1964	HKD43,043	66.06	100.00	Commercial banking
BOC Credit Card (International) Limited	Hong Kong	9 September 1980	HKD565	66.06	100.00	Credit card services
BOC Group Trustee Company Limited ⁽³⁾	Hong Kong	1 December 1997	HKD200	77.60	100.00	Provision of trustee services
BOC Aviation Limited ⁽²⁾	Singapore	25 November 1993	USD1,158	70.00	70.00	Aircraft leasing

(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.

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Segment reporting

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

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

Geographical segments

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

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

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

Business segments

Corporate banking — Services to corporate customers, government authorities and financial institutions, including current accounts, deposits, overdrafts, loans, trade-related products and other credit facilities, foreign exchange, 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 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)**44 Segment reporting (Continued)****As at and for the year ended 31 December 2020**

	Chinese mainland	Hong Kong, Macao and Taiwan			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
Including: 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:							
Intersegment net interest (expense)/income	(4,886)	775	6,771	7,546	(2,660)	–	–
Intersegment 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

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**44 Segment reporting (Continued)****As at and for the year ended 31 December 2019**

	Chinese mainland	Hong Kong, Macao and Taiwan BOCHK Group	Other	Subtotal	Other countries and regions	Elimination	Total
Interest income	645,251	57,763	38,874	96,637	50,527	(34,408)	758,007
Interest expense	(310,586)	(23,679)	(33,123)	(56,802)	(35,042)	34,473	(367,957)
Net interest income	334,665	34,084	5,751	39,835	15,485	65	390,050
Fee and commission income	65,244	12,745	7,401	20,146	6,599	(3,890)	88,099
Fee and commission expense	(8,860)	(3,703)	(2,135)	(5,838)	(2,125)	2,536	(14,287)
Net fee and commission income	56,384	9,042	5,266	14,308	4,474	(1,354)	73,812
Net trading gains	13,405	7,564	4,720	12,284	2,874	–	28,563
Net gains on transfers of financial asset	2,541	725	83	808	128	–	3,477
Other operating income ⁽¹⁾	13,274	18,870	22,497	41,367	204	(737)	54,108
Operating income	420,269	70,285	38,317	108,602	23,165	(2,026)	550,010
Operating expenses ⁽¹⁾	(140,920)	(32,586)	(18,802)	(51,388)	(7,686)	1,725	(198,269)
Impairment losses on assets	(101,010)	(1,780)	351	(1,429)	286	–	(102,153)
Operating profit	178,339	35,919	19,866	55,785	15,765	(301)	249,588
Share of results of associates and joint ventures	(1)	(78)	1,136	1,058	–	–	1,057
Profit before income tax	178,338	35,841	21,002	56,843	15,765	(301)	250,645
Income tax expense							(48,754)
Profit for the year							201,891
Segment assets	17,915,544	2,673,071	1,528,724	4,201,795	2,062,659	(1,433,464)	22,746,534
Investments in associates and joint ventures	7,992	1,076	14,142	15,218	–	–	23,210
Total assets	17,923,536	2,674,147	1,542,866	4,217,013	2,062,659	(1,433,464)	22,769,744
Including: non-current assets ⁽²⁾	119,684	30,670	162,255	192,925	9,788	(2,851)	319,546
Segment liabilities	16,413,115	2,428,157	1,397,456	3,825,613	1,987,643	(1,433,323)	20,793,048
Other segment items:							
Intersegment net interest (expense)/income	(6,817)	1,401	11,164	12,565	(5,813)	65	–
Intersegment net fee and commission income/(expense)	592	180	1,106	1,286	(523)	(1,355)	–
Capital expenditure	13,231	2,123	27,977	30,100	613	–	43,944
Depreciation and amortisation	17,295	1,768	5,688	7,456	785	(181)	25,355
Credit commitments	3,675,635	313,084	131,772	444,856	528,004	(305,925)	4,342,570

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

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

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**44 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:								
Intersegment net interest income/(expense)	20,712	52,337	(72,651)	310	14	(914)	192	–
Intersegment 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

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**44 Segment reporting (Continued)****As at and for the year ended 31 December 2019**

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	357,678	265,845	204,435	2,096	3,009	4,036	(79,092)	758,007
Interest expense	(173,036)	(116,514)	(149,510)	(599)	(65)	(7,427)	79,194	(367,957)
Net interest income/(expense)	184,642	149,331	54,925	1,497	2,944	(3,391)	102	390,050
Fee and commission income	32,753	37,654	14,190	3,997	2	2,085	(2,582)	88,099
Fee and commission expense	(1,307)	(7,747)	(2,068)	(1,086)	(3,988)	(317)	2,226	(14,287)
Net fee and commission income/(expense)	31,446	29,907	12,122	2,911	(3,986)	1,768	(356)	73,812
Net trading gains	3,177	1,048	19,360	231	2,492	2,219	36	28,563
Net gains on transfers of financial asset	1,346	237	1,791	–	101	2	–	3,477
Other operating income	512	6,221	1,359	198	28,838	19,792	(2,812)	54,108
Operating income	221,123	186,744	89,557	4,837	30,389	20,390	(3,030)	550,010
Operating expenses	(64,142)	(76,833)	(19,210)	(2,487)	(29,209)	(9,429)	3,041	(198,269)
Impairment losses on assets	(84,109)	(16,824)	(736)	–	(10)	(474)	–	(102,153)
Operating profit	72,872	93,087	69,611	2,350	1,170	10,487	11	249,588
Share of results of associates and joint ventures	–	–	–	280	(12)	822	(33)	1,057
Profit before income tax	72,872	93,087	69,611	2,630	1,158	11,309	(22)	250,645
Income tax expense								(48,754)
Profit for the year								201,891
Segment assets	8,415,724	5,064,429	8,587,356	83,987	180,054	527,396	(112,412)	22,746,534
Investments in associates and joint ventures	–	–	–	4,870	–	18,406	(66)	23,210
Total assets	8,415,724	5,064,429	8,587,356	88,857	180,054	545,802	(112,478)	22,769,744
Segment liabilities	9,922,845	6,726,766	3,705,818	57,582	162,958	329,341	(112,262)	20,793,048
Other segment items:								
Intersegment net interest income/(expense)	27,877	48,737	(75,339)	419	30	(1,826)	102	–
Intersegment net fee and commission income/(expense)	698	1,521	48	(320)	(1,871)	278	(354)	–
Capital expenditure	4,120	4,631	219	193	122	34,659	–	43,944
Depreciation and amortisation	7,800	9,622	2,394	284	237	5,304	(286)	25,355
Credit commitments	3,157,694	1,184,876	–	–	–	–	–	4,342,570

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 Transfers of financial assets

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

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or re-pledge those securities in the absence of default by the Group, but have an obligation to return the securities upon maturity of the contract. If the value of securities increases or decreases, the Group may in certain circumstances, require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received as collateral.

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

	As at 31 December 2020		As at 31 December 2019	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	13,248	13,550	528	503

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 derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB760 million as at 31 December 2020 (31 December 2019: RMB956 million), which also approximates the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised in the statement of financial position to the extent of the Group's continuing involvement. 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 RMB15,365 million for this year (2019: RMB49,985 million) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB15,244 million as at 31 December 2020 (31 December 2019: RMB15,250 million).

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**46 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.

46.1 Interests in unconsolidated structured entities

The interests held by the Group in unconsolidated structured entities are set out as below:

Structured entities sponsored by the Group

In conducting the asset management business in Chinese mainland, the Group established various structured entities to provide customers specialised investment opportunities within narrow and well-defined objectives, including non-principal guaranteed wealth management products, publicly offered funds and asset management plans, and earned management fee, commission and custodian fees in return.

As at 31 December 2020, the balance of unconsolidated wealth management products sponsored by the Group amounted to RMB1,388,904 million (31 December 2019: RMB1,231,861 million). The balance of unconsolidated publicly offered funds and asset management plans sponsored by the Group amounted to RMB486,880 million (31 December 2019: RMB638,865 million).

For the year ended 31 December 2020, the above-mentioned management fee, commission and custodian fee amounted to RMB8,499 million (2019: RMB6,904 million).

As at 31 December 2020, 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 2020, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB132,205 million (2019: RMB180,050 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 31 December 2020, the balance of the above transactions was RMB18,580 million (31 December 2019: RMB170,797 million). The maximum exposure to loss of those placements approximated to their carrying amount.

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. According to the regulatory requirements, the Group has promoted the disposal of the legacy investments in a pragmatic, efficient, actively and orderly way in order to achieve a smooth transition and stable development of the wealth management business.

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB1,230 million for the year ended 31 December 2020 (2019: RMB570 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.45.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Interests in structured entities (Continued)

46.1 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 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
As at 31 December 2019					
Fund investments	53,349	–	–	53,349	53,349
Investment trusts and asset management plans	2,396	–	8,163	10,559	10,559
Asset-backed securitisations	905	68,192	44,008	113,105	113,105

46.2 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.

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**47 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 statement of financial position	Amounts presented in the statement of financial position	Amounts not set off in the statement of financial position		Net amount
				Financial instruments*	Cash collateral received	
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
As at 31 December 2019						
Derivatives	37,020	–	37,020	(27,391)	(2,034)	7,595
Reverse repo agreements	5,408	–	5,408	(5,408)	–	–
Other assets	11,307	(10,344)	963	–	–	963
Total	53,735	(10,344)	43,391	(32,799)	(2,034)	8,558

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 statement of financial position	Amounts presented in the statement of financial position	Amounts not set off in the statement of financial position		Net amount
				Financial instruments*	Cash collateral pledged	
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
As at 31 December 2019						
Derivatives	43,204	–	43,204	(27,904)	(6,433)	8,867
Repurchase agreements	503	–	503	(503)	–	–
Other liabilities	12,028	(10,344)	1,684	–	–	1,684
Total	55,735	(10,344)	45,391	(28,407)	(6,433)	10,551

* Including non-cash collateral.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 Offsetting financial assets and financial liabilities (Continued)

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 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.

48 The Bank's statement of financial position and changes in equity

48.1 The Bank's statement of financial position

	As at 31 December	
	2020	2019
ASSETS		
Cash and due from banks and other financial institutions	735,856	520,638
Balances with central banks	1,895,772	1,913,236
Placements with and loans to banks and other financial institutions	1,065,541	961,732
Government certificates of indebtedness for bank notes issued	9,083	8,698
Precious metals	214,310	197,914
Derivative financial assets	132,878	68,731
Loans and advances to customers, net	12,286,706	11,204,197
Financial investments	4,422,013	4,343,595
— financial assets at fair value through profit or loss	264,746	281,703
— financial assets at fair value through other comprehensive income	1,315,891	1,422,035
— financial assets at amortised cost	2,841,376	2,639,857
Investments in subsidiaries	135,553	123,658
Investments in associates and joint ventures	7,731	7,998
Consolidated structured entities	202,275	209,092
Property and equipment	81,661	83,403
Investment properties	2,185	2,338
Deferred income tax assets	59,767	45,284
Other assets	112,152	83,331
Total assets	21,363,483	19,773,845

Notes to the Consolidated Financial Statements

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**48 The Bank's statement of financial position and changes in equity (Continued)****48.1 The Bank's statement of financial position (Continued)**

	As at 31 December	
	2020	2019
LIABILITIES		
Due to banks and other financial institutions	1,960,349	1,672,571
Due to central banks	838,054	791,046
Bank notes in circulation	9,226	8,842
Placements from banks and other financial institutions	393,521	587,735
Financial liabilities held for trading	571	2,158
Derivative financial liabilities	164,604	61,919
Due to customers	14,787,841	13,788,093
Bonds issued	1,140,777	1,004,095
Current tax liabilities	50,980	50,851
Retirement benefit obligations	2,199	2,537
Deferred income tax liabilities	567	308
Other liabilities	176,000	149,809
Total liabilities	19,524,689	18,119,964
EQUITY		
Share capital	294,388	294,388
Other equity instruments	277,490	199,893
Capital reserve	132,590	132,627
Other comprehensive income	17,712	19,292
Statutory reserves	188,832	171,003
General and regulatory reserves	261,170	240,279
Undistributed profits	666,612	596,399
Total equity	1,838,794	1,653,881
Total equity and liabilities	21,363,483	19,773,845

Approved and authorised for issue by the Board of Directors on 30 March 2021.

LIU Liange
Director

WANG Wei
Director

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**48 The Bank's statement of financial position and changes in equity (Continued)****48.2 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 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

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Total
As at 1 January 2019	294,388	99,714	138,832	8,596	154,313	222,462	526,127	1,444,432
Total comprehensive income	-	-	-	10,704	-	-	165,764	176,468
Appropriation to statutory reserves	-	-	-	-	16,690	-	(16,690)	-
Appropriation to general and regulatory reserves	-	-	-	-	-	17,817	(17,817)	-
Dividends	-	-	-	-	-	-	(60,993)	(60,993)
Capital contribution and reduction by other equity instruments holders	-	100,179	(6,205)	-	-	-	-	93,974
Other comprehensive income transferred to retained earnings	-	-	-	(8)	-	-	8	-
As at 31 December 2019	294,388	199,893	132,627	19,292	171,003	240,279	596,399	1,653,881

49 Events after the financial reporting date**Redemption of Domestic Preference Shares (Second Tranche)**

With the approvals of the relevant regulatory authorities in China, the Bank redeemed all 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 but not yet distributed, totalling RMB29.54 billion.

Issuance of Tier 2 Capital Bonds

On 17 March 2021, the Bank issued fixed-rate Tier 2 capital bonds with a maturity of 10 years amounting 15 billion and fixed-rate Tier 2 capital bonds with a maturity of 15 years amounting 10 billion and completed the issuance on 19 March 2021. The issuance details have been set out in the Bank's announcement dated 19 March 2021.

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT

1 Overview

The Group's primary risk management objectives are to maximise value for equity holders while maintaining risk within acceptable parameters, optimising capital allocation and satisfying the requirements of the regulatory authorities, the Group's depositors and other stakeholders for the Group's prudent and stable development.

The Group has designed a series of risk management policies and has set up appropriate risk limits and controls to analyse, identify, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

2 Financial risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies.

Within this framework, the Group's senior management has the overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures related to risk management. The Risk Management Department, the Credit Management Department, the Financial Management Department and other relevant functional departments are responsible for monitoring financial risks.

The Group manages the risks at the branch level through direct reporting from the branches to the relevant departments responsible for risk management at the Head Office. Business line related risks are monitored through establishing specific risk management teams within the business departments. The Group monitors and controls risk management at subsidiaries by appointing members of their boards of directors and risk management committees as appropriate.

3 Credit risk

The Group takes on exposure to credit risk, which is the risk that a customer or counterparty will cause a financial loss for the Group by failing to discharge an 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 derivatives, loan commitments, bill acceptance, letters of guarantee and letters of credit.

3.1 Credit risk measurement

(1) Loans and advances to customers and off-balance sheet commitments

The Credit Management Department is responsible for centrally monitoring and evaluating the credit risk of granting loans and advances to customers and off-balance sheet credit commitments, and reporting to senior management and the Board of Directors on a regular basis.

The Group mainly measures the credit risk of corporate loans and advances based on the PD and financial status of customers' agreed obligations, and considering the current credit exposure and possible future development trends. For individual customers, the Group uses a standard credit approval process to assess the credit risk of individual loans, and uses a scorecard model based on historical LGD to measure the credit risk of credit cards.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.1 Credit risk measurement (Continued)

(1) Loans and advances to customers and off-balance sheet commitments (Continued)

For credit risk arising from off-balance sheet commitments, the Group manages the risks according to the characteristics of the products. These mainly include loan commitments, guarantees, bill acceptances and letters of credit. Loan commitments, guarantees, bill acceptances and letters of credit carry similar credit risk to loans. Documentary and commercial letters of credit are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions and are collateralised by the underlying shipment documents of goods to which they relate or deposits and are therefore assessed to have less credit risk than a direct loan. Besides, the Group monitors the term to maturity of off-balance sheet commitments and those with longer-terms are assessed to have greater credit risk than shorter-term commitments.

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"), 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 exposures are also assessed and categorised with reference to the Guideline. For operations in Hong Kong, Macao, Taiwan and other countries and regions, where local regulations and requirements are more prudent than the Guideline, the credit assets are classified according to local regulations and requirements.

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 Bank implemented a customer credit rating system based on the PD model. The PD model uses the principle of logistic regression to predict the PD for customers in the coming year. According to the calculated PD value, the risk rating of the customer is obtained through the relevant mapping relationship table. The Group conducts back-testing of the model according to the customer's actual default each year, so that the model calculation results are closer to the objective facts.

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.1 Credit risk measurement (Continued)

(1) *Loans and advances to customers and off-balance sheet commitments (Continued)*

The customer credit ratings in the internal model are based on four categories of A, B, C and D which are further classified into fifteen grades as AAA, AA, A, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B-, CCC, CC, C, and D. Credit grading D equates to defaulted customers while the others are assigned to performing customers.

Five-category loan classifications and customer credit ratings are determined by the Head Office and tier 1 branch management under approved delegated authorities. The Bank performs centralised review on customer credit ratings and five-category loan classifications on an annual basis. Further, five-category loan classifications are re-examined on a quarterly basis. Adjustments are made to these classifications and ratings as necessary according to customers' operational and financial position.

The Group identifies credit risk collectively based on industry, geography and customer type. This information is monitored regularly by management.

Management periodically reviews various elements of the Group's credit risk management process, 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 quotas 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 Group's security position. The actions may include obtaining additional guarantors or collateral.

(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. In response to adverse credit market conditions, various initiatives were implemented since 2008 to better manage and report credit risk, including establishing a special committee which meets periodically and on an ad hoc basis to discuss actions in response to market changes impacting the Group's exposure to credit risk, and formulating a watch list process over counterparty names at risk.

(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 security, 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 in managing 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.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.2 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 process 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 to corporate customers in the Chinese mainland is originated by the Corporate Banking Department at the Head Office and the Corporate Banking Department at branch level and submitted to the Credit Approval Department for due diligence and approval. All credit applications for corporate customers must be approved by the authorised credit application approvers at the Head Office and tier 1 branch level in the Chinese mainland, except for the low risk credit applications which are in accordance with the rules. The exposure to any one borrower, including banks, is restricted by credit limits covering on and off-balance sheet exposures.

Personal loans in the Chinese mainland are originated by the Personal Banking Departments at branch level and 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. High risk personal loans such as personal loans for business purposes in excess of certain limits must also be reviewed by the Risk Management Department.

The Head Office also oversees the risk management of the branches in Hong Kong, Macao, Taiwan 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 these lending limits where appropriate.

(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.

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**3 Credit risk (Continued)****3.2 Credit risk limit control and mitigation policies (Continued)***(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, collaterals and guarantees. The Group implements guidelines on the acceptability of specific classes of collateral and mortgage rate upper limit. The amount of acceptable collateral at the time of loan origination is determined by the Credit Management Department and is subject to mortgage rate upper limit based on type and the value of collateral is monitored on an ongoing. The mortgage rate upper limit based on principal collateral types for corporate loans and advances are:

Main collateral	Mortgage rate upper limit*
Deposit receipt	Full coverage of principal and interest
PRC Treasury bonds	90%
Financial institution bonds	50%–90%
Publicly traded stocks	60%
Land use rights	50%–70%
Real estate	50%–70%
Automobiles	70%

* The upper limit of the collateral rate is applied for the collateral under the business with non-risk exposure, the collateral of the business with risk exposure and non-credit business is not limited by the upper limit of the collateral rate, and the upper limit of the collateral rate shall not be the basis for the verification and approval of the total credit amount.

Mortgages to retail customers are generally collateralised by mortgages over residential properties. Other loans are collateralised depending on the nature of the loan.

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 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.41.3.

(ii) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. 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 occurs, all amounts with the customer 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 substantially within a short period, as it is affected by each transaction subject to the arrangement.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)**3 Credit risk (Continued)****3.3 Impairment measurement for losses on assets**

Refer to Note II.4.6 for relevant policies.

3.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 31 December	
	2020	2019
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Due from banks and other financial institutions	724,320	500,560
Balances with central banks	2,076,840	2,078,809
Placements with and loans to banks and other financial institutions	939,320	898,959
Government certificates of indebtedness for bank notes issued	168,608	155,466
Derivative financial assets	171,738	93,335
Loans and advances to customers, net	13,848,304	12,743,425
Financial investments		
— financial assets at fair value through profit or loss	353,064	378,131
— financial assets at fair value through other comprehensive income	2,086,362	2,196,352
— financial assets at amortised cost	2,978,778	2,777,683
Other assets	134,116	115,941
Subtotal	23,481,450	21,938,661
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of guarantee issued	1,035,517	1,049,629
Loan commitments and other credit commitments	3,456,156	3,292,941
Subtotal	4,491,673	4,342,570
Total	27,973,123	26,281,231

The table above represents a worst case scenario of credit risk exposure of the Group as at 31 December 2020 and 2019, 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 2020, 49.51% of the Group's total maximum credit exposure is derived from loans and advances to customers (31 December 2019: 48.49%) and 19.32% represents investments in debt securities (31 December 2019: 20.31%).

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**3 Credit risk (Continued)****3.5 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			
	2020		2019	
	Amount	% of total	Amount	% of total
Chinese mainland	11,501,791	81.09%	10,302,408	79.04%
Hong Kong, Macao and Taiwan	1,697,934	11.97%	1,697,434	13.02%
Other countries and regions	983,660	6.94%	1,034,347	7.94%
Total	14,183,385	100.00%	13,034,189	100.00%

Chinese mainland

	As at 31 December			
	2020		2019	
	Amount	% of total	Amount	% of total
Northern China	1,695,932	14.74%	1,573,127	15.27%
Northeastern China	502,186	4.37%	494,186	4.80%
Eastern China	4,505,204	39.17%	4,016,742	38.99%
Central and Southern China	3,266,619	28.40%	2,875,436	27.91%
Western China	1,531,850	13.32%	1,342,917	13.03%
Total	11,501,791	100.00%	10,302,408	100.00%

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

	Chinese mainland	Hong Kong, Macao and Taiwan	Other countries and regions	Total
As at 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
As at 31 December 2019				
Corporate loans and advances				
— Trade bills	996,845	108,177	127,170	1,232,192
— Other	4,853,846	1,051,188	849,154	6,754,188
Personal loans	4,451,717	538,069	58,023	5,047,809
Total	10,302,408	1,697,434	1,034,347	13,034,189

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)**3 Credit risk (Continued)****3.5 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			
	2020		2019	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	1,764,213	12.44%	1,706,650	13.09%
Manufacturing	1,692,261	11.93%	1,679,202	12.88%
Transportation, storage and postal services	1,493,828	10.53%	1,294,922	9.93%
Real estate	1,137,469	8.02%	1,042,664	8.00%
Production and supply of electricity, heating, gas and water	726,824	5.13%	649,289	4.98%
Financial services	646,979	4.56%	565,333	4.34%
Mining	282,394	1.99%	293,375	2.25%
Construction	268,676	1.89%	255,160	1.96%
Water, environment and public utility management	250,551	1.77%	199,376	1.53%
Public utilities	161,402	1.14%	149,855	1.15%
Other	175,493	1.24%	150,554	1.16%
Subtotal	8,600,090	60.64%	7,986,380	61.27%
Personal loans				
Mortgages	4,418,761	31.15%	3,993,271	30.64%
Credit cards	498,435	3.51%	476,743	3.66%
Other	666,099	4.70%	577,795	4.43%
Subtotal	5,583,295	39.36%	5,047,809	38.73%
Total	14,183,385	100.00%	13,034,189	100.00%

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**3 Credit risk (Continued)****3.5 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			
	2020		2019	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	1,395,690	12.13%	1,269,121	12.32%
Manufacturing	1,329,778	11.56%	1,285,438	12.48%
Transportation, storage and postal services	1,313,457	11.42%	1,129,091	10.96%
Real estate	639,777	5.56%	553,951	5.38%
Production and supply of electricity, heating, gas and water	554,626	4.82%	489,086	4.75%
Financial services	487,488	4.24%	398,095	3.86%
Mining	163,193	1.42%	165,218	1.60%
Construction	218,541	1.90%	214,351	2.08%
Water, environment and public utility management	243,268	2.12%	188,387	1.83%
Public utilities	136,444	1.19%	120,595	1.17%
Other	39,670	0.34%	37,358	0.36%
Subtotal	6,521,932	56.70%	5,850,691	56.79%
Personal loans				
Mortgages	3,991,540	34.71%	3,582,138	34.77%
Credit cards	488,086	4.24%	462,150	4.49%
Other	500,233	4.35%	407,429	3.95%
Subtotal	4,979,859	43.30%	4,451,717	43.21%
Total	11,501,791	100.00%	10,302,408	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)**3 Credit risk (Continued)****3.5 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			
	2020		2019	
	Amount	% of total	Amount	% of total
Unsecured loans	4,533,495	31.96%	4,151,941	31.86%
Guaranteed loans	1,737,379	12.25%	1,572,146	12.06%
Collateralised and other secured loans	7,912,511	55.79%	7,310,102	56.08%
Total	14,183,385	100.00%	13,034,189	100.00%

Chinese mainland

	As at 31 December			
	2020		2019	
	Amount	% of total	Amount	% of total
Unsecured loans	3,311,387	28.79%	2,923,150	28.37%
Guaranteed loans	1,379,925	12.00%	1,211,994	11.77%
Collateralised and other secured loans	6,810,479	59.21%	6,167,264	59.86%
Total	11,501,791	100.00%	10,302,408	100.00%

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**3 Credit risk (Continued)****3.5 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					
	2020			2019		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	189,985	91.66%	1.65%	169,951	95.35%	1.65%
Hong Kong, Macao and Taiwan	4,674	2.25%	0.28%	3,842	2.16%	0.23%
Other countries and regions	12,614	6.09%	1.28%	4,442	2.49%	0.43%
Total	207,273	100.00%	1.46%	178,235	100.00%	1.37%

Chinese mainland

	As at 31 December					
	2020			2019		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	27,699	14.58%	1.63%	31,762	18.69%	2.02%
Northeastern China	15,229	8.02%	3.03%	22,123	13.02%	4.48%
Eastern China	52,199	27.47%	1.16%	59,764	35.17%	1.49%
Central and Southern China	81,201	42.74%	2.49%	39,060	22.98%	1.36%
Western China	13,657	7.19%	0.89%	17,242	10.14%	1.28%
Total	189,985	100.00%	1.65%	169,951	100.00%	1.65%

*(ii) Impaired loans and advances by customer type***Group**

	As at 31 December					
	2020			2019		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	174,012	83.95%	2.02%	149,427	83.84%	1.87%
Personal loans	33,261	16.05%	0.60%	28,808	16.16%	0.57%
Total	207,273	100.00%	1.46%	178,235	100.00%	1.37%

Chinese mainland

	As at 31 December					
	2020			2019		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	157,767	83.04%	2.42%	141,978	83.54%	2.43%
Personal loans	32,218	16.96%	0.65%	27,973	16.46%	0.63%
Total	189,985	100.00%	1.65%	169,951	100.00%	1.65%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)**3 Credit risk (Continued)****3.5 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					
	2020			2019		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Commerce and services	42,010	20.27%	3.01%	45,104	25.31%	3.55%
Manufacturing	56,696	27.35%	4.26%	59,646	33.46%	4.64%
Transportation, storage and postal services	14,276	6.89%	1.09%	8,276	4.64%	0.73%
Real estate	29,952	14.45%	4.68%	2,936	1.65%	0.53%
Production and supply of electricity, heating, gas and water	2,374	1.14%	0.43%	10,954	6.15%	2.24%
Financial services	42	0.02%	0.01%	225	0.13%	0.06%
Mining	4,537	2.19%	2.78%	4,946	2.77%	2.99%
Construction	3,806	1.84%	1.74%	3,561	2.00%	1.66%
Water, environment and public utility management	2,319	1.12%	0.95%	1,594	0.89%	0.85%
Public utilities	894	0.43%	0.66%	877	0.49%	0.73%
Other	861	0.42%	2.17%	3,859	2.17%	10.33%
Subtotal	157,767	76.12%	2.42%	141,978	79.66%	2.43%
Personal loans						
Mortgages	12,680	6.12%	0.32%	10,463	5.87%	0.29%
Credit cards	12,199	5.88%	2.50%	10,269	5.76%	2.22%
Other	7,339	3.54%	1.47%	7,241	4.06%	1.78%
Subtotal	32,218	15.54%	0.65%	27,973	15.69%	0.63%
Total for Chinese mainland	189,985	91.66%	1.65%	169,951	95.35%	1.65%
Hong Kong, Macao, Taiwan and other countries and regions	17,288	8.34%	0.64%	8,284	4.65%	0.30%
Total	207,273	100.00%	1.46%	178,235	100.00%	1.37%

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**3 Credit risk (Continued)****3.5 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 2020			
Chinese mainland	189,985	(151,489)	38,496
Hong Kong, Macao and Taiwan	4,674	(2,463)	2,211
Other countries and regions	12,614	(8,943)	3,671
Total	207,273	(162,895)	44,378
As at 31 December 2019			
Chinese mainland	169,951	(131,307)	38,644
Hong Kong, Macao and Taiwan	3,842	(2,462)	1,380
Other countries and regions	4,442	(2,775)	1,667
Total	178,235	(136,544)	41,691

(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 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Portion covered	95,896	94,007	89,692	92,737
Portion not covered	78,116	55,420	68,075	49,241
Total	174,012	149,427	157,767	141,978
Fair value of collateral held	33,859	49,054	31,483	46,939

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.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(3) Loans and advances rescheduled

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, rescheduled credit terms as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or the assumption of the loan by a borrower with better repayment ability.

Rescheduled loans are subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "Special-mention" upon review if certain criteria are met. If the rescheduled loans fall due or if the borrower is unable to demonstrate its repayment ability, these loans will be reclassified to "Doubtful" or below. All rescheduled loans within the surveillance period were determined to be impaired as at 31 December 2020 and 2019.

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

(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 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
As at 31 December 2019					
Unsecured loans	8,937	12,236	7,591	2,086	30,850
Guaranteed loans	8,956	11,150	12,747	1,949	34,802
Collateralised and other secured loans	44,945	22,056	23,917	6,059	96,977
Total	62,838	45,442	44,255	10,094	162,629

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**3 Credit risk (Continued)****3.5 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 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
As at 31 December 2019					
Unsecured loans	7,141	10,611	6,835	2,071	26,658
Guaranteed loans	8,650	10,927	12,673	1,661	33,911
Collateralised and other secured loans	40,651	19,291	23,650	5,817	89,409
Total	56,442	40,829	43,158	9,549	149,978

- (ii) Analysis of overdue loans and advances by geographical area

	As at 31 December	
	2020	2019
Chinese mainland	160,265	149,978
Hong Kong, Macao and Taiwan	6,850	7,171
Other countries and regions	12,269	5,480
Subtotal	179,384	162,629
Percentage	1.26%	1.25%
Less: total loans and advances to customers which have been overdue for less than 3 months	(54,342)	(62,838)
Total loans and advances to customers which have been overdue for more than 3 months	125,042	99,791

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(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 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 2019			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
Pass	12,514,948	47,588	–	12,562,536
Special-mention	–	289,314	–	289,314
Substandard	–	–	77,459	77,459
Doubtful	–	–	51,804	51,804
Loss	–	–	48,972	48,972
Total	12,514,948	336,902	178,235	13,030,085

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

3.6 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, Macao, Taiwan 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 2020, 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.

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**3 Credit risk (Continued)****3.7 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 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, Macao, Taiwan 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
As at 31 December 2019				
Issuers in Chinese mainland				
— Government	12,997	2,848,409	350	2,861,756
— Public sectors and quasi-governments	109,923	—	—	109,923
— Policy banks	—	435,212	—	435,212
— Financial institutions	86,765	219,640	214,672	521,077
— Corporate	64,457	121,200	26,852	212,509
— China Orient	152,433	—	—	152,433
Subtotal	426,575	3,624,461	241,874	4,292,910
Issuers in Hong Kong, Macao, Taiwan and other countries and regions				
— Governments	2,364	506,421	16,089	524,874
— Public sectors and quasi-governments	60,332	58,889	—	119,221
— Financial institutions	5,675	123,249	31,916	160,840
— Corporate	11,957	127,515	34,663	174,135
Subtotal	80,328	816,074	82,668	979,070
Total	506,903	4,440,535	324,542	5,271,980

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.7 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 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

	As at 31 December 2019			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
Unrated	467,979	239	–	468,218
A to AAA	4,199,036	59	–	4,199,095
Lower than A	236,749	180	–	236,929
Total	4,903,764	478	–	4,904,242

3.8 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	
	2020	2019
Risk-weighted assets for default risk		
Currency derivatives	76,313	62,076
Interest rate derivatives	16,082	10,442
Equity derivatives	844	338
Commodity derivatives and other	18,487	12,135
	111,726	84,991
Risk-weighted assets for CVA	110,319	79,954
Risk-weighted assets for CCPs	6,330	6,095
Total	228,375	171,040

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.9 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.

4 Market risk

4.1 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.

4.2 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.

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.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)**4 Market risk (Continued)****4.2 Market risk measurement techniques and limits (Continued)****(1) Trading book (Continued)**

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 2020 and 2019:

Unit: USD million

	Year ended 31 December					
	2020			2019		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	13.45	17.87	9.17	18.70	23.50	13.24
Foreign exchange risk	26.61	39.35	11.83	18.00	26.69	9.80
Volatility risk	2.18	6.45	0.18	0.44	2.27	0.17
Commodity risk	6.35	13.76	3.04	1.77	6.26	0.75
Total of the Bank's trading VaR	29.56	38.72	16.18	23.03	29.56	17.11

The reporting of risk in relation to bullion is included in foreign exchange risk above.

Unit: USD million

	Year ended 31 December					
	2020			2019		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	2.38	4.58	0.75	2.72	5.30	1.26
Foreign exchange risk	2.72	3.98	0.84	1.63	2.69	0.93
Equity risk	0.13	0.38	0.03	0.10	0.32	0.03
Commodity risk	0.23	1.44	0.00	2.06	5.59	0.03
Total BOCHK (Holdings)'s trading VaR	4.01	6.47	2.25	3.95	6.70	2.24
BOCI's trading VaR⁽ⁱ⁾						
Equity derivatives unit	0.94	2.28	0.23	0.76	1.96	0.34
Fixed income unit	1.10	2.15	0.41	0.66	0.97	0.51
Global commodity unit	0.20	0.30	0.15	0.20	0.36	0.10
Total BOCI's trading VaR	2.24	4.30	1.37	1.61	2.95	1.17

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

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**4 Market risk (Continued)****4.2 Market risk measurement techniques and limits (Continued)***(1) Trading book (Continued)*

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.

(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.4.3 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.

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	
	2020	2019
+ 25 basis points	(4,107)	(4,534)
- 25 basis points	4,107	4,534

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 RMB16,716 million (2019: RMB14,591 million) for 25 basis points upward or downward parallel movements, respectively.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)**4 Market risk (Continued)****4.3 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 2020						Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	
Assets							
Cash and due from banks and other financial institutions	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

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**4 Market risk (Continued)****4.3 GAP analysis (Continued)**

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

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Market risk (Continued)

4.4 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.4.2). 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 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 tax and equity. A negative amount in the table reflects a potential net reduction in profit before 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.

Currency	Change in currency rate	Effect on profit before tax		Effect on equity*	
		As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
USD	+1%	450	354	620	522
HKD	+1%	(181)	(262)	2,340	2,079

* Effect on other comprehensive income (irrespective of income tax effect).

While the table above indicates the effect on profit before 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.

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**4 Market risk (Continued)****4.4 Foreign currency risk (Continued)**

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December 2020 and 2019. 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 2020							Total
	RMB	USD	HKD	EURO	JPY	GBP	Other	
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

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)**4 Market risk (Continued)****4.4 Foreign currency risk (Continued)**

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

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)

5 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.

5.1 Liquidity risk management policy and process

The Bank continued 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 fund sources by market-oriented financing modes, including due to banks and other financial institutions, inter-bank borrowings 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)**5 Liquidity risk (Continued)****5.2 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 2020							Total
	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	
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

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**5 Liquidity risk (Continued)****5.2 Maturity analysis (Continued)**

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

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)**5 Liquidity risk (Continued)****5.3 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.

	As at 31 December 2020							Total
	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	
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)

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Liquidity risk (Continued)

5.3 Undiscounted cash flows by contractual maturities (Continued)

	As at 31 December 2019							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Non-derivative cash flow								
Cash and due from banks and other financial institutions	21	204,130	183,615	56,074	120,765	3,096	133	567,834
Balances with central banks	1,513,473	527,657	16,249	8,302	12,450	722	–	2,078,853
Placements with and loans to banks and other financial institutions	44	–	417,635	189,233	244,950	56,154	–	908,016
Loans and advances to customers, net	52,895	195,546	484,426	1,298,683	3,086,083	4,534,837	7,151,130	16,803,600
Financial investments								
— financial assets at fair value through profit or loss	143,237	–	16,420	50,340	103,259	84,649	186,039	583,944
— financial assets at fair value through other comprehensive income	22,067	–	142,329	235,681	427,288	1,030,193	561,203	2,418,761
— financial assets at amortised cost	1,798	–	35,530	56,946	554,364	1,543,565	974,147	3,166,350
Other financial assets	1,026	167,792	20,967	1,935	4,506	1,424	14,091	211,741
Total financial assets	1,734,561	1,095,125	1,317,171	1,897,194	4,553,665	7,254,640	8,886,743	26,739,099
Due to banks and other financial institutions	–	1,036,859	125,501	325,279	176,849	7,047	84	1,671,619
Due to central banks	–	180,123	71,548	74,724	526,257	3,787	–	856,439
Placements from banks and other financial institutions	–	–	492,804	71,641	70,322	6,616	14	641,397
Due to customers	–	7,843,233	1,544,280	1,547,409	2,570,184	2,527,791	8,124	16,041,021
Bonds issued	–	–	24,056	150,929	423,073	521,722	36,162	1,155,942
Other financial liabilities	–	220,323	38,040	9,993	20,569	48,656	24,912	362,493
Total financial liabilities	–	9,280,538	2,296,229	2,179,975	3,787,254	3,115,619	69,296	20,728,911
Derivative cash flow								
Derivative financial instruments settled on a net basis	–	1,873	2,324	5,086	(993)	(3,966)	(791)	3,533
Derivative financial instruments settled on a gross basis								
Total inflow	–	104,485	1,790,517	1,514,328	2,672,728	409,405	18,919	6,510,382
Total outflow	–	(103,878)	(1,787,934)	(1,510,528)	(2,673,807)	(409,542)	(18,915)	(6,504,604)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)**5 Liquidity risk (Continued)****5.4 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 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
As at 31 December 2019				
Loan commitments ⁽¹⁾	1,859,147	587,973	167,961	2,615,081
Guarantees, acceptances and other financial facilities	1,146,111	297,015	284,363	1,727,489
Subtotal	3,005,258	884,988	452,324	4,342,570
Capital commitments	38,814	18,498	–	57,312
Total	3,044,072	903,486	452,324	4,399,882

(1) Included within "Loan commitments" are amounts relating to loan commitments and undrawn credit card limits. Refer to Note V.41.7.

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Fair value

6.1 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 financial reporting date.

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

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

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity), OTC structured derivative transactions and unlisted funds held by the Group, management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including the discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. Management determines whether to make necessary adjustments to the fair value for the Group's Level 3 financial instruments by assessing the impact of changes in macro-economic factors, valuations by external valuation agencies and other inputs, including loss coverage ratios. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)**6 Fair value (Continued)****6.1 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	–	362,658	–	362,658
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)

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Derivative financial assets	11,635	81,690	10	93,335
Loans and advances to customers at fair value	–	339,687	–	339,687
Financial assets at fair value through profit or loss				
— Debt securities	9,988	345,296	15,948	371,232
— Equity instruments	6,586	1,154	71,716	79,456
— Fund investments and other	21,747	6,879	38,936	67,562
Financial assets at fair value through other comprehensive income				
— Debt securities	230,606	1,964,070	1,676	2,196,352
— Equity instruments and other	7,425	9,077	5,275	21,777
Investment properties	–	2,330	20,778	23,108
Liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(14,767)	–	(14,767)
Due to customers at fair value	–	(17,969)	–	(17,969)
Bonds issued at fair value	–	(26,113)	–	(26,113)
Short position in debt securities	(2,158)	(17,317)	–	(19,475)
Derivative financial liabilities	(9,762)	(80,298)	–	(90,060)

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Fair value (Continued)

6.1 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		
		Debt Securities	Equity Instruments	Fund investments and other	Debt securities	Equity instruments and other	Investment properties
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 (losses)/gains for the period included in the income statement for assets/liabilities held as at 31 December 2020	—	(844)	756	(1,676)	—	—	(1,427)

	Derivative financial assets	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		
		Debt Securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other	Investment properties
As at 1 January 2019	6	8,417	43,089	34,512	1,422	5,364	19,838
Total gains and losses							
— profit/(loss)	10	1,510	(689)	3,245	—	—	355
— other comprehensive income	—	—	—	—	223	(849)	—
Sales	—	(175)	(1,002)	(3,649)	(2)	(2)	(14)
Purchases	—	6,159	30,318	4,708	—	762	2
Settlements	—	—	—	—	—	—	—
Transfers (out)/in of Level 3, net	(6)	—	—	60	—	—	(120)
Other changes	—	37	—	60	33	—	717
As at 31 December 2019	10	15,948	71,716	38,936	1,676	5,275	20,778
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2019	10	1,510	(630)	3,235	—	—	345

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Fair value (Continued)

6.1 Assets and liabilities measured at fair value (Continued)

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

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

	Year ended 31 December					
	2020			2019		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the year	223	(3,069)	(2,846)	(39)	4,470	4,431

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 2020.

6.2 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", "Bonds issued at amortised cost" and "Lease liability".

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			
	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities at amortised cost ⁽¹⁾	2,970,277	2,989,266	2,769,400	2,774,641
Financial liabilities				
Bonds issued ⁽²⁾	1,238,241	1,144,440	1,069,974	1,069,309

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**6 Fair value (Continued)****6.2 Financial assets and liabilities not measured at fair value (Continued)****(1) Debt securities at amortised cost**

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

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

(2) Bonds issued

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

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 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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

7 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's 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.

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

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

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

Notes to the Consolidated Financial Statements

VI FINANCIAL RISK MANAGEMENT (Continued)**7 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	
	2020	2019
Common equity tier 1 capital adequacy ratio	11.28%	11.30%
Tier 1 capital adequacy ratio	13.19%	12.79%
Capital adequacy ratio	16.22%	15.59%
Composition of the Group's capital base		
Common equity tier 1 capital	1,730,401	1,620,563
Common shares	294,388	294,388
Capital reserve	134,221	134,269
Surplus reserve	192,251	173,832
General reserve	267,856	249,983
Undistributed profits	803,823	721,731
Eligible portion of minority interests	32,567	30,528
Other ⁽²⁾	5,295	15,832
Regulatory deductions	(25,623)	(24,185)
Of which:		
Goodwill	(182)	(182)
Other intangible assets (except land use rights)	(15,140)	(12,936)
Direct or indirect investments in own shares	(8)	(7)
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,838)	(9,955)
Net common equity tier 1 capital	1,704,778	1,596,378
Additional tier 1 capital	287,843	210,057
Preference shares and related premium	147,519	159,901
Other instruments and related premium	129,971	39,992
Eligible portion of minority interests	10,353	10,164
Net tier 1 capital	1,992,621	1,806,435
Tier 2 capital	458,434	394,843
Tier 2 capital instruments issued and related premium	333,381	280,092
Excess loan loss provisions	115,627	105,127
Eligible portion of minority interests	9,426	9,624
Regulatory deductions	—	—
Significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation	—	—
Net capital	2,451,055	2,201,278
Risk-weighted assets	15,109,085	14,123,915

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

7 Capital management (Continued)

- (1) When calculating the capital adequacy ratios, 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 gains/(losses) on financial assets at fair value through other comprehensive income.

8 Insurance risk

Insurance contracts are mainly sold in the Chinese mainland and Hong Kong 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 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.

Supplementary Information

(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 2020 and 2019 or total equity as at 31 December 2020 and 2019 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	
	2020	2019
RMB current assets to RMB current liabilities	54.50%	54.56%
Foreign currency current assets to foreign currency current liabilities	58.57%	60.38%

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

Liquidity coverage ratio

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

Regulatory requirements of liquidity coverage ratio

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

The Group's liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis⁽²⁾. In the fourth quarter of 2020, the Group measured 92-day LCR on this basis, with average ratio⁽³⁾ standing at 139.79%, representing an increase of 2.43 percentage points over the previous quarter, which was primarily due to the increase in the high-quality liquid assets ("HQLA").

	2020			
	Quarter ended 31 December	Quarter ended 30 September	Quarter ended 30 June	Quarter ended 31 March
Average value of LCR	139.79%	137.36%	140.71%	141.32%

(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 2020 are as follows:

No.	Total unweighted value	Total weighted value
High-quality liquid assets		
1 Total high-quality liquid assets (HQLA)		4,519,319
Cash outflows		
2 Retail deposits and deposits from small business customers, of which:	7,926,016	580,381
3 Stable deposits	4,103,190	198,099
4 Less stable deposits	3,822,826	382,282
5 Unsecured wholesale funding, of which:	9,729,241	3,627,975
6 Operational deposits (excluding those generated from correspondent banking activities)	5,458,396	1,338,809
7 Non-operational deposits (all counterparties)	4,170,395	2,188,716
8 Unsecured debts	100,450	100,450
9 Secured funding		1,478
10 Additional requirements, of which:	3,022,759	1,782,525
11 Outflows related to derivative exposures and other collateral requirements	1,677,186	1,677,186
12 Outflows related to loss of funding on debt products	—	—
13 Credit and liquidity facilities	1,345,573	105,339
14 Other contractual funding obligations	75,640	75,640
15 Other contingent funding obligations	2,979,474	85,094
16 Total cash outflows		6,153,093
Cash inflows		
17 Secured lending (including reverse repos and securities borrowing)	259,693	130,615
18 Inflows from fully performing exposures	1,667,025	1,007,484
19 Other cash inflows	1,871,578	1,772,360
20 Total cash inflows	3,798,296	2,910,459
		Total adjusted value
21 Total HQLA		4,519,319
22 Total net cash outflows		3,242,634
23 Liquidity coverage ratio		139.79%

(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.

Supplementary Information

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)**1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)****Net stable funding ratio**

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

Regulatory requirements of net stable funding ratio

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

The Group's net stable funding ratio

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

As at 31 December 2020, the Group's NSFR was 123.50% on a consolidated basis⁽²⁾, representing an increase of 0.21 percentage point over the previous quarter. As at 30 September 2020, the Group's NSFR was 123.29%, representing a decrease of 1.29 percentage points over the previous quarter. The Group's NSFR remained stable, and met the regulatory requirement.

	2020			
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	31 December	30 September	30 June	31 March
Ending value of NSFR ⁽³⁾	123.50%	123.29%	124.58%	124.72%

(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 2020 are as follows:

		Unweighted value				Weighted value
No.	Items	No maturity	<6 months	6–12 months	≥1 year	
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,376,563	2,376,563
2	Regulatory capital	–	–	–	2,326,563	2,326,563
3	Other capital instruments	–	–	–	50,000	50,000
4	Retail deposits and deposits from small business customers	4,160,580	4,429,482	51,427	23,008	8,016,873
5	Stable deposits	1,840,110	2,475,206	15,169	8,909	4,122,870
6	Less stable deposits	2,320,470	1,954,276	36,258	14,099	3,894,003
7	Wholesale funding	5,491,837	5,416,872	840,239	508,262	5,418,260
8	Operational deposits	4,967,425	333,516	–	–	2,650,470
9	Other wholesale funding	524,412	5,083,356	840,239	508,262	2,767,790
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	59,755	215,086	4,656	530,037	303,740
12	NSFR derivatives liabilities				228,625	
13	All other liabilities and equity not included in the above categories	59,755	215,086	4,656	301,412	303,740
14	Total ASF					16,115,436
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					656,960
16	Deposits held at other financial institutions for operational purposes	150,126	1,565	–	–	75,846
17	Loans and securities	42,809	4,377,337	2,081,267	9,658,315	10,831,615
18	Loans to financial institutions secured by Level 1 assets	–	144,801	–	–	14,480
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	42,809	1,263,313	374,159	99,167	482,165
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,535,741	1,506,960	4,795,063	6,021,096
21	With a risk weight of less than or equal to 35%	–	226,232	15,685	1,944	48,258

Supplementary Information

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 2020 are as follows (Continued):

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Required Stable Funding (RSF) Item (Continued)						
22	Residential mortgages of which:	–	106,581	96,347	4,242,902	3,654,983
23	With a risk weight of less than or equal to 35%	–	6,267	6,405	264,738	178,416
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	326,901	103,801	521,183	658,891
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	707,814	89,272	8,979	636,959	1,231,642
27	Physical traded commodities, including gold	248,374				211,118
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				253	215
29	NSFR derivatives assets				187,128	–
30	NSFR derivatives liabilities with additional requirements				45,725*	45,725
31	All other assets not included in the above categories	459,440	89,272	8,979	449,578	974,584
32	Off-balance sheet items				6,358,448	253,134
33	Total RSF					13,049,197
34	NSFR					123.50%

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

(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 2020 are as follows:

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,330,873	2,330,873
2	Regulatory capital	–	–	–	2,280,873	2,280,873
3	Other capital instruments	–	–	–	50,000	50,000
4	Retail deposits and deposits from small business customers	4,047,200	4,488,180	80,361	22,866	7,990,842
5	Stable deposits	1,778,063	2,467,941	30,194	9,088	4,071,476
6	Less stable deposits	2,269,137	2,020,239	50,167	13,778	3,919,366
7	Wholesale funding	5,818,537	5,689,034	662,938	537,422	5,300,389
8	Operational deposits	4,938,804	233,839	–	–	2,586,321
9	Other wholesale funding	879,733	5,455,195	662,938	537,422	2,714,068
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	45,413	215,330	4,404	498,669	332,102
12	NSFR derivatives liabilities				168,769	
13	All other liabilities and equity not included in the above categories	45,413	215,330	4,404	329,900	332,102
14	Total ASF					15,954,206
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					578,910
16	Deposits held at other financial institutions for operational purposes	217,062	12,953	–	–	115,008
17	Loans and securities	67,474	4,933,359	2,116,178	9,462,892	10,765,285
18	Loans to financial institutions secured by Level 1 assets	–	116,181	–	104	11,722
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	67,474	1,579,692	373,652	105,644	539,545
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,777,945	1,524,586	4,760,203	6,020,447
21	With a risk weight of less than or equal to 35%	–	400,668	13,850	2,897	34,473

Supplementary Information

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 2020 are as follows (Continued):

No.	Items	Unweighted value				Weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Required Stable Funding (RSF) Item (Continued)						
22	Residential mortgages of which:	–	153,521	95,740	4,133,769	3,585,248
23	With a risk weight of less than or equal to 35%	–	6,284	6,341	265,429	178,841
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	306,020	122,200	463,172	608,323
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	689,418	93,151	646	620,273	1,233,157
27	Physical traded commodities, including gold	247,673				210,522
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				384	326
29	NSFR derivatives assets				150,063	–
30	NSFR derivatives liabilities with additional requirements				33,754*	33,754
31	All other assets not included in the above categories	441,745	93,151	646	469,826	988,555
32	Off-balance sheet items				6,247,471	248,042
33	Total RSF					12,940,402
34	NSFR					123.29%

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

(Amount in millions of Renminbi, unless otherwise stated)

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			Total
	USD	HKD	Other	
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
As at 31 December 2019				
Spot assets	3,784,665	1,633,488	1,693,247	7,111,400
Spot liabilities	(4,215,368)	(1,916,106)	(1,510,286)	(7,641,760)
Forward purchases	5,535,200	764,557	1,300,956	7,600,713
Forward sales	(5,025,682)	(508,295)	(1,486,820)	(7,020,797)
Net options position*	(43,404)	193	(1,455)	(44,666)
Net long/(short) position	35,411	(26,163)	(4,358)	4,890
Structural position	52,219	207,904	72,658	332,781

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

Supplementary Information

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 2020				
Asia Pacific				
Chinese mainland	675,133	236,529	702,641	1,614,303
Hong Kong	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
Other	201,540	63,838	283,718	549,096
Total	1,095,905	700,035	2,019,606	3,815,546
As at 31 December 2019				
Asia Pacific				
Chinese mainland	609,837	224,384	695,975	1,530,196
Hong Kong	21,328	116	511,403	532,847
Other Asia Pacific locations	91,641	144,997	419,521	656,159
Subtotal	722,806	369,497	1,626,899	2,719,202
North and South America	99,213	255,953	152,444	507,610
Other	72,504	72,533	252,889	397,926
Total	894,523	697,983	2,032,232	3,624,738

(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	
	2020	2019
Total loans and advances to customers which have been overdue		
within 3 months	54,342	62,838
between 3 and 6 months	24,001	22,789
between 6 and 12 months	47,097	22,653
over 12 months	53,944	54,349
Total	179,384	162,629
Percentage		
within 3 months	0.38%	0.48%
between 3 and 6 months	0.17%	0.17%
between 6 and 12 months	0.33%	0.18%
over 12 months	0.38%	0.42%
Total	1.26%	1.25%

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

The total amount of overdue “Placements with and loans to banks and other financial institutions” as at 31 December 2020 and 2019 is not considered material.

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⁾:

	2020			
	As at 31 December	As at 30 September	As at 30 June	As at 31 March
Net tier 1 capital	1,992,621	1,940,169	1,910,664	1,886,811
Adjusted on- and off-balance sheet assets	25,880,515	26,136,582	25,687,399	25,579,088
Leverage ratio	7.70%	7.42%	7.44%	7.38%

Supplementary Information

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Leverage ratio (Continued)

No.	Items	As at 31 December 2020
1	Total consolidated assets	24,402,659
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(9,838)
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	148,018
5	Adjustments for securities financing transactions	69,433
6	Adjustments for off-balance sheet exposures	1,700,588
7	Other adjustments	(430,345)
8	Adjusted on- and off-balance sheet assets	25,880,515

No.	Items	As at 31 December 2020
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	23,586,305
2	Less: Tier 1 capital deductions	(25,623)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	23,560,682
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	171,619
5	Add-on amounts for potential future exposure associated with all derivative transactions	147,966
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	181
10	Less: Deductible amounts for written credit derivatives	(11)
11	Total derivative exposures	319,755
12	Accounting balance for securities financing transaction assets	229,894
13	Less: Deducted amounts for securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction assets	69,596
15	Agent transaction exposures	–
16	Balance of assets in securities financing transactions	299,490
17	Off-balance sheet items	4,949,484
18	Less: Adjustments for conversion to credit equivalent amounts	(3,248,896)
19	Adjusted off-balance sheet exposures	1,700,588
20	Net tier 1 capital	1,992,621
21	Adjusted on- and off-balance sheet exposures	25,880,515
22	Leverage ratio	7.70%

- (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⁾	2020 value
1	Adjusted on-balance and off-balance sheet assets	25,906,168
2	Intra-financial system assets	2,369,000
3	Intra-financial system liabilities	2,205,257
4	Securities and other financing instruments	3,640,065
5	Payments settled via payment systems or correspondent banks	618,018,673
6	Assets under custody	11,786,042
7	Underwritten transactions in debt and equity markets	2,246,361
8	Notional amount of over-the-counter derivatives	11,011,046
9	Trading and available for sale securities	847,023
10	Level 3 assets	72,190
11	Cross-jurisdictional claims	4,084,894
12	Cross-jurisdictional liabilities	4,646,015

- (1) The above indicators 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 inconsistent with the disclosures in the financial report.

Reference for Shareholders

Financial Calendar for 2021

2020 Annual Results	To be announced on 30 March 2021
2020 Annual Report	To be printed and dispatched to H-Share Holders in late April 2021
2020 Annual General Meeting	To be held on 20 May 2021
2021 Interim Results	To be announced no later than 30 August 2021

Annual General Meeting

The Bank's 2020 Annual General Meeting is scheduled to be held on Thursday, 20 May 2021.

Dividends on Ordinary Shares

The Board of Directors recommended a final dividend on ordinary shares for 2020 of RMB1.97 per ten shares (before tax), subject to the approval of shareholders at the 2020 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 2020 (31 December), the Bank's market capitalisation was RMB856.741 billion (based on the closing price of A Shares and H Shares on 31 December 2020, and the exchange rate of HKD100 = RMB84.164 as published by the SAFE on 31 December 2020).

Reference for Shareholders

Securities Price

A Share	Closing price on 31 December 2020 RMB3.18	Highest trading price in the year RMB3.96	Lowest trading price in the year RMB3.16
H Share	Closing price on 31 December 2020 HKD2.65	Highest trading price in the year HKD3.39	Lowest trading price in the year HKD2.33

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 20USDPRF
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,
Wanchai, 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

Reference for Shareholders

Credit Rating (Long Term, Foreign Currency)

S&P Global Ratings:	A
Moody's Investors Service:	A1
Fitch Ratings:	A
Rating and Investment Information, Inc.:	A+

Investor Enquiry

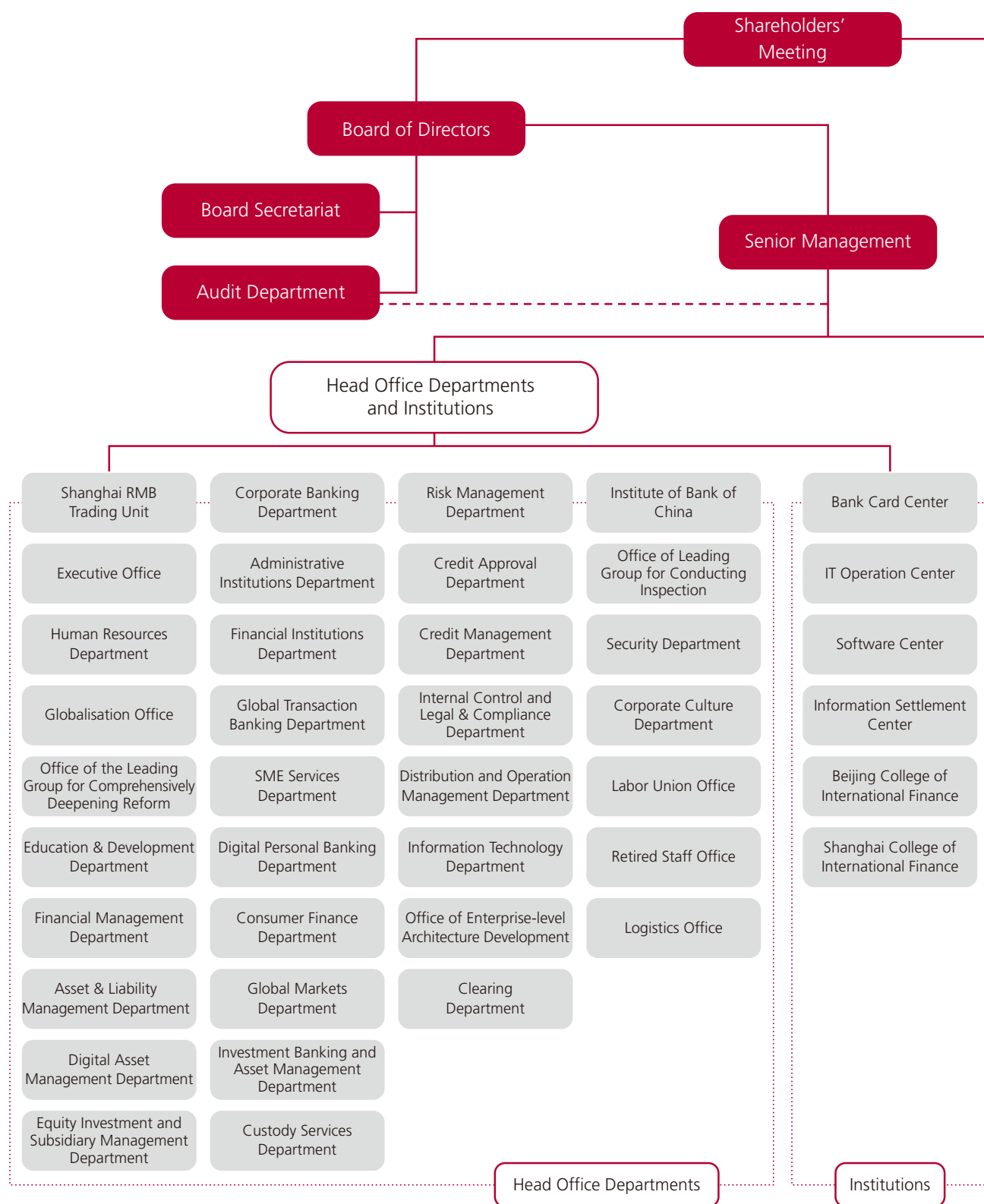
Investor Relations Team, Board Secretariat, Bank of China Limited
 8/F, Bank of China Building, No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China
 Telephone: (86) 10-6659 2638
 Facsimile: (86) 10-6659 4568
 E-mail: ir@bankofchina.com

Other Information

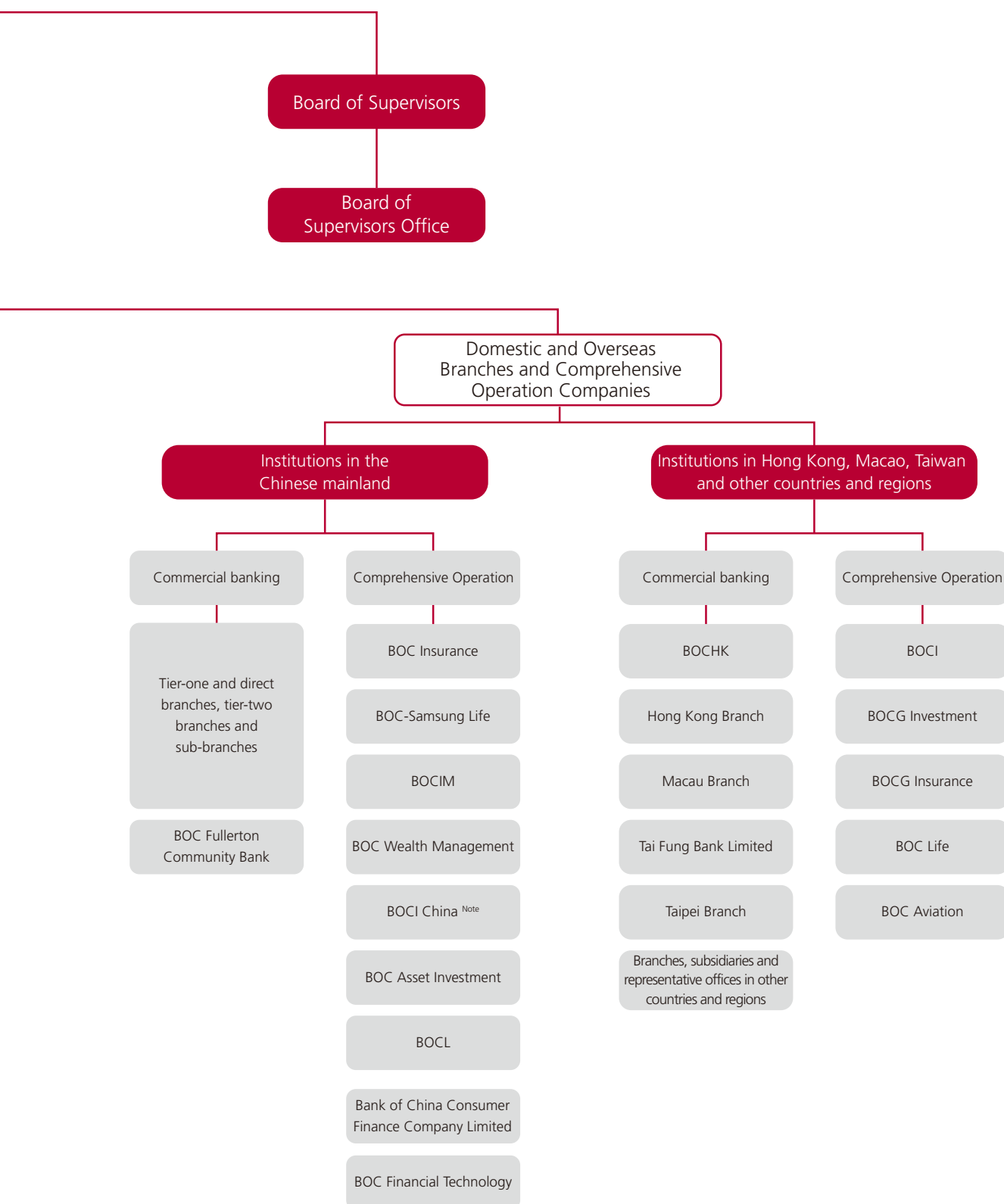
You may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, China) to request the annual report prepared under IFRS or visit the Bank's office address for copies prepared under CAS. The 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



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,
XICHENG DISTRICT, 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, HUUHOT,
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,
ZHENGDDONG NEW DISTRICT,
ZHENGZHOU, HENAN PROV.,
CHINA
SWIFT: BKCHCNBJ530
TEL: (86) 0371-87008888
FAX: (86) 0371-87007888
POST CODE: 450018

HUBEI BRANCH

251 XINHUA ROAD, JIANGNAN 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,
CHENGQUAN DISTRICT,
LANZHOU, GANSU PROV.,
CHINA
SWIFT: BKCHCNBJ660
TEL: (86) 0931-7825004
FAX: (86) 0931-7825004
POST CODE: 730000

List of Major Branches and Subsidiaries

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) 0755-82259209
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,
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

INTERNATIONAL FINANCE BUILDING,
NORTH HUBIN ROAD, XIAMEN, FUJIAN PROV.,
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) 0312-5988023
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) 021-63291680
FAX: (86) 021-63291789
POST CODE: 200120
EMAIL: zyxf@bocfc.cn
WEBSITE: www.bocfc.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: admin@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.

10/F, TOWER A, CORPORATE SQUARE,
NO. 35 FINANCE STREET, XICHENG DISTRICT,
BEIJING,
CHINA
TEL: (86) 010-83937333
FAX: (86) 010-83937555
POST CODE: 100033

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

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

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.bocbk.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_bg@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@boclif.com.hk
WEBSITE: www.boclif.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

List of Major Branches and Subsidiaries

TAI FUNG BANK LIMITED

418, ALAMEDA DR. CARLOS, d'ASSUMPÇÃO,
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: BKCHSGGX
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@bocotokyo.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: customerservice_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: BKCHLALAXX
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
EMAIL: bocyangon@bochk.com

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: BKCHLKX
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: ocmumbai@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

List of Major Branches and Subsidiaries

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, TEKFE 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,
MONGOLIA
TEL: (976) 77095566
FAX: (976) 77195566
EMAIL: service.mn1@bankofchina.com

YANGON REPRESENTATIVE OFFICE

08-06, LEVEL 8,
UNION FINANCIAL CENTER (UFC),
CORNER OF MAHABANDoola ROAD &
THEIN PHYU ROAD 45TH STREET,
BOTATUNG TOWNSHIP,
YANGON,
MYANMAR
TEL: (95) 18610408
EMAIL: bocyangon@bochk.com

BAHRAIN REPRESENTATIVE OFFICE

OFFICE 1502, AL JASRAH TOWER,
DIPLOMATIC AREA BUILDING 95,
ROAD 1702, BLOCK 317,
MANAMA
KINGDOM OF BAHRAIN
TEL: (973) 17531119
FAX: (973) 17531009
EMAIL: bldbcbs@mail.notes.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
EMAIL: service.uk@bankofchina.com
WEBSITE: www.bankofchina.com/uk

BANK OF CHINA (UK) LIMITED DUBLIN BRANCH

5TH FLOOR, STYNE HOUSE,
UPPER HATCH STREET,
DUBLIN 2,
IRELAND
SWIFT: BKCHIE2D
TEL: (353) 14767888
FAX: (353) 14767868
EMAIL: dublinbranch@mail.notes.bank-of-china.com

BOC AVIATION (IRELAND) LIMITED

SUITE 202, SOBO WORKS,
WINDMILL LANE,
DUBLIN D02 K156
REPUBLIC OF IRELAND

PARIS BRANCH

23-25 AVENUE DE LA GRANDE ARMEE
75116 PARIS,
FRANCE
SWIFT: BKCHFRPP
TLX: 281 090 BDCSP
TEL: (33) 149701370
FAX: (33) 149701372
WEBSITE: www.bankofchina.com/fr

FRANKFURT BRANCH

BOCKENHEIMER LANDSTR. 24
60323 FRANKFURT AM MAIN,
GERMANY
SWIFT: BKCHDEFF
TEL: (49) 691700900
FAX: (49) 69170090500
EMAIL: service.de@bankofchina.com
WEBSITE: www.bankofchina.com/de

MILAN BRANCH

VIA SANTA MARGHERITA,
14/16-20121 MILAN,
ITALY
SWIFT: BKCHITMM
TEL: (39) 02864731
FAX: (39) 0289013411
WEBSITE: www.bankofchina.com/it

LUXEMBOURG BRANCH

37/39 BOULEVARD PRINCE HENRI L-1724
LUXEMBOURG P.O. BOX 114 L-2011,
LUXEMBOURG
SWIFT: BKCHLULL
TEL: (352) 268688
FAX: (352) 221795
EMAIL: service.lu@bankofchina.com
WEBSITE: www.bankofchina.com/lu

BANK OF CHINA (LUXEMBOURG) S.A.

37/39 BOULEVARD PRINCE HENRI L-1724
LUXEMBOURG P.O. BOX 721 L-2017,
LUXEMBOURG
SWIFT: BKCHLULA
TEL: (352) 268688
FAX: (352) 221795
EMAIL: service.lu@bankofchina.com
WEBSITE: www.bankofchina.com/lu

BANK OF CHINA (LUXEMBOURG) S.A. ROTTERDAM BRANCH

COOLSINGEL 63,
3012AB ROTTERDAM,
THE NETHERLANDS
SWIFT: BKCHNL2R
TEL: (31) 102175888
FAX: (31) 102175899
EMAIL: service.nl@bankofchina.com
WEBSITE: www.bankofchina.com/nl

BANK OF CHINA (LUXEMBOURG) S.A. BRUSSELS BRANCH

BOULEVARD DU REGENT 35,
1000, BRUSSELS,
BELGIUM
SWIFT: BKCHBEBB
TEL: (32) 24056688
FAX: (32) 22302892
EMAIL: service.be@bankofchina.com
WEBSITE: www.bankofchina.com/be

BANK OF CHINA (LUXEMBOURG) S.A. POLAND BRANCH

UL. ZIELNA 41/43,
00-108 WARSAW,
POLAND
SWIFT: BKCHPLPX
TEL: (48) 224178888
FAX: (48) 224178887
EMAIL: service.pl@bankofchina.com
WEBSITE: www.bankofchina.com/pl

BANK OF CHINA (LUXEMBOURG) S.A. STOCKHOLM BRANCH

BIRGER JARLSGATAN 28,
114 34 STOCKHOLM,
SWEDEN
SWIFT: BKCHSESS
TEL: (46) 107888888
FAX: (46) 107888801
EMAIL: service.se@bankofchina.com
WEBSITE: www.bankofchina.com/se

BANK OF CHINA (LUXEMBOURG) S.A. LISBON BRANCH

RUA DUQUE DE PALMELA
NO. 35, 35A E 37;
1250-097 LISBOA,
PORTUGAL
SWIFT: BKCHPTPL
TEL: (351) 210495710
FAX: (351) 210495738
EMAIL: service.pt@bankofchina.com
WEBSITE: www.bankofchina.com/pt

BANK OF CHINA (LUXEMBOURG) S.A. ATHENS BRANCH

14TH FLOOR,
ATHENS TOWERS,
MESOGION AV.2,
115 27, ATHENS,
GREECE
SWIFT: BKCHGRAA
TEL: (30) 2111906688
EMAIL: info.gr@bankofchina.com

BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED

7 JOZSEF NADOR TER,
1051 BUDAPEST,
HUNGARY
SWIFT: BKCHHUHB
TEL: (36) 14299200
FAX: (36) 14299202
EMAIL: service.hu@bankofchina.com
WEBSITE: www.bankofchina.com/hu

HUNGARIAN BRANCH

7 JOZSEF NADOR TER,
1051 BUDAPEST,
HUNGARY
SWIFT: BKCHHUHH
TEL: (36) 14299200
FAX: (36) 14299202
EMAIL: service.hu@bankofchina.com
WEBSITE: www.bankofchina.com/hu

List of Major Branches and Subsidiaries

BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED PRAGUE BRANCH

NA FLORENCI 2116/15, NOVE MESTO,
11000 PRAHA 1,
CZECH REPUBLIC
SWIFT: BKCHCZPPXXX
TEL: (42) 0225986666
FAX: (42) 0225986699
EMAIL: service.cz@bankofchina.com

BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED VIENNA BRANCH

SCHOTTENRING 18,
1010 VIENNA,
AUSTRIA
SWIFT: BKCHATWWXXX
TEL: (43) 153666800
FAX: (43) 153666888
EMAIL: service.at@bankofchina.com
WEBSITE: www.bankofchina.com/at

BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED BUCHAREST BRANCH

SECTORUL 1,
PIATA PRESEI LIBERE, NR. 3-5,
TURNUL DE SUD AL
CLADIRII CITY GATE, ETAJ11,
BUCHAREST,
ROMANIA
SWIFT: BKCHROBUXXX
TEL: (40) 318029888
FAX: (40) 318029889
EMAIL: service.ro@bankofchina.com

BANK OF CHINA SRBIJA A.D. BEOGRAD

BULEVAR ZORANA DINDICA 2A,
11070 BELGRADE,
SERBIA
SWIFT: BKCHRSBGXXX
TEL: (381) 116351000
FAX: (381) 112280777
EMAIL: service.rs@bankofchina.com
WEBSITE: www.bankofchina.com/rs

BANK OF CHINA (RUSSIA)

72, PROSPEKT MIRA,
MOSCOW, 129110
RUSSIA
SWIFT: BKCHRUUMM
TEL: (7495) 2585301
FAX: (7495) 7950454
EMAIL: iboc@boc.ru
WEBSITE: www.boc.ru

AMERICA

NEW YORK BRANCH

1045 AVENUE OF THE AMERICAS,
NEW YORK, NY 10018,
U.S.A.
SWIFT: BKCHUS33
TEL: (1212) 9353101
FAX: (1212) 5931831
WEBSITE: www.bocusa.com

BANK OF CHINA (CANADA)

SUITE 600, 50 MINTHORN BOULEVARD
MARKHAM, ONTARIO,
CANADA, L3T 7X8
SWIFT: BKCHCATT
TEL: (1905) 7716886
FAX: (1905) 7718555
EMAIL: service.ca@bankofchina.com
WEBSITE: www.bankofchina.com/ca

TORONTO BRANCH

6108 ONE FIRST CANADIAN PLACE,
100 KING STREET WEST, P.O. BOX 241,
TORONTO, ONTARIO,
CANADA, M5X 1C8
SWIFT: BKCHCAT2
TEL: (1416) 9559788
FAX: (1416) 9559880
EMAIL: service.ca@bankofchina.com

GRAND CAYMAN BRANCH

GRAND PAVILION COMMERCIAL CENTER
802 WEST BAY ROAD,
P.O. BOX 30995,
GRAND CAYMAN KY1-1204
CAYMAN ISLANDS
SWIFT: BKCHKYKY
TEL: (1345) 9452000
FAX: (1345) 9452200
EMAIL: gcb@mail.notes.bank-of-china.com

PANAMA BRANCH

P.O. BOX 0823-01030 PUNTA PACIFICA
P.H. OCEANIA BUSINESS PLAZA
TORRE 2000 PISO 36
PANAMA CITY,
REPUBLIC OF PANAMA
SWIFT: BKCHPAPA
TEL: (507) 2169400
FAX: (507) 2239960
EMAIL: bocpanama@cwpanama.net

BANCO DA CHINA BRASIL S.A.

AVENIDA PAULISTA, 901-14 ANDAR BELA
VISTA CEP: 01311-100,
SAO PAULO, SP,
BRASIL
SWIFT: BKCHBRSP
TEL: (55) 1135083200
FAX: (55) 1135083299
EMAIL: ouvidoria@boc-brazil.com
WEBSITE: www.bankofchina.com/br

CHILE BRANCH

ANDRÉS BELLO 2457, PISO 16,
PROVIDENCIA, SANTIAGO,
CHILE
SWIFT: BKCHCLRM
TEL: (56) 227157800
FAX: (56) 227157898
EMAIL: servicios@cl.bocusa.com
WEBSITE: www.bankofchina.com/cl

BANK OF CHINA MÉXICO, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE

PASEO DE LA REFORMA 243, PISO 24, COLONIA
CUAUHTÉMOC, CIUDAD DE MÉXICO,
MEXICO
SWIFT: BKCHMXMX
TEL: (52) 5541705800
FAX: (52) 5552078705
EMAIL: servicios@mx.bocusa.com
WEBSITE: www.bankofchina.com/mx

BUENOS AIRES BRANCH

JUANA MANSO 999, PISO 5,
CABA,
ARGENTINA
SWIFT: BKCHARBAXXX
TEL: (54) 1154395566
EMAIL: service.ar@bankofchina.com

BANK OF CHINA (PERU) S.A.

AV. REPUBLICA DE PANAMA 3461, INT. 2901,
SAN ISIDRO, LIMA,
PERU
SWIFT: BKCHPEPL
TEL: (51) 17037700
EMAIL: servicios@pe.bocusa.com
WEBSITE: www.bankofchina.com/pe

PERU REPRESENTATIVE OFFICE

AV. REPUBLICA DE PANAMA 3461, PISO 28,
SAN ISIDRO, LIMA,
PERU
TEL: (51) 920137238
EMAIL: service.pe@bankofchina.com

AFRICA

BANK OF CHINA (ZAMBIA) LIMITED

PLOT NO. 2339, KABELANGA ROAD,
P.O. BOX 34550, LUSAKA,
ZAMBIA
SWIFT: BKCHZMLU
TEL: (260) 211233271
FAX: (260) 211236782
EMAIL: executive.zm@mail.notes.bank-of-china.com
WEBSITE: www.bankofchina.com/zm

JOHANNESBURG BRANCH

14TH-16TH FLOORS, ALICE LANE TOWERS,
15 ALICE LANE, SANDTON,
JOHANNESBURG,
SOUTH AFRICA
SWIFT: BKCHZAJJ
TEL: (27) 115209600
FAX: (27) 117832336
EMAIL: bocjhb@mail.notes.bank-of-china.com
WEBSITE: www.bankofchina.com/za

BANK OF CHINA (MAURITIUS) LIMITED

4TH-5TH FLOOR, DIAS PIER BUILDING,
CAUDAN WATERFRONT,
PORT LOUIS,
MAURITIUS
SWIFT: BKCHMUMU
TEL: (230) 2034878
FAX: (230) 2034879
EMAIL: services.mu@bankofchina.com
WEBSITE: www.bankofchina.com/mu

LUANDA BRANCH

VIA S10 No. 701,
CONDOMINIO BELAS BUSSINESS PARK,
TORRE CUANZA SUL 8 ANDAR,
LUANDA,
REPUBLIC OF ANGOLA
SWIFT: BKCHAOLU
TEL: (244) 923165700
FAX: (244) 923165717
EMAIL: service.ao@bankofchina.com
WEBSITE: www.bankofchina.com/ao

BANQUE DE CHINE (DJIBOUTI) S.A.

ZONE INDUSTRIELLE SUD,
LOT NUMERO 219B, B.P. 2119,
DJIBOUTI
SWIFT: BKCHDJJD
TEL: (253) 21336666
FAX: (253) 21336699

NAIROBI REPRESENTATIVE OFFICE

MORNING SIDE OFFICE PARK, NGONG ROAD,
P.O. BOX 21357-00505,
NAIROBI,
KENYA
TEL: (254) 203862811
FAX: (254) 203862812
EMAIL: service.ke@bankofchina.com

MOROCCO REPRESENTATIVE OFFICE

NO. 71, ANFA CENTER, 128,
BD D'ANFA & ANGLE
RUE LAHCEN BASRI,
CASABLANCA,
MAROC
TEL: (212) 522203779
FAX: (212) 522273083
EMAIL: service.ma@bankofchina.com

TANZANIA REPRESENTATIVE OFFICE

8TH FLOOR, AMANI PLACE, OHIO STREET,
P.O. BOX 13602, DAR ES SALAAM,
TANZANIA
TEL: (225) 222112973
FAX: (225) 222112974
EMAIL: repoffice.tz@bankofchina.com

Bank of China Limited

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

No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China, 100818

Tel: (86) 10-6659 6688 Fax: (86) 10-6601 6871

Customer Service and Complaint Hotline: (86) Area Code-95566

www.boc.cn

