中国银行
BANK OF CHINA

BEIJING 2022

北 京 2022 年 冬 奧 會 官 方 合 作 夥 伴
Official Partner of the Olympic Winter Games Beijing 2022

BUILD A WORLD-CLASS BANK IN THE NEW ERA

2019 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

London Branch

New York Branch

Shanghai Branch

Introduction

Bank of China is the Bank with the longest continuous operation among Chinese banks. The Bank was formally established in February 1912 following the approval of Dr. Sun Yat-sen. From 1912 to 1949, the Bank served consecutively as the country's central bank, international exchange bank and specialised international trade bank. Fulfilling its commitment to serving the public and developing China's financial services sector, the Bank rose to a leading position in the Chinese financial industry and developed a good standing in the international financial community, despite many hardships and setbacks. 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 provided vital support to the nation's foreign trade development and economic infrastructure through its offering of international trade settlement, overseas fund transfer and other non-trade foreign exchange services. During China's reform and opening up period, the Bank seized the historic opportunity presented by the government's strategy of capitalising on foreign funds and advanced technologies to boost economic development, and became the country's key foreign financing channel by building up its competitive advantages in foreign exchange business. In 1994, the Bank was transformed into a wholly state-owned commercial bank. In August 2004, Bank of China Limited was incorporated. The Bank was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, becoming the first Chinese commercial bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets. Having served the Beijing 2008 Olympic Games, the Bank became the official banking partner of the Beijing 2022 Olympic and Paralympic Winter Games in 2017, thus making it the only bank in China to serve two Olympic Games. In 2019, Bank of China was again designated as a Global Systemically Important Bank, thus becoming the sole financial institution from an emerging economy to be designated as a Global Systemically Important Bank for nine consecutive years.

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

Bank of China has upheld the spirit of "pursuing excellence" throughout its history of over one century. 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. In face of the period of historic opportunities for great achievements, as a large state-owned commercial bank, the Bank will follow Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, unswervingly implement the new development concept, persistently stimulating vitality, making agile response and achieving breakthroughs in key areas, and thus forge ahead with its goal of building BOC into a world-class bank in the new era. It will make an even greater contribution to developing a modernised economy and to the efforts to realise the Chinese Dream of national rejuvenation and the aspirations of the people to live a better life.

Development Strategy

Strategic goal

We will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for the New Era, persistently enable advancement through technology, drive development through innovation, deliver performance through transformation and enhance strength through reform, in an effort to build Bank of China into a world-class bank in the new era.

The Bank will realise the strategic goal of "Building a World-class Bank in the New Era" in three steps. **By 2020**, when China completes building a moderately prosperous society in all respects, the Bank should achieve the goal of "further strengthening of the development foundation, further consolidating advantages of featured businesses, further improving of management system and mechanism, and further enhancing of comprehensive strength". **By 2035**, when the socialist modernisation is basically realised, the Bank should leap forward from a big world-class bank to a strong world-class bank, and complete in all respects the building of a world-class bank in the new era. **By 2050**, we should build Bank of China into a "financial mainstay" of the strong modern socialist China and to be a banner of global financial industry.

Strategic implications

Enable advancement through technology. The Bank will embed technological elements into all business processes and fields and build a digitalised bank with a premier user experience, ecology of diversified scenarios, online & offline coordination, flexible product innovation, efficient operations management and intelligent risk control, in a bid to foster new-finance, develop "a new ecosystem" and build a new BOC.

Drive development through innovation. Keeping a close eye on the market trends and customer needs, we will accelerate innovation in technology, products and business. By adopting innovative and groundbreaking initiatives, we will strive to become a provider of high-quality financial services, a builder of connected platforms, a creator of data-driven value and a pioneer of intelligent services across the globe.

Deliver performance through transformation. Centred on the demands of the real economy and the requirement for high-quality development, we will implement in line with the new development philosophies, focus on the "three critical battles" and support the supply-side structural reform. We will rapidly advance digital technologies, globalised businesses, integrated services, asset-light operations, and streamlined organisation, in a bid to effectively prevent financial risks and foster a high-quality development model with great capacity for value creation and market competitiveness.

Enhance strength through reform. The Bank will raise awareness of current and potential challenges we face, maintain our strategic focus, and be more courageous in implementing the reform. We will promote the reform of mind-set, of the mechanism and of the organisation across the Bank, and thus gather the invincible force to push forward our development.

Uphold the Party leadership. We will strengthen Party leadership and Party building at the Bank, ensure full and strict governance over the Party organisations at the Bank so as to drive full and strict governance over the Bank. We will improve our governance system and enhance our governance capabilities, thus providing strong guarantee and strategic support to our objective of building a world-class bank in the new era.

Strategy implementation

Stimulate vitality   Make agile response   Achieve breakthroughs in key areas

Forging ahead with its goal of building BOC into a world-class bank in the new era

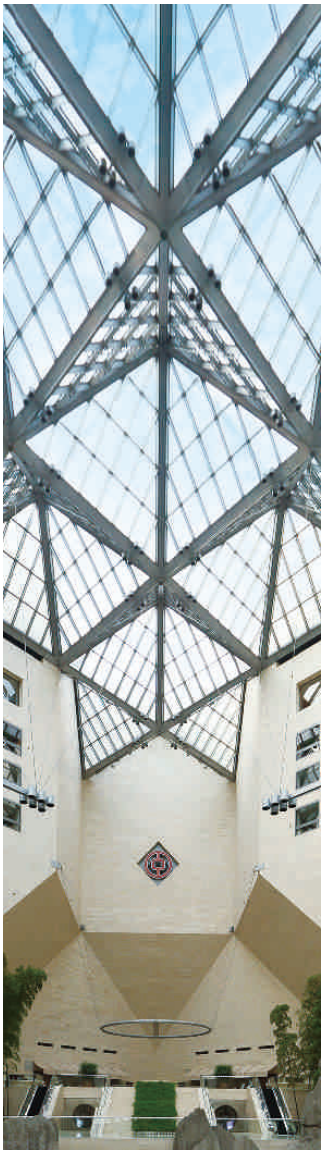
Values

Responsibility   Integrity   Professionalism   Innovation   Prudence   Performance

Honours and Awards

The Banker	Ranked 4th in Top 1,000 World Banks Ranked 4th in Top 500 Global Banking Brands
FORTUNE	Ranked 44th in Global 500 (2019)
Forbes	Ranked 8th in Global 2000
Euromoney	World's Best Bank in the Emerging Markets
Asiamoney	Best Overall Chinese Bank for Belt and Road Initiative Best Transaction Bank for Trade Finance Best Transaction Bank for International Cash Management
Finance Asia	Best Belt and Road Bank Best Panda Bond House Best Green Bond
The Asian Banker	Best RMB Clearing Bank in Asia Pacific Risk Management Awards: Enterprise Technology Implementation of the Year
PBOC	First Prize for Technological Development of Banks
China Business Council for Sustainable Development, China Enterprise Confederation	Ranked 2nd in Top 100 Enterprises for Sustainable Development
National Strategic Alliance for Internet Data Center Industry Technology Innovation	Grand Prize for National Internet Data Center Industry Technology Innovation Programme
Financial Institute of the Chinese Academy of Social Sciences	Top Ten Mobile Banking Innovation Award
Financial Times	2019 Best Commercial Bank
China Securities Journal	Golden Bull Wealth Management Bank
Eastmoney.com	Best Custodian Bank
Sina	Best Credit Card Brand
China Association of Small and Medium Enterprises, China Banking Association	Excellent Case of Financial Services for Private Enterprises and SMEs
Directors & Boards	Gold Round Table — Value Creating Board of Directors
China Banking Association	Best Social Responsibility Management Achievement Award for Supporting the Three Critical Battles Achievement Award for Practicing Belt and Road Initiative
China Newsweek	2019 Responsible Enterprise
Interbrand	Ranked 7th in Top 50 Best China Brands
World Brand Lab	Ranked 14th in China's 500 Most Valuable Brands
Hurun Research Institute	Ranked 13th in Hurun TOP 200 Brand List
ChinaHR.com	Best Employer in Financial Industry in the Opinion of Chinese University Students

Contents



Definitions

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

The Bank/the Group	Bank of China Limited or its predecessors and, except where the context otherwise requires, all of the subsidiaries of Bank of China Limited
Articles of Association	The performing Articles of Association of the Bank
A Share	Domestic investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on SSE (Stock Code: 601988)
Basis Point (Bp, Bps)	Measurement unit of changes in interest rate or exchange rate. 1 basis point is equivalent to 0.01 percentage point
BOC Asset Investment	BOC Financial Asset Investment Co., Ltd.
BOC Aviation	BOC Aviation Limited, a public company limited by shares incorporated in Singapore under the Singapore Companies Act, the shares of which are listed on the Hong Kong Stock Exchange
BOC 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
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 2019 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 27 March 2020. The number of directors who should attend the meeting is 11, with 11 directors attending the meeting in person. All of the 11 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 2019 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, President WANG Jiang, 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 2019 of RMB1.91 per ten shares (before tax), subject to the approval of the forthcoming Annual General Meeting scheduled on 30 June 2020. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

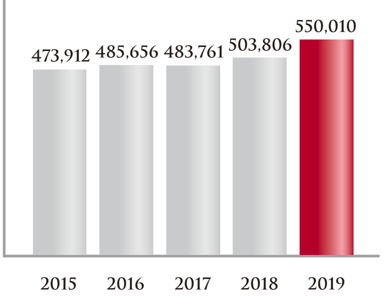
During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that violated the applicable regulations and procedures.

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.

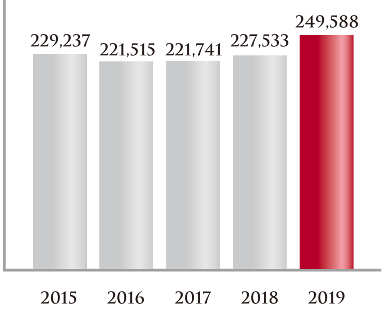
The Bank is faced with risks arising from changes in the macroeconomic environment and from political and economic conditions in different countries and regions as well as risks arising from its day-to-day operations, including the risk arising from changes in the credit status of borrowers, adverse 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

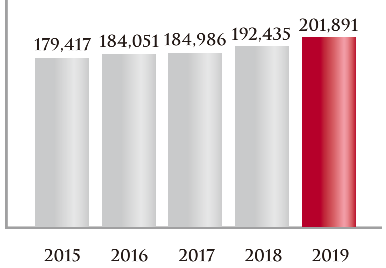
Operating income
RMB Million



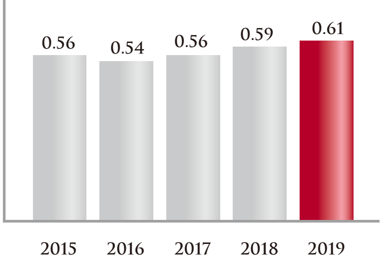
Operating profit
RMB Million



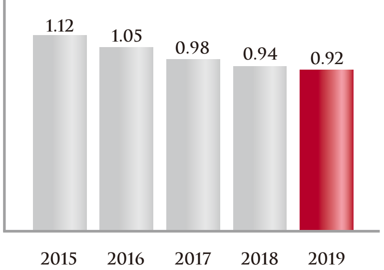
Profit for the year
RMB Million



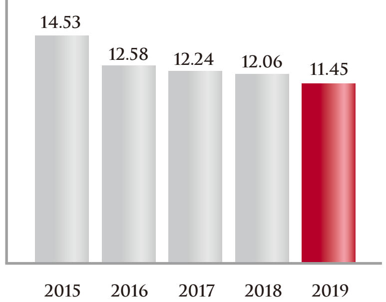
EPS (basic)
RMB



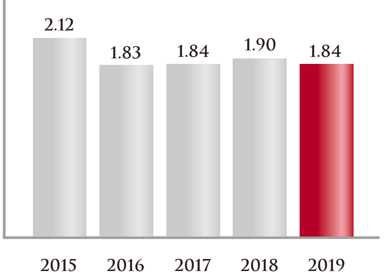
ROA
%



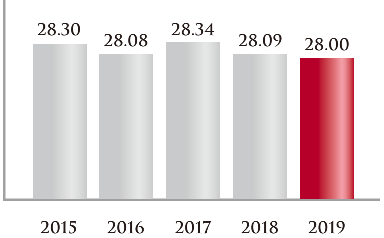
ROE
%



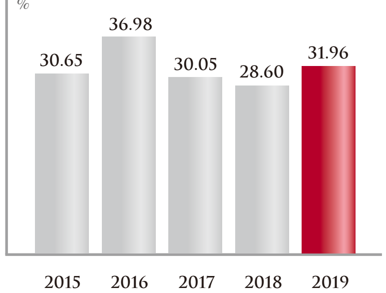
Net interest margin
%



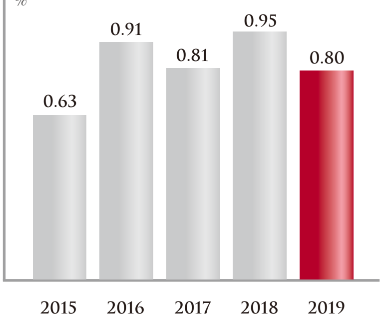
Cost to income ratio
(calculated under regulations in the Chinese mainland)
%



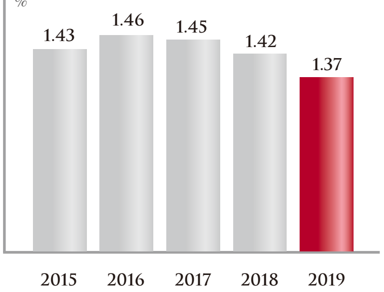
Non-interest income to operating income
%



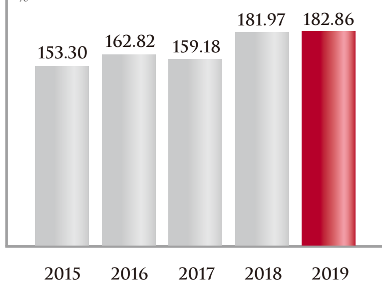
Credit cost
%



Non-performing loans to total loans
%



Allowance for loan impairment losses to non-performing loans
%



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

Unit: RMB million

	Note	2019	2018	2017	2016	2015
Results of operations						
Net interest income		**374,250**	359,706	338,389	306,048	328,650
Non-interest income	2	**175,760**	144,100	145,372	179,608	145,262
Operating income		**550,010**	503,806	483,761	485,656	473,912
Operating expenses		**(198,269)**	(176,979)	(173,859)	(175,069)	(185,401)
Impairment losses on assets		**(102,153)**	(99,294)	(88,161)	(89,072)	(59,274)
Operating profit		**249,588**	227,533	221,741	221,515	229,237
Profit before income tax		**250,645**	229,643	222,903	222,412	231,571
Profit for the year		**201,891**	192,435	184,986	184,051	179,417
Profit attributable to equity holders of the Bank		**187,405**	180,086	172,407	164,578	170,845
Total dividend of ordinary shares		**N.A.**	54,167	51,812	49,457	51,518
Financial position						
Total assets		**22,769,744**	21,267,275	19,467,424	18,148,889	16,815,597
Loans, gross		**13,068,785**	11,819,272	10,896,558	9,973,362	9,135,860
Allowance for loan impairment losses	3	**(325,923)**	(303,781)	(252,254)	(237,716)	(200,665)
Investments	4	**5,514,062**	5,054,551	4,554,722	3,972,884	3,595,095
Total liabilities		**20,793,048**	19,541,878	17,890,745	16,661,797	15,457,992
Due to customers		**15,817,548**	14,883,596	13,657,924	12,939,748	11,729,171
Capital and reserves attributable to equity holders of the Bank		**1,851,701**	1,612,980	1,496,016	1,411,682	1,304,946
Share capital		**294,388**	294,388	294,388	294,388	294,388
Per share						
Basic earnings per share (RMB)		**0.61**	0.59	0.56	0.54	0.56
Dividend per share (before tax, RMB)	5	**0.191**	0.184	0.176	0.168	0.175
Net assets per share (RMB)	6	**5.61**	5.14	4.74	4.46	4.09
Key financial ratios						
Return on average total assets (%)	7	**0.92**	0.94	0.98	1.05	1.12
Return on average equity (%)	8	**11.45**	12.06	12.24	12.58	14.53
Net interest margin (%)	9	**1.84**	1.90	1.84	1.83	2.12
Non-interest income to operating income (%)	10	**31.96**	28.60	30.05	36.98	30.65
Cost to income ratio (calculated under regulations in the Chinese mainland, %)	11	**28.00**	28.09	28.34	28.08	28.30
Capital ratios	12					
Common equity tier 1 capital		**1,620,563**	1,488,010	1,377,408	1,297,421	1,197,868
Additional tier 1 capital		**210,057**	109,524	105,002	103,523	103,159
Tier 2 capital		**394,843**	347,473	264,652	225,173	212,937
Common equity tier 1 capital adequacy ratio (%)		**11.30**	11.41	11.15	11.37	11.10
Tier 1 capital adequacy ratio (%)		**12.79**	12.27	12.02	12.28	12.07
Capital adequacy ratio (%)		**15.59**	14.97	14.19	14.28	14.06
Asset quality						
Credit-impaired loans to total loans (%)	13	**1.37**	1.42	1.45	1.46	1.43
Non-performing loans to total loans (%)	14	**1.37**	1.42	1.45	1.46	1.43
Allowance for loan impairment losses to non-performing loans (%)	15	**182.86**	181.97	159.18	162.82	153.30
Credit cost (%)	16	**0.80**	0.95	0.81	0.91	0.63
Allowance for loan impairment losses to total loans (%)	17	**2.97**	3.07	2.77	2.87	2.62
Exchange rate						
USD/RMB year-end central parity rate		**6.9762**	6.8632	6.5342	6.9370	6.4936
EUR/RMB year-end central parity rate		**7.8155**	7.8473	7.8023	7.3068	7.0952
HKD/RMB year-end central parity rate		**0.8958**	0.8762	0.8359	0.8945	0.8378

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 Standard Board.

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

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

4 The investments of 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 Bank's management accounts (unaudited).

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

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

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

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

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

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

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

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

Corporate Information

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

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

Legal Representative and Chairman
LIU Liange

Vice Chairman and President
WANG Jiang

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

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

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

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

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

Website Designated by CSRC for Publication of the Annual Report
http://www.sse.com.cn

Website of HKEX for Publication of the Annual Report
http://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

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

First Tranche
Stock Name: 中行優1
Stock Code: 360002

Second Tranche
Stock Name: 中行優2
Stock Code: 360010

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,
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Sponsor Representatives:
MA Xiaolong, WANG Chen

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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

With the coming of spring, all is revitalised. As phased achievements have been further consolidated in the prevention and control of the COVID-19 epidemic in China, important progress has been made in work and production resumption, and the economic and social operation has been restored at a faster pace, we publish the 2019 Annual Report of Bank of China. On the one hand, I am honoured to present our 2019 annual results to the shareholders of the Bank and the public. According to International Financial Reporting Standards, the Group achieved a profit for the year of RMB201.9 billion, a year-on-year increase of 4.91%, and a profit attributable to equity holders of the Bank of RMB187.4 billion, a year-on-year increase of 4.06%. The ratio of non-performing loans was 1.37%, down 0.05 percentage point from the prior year-end. The allowance for loan impairment losses to non-performing loans was up 0.89 percentage point to 182.86% from the previous year. The Board of Directors has proposed a dividend of RMB1.91 per ten ordinary shares for 2019, pending approval by the Annual General Meeting to be held in June 2020. On the other hand, as COVID-19 continues to spread worldwide, the world economy confronts more severe downward risk with significantly increasing destabilising factors and uncertainties, and the banking industry faces a more severe and volatile operation environment and situation. We shall be clear about potential dangers, and be well prepared to respond to changes in the external environment for a long time.

In 2019, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we earnestly implemented the decisions and plans of the CPC Central Committee and the State Council and stayed true to our founding mission. We kept a close eye on emerging conditions at home and abroad, provided strong support for the real economy, worked hard to prevent and mitigate risks, forged ahead in reform and innovation and stepped up our efforts to build a world-class bank in the new era by stimulating vitality, making agile response and achieving breakthroughs in key areas. Our strategy implementation efforts were fruitful, and our performance was outstanding on many fronts.

We improved the quality and efficiency in serving the real economy. Our domestic operations achieved rapid growth in RMB loans, strengthened investment in local government bonds and increased the proportion of loans granted in key regions. Manufacturing loans as a percentage of total loans remained at a relatively high level among large Chinese banks, with solid growth achieved in medium- and long-term manufacturing loans and high-tech manufacturing loans. Inclusive finance loans grew rapidly, with the overall financing cost of loans steadily decreasing. The Bank provided strong support for foreign trade and economic cooperation, remaining its leading position among Chinese peers in terms of domestic international settlement and of number of foreign currencies traded. The Bank sharpened its edge in the factor markets. The total value of market-based debt-for-equity swaps contracts hit a record high. The Bank resolutely implemented the plan for fighting the battle against poverty, helped to lift the four impoverished counties in north Xianyang, Shaanxi out of poverty. As the sole strategic partner of the second China International Import Expo (CIIE), the Bank successfully attracted exhibitors and businesses to the event and organised Exhibitor-Businessman Supply-Demand Matchmaking Conference, demonstrating once more BOC's dedication and responsibility to the country.

We made great advances in risk control and management. We proactively assessed changes in the international situation, prepared contingency plans and maintained steady performance across our global operations. We worked hard to recover and dispose of non-performing assets, making major breakthroughs in a number of key disposal projects. With both special-mention and overdue loans on the decline, the Group maintained stable asset quality. Meanwhile, we continuously improved our compliance management mechanism and pushed forward the anti-money laundering (AML) work. We continued to improve our internal control management mechanism in accordance with regulatory requirements, and fortified the foundation for internal control and fraud prevention functions. We strengthened our consumer protection and received increasingly higher ratings from regulators. We reviewed the Group's risk appetite and relevant policies, with our main risk indicators remaining stable and under control.

We took solid steps towards deeper reform on all fronts. The Group made all-out efforts and achieved breakthroughs in reform across various fields, basically accomplishing 25 major reform projects and 86 specific tasks. In active response to market competition, we accelerated the construction of a "Strong Headquarter" as an innovative, agile, service-oriented, open-minded and learning organisation. We continuously deepened reform of our human resource management and stimulated our employees' vitality across the Bank. We reformed the organisational structure of the personal banking business by embedding a "digital DNA" into the entire process of personal banking. As part of our effort to build an integrated global research system, we established BOC Research Institute in a bid to boost our "soft power". We kick-started the integration of our overseas operations and institutions, and gave a further boost to regional management and intensive development. We optimised our corporate credit management system by establishing the industry planning and research centre in order to make risk control more effective. We also reformed our data governance system in accordance with problem-oriented principles and targeted policies, in a bid to consolidate the foundations of our digital development.

The new era poses unprecedented situations and novel requirements. Looking ahead, we will persistently pursue development through reform, stimulate new vitality, foster new momentum and achieve new breakthroughs, thus to build an enhanced version of the Group's development strategy. We will seize the day and live it to the full, and make all-out efforts to improve our performance and further burnish our century-old golden brand.

- A development path bursting with vitality. We steadily improved the organisational structure and the working mechanisms at all levels, so as to improve the Group's corporate governance. We strengthened professional team building by discovering, fostering and promoting excellent young professionals. We optimised the staff structure in an orderly manner, and improved the training system for the entire staff. We improved the performance assessment and incentives mechanism to enhance market orientation and value creation. Owning to our caring, "people first" corporate culture, the whole staff of the Bank demonstrated full vigour and agile action, promoting a new atmosphere and momentum across the Group.

- A wellspring of dynamic business opportunities. We strived to build the four strategic scenarios of cross-border, education, sports and silver economy, with the project team integrating R&D, producing, testing and application activities in an efficient and agile manner, created new drivers for customer base expansion and business models. The number of monthly active users and transaction volume of our mobile banking business grew rapidly, with its overseas coverage expanded and customer experience significantly improved. We accelerated the digitalisation of our outlets, with its online-offline integrated service system taking shape. We further improved our comprehensive operation landscape by establishing BOC Finance Technology Co., Ltd. and BOC Wealth Management Co., Ltd. and obtaining approval for the establishment of BOC Financial Leasing Co., Ltd., and thus became a leader among our peers by coverage of comprehensive financial services, and realised rapid growth of the comprehensive operation segment. In addition, we attached great importance to enabling advancement through technology and digital transformation, continuously increased IT investment, completed the demonstration of the enterprise-level structure and new IT blueprint, and launched a new round of IT system building.

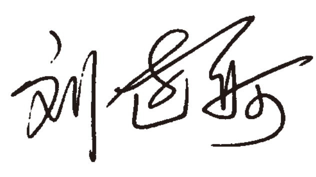
- An obvious improvement of implementation regarding market breakthroughs and China's regional coordinated development strategy. We effectively strengthened the Shanghai RMB Trading Unit and became the first bank to launch the Comprehensive Financial Service Plan for

Yangtze River Delta Integration. We actively served the coordinated development of the Beijing-Tianjin-Hebei region and the construction of the Xiongan New Area, and made advances in cross-border projects including the Xiongan-Hong Kong Fund and the Xiongan-Macao Fund. We fully supported the drive to build Shenzhen into a pilot demonstration area of socialism with Chinese characteristics, promoted the development of our Macao business as "One Body with Two Wings", and maintained a leading market share in the Guangdong-Hong Kong-Macao Greater Bay Area. We continued to pursue financial service innovation under the Belt and Road Initiative, followed up on over 600 major projects along the Belt and Road and granted approximately USD160.0 billion of credit facilities. We have set up branches and subsidiaries in 61 countries and regions outside the Chinese mainland, and remained as the global leader in cross-border RMB clearing and settlement. As a result, our global development showed an increasingly prominent spillover effect.

In 2019, we set up the Corporate Culture and Consumer Protection Committee under the Board of Directors to be responsible for the corporate culture fostering, consumer protection, ESG (Environmental, Social and Governance) related affairs etc. This effort will greatly facilitate our fulfilment of social responsibilities, drive forward brand building, sharpen comprehensive competitive edge and boost strategy implementation to a new level.

In 2019, Mr. CHEN Siqing resigned from his position as Chairman of the Bank due to a job transfer. During his term of office as Chairman of the Bank, Mr. CHEN Siqing led the Bank to enable advancement through technology, drive development through innovation, deliver performance through transformation and enhance strength through reform in order to build BOC into a world-class bank in the new era. On behalf of the Board of Directors, I would like to extend our heartfelt gratitude for the outstanding contributions made by Mr. CHEN Siqing. In addition, I would like to express a warm welcome to our new director and President Mr. WANG Jiang, and directors Mr. ZHANG Jiangang and Mr. Martin Cheung Kong LIAO, and extend our sincere gratitude to our former directors Mr. WU Fulin, Mr. LI Jucai, Mr. LIAO Qiang, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan for their contributions to the Bank.

At present, the global economy is slowing down sharply as sources of risk and turmoil proliferate worldwide, and the economic and social development in China faces great difficulties and uncertainties not seen for many years. The banking industry is also facing a more severe and complicated environment, with challenges and opportunities coexisting. Just as jade needs to be polished, one needs to go through trials and tribulations to be strong. In 2020, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will adhere to the general principle of pursuing progress while ensuring stability and unswervingly apply the new development philosophy. We will make solid progress towards the supply-side structural reform in the financial sector, push the focus of services downwards. We will also closely track and analyse the extremely severe and complicated situation at home and abroad, and be clear about and alert to potential dangers. With 2020 designated as the "Year of Enhanced Implementation", we will work hard on "fortification, improvement, digestion and penetration" throughout the year. We will also stimulate vitality by continuously deepening reform, make agile response by constantly improving mechanisms, achieve breakthroughs in key areas by cementing unique strengths, and thus forge ahead towards a world-class bank in the new era. We will deliver greater contributions to the building of a moderately prosperous society in all respects, and to the fulfilment of China's 13th Five-year Plan.



LIU Liange
Chairman
27 March 2020

Message from the President

2019 marked a critical year for Bank of China to advance its development strategy. With the aim of building BOC into a world-class bank in the new era at a faster pace, the Group focused on stimulating vitality, making agile response and achieving breakthroughs in key areas, and thus made further headway in its work on all fronts, and achieved solid performance during the year.

At the end of 2019, the Group's total assets stood at RMB22.77 trillion, total liabilities amounted to RMB20.79 trillion and equity attributable to shareholders of the Bank was RMB1.85 trillion according to International Financial Reporting Standards, representing an increase of 7.06%, 6.40% and 14.80% respectively from the prior year-end. The Group achieved a profit for the year of RMB201.9 billion, a year-on-year increase of 4.91%. The Group's capital adequacy ratio stood at 15.59%, up 0.62 percentage point from the prior year-end.

The Bank's improved performance in 2019 was mainly driven by the following factors: **First,** our operating income registered a steady increase. The Group's operating income reached RMB550.010 billion, up 9.17% year on year, of which non-interest income rose by 21.97% year on year, with its weight up 3.36 percentage points. **Second,** the Group achieved accelerated growth in key strategic areas. The operating income of personal banking business increased by 7.61% compared with the prior year, while comprehensive operations, financial markets and other strong business lines maintained sound growth momentum. **Third,** our asset quality maintained stable. The Group's ratio of non-performing loans to total loans dropped 0.05 percentage point from the prior year-end, and a scissors difference between overdue loans and non-performing loans was negative RMB15.6 billion. **Fourth,** our input-output efficiency further improved. The Group's cost-to-income ratio was 28.00%, down 0.09 percentage point from the prior year.

The Bank improved its asset and liability structure and continued to enhance the quality of its development. The Group's balance of loans and bond investment as a percentage of total assets rose by 1.8 percentage points and 0.2 percentage point to 57.4% and 23.4% respectively year on year. The newly granted domestic RMB loans of the Group stood at RMB1,050.2 billion, up 11.7% from the prior year-end. The Group's new bond investments reached RMB405.6 billion, up 8.2%. Inclusive finance loans rose by 38% from the prior year-end, and the average rate of inclusive finance loans granted to small and micro businesses in the year decreased remarkably from the prior year. The Bank actively supported the development of private enterprises by granting RMB1.96 trillion loans to private enterprises, which accounted for 36.78% of corporate loans newly granted and increased by 2.16 percentage points over the prior year. The Group's RMB and foreign-currency customer deposits increased by RMB934.0 billion, up 6.3% from the prior year-end, with breakthroughs made in the marketing promotions targeting key customers and key industries.

The Bank improved the supply of its financial services to further boost sustainability of its development. Mobile banking continued to grow rapidly, with the number of monthly active users and transaction volumes up 49% and 41% respectively over the prior year-end. The Bank's credit card, fund distribution and insurance agency services became more competitive. The Group's effective personal banking customers exceeded 300 million. The Bank vigorously innovated financial services for free trade zones, with its domestic branches completing over USD2.1 trillion of international settlements transactions. The Bank maintained a leading edge over its Chinese peers in foreign currency exchange against RMB business, RMB derivatives trading, offshore bonds and panda bonds, with the number of quotable foreign currencies offered by the Bank rising to 110. The number of overseas counterparties and transaction volumes in the interbank bond market grew by 50% and 125% respectively from the previous year.

The Bank improved comprehensive risk management in order to forestall financial risks. The Bank made steady progress in the recovery of non-performing assets and achieved breakthroughs in the disposal of key non-performing assets. Domestic branches disposed of RMB153.1 billion of non-performing assets. Credit risk indicators saw continued improvement, and asset quality remained stable. The allowance for loan impairment losses to non-performing loans rose by 0.89 percentage point further enhancing risk resilience. The Bank further improved its global compliance management system by revising the guidelines for anti-money laundering training, sanction compliance, internal control, fraud prevention, high-value and suspicious transactions and other management measures. It kept close track of the market impact of international trade frictions, conducted special stress tests, improved the contingency planning and enhanced the resilience. It also improved the Group's market risk management framework, strengthened risk control of derivatives, optimised its mechanism for counterparty credit risk management and reinforced the risk management of securities investment.

In 2020, under the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will unswervingly uphold its new development philosophy, remain customer-centric and further implement the development strategy throughout the year, which is positioned as the "Year of Enhanced Implementation". **First,** the Bank will strengthen alignment with national strategies to vigorously support the supply-side structural reform, integrate itself into the new ground of China's opening-up, seize the opportunities arising from regional coordinated development and achieve its own high-quality development while serving high-quality economic development. **Second,** the Bank will pursue business transformation with vitality, work hard on product innovation, experience enhancement and cross-selling, expand its customer base and boost the capability of its customer marketing services. **Third,** the Bank will vigorously implement supporting mechanisms, improve the performance assessment, budget breakdown, resource allocation and other management mechanisms, further reinforce its result-orientated approach and strategic focus, and boost strategy penetration. **Fourth,** the Bank will fight critical battles in key areas and endeavour to make breakthroughs in scenario development, technological reform, data governance, smart operations and outlet transformation. **Fifth,** the Bank will strictly manage risk control, further reform the corporate credit system, continue to strengthen the recovery and disposal of non-performing assets, further improve its comprehensive risk management system, and constantly improve its risk management capabilities.

At the end of 2019, I was appointed the President of Bank of China. As I face the new mission ahead, I feel the weight of responsibilities keenly on my shoulders. In the future, I will work with the Bank's management to earnestly implement the decisions and plans of the CPC Central Committee and the State Council, diligently act on the decisions of the Board of Directors, and accept supervision from the Board of Supervisors. Relying upon our staff, I will remain devoted, honest and persistent in my work, dedicate myself wholeheartedly to the development of the Bank and deliver on the expectations of our investors and the general public.

WANG Jiang
President
27 March 2020

Message from the Chairman of the Board of Supervisors

In 2019, with the aim of building BOC into a world-class bank in the new era, 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 diligently supervised the duty performance, strategy implementation, financial management, internal control and risk management, added a great deal of insight and perspective to its work and played a constructive supervisory role with regard to the Bank's development, hence making new achievements in various tasks.

In 2019, the Board of Supervisors accurately pinpointed its position and role within the Bank's corporate governance system, performed its duties in strict accordance with the applicable laws and regulations and as well as the Articles of Association, and stepped up efforts to supervise and assess the duty performance of directors and senior management members, so as to enhance their respective capability in performance. At the same time, it conducted solid strategic and financial supervision. Adhering to routine financial supervision, it made in-depth analysis of the Bank's financial data, paid close attention to the changes in key indicators, and promptly reminded the Board of Directors and the Senior Management to take effective measures to improve the operation and management. Moreover, it tracked the implementation of major initiatives regarding operation and management as well as reform and development so as to continuously enhance the quality and efficiency of supervision. In addition, it maintained keen awareness and understanding of changes in the external environment as well as the new circumstances, problems and challenges faced by the Bank with respect to risk management and internal control. In implementing its risk supervision responsibilities, it remained constantly mindful of worst-case scenarios, increased its awareness of urgency and potential dangers, and focused on preventing and mitigating major risks. It fully leveraged on the supplementary supervisory role of special surveys by incorporating such surveys into the supervision of duty performance, strategy implementation, financial management, internal control, and risk management. These pragmatic and efficient surveys focused attention on the Bank's major decisions, plans and work priorities. By going deeper into the frontline outlets and developing knowledge based on the actual on-the-ground situation, it was able to take into account the big picture, spot the most prominent contradictions and uncover the root causes of problems, thus providing the Board of Directors and the Senior Management with forward-looking and instructive opinions and suggestions. To enable directors and supervisors to take joint actions, it strengthened the information sharing, communication, and interaction with the Board of Directors, producing a synergy across the governance system. Furthermore, it intensified its coordination and cooperation with the second and third lines of defence, in a bid to develop a broader vision, join forces and improve the supervision efficiency.

In 2019, the Board of Supervisors further strengthened self-improvement, paid attention to constantly improving the supervision capability in practice. It hosted a special seminar to study and improve its ability and efficiency by focusing on the implementation of the guiding principles set forth at the Fourth Plenary Session of the 19th CPC Central Committee and the Bank's work priorities. In addition, special training courses were delivered for supervisors to enhance their knowledge and keep up with changes in the situation and new market requirements. All members of the Board of Supervisors earnestly performed their supervisory duties, actively provided suggestions and recommendations on the development of the Bank, delivered the matters of concern in all kinds, and regularly followed up the rectification progress. 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 relevant supervisory reminders it issued, and pushed for rectification, in order to enhance the Bank's operation and management.

In the past year, the Board of Supervisors successfully completed changes to its membership in accordance with the applicable laws and regulations as well as the Articles of Association of the Bank. Mr. LIU Wanming and Mr. CHEN Yuhua ceased to serve as supervisors of the Bank, and Mr. JIA Xiangsen and Mr. ZHENG Zhiguang began to serve as supervisors of the Bank. On behalf of the Board of Supervisors, I would like to express our sincere gratitude to Mr. LIU Wanming and Mr. CHEN Yuhua for their efforts and contributions to the continued and sound development of the Bank during their terms of office, and extend our warm welcome to Mr. JIA Xiangsen and Mr. ZHENG Zhiguang for joining us!

In 2020, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Board of Supervisors will earnestly implement the regulatory requirements. Centred on the Bank's work arrangements, it will concentrate on the priority tasks and emphasise the efficiency in the supervision of duty performance, strategy implementation, financial management, internal control, and risk management. It will play an even more constructive role in the corporate governance system and make greater contributions to achieving new victories in the Bank's efforts to build a world-class bank in the new era.

WANG Xiquan
Chairman of the Board of Supervisors
27 March 2020

Management Discussion and Analysis — Financial Review

Economic and Financial Environment

In 2019, the global economy slowed down and international trade and investment weakened. US economic growth softened, the Eurozone economy remained sluggish, Japan's economy was relatively stable and the UK economy remained exposed to the uncertainties of the UK's exit from the EU. Emerging economies experienced subdued growth momentum, with some facing pressures from trade protectionism and debt risk.

International financial markets remained relatively stable amid fluctuations, while global monetary policy re-entered an easing cycle. The US Federal Reserve cut interest rates three times in succession and resumed its Treasury bond purchasing programme, the European Central Bank further lowered its negative interest rates, and the central banks of many emerging economies also made rate cuts. As a result, global liquidity increased. In addition, the US Dollar Index rose slightly, the Euro fell against the US dollar, and the currencies of major emerging economies generally stabilised, following fluctuations. Global stock markets finished the year performing well, while the prices of crude oil, gold and other commodities trended upwards amid volatility.

The Chinese economy remained stable, while its structure continued to be optimised. Domestic demand became an increasingly strong driver of economic growth, and high-tech industries continued to grow rapidly. Employment was stable and the balance of payments was generally balanced. In 2019, China's gross domestic product (GDP) increased by 6.1%. Total retail sales of consumer goods (TRSCG) increased by 8.0%, total fixed asset investments (TFAI) grew by 5.4%, and the consumer price index (CPI) rose by 2.9%.

The Chinese government implemented a sound monetary policy and strengthened structural adjustments to support the development of private enterprises and micro and small-sized businesses. Financial supply-side structural reform was deepened and high-level financial opening-up was accelerated. Overall, financial markets operated smoothly and market liquidity was maintained at a reasonable and adequate level. RMB exchange rates remained generally stable while becoming more flexible. The outstanding broad money supply (M2) grew by 8.7% year-on-year. Outstanding RMB loans increased by RMB16.81 trillion, RMB0.64 trillion more than the increase amount of the prior year. The outstanding all-system financing aggregates amount was RMB251.31 trillion, an increase of 10.7% compared with the previous year. Bond issuance expanded to a total of RMB45.2 trillion, an increase of 4.9% compared with the prior year. The central parity rate of RMB against USD fell by 1.62% compared with the prior year-end.

China's banking sector continued to operate in a sound manner. Banking institutions dedicated themselves to serving the real economy so as to improve its quality and performance. They continued to improve services for micro and small-sized businesses and private enterprises, actively supported major state strategies and key national projects, and supported technological innovation and advanced manufacturing. Banking institutions continuously advanced China's two-way opening-up and accelerated technological empowerment, which yielded positive results. The banking industry improved financial risk management, acted with determination to win the critical battle against financial risks and to forestall systemic risks. As at the end of 2019, the total assets of China's banking industry grew by 8.14% from the prior year-end to RMB290.00 trillion, while total liabilities increased by 7.71% to RMB265.54 trillion. Commercial banking institutions recorded an aggregate profit after tax of RMB1.99 trillion. Outstanding non-performing loans (NPLs) stood at RMB2.41 trillion at the year-end, with an NPL ratio of 1.86%.

Income Statement Analysis

In 2019, the Group achieved a profit for the year of RMB201.891 billion, an increase of RMB9.456 billion or 4.91% compared with the prior year. It realised a profit attributable to equity holders of the Bank of RMB187.405 billion, an increase of RMB7.319 billion or 4.06% compared with the prior year. Return on average total assets (ROA) was 0.92%, and return on average equity (ROE) was 11.45%.

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

Unit: RMB million, except percentages

Items	2019	2018	Change	Change (%)
Net interest income	**374,250**	359,706	14,544	4.04%
Non-interest income	**175,760**	144,100	31,660	21.97%
Including: net fee and commission income	**89,612**	87,208	2,404	2.76%
Operating income	**550,010**	503,806	46,204	9.17%
Operating expenses	**(198,269)**	(176,979)	(21,290)	12.03%
Impairment losses on assets	**(102,153)**	(99,294)	(2,859)	2.88%
Operating profit	**249,588**	227,533	22,055	9.69%
Profit before income tax	**250,645**	229,643	21,002	9.15%
Income tax expense	**(48,754)**	(37,208)	(11,546)	31.03%
Profit for the year	**201,891**	192,435	9,456	4.91%
Profit attributable to equity holders of the Bank	**187,405**	180,086	7,319	4.06%

A detailed review of the Group's principal items in each quarter of 2019 is summarised in the following table:

Unit: RMB million

	For the three-month period ended			
Items	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Operating income	133,153	140,169	135,682	141,006
Profit attributable to equity holders of the Bank	27,826	45,531	63,083	50,965
Net cash flow from operating activities	76,461	(469,833)	144,262	(235,156)

Net Interest Income and Net Interest Margin

In 2019, the Group achieved a net interest income of RMB374.250 billion, an increase of RMB14.544 billion or 4.04% compared with the prior year. The average balances[1] and average interest rates of the major interest-earning assets and interest-bearing liabilities of the Group, as well as the impact on interest income/expense of variances in the volume factor and the interest factor[2], are summarised in the following table:

Unit: RMB million, except percentages

	2019			2018			Analysis of changes in interest income/expense		
Items	Average balance	Interest income/ expense	Average interest rate	Average balance	Interest income/ expense	Average interest rate	Volume factor	Interest rate factor	Total
Interest-earning assets									
Loans	**12,141,412**	**517,565**	**4.26%**	11,107,013	469,098	4.22%	43,652	4,815	48,467
Investments	**4,852,547**	**155,126**	**3.20%**	4,497,016	144,326	3.21%	11,413	(613)	10,800
Balances with central banks and due from and placements with banks and other financial institutions	**3,333,123**	**69,516**	**2.09%**	3,282,457	74,476	2.27%	1,150	(6,110)	(4,960)
Total	**20,327,082**	**742,207**	**3.65%**	18,886,486	687,900	3.64%	56,215	(1,908)	54,307
Interest-bearing liabilities									
Due to customers	**15,140,952**	**269,324**	**1.78%**	14,072,677	229,998	1.63%	17,413	21,913	39,326
Due to and placements from banks and other financial institutions	**3,031,768**	**67,691**	**2.23%**	3,042,646	76,478	2.51%	(273)	(8,514)	(8,787)
Bonds issued	**852,620**	**30,942**	**3.63%**	580,755	21,718	3.74%	10,168	(944)	9,224
Total	**19,025,340**	**367,957**	**1.93%**	17,696,078	328,194	1.85%	27,308	12,455	39,763
Net interest income		**374,250**			359,706		28,907	(14,363)	14,544
Net interest margin			**1.84%**			1.90%			(6)Bps

Notes:

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

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

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

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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.

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	2019		2018		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	**5,115,971**	**4.45%**	4,754,363	4.47%	361,608	(2) Bps
Personal loans	**3,907,107**	**4.80%**	3,448,247	4.67%	458,860	13 Bps
Trade bills	**260,026**	**3.22%**	165,797	4.47%	94,229	(125) Bps
Total	**9,283,104**	**4.57%**	8,368,407	4.55%	914,697	2 Bps
Including:						
Medium- and long-term loans	**6,725,120**	**4.77%**	5,828,652	4.77%	896,468	–
Short-term loans within 1 year and others	**2,557,984**	**4.03%**	2,539,755	4.06%	18,229	(3) Bps
Due to customers						
Corporate demand deposits	**3,221,912**	**0.70%**	3,097,595	0.65%	124,317	5 Bps
Corporate time deposits	**2,364,226**	**2.81%**	2,254,006	2.77%	110,220	4 Bps
Personal demand deposits	**2,372,681**	**1.07%**	1,948,774	0.66%	423,907	41 Bps
Personal time deposits	**2,682,371**	**2.85%**	2,575,439	2.68%	106,932	17 Bps
Other	**629,277**	**3.83%**	528,899	4.19%	100,378	(36) Bps
Total	**11,270,467**	**1.91%**	10,404,713	1.79%	865,754	12 Bps
Foreign currency businesses in the Chinese mainland					Unit: USD million, except percentages	
Loans	**38,574**	**3.15%**	49,355	3.08%	(10,781)	7 Bps
Due to customers						
Corporate demand deposits	**43,777**	**0.73%**	45,065	0.62%	(1,288)	11 Bps
Corporate time deposits	**29,067**	**2.61%**	29,668	1.89%	(601)	72 Bps
Personal demand deposits	**24,717**	**0.04%**	27,047	0.05%	(2,330)	(1) Bp
Personal time deposits	**17,782**	**0.73%**	19,125	0.63%	(1,343)	10 Bps
Other	**1,614**	**2.29%**	2,002	2.30%	(388)	(1) Bp
Total	**116,957**	**1.07%**	122,907	0.83%	(5,950)	24 Bps

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

In 2019, the Group's net interest margin was 1.84%, a decrease of 6 basis points compared with the prior year. This was mainly due to an increase in deposit costs. To mitigate the impact of this cost increase, the Bank continuously optimised its assets and liabilities structure, proactively adjusted its existing assets and liabilities, and efficiently allocated their increments. In 2019, the proportion of the average balance of RMB medium- and long-term loans to RMB loan business in the Chinese mainland increased by 2.79 percentage points compared with the prior year.

Non-interest Income

In 2019, the Group reported a non-interest income of RMB175.760 billion, an increase of RMB31.660 billion or 21.97% compared with the prior year. Non-interest income represented 31.96% of operating income.

Net Fee and Commission Income

The Group earned a net fee and commission income of RMB89.612 billion, an increase of RMB2.404 billion or 2.76% compared with the prior year. Net fee and commission income represented 16.29% of operating income. This was mainly due to the Bank actively seizing opportunities arising from the rapid development of consumer finance, and expanding its business in credit cards, internet payment and insurance agency. As a result, the Bank's fee and commission income from bank card business, settlement and clearing business and insurance agency business recorded sound growth.

Unit: RMB million, except percentages

Items	2019	2018	Change	Change (%)
Group				
Agency commissions	**20,320**	20,212	108	0.53%
Bank card fees	**32,831**	29,943	2,888	9.64%
Settlement and clearing fees	**14,713**	13,670	1,043	7.63%
Credit commitment fees	**12,746**	13,181	(435)	(3.30%)
Consultancy and advisory fees	**4,446**	3,534	912	25.81%
Spread income from foreign exchange business	**7,154**	7,740	(586)	(7.57%)
Custodian and other fiduciary service fees	**4,120**	3,597	523	14.54%
Other	**8,587**	8,120	467	5.75%
Fee and commission income	**104,917**	99,997	4,920	4.92%
Fee and commission expense	**(15,305)**	(12,789)	(2,516)	19.67%
Net fee and commission income	**89,612**	87,208	2,404	2.76%
Chinese mainland				
Agency commissions	**14,233**	14,353	(120)	(0.84%)
Bank card fees	**29,558**	26,364	3,194	12.12%
Settlement and clearing fees	**13,077**	12,082	995	8.24%
Credit commitment fees	**6,141**	6,760	(619)	(9.16%)
Consultancy and advisory fees	**4,021**	3,331	690	20.71%
Spread income from foreign exchange business	**6,489**	7,088	(599)	(8.45%)
Custodian and other fiduciary service fees	**3,970**	3,474	496	14.28%
Other	**4,573**	4,384	189	4.31%
Fee and commission income	**82,062**	77,836	4,226	5.43%
Fee and commission expense	**(9,878)**	(7,642)	(2,236)	29.26%
Net fee and commission income	**72,184**	70,194	1,990	2.84%

Other Non-interest Income

The Group realised other non-interest income of RMB86.148 billion, an increase of RMB29.256 billion or 51.42% compared with the prior year. This was primarily attributable to an increase in net gains from foreign exchange derivatives trading compared with the same period of the prior year, as the result of market price fluctuations. Please refer to Notes V.3, 4, 5 to the Consolidated Financial Statements for detailed information.

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. In 2019, the Group recorded operating expenses of RMB198.269 billion, an increase of RMB21.290 billion or 12.03% compared with the prior year. The Group's cost to income ratio (calculated in accordance with regulations in the Chinese mainland) was 28.00%, a decrease of 0.09 percentage point 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	2019	2018	Change	Change (%)
Staff costs	**90,762**	85,391	5,371	6.29%
General operating and administrative expenses	**41,845**	42,768	(923)	(2.16%)
Depreciation and amortisation	**21,175**	13,451	7,724	57.42%
Taxes and surcharges	**4,984**	4,744	240	5.06%
Insurance benefits and claims	**26,037**	17,008	9,029	53.09%
Other	**13,466**	13,617	(151)	(1.11%)
Total	**198,269**	176,979	21,290	12.03%

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 a relatively stable credit asset quality. It stringently implemented a prudent and solid risk provisioning policy and maintained adequate capacity for risk mitigation. In 2019, the Group's impairment losses on assets totalled RMB102.153 billion, an increase of RMB2.859 billion or 2.88% 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 2019, the Group incurred income tax of RMB48.754 billion, an increase of RMB11.546 billion or 31.03% compared with the prior year. The Group's effective tax rate was 19.45%. Please refer to Note V.10 to the Consolidated Financial Statements for the reconciliation of statutory income tax expense to effective income tax expense.

Financial Position Analysis

As at the end of 2019, the Group's total assets amounted to RMB22,769.744 billion, an increase of RMB1,502.469 billion or 7.06% compared with the prior year-end. The Group's total liabilities amounted to RMB20,793.048 billion, an increase of RMB1,251.170 billion or 6.40% compared with the prior year-end.

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

Unit: RMB million, except percentages

	As at 31 December 2019		As at 31 December 2018	
Items	Amount	% of total	Amount	% of total
Assets				
Loans and advances to customers, net	**12,743,425**	**55.97%**	11,515,764	54.15%
Investments	**5,514,062**	**24.22%**	5,054,551	23.77%
Balances with central banks	**2,078,809**	**9.13%**	2,331,053	10.96%
Due from and placements with banks and other financial institutions	**1,399,519**	**6.15%**	1,405,534	6.61%
Other assets	**1,033,929**	**4.53%**	960,373	4.51%
Total assets	**22,769,744**	**100.00%**	21,267,275	100.00%
Liabilities				
Due to customers	**15,817,548**	**76.07%**	14,883,596	76.16%
Due to and placements from banks and other financial institutions and due to central banks	**3,153,998**	**15.17%**	3,250,997	16.64%
Other borrowed funds	**1,124,098**	**5.41%**	814,888	4.17%
Other liabilities	**697,404**	**3.35%**	592,397	3.03%
Total liabilities	**20,793,048**	**100.00%**	19,541,878	100.00%

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

Loans and Advances to Customers

In line with China's macroeconomic policies and the financial demands of the real economy, the Bank rationally allocated credit extension and expanded its lending scale at a stable and moderate pace. It continuously improved its credit structure and proactively supported the credit needs of key areas and industries. The Bank strictly controlled credit facilities granted to industries characterised by high pollution, high energy consumption and overcapacity. It also continued to implement a differentiated residential mortgage loan policy and steadily expanded its personal loan business. As at the end of 2019, the Group's loans and advances to customers amounted to RMB13,068.785 billion, an increase of RMB1,249.513 billion or 10.57% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB10,149.345 billion, an increase of RMB1,053.783 billion or 11.59% compared with the prior year-end, while its foreign currency loans amounted to USD418.486 billion, an increase of USD21.629 billion or 5.45% compared with the prior year-end. Please refer to Note V.17 to the Consolidated Financial Statements for detailed information.

The Bank continuously 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 2019, the balance of the Group's allowance for loan impairment losses amounted to RMB325.923 billion, an increase of RMB22.142 billion compared with the prior year-end. The balance of the Group's restructured loans amounted to RMB12.378 billion, an increase of RMB2.376 billion compared with the prior year-end.

Unit: RMB million, except percentages

Items	As at 31 December 2019 Amount	As at 31 December 2019 % of total	As at 31 December 2018 Amount	As at 31 December 2018 % of total
Corporate Loans	**7,986,380**	**61.11%**	7,347,598	62.17%
Personal Loans	**5,047,809**	**38.62%**	4,440,085	37.57%
Accrued interest	**34,596**	**0.27%**	31,589	0.26%
Total Loans	**13,068,785**	**100.00%**	11,819,272	100.00%

Investments

The Bank tracked financial market dynamics, increased its bond investments and continuously improved its investment structure. As at the end of 2019, the Group held investments of RMB5,514.062 billion, an increase of RMB459.511 billion or 9.09% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB4,226.384 billion, an increase of RMB247.748 billion or 6.23% compared with the prior year-end, while foreign currency investments totalled USD184.582 billion, an increase of USD27.816 billion or 17.74% 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 2019 Amount	As at 31 December 2019 % of total	As at 31 December 2018 Amount	As at 31 December 2018 % of total
Financial assets at fair value through profit or loss	**518,250**	**9.40%**	370,491	7.33%
Financial assets at fair value through other comprehensive income	**2,218,129**	**40.23%**	1,879,759	37.19%
Financial assets at amortised cost	**2,777,683**	**50.37%**	2,804,301	55.48%
Total	**5,514,062**	**100.00%**	5,054,551	100.00%

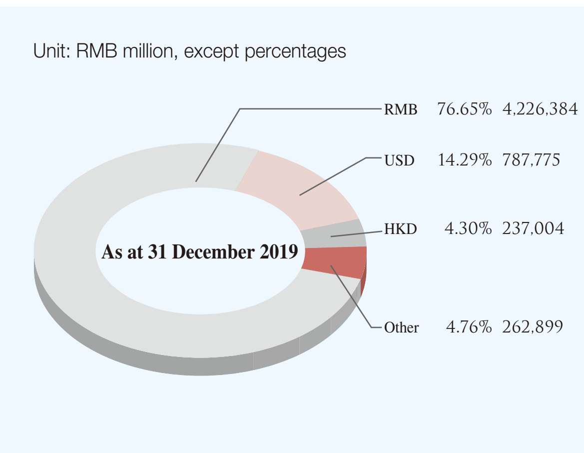
Investments by Issuer Type

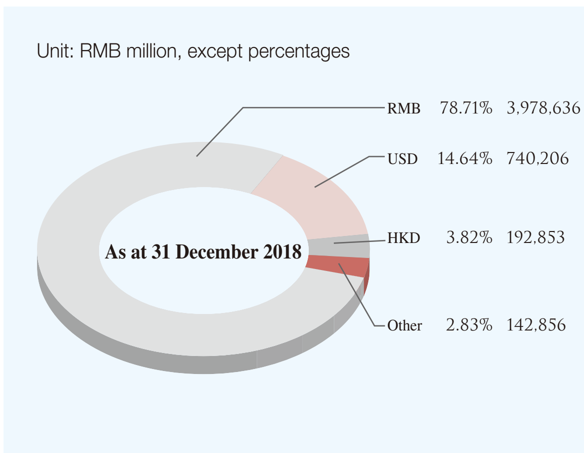
Unit: RMB million, except percentages

Items	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Debt securities				
Issuers in the Chinese mainland				
Government	**2,861,756**	**51.90%**	2,654,129	52.51%
Public sector and quasi-governments	**109,923**	**1.99%**	84,364	1.67%
Policy banks	**435,212**	**7.89%**	484,992	9.59%
Financial institutions	**521,077**	**9.45%**	496,675	9.83%
Corporates	**212,509**	**3.86%**	191,690	3.79%
China Orient Asset Management Corporation	**152,433**	**2.76%**	153,627	3.04%
Subtotal	**4,292,910**	**77.85%**	4,065,477	80.43%
Issuers in Hong Kong, Macao, Taiwan and other countries and regions				
Governments	**524,874**	**9.52%**	366,602	7.25%
Public sector and quasi-governments	**119,221**	**2.16%**	108,739	2.15%
Financial institutions	**160,840**	**2.92%**	174,719	3.46%
Corporates	**174,135**	**3.16%**	153,056	3.03%
Subtotal	**979,070**	**17.76%**	803,116	15.89%
Equity instruments and others	**242,082**	**4.39%**	185,958	3.68%
Total	**5,514,062**	**100.00%**	5,054,551	100.00%

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

Investments by Currency





Top Ten Financial Bonds by Value Held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual Rate	Maturity Date	Impairment Allowance
Bond issued by financial institutions in 2019	20,000	3.16%	2020-02-12	–
Bond issued by policy banks in 2018	13,880	4.98%	2025-01-12	–
Bond issued by policy banks in 2017	13,067	3.88%	2020-04-19	–
Bond issued by policy banks in 2017	11,200	4.39%	2027-09-08	–
Bond issued by policy banks in 2018	9,760	4.73%	2025-04-02	–
Bond issued by policy banks in 2017	8,890	3.54%	2020-01-06	–
Bond issued by policy banks in 2018	8,730	4.99%	2023-01-24	–
Bond issued by policy banks in 2017	8,450	3.98%	2020-04-19	–
Bond issued by policy banks in 2018	7,782	4.88%	2028-02-09	–
Bond issued by policy banks in 2017	7,450	3.80%	2020-02-27	–

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 aligned itself with the trend towards interest rate liberalisation and accelerated product and service innovation, thus enhancing its financial services offering. As a result, its liability business grew steadily. It further improved salary payment agency, payment collection and other basic services, optimised the functions of personal certificates of deposit (CDs), steadily expanded its administrative institution customer base and solidified its relationships with basic settlement and cash management customers. This led to steady growth in customer deposits. As at the end of 2019, the Group's due to customers amounted to RMB15,817.548 billion, an increase of RMB933.952 billion or 6.28% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB11,925.923 billion, an increase of RMB669.469 billion or 5.95% compared with the prior year-end, while its foreign currency due to customers stood at USD557.843 billion, an increase of USD29.352 billion or 5.55% compared with the prior year-end.

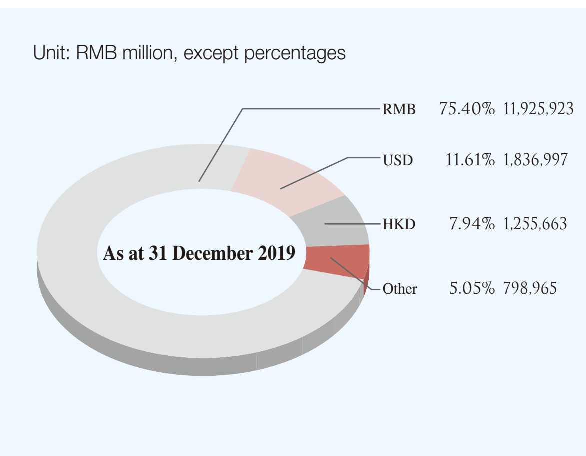
The principal components of due to customers of the Group and its institutions in the Chinese mainland are set out below:

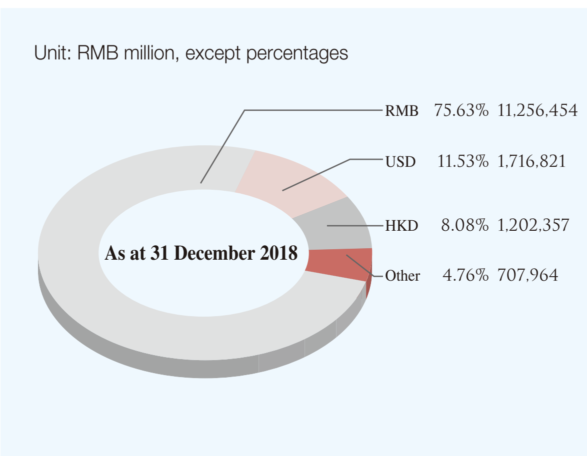
Unit: RMB million, except percentages

Items	As at 31 December 2019		As at 31 December 2018	
	Amount	**% of total**	Amount	% of total
Group				
Corporate deposits				
Demand deposits	**4,434,051**	**28.03%**	4,178,962	28.08%
Time deposits	**3,619,512**	**22.88%**	3,507,071	23.56%
Structured deposits	**247,906**	**1.57%**	246,380	1.66%
Subtotal	**8,301,469**	**52.48%**	7,932,413	53.30%
Personal deposits				
Demand deposits	**3,147,889**	**19.90%**	2,935,661	19.72%
Time deposits	**3,416,862**	**21.60%**	3,148,265	21.15%
Structured deposits	**424,897**	**2.69%**	338,544	2.28%
Subtotal	**6,989,648**	**44.19%**	6,422,470	43.15%
Certificates of deposit	**283,193**	**1.79%**	287,808	1.93%
Others	**243,238**	**1.54%**	240,905	1.62%
Total	**15,817,548**	**100.00%**	14,883,596	100.00%
Chinese mainland				
Corporate deposits				
Demand deposits	**3,778,828**	**29.92%**	3,588,353	30.19%
Time deposits	**2,559,842**	**20.27%**	2,520,127	21.20%
Structured deposits	**233,235**	**1.85%**	229,768	1.93%
Subtotal	**6,571,905**	**52.04%**	6,338,248	53.32%
Personal deposits				
Demand deposits	**2,516,976**	**19.93%**	2,312,488	19.45%
Time deposits	**2,894,407**	**22.92%**	2,685,026	22.59%
Structured deposits	**421,614**	**3.34%**	331,064	2.79%
Subtotal	**5,832,997**	**46.19%**	5,328,578	44.83%
Others	**224,554**	**1.77%**	219,969	1.85%
Total	**12,629,456**	**100.00%**	11,886,795	100.00%

Note: "Others" is inclusive of accrued interest.

Due to Customers by Currency





Equity

As at the end of 2019, the Group's total equity stood at RMB1,976.696 billion, an increase of RMB251.299 billion or 14.56% compared with the prior year-end. This was primarily attributable to the following factors: (1) In 2019, the Group realised a profit for the year of RMB201.891 billion, among which profit attributable to equity holders of the Bank amounted to RMB187.405 billion. (2) The Bank pushed forward its external capital replenishment projects in a proactive and prudent manner, successfully issuing RMB40.0 billion of undated capital bonds and RMB100.0 billion of preference shares in the domestic market. (3) As per the 2018 dividends distribution plan approved at the Annual General Meeting, a cash dividend for ordinary shares of RMB54.167 billion was paid out on ordinary shares. (4) The Bank paid a dividend on its preference shares of RMB6.826 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 2019, the balance of the Group's cash and cash equivalents was RMB1,345.892 billion, a decrease of RMB342.708 billion compared with the prior year-end.

In 2019, net cash flow from operating activities was an outflow of RMB484.266 billion, whereas it was an inflow of RMB662.358 billion in the prior year. This was mainly attributable to the increase in the net increase of loans to customers and placements with and loans to banks and other financial institutions compared with the prior year, and the net decrease in due to banks and other financial institutions whereas it was a net increase in the prior year.

Net cash flow from investing activities was an outflow of RMB165.678 billion, a decrease of RMB16.815 billion compared with the prior year. This was mainly attributable to the increase in proceeds from financial investments compared with the prior year.

Net cash flow from financing activities was an inflow of RMB293.111 billion, an increase of RMB63.774 billion compared with the prior year. This was mainly attributable to the increase in proceeds from issuance of bonds compared with the prior year.

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

	Chinese mainland		Hong Kong, Macao and Taiwan		Other countries and regions		Elimination		Group	
Items	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income	**318,865**	303,945	**39,835**	38,831	**15,485**	16,930	**65**	–	**374,250**	359,706
Non-interest income	**101,404**	89,099	**68,767**	51,143	**7,680**	6,647	**(2,091)**	(2,789)	**175,760**	144,100
Including: net fee and commission income	**72,184**	70,194	**14,308**	14,083	**4,474**	4,367	**(1,354)**	(1,436)	**89,612**	87,208
Operating expenses	**(140,920)**	(131,958)	**(51,388)**	(39,956)	**(7,686)**	(6,967)	**1,725**	1,902	**(198,269)**	(176,979)
Impairment losses on assets	**(101,010)**	(98,872)	**(1,429)**	(1,114)	**286**	692	**–**	–	**(102,153)**	(99,294)
Profit before income tax	**178,338**	162,224	**56,843**	51,004	**15,765**	17,302	**(301)**	(887)	**250,645**	229,643
As at the year-end										
Assets	**17,923,536**	16,932,306	**4,217,013**	4,197,031	**2,062,659**	2,009,680	**(1,433,464)**	(1,871,742)	**22,769,744**	21,267,275
Liabilities	**16,413,115**	15,625,811	**3,825,613**	3,844,519	**1,987,643**	1,943,129	**(1,433,323)**	(1,871,581)	**20,793,048**	19,541,878

As at the end of 2019, total assets[3] of the Bank's Chinese mainland segment amounted to RMB17,923.536 billion, an increase of RMB991.230 billion or 5.85% compared with the prior year-end, representing 74.05% of the Group's total assets. In 2019, this segment recorded a profit before income tax of RMB178.338 billion, an increase of RMB16.114 billion or 9.93% compared with the prior year, representing 71.07% of the Group's profit before income tax.

Total assets of the Hong Kong, Macao and Taiwan segment amounted to RMB4,217.013 billion, an increase of RMB19.982 billion or 0.48% compared with the prior year-end, representing 17.43% of the Group's total assets. In 2019, this segment recorded a profit before income tax of RMB56.843 billion, an increase of RMB5.839 billion or 11.45% compared with the prior year, representing 22.65% of the Group's profit before income tax.

Total assets of the other countries and regions segment amounted to RMB2,062.659 billion, an increase of RMB52.979 billion or 2.64% compared with the prior year-end, representing 8.52% of the Group's total assets. In 2019, this segment recorded a profit before income tax of RMB15.765 billion, a decrease of RMB1.537 billion or 8.88% compared with the prior year, representing 6.28% 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.

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.

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

Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value

Unit: RMB million

Items	As at 31 December 2019	As at 31 December 2018	Change in the year	Impact on profit for the year
Financial assets at fair value through profit or loss				
Debt securities	**371,232**	273,447	97,785	
Equity instruments	**79,456**	47,061	32,395	7,608
Fund investments and other	**67,562**	49,983	17,579	
Loans and advances to customers at fair value	**339,687**	227,643	112,044	(199)
Financial assets at fair value through other comprehensive income				
Debt securities	**2,196,352**	1,862,232	334,120	(387)
Equity instruments and other	**21,777**	17,527	4,250	
Derivative financial assets	**93,335**	124,126	(30,791)	(3,853)
Derivative financial liabilities	**(90,060)**	(99,254)	9,194	
Due to and placements from banks and other financial institutions at fair value	**(14,767)**	(876)	(13,891)	29
Due to customers at fair value	**(17,969)**	(24,141)	6,172	–
Bonds issued at fair value	**(26,113)**	(20,517)	(5,596)	38
Short position in debt securities	**(19,475)**	(14,327)	(5,148)	(12)

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.

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

Unit: RMB million, except percentages

Items	2019		2018	
	Amount	% of total	Amount	% of total
Commercial banking business	**497,424**	**90.44%**	462,355	91.77%
Including: Corporate banking business	**221,123**	**40.21%**	211,365	41.96%
Personal banking business	**186,744**	**33.95%**	173,531	34.44%
Treasury operations	**89,557**	**16.28%**	77,459	15.37%
Investment banking and insurance	**35,226**	**6.40%**	25,524	5.07%
Others and elimination	**17,360**	**3.16%**	15,927	3.16%
Total	**550,010**	**100.00%**	503,806	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 2019	As at 31 December 2018	As at 31 December 2017
Corporate deposits			
Chinese mainland: RMB	**6,027,076**	5,884,433	5,495,494
Foreign currency	**544,829**	453,815	436,458
Hong Kong, Macao, Taiwan and other countries and regions	**1,729,564**	1,594,165	1,451,822
Subtotal	**8,301,469**	7,932,413	7,383,774
Personal deposits			
Chinese mainland: RMB	**5,544,204**	5,026,322	4,551,168
Foreign currency	**288,793**	302,256	310,253
Hong Kong, Macao, Taiwan and other countries and regions	**1,156,651**	1,093,892	969,807
Subtotal	**6,989,648**	6,422,470	5,831,228
Corporate loans			
Chinese mainland: RMB	**5,591,228**	5,057,654	4,761,874
Foreign currency	**259,463**	280,878	338,379
Hong Kong, Macao, Taiwan and other countries and regions	**2,135,689**	2,009,066	1,872,448
Subtotal	**7,986,380**	7,347,598	6,972,701
Personal loans			
Chinese mainland: RMB	**4,450,464**	3,933,840	3,481,682
Foreign currency	**1,253**	1,177	1,250
Hong Kong, Macao, Taiwan and other countries and regions	**596,092**	505,068	440,925
Subtotal	**5,047,809**	4,440,085	3,923,857

Commercial Banking

Commercial Banking in the Chinese mainland

Focused on the three main tasks of serving the real economy, preventing 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 2019, the commercial banking business in the Chinese mainland achieved an operating income of RMB414.163 billion, an increase of RMB26.920 billion or 6.95% compared with the prior year. Details are summarised in the table below:

Unit: RMB million, except percentages

	2019		2018	
Items	Amount	% of total	Amount	% of total
Corporate banking business	**187,866**	**45.36%**	183,739	47.45%
Personal banking business	**163,429**	**39.46%**	153,589	39.66%
Treasury operations	**62,925**	**15.19%**	47,855	12.36%
Others	**(57)**	**(0.01%)**	2,060	0.53%
Total	**414,163**	**100.00%**	387,243	100.00%

Corporate Banking

The Bank made great efforts to expedite the transformation of its corporate banking business. It further consolidated its corporate customer base, continuously optimised both customer and business structure and strived to improve its global service capacity for corporate banking customers, thus promoting high-quality development in its corporate banking business. In 2019, the Bank's corporate banking business in the Chinese mainland realised an operating income of RMB187.866 billion, an increase of RMB4.127 billion or 2.25% compared with the prior year.

Corporate Deposits

The Bank stepped up its efforts to expand customers base and attract more administrative institution customers, optimised the corporate customer marketing system for primary-level outlets, and improved the products and services it offers to customers from key industries engaged in supporting the people's livelihood, public finance and social security, education and public health, etc. In line with its strategy of persistently enabling advancement through technology, the Bank pushed forward digital development in corporate banking, including refining its management through big data techniques that allow it to tap potential areas of customer deposit growth and broaden deposit sources. As part of its omni-channel marketing efforts, the Bank upgraded its corporate online banking system and enhanced the role of settlement, cash management and other primary businesses in driving its deposit business, in order to actively attract more stable sources of deposits. It also increased its service capabilities for financial companies and sharpened its focus on expanding existing customers' total financial assets, so as to support high-quality growth in corporate deposits.

As at the end of 2019, the Bank's RMB corporate deposits in the Chinese mainland totalled RMB6,027.076 billion, an increase of RMB142.643 billion or 2.42% compared with the prior year-end. Foreign currency corporate deposits amounted to USD78.098 billion, an increase of USD11.975 billion or 18.11% compared with the prior year-end.

Corporate Loans

The Bank continued to strengthen its support for the real economy. Seizing the opportunities arising from economic transformation, it actively supported key investment areas and assisted in transforming and upgrading the local economy, as well as accelerating adjustments to the credit structure. It provided greater credit support for projects in infrastructure, manufacturing, modern services, technological innovation enterprises and other fields, and improved services for private enterprises. It optimised the regional credit structure and stipulated differentiated credit policies for regions of strategic significance, such as the Beijing-Tianjin-Hebei region, the Xiongan New Area, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Hainan Pilot Free Trade Zone (the "Hainan FTZ"), in a bid to support the high-quality development of the real economy. In addition, the Bank played an active role in serving key sectors such as social welfare and people's livelihood, internet, rural revitalisation, pensions, the Olympic Winter Games and winter sports.

As at the end of 2019, the Bank's RMB corporate loans in the Chinese mainland totalled RMB5,591.228 billion, an increase of RMB533.574 billion or 10.55% compared with the prior year-end. Foreign currency corporate loans totalled USD37.193 billion, a decrease of USD3.732 billion or 9.12% compared with the prior year-end.

Delivering solid performance in serving the real economy

In 2019, the Bank took solid steps to serve the real economy and developed new ways to deliver financial services. It actively supported supply side structural reform, appropriately increased credit support, achieved rapid growth in domestic RMB loans, and increased local government bond investment. It raised the investment in the major economic areas and security of people's livelihood. The proportion of loans to manufacturing maintained a high level. It strengthened credit support for inclusive finance and private enterprises. Inclusive finance loans realised "increase in amount and decrease in price". The growth rate of private enterprise loans was higher than that of corporate loans. It actively involved in the new pattern of opening-up and vigorously supported "Steady Foreign Trade" and "Steady Foreign Investment". The domestic international settlement business remained No. 1 in the industry. The foreign exchange transaction currencies and business volume remained No. 1 among Chinese peers. It actively promoted debt-for-equity swaps. The number of signed market-oriented debt-for-equity swap projects and the amount of contracts hit new records. It assisted in the tough battle of poverty relief, and helped the "Four Northern Counties" of Xianyang achieve poverty alleviation.

In 2019, the Bank earnestly implemented the national strategies for coordinated regional development. It accelerated to lay out its business in the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, and Beijing-Tianjin-Hebei region, and the contributions of key regions further improved. In the Beijing-Tianjin-Hebei region and Xiongan New Area, the Bank actively supported the coordinated development of the Beijing-Tianjin-Hebei region and the construction of Winter Olympics infrastructure, established a regional R&D base, and laid the groundwork for BOC Fullerton Community Bank focused on investment management purpose. In the Yangtze River Delta region, the Bank took the lead in issuing the *Comprehensive Financial Service Plan for the Yangtze River Delta Integration*, the *Action Program for Integrated Business Development in the Yangtze River Delta* and the *Action Program for the Lin-gang Special Area of the Shanghai Pilot FTZ*. It was among the first batch of banks to set up a branch in the Lin-gang Special Area of the Shanghai Pilot FTZ, and developed Shanghai RMB Trading Unit to strengthen the Unit's outreach in the area, thereby deepening the integrated business development in the Yangtze River Delta. In the Guangdong-Hong Kong-Macao Great Bay Area, the Bank issued the *Plan for Business Development in Guangdong-Hong Kong-Macao Great Bay Area*, implemented six special action programs, and provided full support for the development of Shenzhen into a pilot demonstration area of socialism. It led its peers in introducing the "Greater Bay Area Account Opening" service, became one of the first recipients of a Hong Kong's virtual banking license, and maintained a leading market share in the Greater Bay Area.

Financial Institutions Business

The Bank continued to deepen cooperation with various financial institutions. It built up its integrated financial services platform and maintained a leading position in terms of financial institution customer coverage. By leveraging the correspondent relationships it has established with around 1,600 institutions, the Bank provided 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. 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 other sovereign institutions, commercial banks and exchange houses. The Bank has now opened 1,448 cross-border RMB clearing accounts for correspondent banks across 114 countries and regions, and thus holds 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 289 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 spot in the industry in terms of both customer base and business scale. It also became the sole foreign exchange agent for Bank of Korea in China's interbank foreign exchange market. The Bank extended its advantage of featured service in factor market, developed specialised service models for the factor market ecosystem, and signed strategic cooperation agreements with China Foreign Exchange Trade System, China UnionPay, Shanghai Gold Exchange, Shanghai Clearing House, Shanghai Commercial Paper Exchange Corporation Ltd. and China International Payment Service Corp. The Bank also served as the sole settlement bank for the comprehensive promotion phase of H-share "full circulation", and held the sole cross-border settlement account of China Securities Depository and Clearing Corporation Limited (CSDC).

As at the end of 2019, the Bank ranked first in terms of market share in foreign currency deposits from financial institutions, as well as holding a leading position among peers in terms of growth in both the number and market share of third-party custody customers.

Transaction Banking

Actively adapting to the trend of FinTech innovation and the integrated financial needs of customers, the Bank vigorously developed its transaction banking business. It largely completed the domestic and overseas framework and logical integration of its transaction banking business, and launched the principal, first-phase components of the BOC Intelligent Global Transaction Banking service platform ("iGTB platform").

The Bank fully leveraged its professional advantages in trade finance and implemented the national requirement of "ensuring stable foreign trade". In 2019, the Group's international trade transaction volume reached USD5.2 trillion. 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. As the strategic partner of the CIIE, the Bank followed the country's opening-up strategy and provided all-round high-quality services for the CIIE. It supported the National Office of Port Administration in improving the financial services element of the standard version of "Single Window", and launched such functions as tax and fee payment, reservation for account opening, concentrated and consolidated tax collection letter of guarantee ("L/G") online application, cross-border remittance, SME tax and fee financing and insurance premium payment. The Bank upgraded its integrated financial services plan for cross-border e-commerce, which covers such services as matchmaking, financing and payment for cross-border e-commerce industry, and formulated the three financial service systems of "aggregation, financing and connection".

The Bank improved its corporate products and services system and enhanced the quality and efficiency of its services to the real economy. It expedited the expansion of supply chain finance services to support financing for small and medium-sized enterprises, and launched receivables buyout, dealer financing and other innovative financial service solutions in a number of key industries. It streamlined procedures for corporate account opening and realised the "one-stop opening" of local and foreign currency accounts by applying new technologies such as facial recognition and big data. The Bank also promoted its "BOC Bill E-discount" product to provide an online bill discount service for micro, small and medium-sized enterprises and private enterprises.

The Bank pushed forward RMB internationalisation in an orderly manner. It served as the main channel for RMB cross-border flows and acted as a market leader in service innovation. In 2019, the Group's transaction volume of cross-border RMB payment reached RMB7.32 trillion, up 23.03% compared with the prior year, of which the Bank's institutions in the Chinese mainland settled RMB5.03 trillion, an increase of 26.01% compared with the prior year, thus maintaining the largest market share. The Bank gave full play to the RMB's role as a financing and investment currency, assisting sovereign institutions including the Government of Portugal and the Central Bank of the Philippines, as well as some well-known commercial institutions, in issuing Panda bonds. Making the most of the RMB's role as a pricing currency, the Bank provided comprehensive services for the internationalised futures products of domestic exchanges, and supported the development of the financial factor market. It hosted a forum themed on "Internationalisation of RMB — Facilitating the Building of the Free Trade Zone" at the second CIIE, as well as forums and promotions on RMB internationalisation in Japan, Hungary and other countries, so as to promote the circulation and use of RMB across the world. 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 comprehensive and professional support to help global customers understand and use RMB.

In addition, the Bank continued to promote products and services innovation and strengthened the development of application scenarios for transaction banking. It improved the comprehensive product system of its "Global Cash Management Platform+" and expanded global integration for key products, thus realising a rapid increase in the number of group customers of its cash management business.

During the reporting period, the Bank was recognised as "Best Bank for Transaction Services" and "Best Chinese Bank for RMB Internationalisation" by *Global Finance*, and awarded "Best Transaction Bank for Trade Finance" and "Best Transaction Bank for International Cash Management" by *Asiamoney* and "Best Regional Cash Manager in Asia" by *Euromoney*, demonstrating the Bank's professional advantages in transaction banking.

Strengthening support for the Belt and Road Initiative

The Bank continued to implement the Belt and Road Initiative and gave substantial support to its development. It strived to become the preferred bank for China's "Going Global" enterprises, foreign "Bringing In" enterprises and local enterprises along the Belt and Road. It refined its institutional network in countries along the Belt and Road. It supported key cooperative projects along the Belt and Road in line with market principles, served as the main channel for Belt and Road related RMB internationalisation business, and took the lead in channelling global financial resources into Belt and Road countries and regions.

The Bank further expanded its network in countries along the Belt and Road. As at the end of 2019, the Bank's overseas institutions had established a presence in 61 countries and regions, including 25 countries along the Belt and Road. This represents the largest footprint of any Chinese bank, both worldwide and along the Belt and Road. In 2019, the Bank commenced branch or subsidiary operations in India (Mumbai), Athens, Bucharest and Buenos Aires, further expanding its network in countries along the Belt and Road.

The Bank steadily pushed forward credit issuance and project expansion. The Bank had followed up on over 600 major Belt and Road related projects as at the end of 2019. It has granted more than USD160.0 billion of credit support to countries along the Belt and Road since 2015.

The Bank continuously promoted RMB internationalisation. The Bank continued to improve its cross-border RMB clearing system in an effort to enhance the quality and efficiency of its clearing services and to promote RMB development in local markets. In 2019, the volume of RMB clearing transactions carried out by the Bank's institutions along the Belt and Road surpassed RMB4 trillion. The issuance of RMB-denominated sovereign bonds boosted the cross-border use of RMB along the Belt and Road.

The Bank actively expanded its foreign exchange product offering. The Bank promoted foreign exchange products in countries along the Belt and Road, including multi-currency spot and forward foreign exchange trading, swaps and options, so as to help enterprises mitigate exchange rate risk. It now has the capability to provide quotations for 99 emerging market currencies, and 46 currencies of countries along the Belt and Road.

The Bank participated in the second Belt and Road Forum for International Cooperation. During the "Thematic Forum on Financial Connectivity", the Bank actively participated in the signing of the *Green Investment Principles for the Belt and Road*. At the first Belt and Road Entrepreneur Conference, on-site contracting was completed for four symbolic Belt and Road projects recommended by the Bank. In addition, as co-organiser of the matchmaking talks event of the Belt and Road Entrepreneur Conference, the Bank arranged nearly 800 one-to-one talks through its cross-border matchmaking platform for SMEs. Finally, the Belt and Road International Financial Exchange & Cooperation Seminar hosted by the Bank was listed in the deliverables of the second Belt and Road Forum for International Cooperation.

Inclusive Finance

Actively implementing national policies and measures to develop inclusive finance and serve the real economy, the Bank continuously improved its inclusive finance service system, focused on reducing financing costs for micro and small-sized enterprises, and steadily enhanced the quality and efficiency of its services for these enterprises.

The Bank strengthened credit support for micro and small-sized enterprises and provided comprehensive policy and resource support for inclusive finance. It refined its inclusive finance structure, established a sound service system, promoted the application of a bank-wide organisational structure for inclusive finance and built the "five specialised operating mechanisms". As at the end of 2019, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises[4] reached RMB412.9 billion, an increase of 38% compared with the prior year-end, outpacing the growth rate of the Bank's total loans. The number of micro and small-sized customers stood at nearly 400,000, higher than the beginning of the year. The average interest rate of new inclusive finance loans to micro and small-sized enterprises was 4.30%, while the quality of loans granted to micro and small-sized enterprises remained stable. The Bank strengthened risk control and improved operational compliance in terms of systems and mechanisms, policy processes and information systems, so as to boost the high-quality development of inclusive finance.

The Bank actively provided SME cross-border matchmaking services to promote connectivity across the globe. It held 11 cross-border trade and investment conferences in 2019. As the sole strategic partner of the CIIE, the Bank successfully hosted the Exhibitor-Businessman Supply-Demand Matchmaking Conference of the second CIIE. It has held 61 cross-border matchmaking events since 2014, facilitating the participation of 30,000 enterprises from 125 countries and regions, and helping them to achieve business cooperation on trade, investment and the introduction of technologies, etc.

Pension Business

Focusing on the development of China's social security system, the Bank continuously expanded its pension business coverage, promoted product innovation and improved system functions. It provided a range of products including enterprise annuities, occupational annuities, employee benefit plans and pension security management products, thus continuously enhancing customer satisfaction. It also accelerated strategic planning for its pension business and launched scenario building for the silver economy, thereby vigorously supporting the development of the silver economy. As at the end of 2019, pension funds under custody reached RMB52.266 billion and the total number of individual pension accounts held by the Bank reached 5.3949 million, an increase of 0.3830 million or 7.64% compared with the prior year-end. Assets under custody amounted to RMB387.145 billion, an increase of RMB165.987 billion or 75.05% compared with the prior year-end, with the Bank serving more than 16,000 clients.

Personal Banking

By emphasising a customer-centric approach, the Bank adapted to the trend of FinTech development and accelerated the digital transformation and structural reform of personal banking, thus driving the healthy and sustainable development of the business. In 2019, the Bank's personal banking business in the Chinese mainland realised an operating income of RMB163.429 billion, an increase of RMB9.840 billion or 6.41% compared with the prior year.

Personal Deposits

In response to the trend of interest rate liberalisation, the Bank leveraged its advantages in comprehensive personal financial services, intensified innovation in personal deposit products and improved the payment settlement service process, thus satisfying differentiated customers' needs. It further expanded its payment agency business by classifying its customer groups and improving the connectivity between corporate and personal businesses. It also provided payment agency customers with a package of integrated service solutions, including account opening, salary payment, consumption and investment. The Bank launched an online margin deposit business featuring multiple transaction scenarios. It further developed its personal 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. In addition, the Bank 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. The Bank actively leveraged its advantages in foreign exchange business and provided services for major events such as the China International Import Expo.

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4 Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Circular of the General Office of the China Banking and Insurance Regulatory Commission on Further Improving the Quality and Efficiency of Banks' Financial Services for Micro and Small-sized Enterprises in 2019* (Y.B.J.B.F. [2019] No. 48)

As at the end of 2019, the Bank's RMB personal deposits in the Chinese mainland totalled RMB5,544.204 billion, an increase of RMB517.882 billion or 10.30% compared with the prior year-end. Personal foreign currency deposits amounted to USD41.397 billion, maintaining a leading market share.

Personal Loans

The Bank stepped up efforts to serve the real economy and support an upgrade in consumption by steadily advancing the development and transformation of its personal loan business. It put into practice national regulatory policies and requirements on real estate, with a particular focus on serving the needs of households seeking to buy owner-occupied homes for the first time in key regions, thus promoting the sustainable and sound development of its residential mortgage loan business. The Bank upgraded the functions of its featured "BOC E-Credit" product, continuously strengthened the connection between social security, housing provident fund and taxation data, and made innovative breakthroughs in its products and services by integrating consumer scenarios. It launched "BOC E-Credit • Operation Loan", "BOC E-Credit • Tax Loan", "BOC Wealth Accumulator", loans for merchants and other inclusive finance loan products, and carried out state requirements for cutting taxes and fees, with a focus on addressing the difficulties and high financing costs faced by micro and small-sized enterprises. The Bank's newly-launched industry chain online loan product for individual businesses in the Chinese mainland was selected as one of the "Ten Cases Serving the Real Economy with Financial Innovation in 2019" by *Hong Kong Commercial Daily* and the China Association for the Promotion of Development Financing. Moreover, the Bank continued to grant government-sponsored student loans, securing a leading market position, and carried out educational support campaigns such as "Cultural and Arts on Campus", "Rainbow Bridge" and "Integrity Education on Campus".

As at the end of 2019, the Bank's RMB personal loans in the Chinese mainland totalled RMB4,450.464 billion, an increase of RMB516.624 billion or 13.13% compared with the prior year-end.

Wealth Management and Private Banking

The Bank accelerated the development of its wealth management and private banking services by driving the innovation and transformation of various businesses and improving its customer service capabilities. Focusing on customers' wealth management needs, the Bank constructed a market-wide product selection platform to enhance its asset allocation capacity. It intensified FinTech application and developed featured intelligent automatic investment strategies in order to improve its integrated and intelligent investment product sales capabilities. It built a professional asset allocation decision-making system, established BOC Investment Strategy Research Centre and released the BOC Guangdong-Hong Kong-Macao Greater Bay Area Wealth Index and the *2020 BOC White Paper on Personal Banking Global Asset Allocation*. In addition, the Bank strengthened its service system building, improved its talent management mechanism, and achieved significant progress in cultivating teams of wealth management managers, private bankers and investment advisors. It vigorously developed family trust and discretionary investment business, and drove forward the building of an Asia-Pacific private banking platform, thus further improving its global services.

As at the end of 2019, the Bank had set up 8,215 wealth management centres, 1,107 prestigious wealth management centres and 46 private banking centres in the Chinese mainland. The Group managed more than RMB1.6 trillion of financial assets on behalf of its private banking customers. In 2019, the Bank received awards including "Best Private Bank for International Network in China" from *Asiamoney*, "Excellence In Distributor for Private Equity" in the Ying Hua Awards organised by *China Fund*, "Best National Private Banking in China" from *Asian Private Banker*, and "Golden Award | Best Domestic Private Bank — Family Succession Service" from *Wealth*. It also won "2019 Best Cross-border Financial Service" from *China Business*, and "Innovative Institution of Best Local Family Service Practice" from FOTT.

Bank Card

Closely following changes in market trends and customer demand, the Bank kept improving its bank card business structure and effectively controlled business risks with the aim of achieving high-quality development. In terms of credit card, the Bank implemented the "Five Indicators" evaluation, namely activation ratio, active customer ratio, credit line use ratio, risk-adjusted return on capital (RAROC) and non-performing loan ratio, and thus maintained stable asset quality in its credit card business. The Bank strengthened online and offline scenario design around winter sports, education and home decoration. Focusing on the needs of key customer groups such as young customers, overseas students, car owners and cross-border customers, the Bank launched distinctive credit card products. As the official banking partner of two Olympic Games, the Bank issued the world's first Visa Olympic Winter Games Beijing 2022-themed Credit Card and China UnionPay Winter Sports-themed Credit Card to serve winter sports and a nationwide fitness campaign, building a strong market reputation around the concept of "For ice and snow sports, look for BOC". Following and supporting the country's highway reform and facilitating customers' automotive consumption, the Bank continuously refined its Car Credit Card and ETC Co-branded Credit Card products, and opened an express channel for online ETC application. It also continued to promote the digital and intelligent transformation of its credit card business and the online and electronic transformation of its credit card channels. It launched BOC Digital Credit Card and built a "Digital Card Plus" payment ecosystem, thus realising a whole-chain and closed ecological loop that ensures customers remain active upon acquisition. In addition, the Bank upgraded its instalment service through the launch of online "BOC E Instalment", which helped premium instalment payments increase by 70% compared with the prior year. It accelerated the promotion of new and second-hand car purchase instalment plus car derivative instalment, which together achieved a 9.9% year-on-year growth rate in a decelerating domestic auto market. The Bank upgraded the functions of its digital acquiring products and launched a facial recognition payment product based on biometric authentication technologies for "BOC Smart Payment". It improved its online checkout product to allow for comprehensive acceptance of online payments, convenient access and customised acceptance for merchants. It released the "BOC Smart Merchant" app to facilitate the seamless online connection of the entire merchant business process. The Bank actively promoted scenario building, successfully launching more than 200 programmes for cross-border, education, sports, silver economy, transportation, medical health, government affairs payment, entertainment and tourism scenarios, and exclusively provided the acquiring service for a series of national activities such as the 2nd China International Import Expo and the 16th China-ASEAN Expo. Focusing on customer experience, the Bank continuously developed 360-degree customer life cycle maintenance so as to enhance service effectiveness. It protected cardholder rights and interests through combined marketing activities for key customer groups and carried out emotionally resonant and interactive publicity campaigns, and thus raised the influence of its credit card brands.

The Bank 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 campus 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, in cooperation with local Human Resources and Social Security Bureaux, had at the end of 2019 accumulatively issued 108 million social security cards equipped with financial functions. It also launched innovative online products including electronic social security cards and electronic health cards, providing customers with integrated "online + offline" and "financial + non-financial" services. It developed rail travel scenarios and completed the application of Railway e-Card on ten railway lines.

The Bank's bank card issuance and transaction volumes as at the end of 2019 are set forth below:

Unit: million cards/RMB billion, except percentages

Items	As at 31 December 2019	As at 31 December 2018	Change (%)
Cumulative number of debit cards	**565.1313**	525.7446	7.49%
Cumulative number of credit cards	**124.9501**	110.6573	12.92%
Cumulative number of social security cards with financial functions	**108.4211**	101.8742	6.43%
	2019	2018	Change (%)
Transaction amount of debit cards	**7,115.278**	5,941.075	19.76%
Transaction amount of credit cards	**1,777.209**	1,619.555	9.73%
Instalments volume of credit cards	**325.606**	279.132	16.65%

Accelerating Digital Transformation of Personal Banking

The Bank implemented the digital development strategy on all fronts, reformed the organisational structure of its personal banking business, and pushed forward the digital transformation of personal banking business for the whole process of front, middle and back offices.

Enabling advancement through technology to conduct organisational structure reform. To ride on the FinTech development trend, the Bank established the Digital Personal Banking Department with the Digitalised Platform Centre and the Private Banking Centre under the new department, with a view to upgrading the personal banking development mode in all aspects. Keenly aware of the consumption upgrade trend, the Bank built the Consumer Finance Department, in a bid to put in place an integrated consumer finance service system. Additionally, it worked harder to shape its credit card brand and optimised the responsibilities assigned to the Bank Card Centre so as to highlight the characteristics unique to the business line. With respect to the reform in its management mechanism, the Bank focused on management coordination, integration and optimisation, did a better job in the division of functions and duties, strove to unify a stronger synergy for further development, and increased the ability to respond agilely.

Following the strategy of "Mobile First" to establish an agile front office. In 2019, the Bank unveiled Mobile Banking Version 6.0. This introduced more than 300 improvements in terms of functionality, user experience, scenarios, technological application, and other aspects. At the end of the year, mobile banking customers numbered 181 million across the Bank and related transactions during the year totalled RMB28 trillion, an increase of 24% and 41% respectively compared with the prior year.

Following the strategy of "Intelligent First" to establish a centralised middle office. The Bank promoted the use of smart accounts and launched the "income/expenses recording" function in its digital account books. It also promoted the Zhi Hui Rights Protection Programme, paving the way for the launch of a personal customer rights management system. With respect to intelligent investment advisor services, the BOC Robot Advisor programme, an intelligent service portfolio, recorded a transaction volume of RMB12.3 billion and attracted a total of over 100,000 customers.

Following the strategy of "Automatic First" to establish an efficient back office. To enhance its digitalised risk control capabilities, the Bank built and implemented a full-coverage, intelligent and efficient anti-fraud on-going risk control platform at the enterprise level, with the aim of keeping customer funds secure. In addition, it was the first Chinese bank to unveil "Cellphone Shield", a mobile banking-oriented digitalised authorisation tool, which made fund transfer through mobile banking much easier and safer. To raise data integration standards, the Bank brought out rapid growth of data scale in its big data platform, fostered modelling capability in its data sandbox and created 1,894 customer tags, thus enabling its personal banking business to utilise data in an automatic, visualised and mobile manner.

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 and fully leveraging its professional advantages, the Bank continuously adjusted its business structure and strengthened its efforts to participate in financial market innovation and achieve compliance with international regulatory requirements, thus increasing its business influence in financial markets.

Securities Investment

By strengthening its analysis and judgment regarding the macro-economic situation and market interest rates, the Bank proactively seized market opportunities, rationally adjusted the duration of its investment portfolio and optimised its investment structure. The Bank actively supported the development of the real economy with a particular focus on key strategies and major areas, and participated appropriately in local government bond investment. Following trends in global bond markets, the Bank optimised its foreign currency investment portfolio and managed to prevent and mitigate interest rate risk and credit risk.

Trading

The Bank continuously improved its integrated global financial markets business system, based on the three core product lines of interest rates, exchange rates and commodities. It endeavoured to improve its quantitative trading capability and comprehensive customer service ability, in order to boost the stable and rapid development of its financial markets business. The Bank diversified its foreign exchange products, continued to outperform its peers in market share of foreign currency exchange against RMB business, and brought the number of currency pairs available for exchange up to 39. It also increased the total number of tradable foreign currencies to 110, among which 99 are emerging market currencies and 46 are currencies of Belt and Road countries. Relying on a multi-layered service system covering research, trading and sales, the Bank strengthened the integrated expansion of its overseas institutional investor client base. The Bank assisted the two-way opening-up of China's financial markets and participated in the interconnection of the Shanghai Gold Exchange and Chicago Mercantile Exchange (CME). It stepped up product innovation, with its personal trading products system now covering precious metals, bonds, crude oil and foreign exchange, so as to meet the multi-faceted asset allocation needs of personal customers. In line with the financial needs of the real economy, the Bank provided professional hedging services against risks relating to exchange rates, interest rates and commodity prices. It improved online service capabilities and realised rapid growth in transaction volume and customer base. In addition, viewing compliance as a core competitive edge, the Bank pressed forward with the mandatory initial margin compliance programme.

Investment Banking and Asset Management

The Bank fully leveraged the competitive advantages of its international and diversified operations with a focus on serving the real economy. It provided customers with comprehensive, professional and customised investment banking and asset management solutions, including professional financial products and services for bond underwriting and distribution, asset management, asset securitisation and M&A restructuring advisory. To facilitate the construction of China's multi-layered capital markets system and to support customers' direct financing needs, the Bank underwrote debt financing instruments for non-financial institutions in the China interbank bond market of a total amount of RMB457.356 billion. The Bank's bond underwriting business for financial institutions was greatly boosted, with its financial bond underwriting volume and market share continuing to improve. It maintained the leading market share among all commercial banks in the interbank market in terms of asset securitisation underwriting business. The Bank enhanced its cross-border competitiveness by assisting offshore issuers such as the Republic of the Philippines, the Republic of Portugal, Cassa Depositi e Prestiti, Crédit Agricole S.A. and United Overseas Bank in issuing Panda bonds. It held the leading market share in Panda Bonds business. It acted as Joint Lead Manager and

Joint Bookrunner for the MOF's issuance of its first RMB sovereign bond in Macao, the issuance of its first sovereign bond denominated in Euro since 2004, and the issuance of a USD sovereign bond for the third consecutive year, which totalled more than USD10.0 billion equivalent. These issuances further constructed the yield curve of foreign currency-denominated sovereign bonds and facilitated the establishment of the pricing benchmark for Chinese credits. The Bank continuously ranked first in the market share as an underwriter of Chinese offshore bonds. It also made efforts to promote the development of green finance, and maintained the largest market share for green bond issuance in the China interbank market. Proactively exploring financial solutions for poverty alleviation, the Bank successfully assisted the issuance of the first off-site poverty alleviation notes. Moreover, it strongly supported private enterprise financing, underwriting debt financing instruments for private enterprises totalling RMB33.588 billion and thus further expanding financing channels for private enterprises. As a result, the Bank was awarded as "China Bond House" and "Best Renminbi Bond" by *IFR Asia*, "Best Panda Bond House", "Best Investment Grade Bond House in Asia" and "Best Panda Bond" by *FinanceAsia*, "Best Firm for ABN" and "Best for Auto ABS" by *Asiamoney*, and "Best Bond Advisor", "Best Green Bond", "Best Quasi-Sovereign Bond", "Best Social Impact Bond" and "Best Securitisation Advisor" by *The Asset*. As such, the brand influence of BOC Debt Capital Markets was continuously enhanced.

The Bank continued to promote the transformation of its wealth management business, further expanded its product line and steadily increased its net value product balance. It strengthened support for the real economy and provided various themed wealth management products surrounding national policies and intense market interest, such as pension finance, green finance, inclusive finance, and the private economy. The Bank also launched themed products to actively support the development of strategic zones, including the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, and so on. As at the end of 2019, the total balance of wealth management products issued by the Bank and BOC Wealth Management amounted to RMB1,427.7 billion.

The Bank established a professional financial advisory service system and strengthened group-level coordination. Leveraging the advantages arising from coordination between the Head Office and branches, as well as the integration of both its domestic and overseas operations and its commercial banking and investment banking functions, the Bank provided customers with professional advisory services such as divestitures, cross-border M&A, debt restructuring, equity financing, private fund raising and project financing. It steadily promoted its credit asset-backed securitisation business and optimised the structure of its existing assets. The Bank successfully issued five residential mortgage-backed securities with a total amount of RMB49.985 billion and one non-performing credit asset-backed security with a total amount of RMB569.7 million in the year.

Custody Business

The Bank actively served the national development strategies and improved the development quality of its custody business by continuously expanding its service coverage, improving the service offering, consolidating the business line and increasing business scale. As at the end of 2019, total assets of the Bank's custody business amounted to RMB10.5 trillion, an increase of 8.62% compared with the prior year-end. In service of the two-way opening-up of China's financial markets, the Bank conducted a batch of symbolic projects in related with mutual market connections and ranked top among Chinese banks in terms of cross-border custody assets, which reached RMB353.0 billion. It assisted the development of the silver economy and won all of the tenders for custodian bank services made by provisional and municipal occupational annuities during the year, as well as the annuity custody programmes of many major enterprises. Supporting the reform of state-owned enterprises, the Bank provided custody services for multiple state-owned enterprise reform ETFs, raising an initial total of RMB22.082 billion. It supported the transformative development of the asset management business and provided its industrial peers with custodian and outsourcing services on bank collective investment products. In addition, the Bank implemented its technology-driven strategy and expedited the construction of its custody system, thus improving its operational service efficiency.

Supporting Olympic and Paralympic Winter Games Beijing 2022 with financial services

As the official banking partner of Olympic and Paralympic Winter Games Beijing 2022 ("Beijing 2022 Games"), the Bank spared no effort to deliver financial services and support the preparations for the event, and encouraged 300 million people to embrace winter sports.

The Bank capitalised on its advantages in integrated operations and provided quality financial services for Beijing 2022 Games. The Bank firmly supported the construction of venues and infrastructure for Beijing 2022 Games by providing bank credit for core projects such as the Big Air Shougang, the Yanqing Zone venues, and the National Cross-Country Skiing Centre, National Ski Jumping Centre, National Biathlon Centre and Zhangjiakou Olympic Village. It also provided the Beijing Organising Committee for the 2022 Olympic and Paralympic Winter Games, official partners, sponsors and licensees with exclusive financial services such as account management, settlement and exchange, exchange rate consulting and letters of guarantee.

The Bank intensified FinTech innovation to build up a high-tech-based Olympics. As required by the PBOC concerning the payment environment development for Beijing 2022 Games, the Bank sped up the launch of high-tech-based and smart financial products, improved the payment experience of participants, spectators and tourists from home and abroad, and thus endeavoured to integrate financial services with high-tech-based Olympics.

The Bank leveraged its leading role as an official partner to encourage 300 million people to embrace winter sports. The Bank issued the world's first Olympic Winter Games Beijing 2022-themed credit card and debit card in 2019 to provide support for winter sports enthusiasts and the public to participate in winter sports through abundant benefits. The Bank carried out Olympics-themed publicity campaigns such as "Olympic Day" and "1,000-day Countdown to the Beijing 2022 Games" and supported domestic and international winter sports events such as the 14th National Winter Games and "Experience Beijing" — A Series of Winter Sporting Events to publicise the event and bolster the popularisation of winter sports.

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, thus promoting the construction of a beautiful and liveable countryside.

BOC Fullerton Community Bank expedited the expansion of its institutional distribution network to support financial development in county areas. After acquiring shares in village banks held by China Development Bank and China Construction Bank, it expanded its business scale, so as to better support for the development of China's central and western regions and the real economy in county areas.

As at the end of 2019, BOC Fullerton Community Bank controlled 125 village banks with 166 sub-branches in 22 provinces (including municipalities directly under the Central Government). It has become the largest domestic village bank group in terms of total institutions and business scope, and has obtained approval to establish an investment management village bank in the Xiongan New Area. It also continuously improved its product and service system to further expand its customer base and business scale. As at the end of 2019, the registered capital of BOC Fullerton Community Bank amounted to RMB7.524 billion, with its total assets and net assets standing at RMB65.803 billion and RMB10.881 billion respectively. The balances of total deposits and loans of these banks stood at RMB41.588 billion and RMB44.467 billion respectively, an increase of 6.80% and 13.27% compared with the prior year-end. The NPL ratio was 1.68%, and the ratio of allowance for loan impairment losses to NPLs was 254.01%. In 2019, BOC Fullerton Community Bank achieved a profit for the year of RMB840 million.

Overseas Commercial Banking

In 2019, the Bank further enhanced its global service and support capabilities and sharpened its market competitiveness by continuously promoting the establishment of overseas institutions, pushing forward the integrated development of its domestic and overseas operations, actively deepening the construction of the financial artery of the Belt and Road Initiative and advancing RMB internationalisation on all fronts. As at the end of 2019, the Bank's overseas commercial banking customer deposits and loans totalled USD454.235 billion and USD389.956 billion respectively. In 2019, the Bank's overseas commercial banking business achieved a profit before income tax of USD8.879 billion, accounting for 24.42% of the Group's total profit before income tax.

Regarding the distribution of overseas institutions, the Bank closely tracked the financial services needs of global customers and accelerated the development and distribution of institutions in countries along the Belt and Road, so as to further improve its global service network. As at the end of 2019, the overseas institutions of the Bank totalled 557, covering 61 countries and regions across the world.

For corporate banking business, by giving full play to the advantages arising from its integrated commercial and investment banking operations, the Bank provided a full spectrum of premium, efficient, customised and comprehensive financial services for "Going Global" and "Bringing In" customers, "Fortune Global 500" enterprises and local corporate customers. It further improved its globalised customer service system and continually enhanced its middle and high-end products and services. Through core products including syndicated loans, project financing, cross-border M&A, export credit, global cash management and L/G, the Bank provided great support for key projects related to infrastructure construction, energy resource development and overseas industrial parks, with the aim of providing sound financial services for the Belt and Road Initiative, promoting international

cooperation in production capacity and helping enterprises achieve sustainability in their overseas investments and operations.

For personal banking business, the Bank continued to improve its overseas customer service network, extending its business coverage to more than 30 countries and regions. It vigorously promoted business innovation, actively served customers' financial and non-financial needs, and provided account, settlement, debit card, mobile banking and other services for overseas business travellers, overseas students, expatriates and local customers. The Bank made in-depth efforts to improve cross-border scenarios, enriched its cross-border product and service system and launched the "Account Opening Witness" service in the Guangdong-Hong Kong-Macao Greater Bay Area to help Hong Kong residents open personal accounts in the Chinese mainland via BOCHK branches. These efforts gave a continuous boost to the Bank's cross-border service quality and market influence. The Bank also launched the "Cross-border Wallet" payment service for Macao residents, becoming the first bank in the Chinese mainland to offer code-scanning payment for cross-border accounts and the first Chinese bank to enable cross-border e-wallet clearing through the PBOC's Cross-border Interbank Payment System. The Bank accelerated the scenario integration of cross-border credit card customers, continuously enriched the marketing activity and content for the "Enjoy the World with BOC Credit Card" series of cross-border credit cards, enhanced its unique brand influence in cross-border payment and strived to provide cross-border customers with preferential, convenient and high-quality cross-border card services. It expanded its overseas card issuance and acquiring services, developed new products such as Macao MasterCard Credit Card, released an overseas version of "BOC Smart Payment" and successfully launched it in its Phnom Penh Branch.

For financial markets business, the Bank gave full play to its advantages in integrated global operations and actively engaged in RMB futures market-making on the exchanges of Singapore, South Korea, Dubai, etc., in line with the national opening-up strategy. It became the first Chinese bank to serve as a central clearing member of the London Clearing House. The Bank continued to enhance its capacity for expanding its overseas customer base, with its professional service capabilities reaching international standards. It realised rapid growth and continually optimised the structure of its three product lines of exchange rates, interest rates and commodities, and thus continuously improved its business scale and profitability. The Bank sped up efforts to develop its global custody service network and strived to deliver custody services to "Going Global" and "Bringing In" customers. It grasped opportunities arising from capital market connectivity to undertake the marketing of new businesses such as cross-border deposits. The Bank successfully issued the fifth tranche of its Belt and Road-themed bonds with a total volume equivalent to approximately USD3.8 billion. It also successfully issued the sixth tranche of its green bonds with a total volume equivalent to approximately USD1.0 billion, of which the USD-denominated bond was the first Secured Overnight Financing Rate (SOFR) bond issued by a commercial institution in the Asia-Pacific region.

For clearing services, the Bank continuously improved its cross-border RMB clearing capabilities and further consolidated its position at the leading edge of international payments. After holding an opening ceremony, the Bank's Tokyo Branch formally commenced business as the RMB clearing bank in Japan. The Bank also received authorisation to serve as the RMB clearing bank in the Philippines, which means that it now accounts for 13 of the world's 27 authorised RMB clearing banks and continues to lead its peers. It also ranked first in terms of the number of CIPS indirect participants. In 2019, the Bank's cross-border RMB clearing transactions totalled RMB434 trillion, an increase of almost 12% compared with the prior year, maintaining first place in the global market.

For e-banking, the Bank further expanded its overseas coverage and continued to enhance its global online financial services capacity. With its online financial services platform actively integrating its overseas and domestic operations, the Bank further enriched service functions such as overseas corporate online banking and overseas bank-enterprise connection channels, and therefore continued to lead its peers in global fund management services. As at the end of 2019, the Bank offered overseas corporate online banking services in 46 countries and regions, with 14 available languages. It provided overseas mobile banking services in 27 countries, supporting 10 languages and offering over 60 services within 13 categories.

BOCHK

In 2019, BOCHK remained committed to its strategy of building a top-class, full-service and internationalised regional bank. Taking a customer-centric approach, it actively responded to changes in the market environment and seized market opportunities to steadily push forward its business priorities, with major financial indicators remaining at solid levels. Striving to be customer-centric at all times, it continued to develop the local market in Hong Kong and expedited its innovation-led transformation. BOCHK expanded its active involvement and business development in the Guangdong-Hong Kong-Macao Greater Bay Area, and endeavoured to consolidate its leading market position for major businesses in the area by sharpening its integrated business systems. It deepened the integration of its Southeast Asian entities, enhancing both regional synergies and development quality. It expedited its digital and innovation-driven development and enhanced FinTech application in its products and services. Moreover, BOCHK remained dedicated to cultivating its bank culture to ensure balanced and sustainable development. As at the end of 2019, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD3,026.056 billion and net assets reached HKD307.492 billion. Its profit for the year was HKD34.074 billion.

BOCHK continued to develop its core market in Hong Kong and outperformed its peers in key business areas. The growth of BOCHK's total customer deposits and loans was above the market average. Its asset and liability structure was further optimised, with asset quality outperforming the local market. BOCHK strived to optimise its business structure to enhance its regional and integrated service capabilities and successfully arranged a number of significant syndicated loans and debt issuance projects. It remained the top mandated arranger in the Hong Kong-Macao syndicated loan market for the 15th consecutive year. In line with measures promoted by the HKSAR government, it enhanced its service levels for commercial customers in Hong Kong and mitigated the operating pressure felt by SMEs. BOCHK deepened its business relationships with government and institutional customers, and pushed forward the development of its key businesses in cash pooling, treasury centre, cash management and trade finance. It deepened the use of scenario-based applications and online service capabilities to support the enhancement of financial infrastructure and e-channels. Continuous improvements were made to the product functions and scenario-based applications of the BoC Pay and BoC Bill payment systems in order to foster the development of an ecosystem for payment and collection services, resulting in a continuous increase in market penetration. It catered to the differentiated needs of personal clients and provided exclusive and all-round services to its mid to high-end clients, which led to continuous improvement in the structure and scale of its customer base. In addition, it accelerated FinTech innovation and promoted digital upgrading and scenario-based application in its products and services, so as to better satisfy people's livelihood banking needs.

BOCHK promoted integrated development and collaboration in the Greater Bay Area in order to expand featured cross-border services. BOCHK actively participated in the development of the Guangdong-Hong Kong-Macao Greater Bay Area, free trade zones and the Xiongan New Area by providing financing support and expert advisory guidance. It strengthened its collaboration and communication with branches and subsidiaries within the Group in order to establish an integrated sales and service system in the Greater Bay Area across four major aspects of cross-border activities: people flow, commodities flow, fund flow and information flow. It captured opportunities in terms of customers, projects and products, with a focus on serving key business areas with appropriate products and services in order to further enhance its cross-border financial service capabilities. To meet the demand of residents from Guangdong, Hong Kong and Macao for financial services, including account opening, payment services, wealth management and financing, BOCHK launched a "Greater Bay Area Account Opening" service to provide a Chinese mainland personal account opening attestation service for Hong Kong residents. The "Greater Bay Area Service Connect" service was launched to provide mutual service access to wealth management customers. As a result, BOCHK achieved a solid increase in the number of cross-border customers.

BOCHK promoted its business development in Southeast Asia and enhanced regional synergies. Following the completion of the acquisition of Bank of China Vientiane Branch, BOCHK's Southeast Asia business now covers eight Southeast Asian countries. BOCHK steadily pushed forward the implementation of its regional management model, reinforced resource support and adopted differentiated development strategies for each Southeast Asian entity. It strengthened collaborative marketing with its Southeast Asian entities and continuously enriched their product and service portfolios so as to expand into local mainstream markets. As a result, they successfully acquired major clients in the region, resulting in a continuous expansion of customer base and business scale. Bank of China (Thai) Public Company Limited helped a Thai asset management company client to become an RQFII, while Bank of China (Malaysia) Berhad launched a BOC Wealth Management service. BOCHK Ho Chi Minh City Branch successfully handled the first cross-border RMB entrusted settlement business in Vietnam's non-border area. Bank of China Manila Branch was designated as the RMB clearing bank in the Philippines. BOCHK Jakarta Branch ranked fifth in the overall banking industry in Indonesia, and first among foreign bank branches. It was awarded the title of "Best Foreign Bank of the Year" in Indonesia and became the first bank to distribute RMB insurance products in the Indonesian market. The Southeast Asian entities comprehensively enhanced their capabilities in credit risk, internal control and compliance as well as anti-money laundering management, ensuring compliance with relevant regulatory requirements.

BOCHK expedited its digital transformation and pushed forward FinTech innovation. BOCHK kept pace with market trends and stayed aligned with changes in market demand. By applying innovative technologies such as big data, artificial intelligence (AI), blockchain, biometric authentication, open API and robotic process automation in financial products, service processes, operations management and risk control, BOCHK was able to continuously improve its service levels and strengthen customer experience. It promoted a new payment and collection model and developed a diversified, small amount and high frequency payment scenario. Robotic Process Automation (RPA) technology was gradually introduced to handle middle and back office operational processes, in a bid to increase operational efficiency and reduce operational risks. It launched the Global Transaction Banking Platform, a new version of mobile banking and an intelligent customer service platform, so as to promote an integrated financial mobile portal. BOCHK accelerated the intelligent development of its branch network and optimised its customer service processes. It also supported innovation-driven strategy research, further enriched scenario-based applications of FinTech and accelerated its pace of innovation. In addition, Livi VB Limited ("Livi"), a virtual banking joint venture company owned by BOC Hong Kong (Holdings) Limited, JD New Orbit Technology (Hong Kong) Limited and JSH Virtual Ventures Holdings Limited, was granted a banking licence by the Hong Kong Monetary Authority. Using various innovative technologies, Livi will bring a unique banking experience to customers.

During the year, BOCHK was recognised as "Best Retail Bank in Hong Kong", "Best Cash Management Bank in Hong Kong" and "Best Transaction Bank in Hong Kong" by *The Asian Banker*, "Best Bank for CSR in Hong Kong" by *Asiamoney*, "Hong Kong Domestic Foreign Exchange Bank of the Year", "Hong Kong Domestic Trade Finance Bank of the Year", "Hong Kong Domestic Cash Management Bank of the Year", and "Mobile Banking Initiative of the Year — Hong Kong" by *Asian Banking & Finance*, "Best Currency Swap Member" and "Opening Contribution Award" by the China Foreign Exchange Trade System, and received the "Outstanding International Member Award" from the Shanghai Gold Exchange, the "Key Business Partner in FIC Market" award from HKEX, and the "Best SME's Partner Gold Award 2019" 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.)

Delivering comprehensive services to the second CIIE

Driven by a strong sense of responsibility and mission, the Bank gave full play to its advantages in globalised and integrated operations in support of the nation's opening-up strategy. Based on the services delivered to the first CIIE, the Bank assisted with preparations for the second CIIE as a strategic partner.

Deeply involved in attracting exhibitors and businesses. Leveraging its extensive global institutional network, the Bank has held Expo promotion and exhibitor attraction events in 12 countries and regions since the closing of the first CIIE. The Bank organised business attraction and promotion activities in more than 20 countries and regions as an "overseas business attraction undertaking institution", inviting overseas exhibitors and procurers to negotiate transactions in China. In its capacity as a "supporting organisation for the overall programme of domestic business attraction road shows", the Bank supported business attraction road shows in 21 cities held across the country by the China International Import Expo Bureau and local commerce authorities, and invited thousands of domestic enterprises to participate in the CIIE.

Facilitated supply-demand matchmaking. The Bank again organised the Exhibitor-Businessman Supply-and-Demand Matchmaking Meeting, attracting 4,625 enterprises from 103 countries and regions and leading to a total of 2,160 purchase intention agreements. Compared with the first CIIE, the number of exhibitors during the second CIIE increased by 16%, the number of businessmen increased by 32%, and the number of purchase intention agreements increased by 72%. The newly upgraded "BOC Global Matchmaking System (GMS)" was used to intelligently match customer demand, automatically arrange meeting logistics and release the results of talks on a real-time basis.

Successfully held themed events. The Bank participated in the "E-commerce Innovation Development in the Digital Era" session of Hongqiao International Economic Forum, as well as hosting a thematic forum on "Internationalisation of RMB — Facilitating the Building of the Free Trade Zone", thus contributing to economic and trade exchange and cooperation between China and overseas parties.

Delivered comprehensive financial services. The Bank optimised and upgraded on-site services, adopted new technologies such as AI, big data and cloud computing, introduced the "BOC face-scanning payment" channel, built intelligent outlets and provided convenient online digital financial services for participating enterprises and individuals.

Comprehensive Operation Platforms

Seizing the strategic opportunities arising from the construction of multi-layered capital markets, the Bank pushed forward its high-quality, integrated development. In the aim of serving the real economy and satisfying the diverse needs of customers, the Bank continued to focus on core business, firmly held the bottom line for operational compliance and strengthened collaboration within the Group, making its financial services more adaptable, competitive and inclusive. In 2019, the Bank made steady progress in its comprehensive development and achieved breakthroughs in key areas.

Investment Banking Business

BOCI

The Bank is engaged in investment banking business through BOCI. As at the end of 2019, BOCI had an issued share capital of HKD3.539 billion, total assets of HKD68.639 billion, and net assets of HKD19.585 billion. In 2019, BOCI realised a profit for the year of HKD1.479 billion.

BOCI further enhanced its capabilities in cross-border services to serve the global clients. It made great efforts to develop its M&A business, capitalised on its structural advantages in government services, leveraged its financial solution expert panel, and actively extended its reach in Southeast Asian markets. In addition, it achieved steady progress in its equity underwriting and financial advisory businesses, helping foreign enterprises to attract Chinese capital and expand into the Chinese market while assisting Chinese companies in their "Going Global" efforts. In 2019, BOCI was the only Chinese investment bank mandated to assist Saudi Arabian Oil Company ("Saudi Aramco") in its IPO, the biggest ever in global capital markets, thus further increasing its international influence.

BOCI placed an emphasis on cross-border business cooperation between the Chinese mainland and Hong Kong. It promoted the internationalisation of the domestic commodity futures market and provided over-the-counter ("OTC") trading services for oil futures of the Shanghai International Energy Exchange. It took the initiative to launch the "BOCI Greater Bay Area Leaders Index". Moreover, BOCI continuously improved its private banking infrastructure and system so as to enhance its comprehensive wealth management offering and thus make its market leadership and competitive advantages more sustainable. 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 also played an active role in the Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme.

Adopting a lean management philosophy, BOCI actively pressed ahead with FinTech and product innovation. It rolled out a next-generation securities sales and trading platform app, and applied big data and AI to achieve deeper levels of cross-selling and improve end user experience. It also enriched its offering of callable bull/bear contracts (CBBC) and thereby solidified its leading position in terms of brokerage and equity derivatives business in stock and warrant market of Hong Kong.

BOCI received a number of awards from respected financial and economic organisations during the year, including "Oil and Products House of the Year, Asia", "Commodity Research House of the Year, Asia", "Best Bond Advisor — Global (China)", "China Corporate and Investment Banking Awards 2019 — Best for Cross Border Debt Capital Markets, China", "Country Award 2019 — Best DCM House (Hong Kong-Chinese Financial Institutions)" and "Best FinTech Investors".

BOCI China

BOCI China is engaged in securities-related businesses in the Chinese mainland. As at the end of 2019, the registered capital, total assets and net assets of BOCI China were RMB2.500 billion, RMB48.312 billion and RMB12.738 billion respectively. In 2019, it realised a profit for the year of RMB800 million.

BOCI China aimed for a top-tier position among its peers by pushing forward wealth management transformation for personal customers and transaction ecosystem management transformation for institutional customers. Deepening the synergistic advantages of "investment banking + commercial banking", "investment banking + investment" and "domestic + overseas" in its investment banking business, it shifted its investment banking focus towards transaction-driven comprehensive financial services, its brokerage business focus towards wealth management and its asset management business focus towards active management, while improving the overall versatility of its branches. As a result, its customer service capability steadily strengthened. In 2019, BOCI China ranked sixth and tenth for stock and bond underwriting scale respectively, as well as fifth and 12th for assets under management (AUM) and net income respectively, showcasing an increasing influence in the market.

In 2019, BOCI China was awarded "Excellent All-round Investment Bank", "Excellent Interbank Bond Investment Bank", "Excellent Bond Project" and "Excellent Hong Kong Stock Connect Broker" by *Securities Times*, "International Avant-garde Investment Bank" and "Avant-garde Investment Bank in Bond Underwriting" by *International Financial News*, "Elite Award for Best Broker/Asset Manager in Fixed-income Products" by *China Fund*, as well as "Golden Bull Growing Securities Company" and "Best Industry Analyst Team in 2019" by *China Securities Journal*.

On 26 February 2020, BOCI China was successfully listed on the main board of SSE, and was widely recognised by investors. The Bank holds equity interest in BOCI China through its wholly-owned subsidiary BOCI, and will fully leverage its brand value and synergies to help BOCI China grow into a world-class investment bank.

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

Asset Management Business

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at the end of 2019, BOCIM's registered capital amounted to RMB100 million, its total assets stood at RMB4.679 billion and its net assets totalled RMB3.703 billion. In 2019, its profit for the year reached RMB868 million.

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 2019, BOCIM's AUM reached RMB651.2 billion. In particular, its public-offered funds reached RMB381.8 billion and its non-monetary public-offered funds reached RMB252.8 billion.

BOCIM won a number of prestigious awards including "Top 10 Golden Bull Investment Managers" from *China Securities*, "Gold Fund • TOP Fund Managers" from *Shanghai Securities News* and "Star Fund Award of China fund industry" from *Securities Times*, among others. The funds managed by BOCIM were also granted several awards.

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. BOC Wealth Management was officially established and opened on 4 July 2019, and is a wholly owned subsidiary of the Bank. As at the end of 2019, BOC Wealth Management's registered capital was RMB10.0 billion, its total assets amounted to RMB10.233 billion and its net assets totalled RMB10.175 billion.

BOC Wealth Management worked rapidly to improve its governance framework, build its risk management system and enhance its employee team building so as to solidly launch its business operations. It received regulatory approval to collaborate with Amundi Asset Management in establishing the first sino-foreign joint wealth management company in the Chinese mainland, further expanding the entities and products available in the asset management market. As at the end of 2019, BOC Wealth Management's wealth management product balance amounted to RMB74.492 billion.

BOC Wealth Management was awarded "Best Bank Wealth Management Company" in the 2019 EastMoney Awards.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at the end of 2019, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD9.130 billion and net assets of HKD4.125 billion. In 2019, BOCG Insurance recorded gross written premiums of HKD2.642 billion and realised a profit for the year of HKD28 million. It remained at the forefront of the Hong Kong general insurance market in terms of gross written premium.

Deepening services locally in Hong Kong, BOCG Insurance made solid progress in expanding its business, made timely adjustments to its product structure in the local market, and strengthened the promotion of travel insurance and other products. BOCG Insurance refined its business approach in the Chinese mainland, actively participated in the development of the Guangdong-Hong Kong-Macao Greater Bay Area and launched a series of specific products for customers in the area. It reached out to overseas markets by supporting the Belt and Road Initiative and collaborating with BOCHK Vientiane Branch and Phnom Penh Branch to conduct a number of key insurance schemes.

BOC Life

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at the end of 2019, BOC Life's issued share capital was HKD3.538 billion, total assets amounted to HKD153.116 billion and net assets amounted to HKD10.095 billion. In 2019, its profit for the year was HKD683 million. BOC Life maintained its leading position in Hong Kong's life insurance sector and remained the market leader in RMB insurance business.

BOC Life continued to push forward product and service innovation. It was among the first batch of insurers to promote the tax deductible Voluntary Health Insurance Scheme and Qualified Deferred Annuity Policy, in a bid to satisfy different customer needs. "Forever Glorious ULife Plan II" and "Luminous Prime ULife Plan" were launched to enhance service support for high-end customers and uplift the value of new business and long-term profitability. It launched "iTarget 3 Years Savings Insurance Plan" simultaneously via BOCHK's mobile and internet banking for the first time, established the "Life Insurance Self-Service Counter", and launched "iProtect 10 Years Insurance Plan" via BOCHK's mobile banking, providing customers with a diverse range of choices. It also introduced a "digital sales assistant" in the customer service centre and added policy binding and policy information functions on BOC Life's WeChat Official Account, making services more convenient.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at the end of 2019, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB13.449 billion and net assets of RMB4.234 billion. In 2019, it realised written premiums of RMB6.687 billion and a profit for the year of RMB242 million.

Persistently serving the real economy and supporting the development of inclusive finance, BOC Insurance has served 13.6 thousand SME clients. It actively responded to the Belt and Road Initiative and carried out overseas insurance business which has covered nearly 30 industries in more than 70 countries and regions including Asia, Africa and South America, maintaining a leading position in overseas insurance business. It supported customs clearance facilitation reform by providing services to the China International Trade Single Window and moving online the full process of customs bond insurance and cargo transportation insurance. It also supported regional development strategies by developing an insurance action plan for a water resources allocation project in the Hong Kong-Zhuhai-Macao Bridge and the Yangtze River Delta. In addition, it assumed its share of social responsibility and demonstrated its care for the people's livelihood by joining the single-purpose pre-paid card performance bond insurance pool and the China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool, as well as obtaining the relevant qualifications for providing critical illness insurance to urban and rural residents.

BOC Insurance received an "A" integrated risk rating (classified regulation) for the 13th consecutive quarter, and also maintained an "A-" rating and "stable" outlook from Standard & Poor's for the sixth consecutive year. It was awarded "Growing Insurer of the Year" in the 2019 China Finance Billboard by Hexun and "Outstanding Property Insurance Company" in the Piloting China Awards organised by JRJ.com. Its customs bond insurance product was recognised as the "Best Practice of Finance Serving Global Industry Chain in 2019" by the Asian Financial Cooperation Association and China Financial Publishing House.

BOC-Samsung Life

The Bank is engaged in life insurance business in the Chinese mainland through BOC-Samsung Life. As at the end of 2019, BOC-Samsung Life's registered capital stood at RMB1.667 billion, total assets amounted to RMB21.105 billion and net assets amounted to RMB1.532 billion. In 2019, BOC-Samsung Life recorded written premiums and premium deposits of RMB9.385 billion and a profit for the year of RMB55 million.

BOC-Samsung Life continued to enhance its cross-selling capabilities and realised a year-on-year increase of 30% in premiums in 2019, above the industry average. Emphasising the original purpose of the insurance business, it vigorously developed its long-term savings and protection business, resulting in a year-on-year increase of 120% in the first year premiums of high-value regular policies. It quickened the pace of its network expansion, with the Shandong Branch, Shaanxi Branch and Shijiazhuang Sub-branch, as well as other five institutions, opening for operation during the year. Capitalising on FinTech trends, BOC-Samsung Life provided 20 products through the comprehensive financial service portal included in BOC mobile banking, successfully launched its "E-marketing" mobile sales platform, and achieved positive results from precision marketing based on "customer portrait" technology. Focusing on customer demand, it innovated its protection products and optimised the customer experience by providing 36 WeChat online service functions. It also placed value on strengthening consumer protection, and popularised insurance knowledge through BOC mobile banking.

BOC-Samsung Life was rated "A" level in the annual evaluation results of insurance companies services released by China Banking and Insurance Information Technology Management Co., Ltd. It was also awarded "Outstanding Socially Responsible Enterprise" by xinhuanet.com, "2019 Excellent Life Insurance Company" by *National Business Daily* and "Excellent Wealth Management Award" by *Securities Daily*.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment's business activities include private equity investment, fund investment and management, real estate investment and management and special situation investment. As at the end of 2019, BOCG Investment recorded issued share capital of HKD34.052 billion, total assets of HKD124.976 billion and net assets of HKD64.106 billion. In 2019, it recorded a profit for the year of HKD4.634 billion.

BOCG Investment's development strategy is based on integration, fund-based development and digitalisation. It actively implemented the nation's regional development strategy by broadening investment and loan linkage channels and supporting the development of the real economy. BOCG Investment established the BOC Yangtze River Delta Equity Investment Fund in Shanghai with a total target size of RMB30.0 billion, including a first phase of RMB5.0 billion. It adapted to new trends in the consumer sector by promoting the development of the winter sports industry and the senior care market. Focusing on emerging industries and new trends such as AI, logistics, medicine and medical treatment, BOCG Investment invested in a number of projects with significant market influence. During the year, it was recognised as one of the "Top 50 Chinese Private Equity Investment Institutions of 2019" and "Top 50 Chinese State-owned Investment Institutions of 2019". BOCG Investment continued to strengthen its market-oriented financing capabilities and successfully issued a USD600 million senior bond.

BOC Asset Investment

The Bank is engaged in debt-for-equity swaps and related business in the Chinese mainland through BOC Asset Investment. As at the end of 2019, the registered capital of BOC Asset Investment was RMB10.0 billion, with its total assets and net assets standing at RMB72.613 billion and RMB10.388 billion respectively. In 2019, it realised a profit for the year of RMB326 million.

BOC Asset Investment actively implemented the national strategic decision to deepen supply-side structural reform. It conducted debt-for-equity swaps based on both market-oriented and law-based principles, with the aim of improving enterprises' business operations and helping them to reduce leverage ratios and improve market valuations, thus creating value. In 2019, the market-oriented debt-for-equity swap business of BOC Asset Investment reached RMB118.8 billion, with 40 directors and 16 supervisors participating in the corporate governance of 50 projects. BOC Asset Investment established a Positive Guidance List for private enterprises, and supported a number of leading and high-potential private enterprises to adopt different business models such as increasing capital and paying off debts and converting debt collection into equity. It also raised funds through multiple channels, including successfully issuing RMB10.0 billion of financial bonds.

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 the value of owned aircraft. As at the end of 2019, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD19.764 billion and net assets of USD4.581 billion. In 2019, it recorded a profit for the year of USD702 million.

Committed to pursuing sustainable growth, BOC Aviation continued to implement its proactive business strategy and steadily promoted its standing in the aircraft leasing industry. It actively expended the Belt and Road market and had leased more than 68% 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 the end of 2019. Continuously targeting customer demand, the company took delivery of 54 aircraft, including 12 aircraft that airline customers purchased at delivery, as it continued to expand its owned fleet. All of these aircraft have been placed on long-term leases. During the course of 2019, BOC Aviation signed 87 leases for future deliveries and added eight new customers. The company consistently sought to optimise its asset structure and improve its sustainable development. It sold 28 owned and two managed aircraft during the year, leaving it with an owned, managed and on-order fleet size of 523 as at the end of the year. The average owned fleet age was 3.1 years (weighted by net book value) as at 31 December 2019, which was 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 and related information.)

Enhancing the internal connectivity and collaboration of the Group and incentivise comprehensive operation

With a focus on customer demand, the Bank devoted itself to increasing connectivity both within commercial banking and between commercial banking and its comprehensive operation subsidiaries, with the aim of building a service system characterised by comprehensive functionality, smooth coordination and powerful competitive edge, in order to enhance the Group's integrated operations and drive uplift in the Group's market value.

Continually strengthened top-level design. Leveraging such mechanisms as the Steering Committee of Comprehensive Operation, the Bank created a suite of policies on the coordinated management and control of comprehensive operation, launched a number of projects with significant market influence, developed a batch of case studies on coordination across the Group's institutions, and cultivated a group of multi-talented financial professionals. In this way, it promoted the necessary pillars for comprehensive operation. The Bank also optimised the Group's equity structure, developed the Group's ownership structure streamlining plan, actively and firmly exited unnecessary investments in a number of companies, and thereby rationalised and reduced the Group's layers of shareholding.

Constantly improved deep-level mechanisms. Multiple measures were taken to strengthen the business collaboration ability. The Bank set up a linked marketing mechanism for the Scientific and Technological Innovation Board-related programme. BOCI China became one of the joint lead underwriters for the IPO of China Railway Signal & Communication Corporation Limited ("CRSC") on the Scientific and Technological Innovation Board, with BOC Asset Investment taking part in the strategic placement. Through a systematic review of the Group's key comprehensive operation products and promising case studies of collaboration, the Bank guided branches and subsidiaries to serve the diverse needs of customers in a comprehensive way, and to vigorously upgrade the Group's capacity of financial innovation and service integration.

Continuously developed an ecosystem. The Bank shifted the focus of its comprehensive operation downwards, seeking out key breakthroughs with an emphasis on the government's core regional initiatives, including the development of the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Economic Belt. It stepped up the use of a toolkit consisting of "investment, loan, bond, stock, insurance and lease", optimised innovative models for cooperation across banking, government and business, and pressed ahead with its "ladder model" for globalised and integrated collaboration. The Bank took the lead in creating the BOC Yangtze River Delta Fund with a total volume of RMB30.0 billion in Shanghai, and was the first to receive CBIRC approval for establishing a wealth management sino-foreign joint venture. The Bank also established an arm of BOC Financial Technology, a BOCG Investment representative office and a BOC Asset Investment debt-for-equity fund in Suzhou, so as to build an experimental site and demonstration zone for globalised, integrated, digital and scenario-based financial services.

Persistently encouraged endeavours at the primary level. The Bank put in place a joint meeting mechanism for its domestic and overseas institutions under comprehensive operation, and pooled the customer and business resources of its commercial banking and comprehensive operation subsidiaries in order to seek regionally balanced development. The Bank also improved the honours and incentives mechanism associated with comprehensive operation, informed primary-level institutions and employees of such honours and incentives, and made efforts to raise awareness of connectivity and collaboration across different lines and increase business synergy.

Service Channels

With a focus on enhancing customer experience, the Bank pushed forward its service channel integration and outlet transformation so as to attract more customers and drive stronger economies of scale. As a result, it cultivated an ecosystem wherein online and offline channels are integrated and financial and non-financial scenarios are seamlessly connected.

Online Channel

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 2019, the Bank's substitution ratio of e-banking channels for outlet-based business transactions reached 93.93%. Its e-channel transaction amount reached RMB243.77 trillion, an increase of 9.05% compared with the prior year. Among this, mobile banking transaction volumes reached RMB28.28 trillion, an increase of 41.17% 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 2019	As at 31 December 2018	Change (%)
Number of corporate online banking customers	**4.6163**	3.8905	18.66%
Number of personal online banking customers	**182.3062**	166.2361	9.67%
Number of mobile banking customers	**180.8226**	145.3118	24.44%
Number of telephone banking customers	**112.7403**	113.7678	(0.90%)

Unit: RMB billion, except percentages

Items	2019	2018	Change (%)
Transaction amount of corporate online banking	**204,334.071**	190,007.123	7.54%
Transaction amount of personal e-banking	**36,366.825**	30,076.152	20.92%
Transaction amount of mobile banking	**28,278.569**	20,031.165	41.17%

The Bank picked up the pace of building a mobile portal for its integrated financial services for corporate banking customers. Taking into account the needs of small and medium-sized enterprises for convenient mobile finance, the Bank started by improving basic services, enriching featured services and expanding new scenarios in order to push forward implementation in a tiered and step-by-step manner. On top of mobile reconciliation, transfer and remittance, online reservation of account opening and other high-frequency corporate customer transactions, the Bank also launched differentiated services including foreign exchange settlement, international settlement documents services and L/G inquiry and reminding service, so as to meet more of enterprises' mobile banking demands and improve customer experience. The Bank enhanced FinTech applications, promoting more integrated service scenarios and building signature products. It continuously diversified its service models, added a T+1 exchange rate locking function, and reached agreements of intent for cross-border business cooperation with a number of leading payment service institutions. The Bank refined the process of corporate online banking activation and launched a counter-based contracting function in order to efficiently increase the activation of corporate online banking.

The Bank promoted the transformation of mobile banking from a trading platform to an integrated service platform for its personal banking customers. It continuously optimised the user experience of its mobile banking functions to cover more than 200 digital financial services, including "thousand customers, thousand faces" recommendation services, voice-enabled fast transfer, personal business loan services and intelligent foreign cash identification, and offered customers investment and wealth management products covering bank wealth management, funds distribution, bond, insurance, precious metals, foreign exchange, etc. The Bank continued to diversify the non-financial services of its mobile banking offering, launching the original information platform "BOC Headline" and providing high-quality content services through BOC Live Platform. It enhanced FinTech applications, promoted more integrated service scenarios, further embedded and standardised the "open banking" concept, and accelerated the integration of accounts, foreign exchange, precious metals and other products and services into online scenarios. The Bank continued to optimise the service functions of WeChat banking, online banking, telephone banking and SMS banking. Based on its next-generation customer service system, it enhanced its intelligent customer service capabilities and further improved customer experience.

In 2019, the Bank was awarded "Best Blockchain Initiative, Application or Programme in China (Financial Institution)" by *The Asian Banker*, "Best Mobile Banking" by the Financial Internet Branch of the China Computer Users Association, "Best FinTech Innovation and Application Award" and "Best Mobile Banking" by China Financial Certification Authority, and "Top Ten Mobile Banking Innovation" by the China Financial Innovation Awards.

Offline Channel

The Bank built "5G Intelligence + Brand" outlets relying on 5G technology, big data, AI and other cutting-edge technologies. It launched the "BOC 5G Intelligence + Life House" in Beijing to showcase a comprehensive financial ecosystem integrating new finance, new retail banking and new lifestyle trends across different businesses, with "Integrate Finance into Life" as its core concept. With the theme of "Serve People's Livelihood with Finance", the Bank also launched the "BOC 5G Intelligence + Livelihood House" in Tianjin, developing multiple people's livelihood scenarios and focusing on the original purpose of finance: serving the real economy and benefiting the people.

The Bank pushed forward outlet transformation, centring on its bank-wide smart counters, to enhance outlets' value-creating capacity. In 2019, the Bank completed 18 upgrades of its smart counters so as to further improve its offline intelligent service system, and made the smart counter a major channel for customer attraction and service provision. It promoted mobile smart counters across all sub-branches in the Chinese mainland, with the aim of encouraging a proactive approach to acquiring customers beyond the boundary of the outlet hall and effectively expanding the scope of services. Corporate account opening via mobile counters was implemented across the Bank. Door-to-door "one-stop" corporate account opening and product contracting were realised by relying on channel innovation and process improvement, thus effectively shortening business processing time and enhancing customer services. The cash version of smart counters was also launched across the Bank, providing smart cash services including large amounts and multiple denominations and mediums. The Bank also became the first to introduce a new O2O physical delivery model, realising smoother online-offline coordination by focusing on foreign currency exchange as an entry point. Specifically, it enabled customers to make online reservation and collect foreign currency packages through smart counters, thus sharpening the competitive edge of its foreign currency business. In addition, the Bank piloted an immediate issuance service for social security cards in its Tianjin Branch, offering an end-to-end process including card application, card production, card activation and social security function activation. It developed its "cardless" personal banking business, introduced a mobile banking code scanning mechanism and realised online and offline authentication and mutual trust, thus creating a "contactless service" experience without medium or manual review.

The Bank optimised its outlet performance assessment system and continued to work on deepening the classified management of its outlets, in a bid to promote outlet efficiency and effectiveness. Focusing on core business areas, the Bank accelerated the building of featured outlets to offer differentiated, higher quality services. In addition, the Bank refined the operational management of its outlets and adjusted the authority and responsibilities of primary-level employee positions. It improved outlets' marketing service approaches and strengthened the risk management of its outlet business, thus enhancing comprehensive operational efficiency.

As at the end of 2019, the Bank's commercial banking network in the Chinese mainland (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised 10,652 branches and outlets. Its non-commercial banking institutions in the Chinese mainland totalled 490, and the number of its institutions in Hong Kong, Macao, Taiwan and other countries and regions totalled 557.

Unit: single item, except percentages

Items	As at 31 December 2019	As at 31 December 2018	Change (%)
ATM	**37,331**	41,723	(10.53%)
Smart counter	**30,425**	26,044	16.82%
Self-service terminal	**1,875**	17,627	(89.36%)

Information Technology Development

Following its strategy of enabling advancement through technology and driving development through innovation, the Bank continuously boosted its digital transformation and moved more rapidly to build a digital bank characterised by rich scenarios, online and offline coordination, an excellent user experience, flexible and innovative products, efficient operation and management, and intelligent risk control. In 2019, the Bank made investment of RMB11.654 billion in information technology, the investment amount increased by 15.15% compared with the prior year.

The Bank achieved new results in the innovative development of its FinTech system and mechanisms. It set up BOC Finance Technology Co., Ltd. ("BOC FinTech"), which started to lay the groundwork for a new mechanism for improving business competitiveness by using technologies according to market-oriented principles, therefore jointly promoting the implementation of the Group's IT strategy. It also implemented the joint creation of relationship manager assignment mechanisms, which further deepened the integration of technology with business and strengthened the services delivered by the Head Office and branches. It established multiple joint laboratories, signed strategic cooperation agreements with well-known enterprises and universities, and cooperated broadly with them in the areas of new technology research and application as well as scenario ecosystem construction. In addition, the Bank promoted the construction of innovative R&D bases in the Xiongan New Area, the Yangtze River Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay Area, continued to carry out basic research on new technologies, and actively boosted the application of new technologies such as 5G, Internet of Things, blockchain and virtual reality.

The Bank recorded new progress in the construction of strategic infrastructure projects. It advanced the layout of next-generation multi-centre infrastructure in multiple locations, completed the building of a cloud platform and created an agile and efficient cloud service model, and supported the infrastructure deployment and transformation of its branches and comprehensive operation companies. It deepened the building of the three new technology platforms of cloud computing, big data and AI, accelerated the pace of application migration to the cloud, and developed a cloud computing-based model of integrated enterprise-level development, operation and maintenance. It launched a big data platform, pushed forward data analysis and data creation, and effectively supported the implementation of a series of key projects. The Bank widely promoted the enterprise-level AI platform "AI Brain of BOC", completed the building of the core Head Office nodes of its next-generation backbone network, and piloted access and launch of Internet Protocol Version 6 (IPV6) at seven branches, thus comprehensively enhancing its network service capacity.

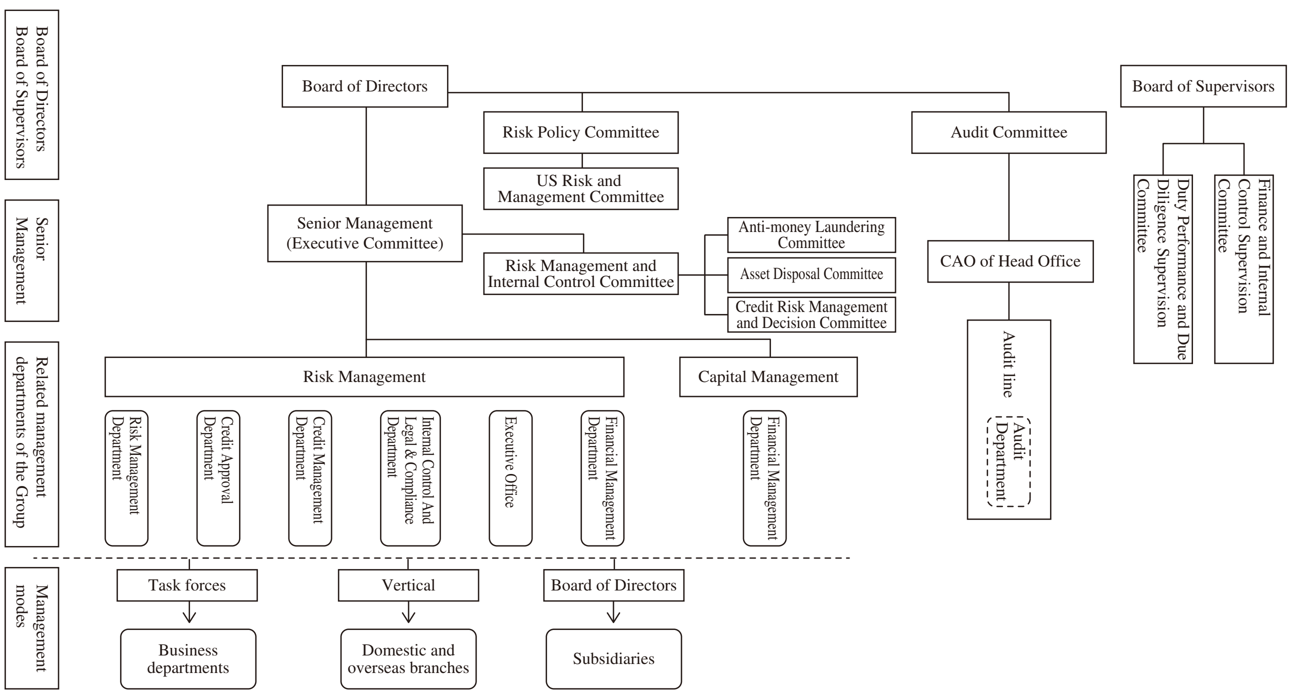
The Bank made new breakthroughs in the digital transformation of key business areas. It has now broadly completed its digital channel operation system and digital risk control system, and commenced the wide-ranging development of transaction banking and other digital products. It launched the industry's first integrated financial services zone in mobile banking, introduced the first phase of its iGTB platform, released mobile versions of its corporate, foreign currency withdrawal and overseas smart counters, and completed functionality development for BOC Corporate E Loan. The Bank made in-depth applications of digital technologies and achieved good results. It became the first bank to issue a blockchain bond, and opened the sector's first fully functional, self-service "BOC 5G Intelligence + Life House" outlet. The Bank also launched distributed applications such as next-generation smart customer services, a distributed image platform and "smart shopping mall", as well as data applications such as smart marketing for mobile banking, risk data analysis and processing, and smart audit platform. It built up its scenario ecosystem across the Bank, actively promoting the pilot application of new technologies in scenario development with reference to the three strategies of integrated scenarios, integration of scenarios and self-built scenarios. Integrating the advantages of its internal and external resources, the Bank accelerated the building of four strategic scenarios, including cross-border, education, sports and silver economy.

The Bank highlighted new aspects of its global and integrated development. It improved the information system building process for newly established overseas institutions, and effectively supported the Bank's global and regional business layout. It completed the launch of the overseas lightweight core system in BOCHK Jakarta Branch, which won the "2019 Outstanding Contribution Award for FinTech Product Innovation" owing to its high availability, scalability and extendibility. The Bank extended the overseas reach of mature, high-quality products and services such as mobile banking, smart counters and smart customer services, and thus significantly enhanced its global service capabilities. It formulated the *Technology Development Plan for Comprehensive Operation Companies of BOC Group* and established a management information system covering all comprehensive operation companies of the Group, further consolidating the foundation for the Group's comprehensive development.

Management Discussion and Analysis — Risk Management

The Bank continued to improve its risk management system in line with the Group's strategies. To ensure compliant operations, it implemented local and overseas regulatory requirements and carried out in-depth rectification and accountability for regulatory initiatives such as the governance of market disruptions, on-site efficiency examination of risk management and internal control, and quarterly regulatory notifications. The Bank also improved its risk management system, promoted the building of the "Three Lines of Defence" for risk management, updated the Group's risk appetite, and continuously made its comprehensive risk management reporting more forward-looking and predictable. It comprehensively improved the effectiveness of the Group's consolidated risk management and control. The Bank continued to develop and refine its risk measurement model, and completed the development and launch of online models for inclusive finance. It pushed forward the development of advanced capital management approaches, deepened the application of advanced approaches, and actively implemented an asset-light strategy. The Bank conducted intelligent risk control in an all-round manner, built up the Group's comprehensive risk management portal system, and promoted the digital transformation of risk management. It strengthened its risk data governance, as well as improving its risk data standards and single risk reporting system.

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



Credit Risk Management

Closely tracking changes in macroeconomic and financial conditions, the Bank advanced development, made structural adjustments, controlled and mitigated credit risks, and consolidated fundamentals of risk management during the reporting period. It pushed forward the optimisation of its credit structure, further improved its credit risk management policies, strengthened credit asset quality management and took a 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 policies and regional policy orientation, the Bank intensified its support to the real economy, boosted the high-quality development of the manufacturing industry, bolstered the improvement of weak links in infrastructure, and supported the development of private enterprises and inclusive finance, so as to push forward the continuous improvement of its business model. 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, as well as strengthening window guidance on all 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. It assisted local governments in mitigating implicit debt risk. 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, improved approval quality, and prevented the risks of excessive credit and cross-infection while supporting the development of its personal credit business. It also strengthened the risk control of key products and regions.

The Bank strengthened country risk management. It performed an annual review of country risk ratings and implemented limit management and control of country risk exposures. It collected statistics on, assessed, monitored, analysed and reported its exposures on a regular basis. The Bank regularly published country risk analysis reports within the Group and made timely assessments of the impact of material country risk events. In addition, the Bank adopted differentiated management of potentially high-risk and sensitive countries and regions. The Bank's net exposure to country risk mainly concentrated on countries and regions that have relatively low or low ratings, and its overall country risk remained at a reasonable level.

The Bank spared no efforts in the collection and mitigation of NPAs, coordinated internal and external collection resources, and continued to adopt the centralised and tiered management of NPA projects. It made breakthroughs in key regions and key projects and improved the quality and efficiency of disposals. The Bank proactively explored the application of "Internet Plus" in NPA collection, and diversified its disposal channels. In addition, it adopted policies based on the actual conditions of individual enterprises and took multiple measures where necessary. It gave full play to the role of creditor committees and enhanced the application of debt-for-equity swaps and restructuring efforts to help enterprises get out of difficulties, with the aim of realising mutual benefit for the Bank and the enterprises, and to support the real economy.

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 2019, the Group's NPLs[5] totalled RMB178.235 billion, an increase of RMB11.294 billion compared with the prior year-end. The NPL ratio was 1.37%, down by 0.05 percentage point compared with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB325.923 billion, an increase of RMB22.142 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 182.86%, up by 0.89 percentage point from the prior year-end. The NPLs of the Bank's institutions in the Chinese mainland totalled RMB169.951 billion, an increase of RMB7.173 billion compared with the prior year-end. The NPL ratio of the Bank's institutions in the Chinese mainland was 1.65%, down by 0.11 percentage point compared with the prior year-end. The Group's outstanding special-mention loans stood at RMB289.314 billion, a decrease of RMB53.049 billion compared with the prior year-end, accounting for 2.22% of total loans and advances, down by 0.68 percentage point from the prior year-end.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Group				
Pass	**12,566,640**	**96.41%**	11,278,379	95.68%
Special-mention	**289,314**	**2.22%**	342,363	2.90%
Substandard	**77,459**	**0.59%**	49,788	0.42%
Doubtful	**51,804**	**0.40%**	49,341	0.42%
Loss	**48,972**	**0.38%**	67,812	0.58%
Total	**13,034,189**	**100.00%**	11,787,683	100.00%
NPLs	**178,235**	**1.37%**	166,941	1.42%
Chinese mainland				
Pass	**9,885,045**	**95.95%**	8,818,838	95.10%
Special-mention	**247,412**	**2.40%**	291,933	3.15%
Substandard	**72,611**	**0.70%**	48,281	0.52%
Doubtful	**50,334**	**0.49%**	47,536	0.51%
Loss	**47,006**	**0.46%**	66,961	0.72%
Total	**10,302,408**	**100.00%**	9,273,549	100.00%
NPLs	**169,951**	**1.65%**	162,778	1.76%

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

Migration Ratio

Unit: %

Items	2019	2018	2017
Pass	**1.40**	2.20	1.97
Special-mention	**21.45**	23.70	20.37
Substandard	**40.86**	51.89	57.97
Doubtful	**18.76**	33.57	31.98

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 2019, the Group's stage 1, stage 2 and stage 3 loans totalled RMB12,514.948 billion, RMB336.902 billion and RMB178.235 billion respectively, accounting for 96.04%, 2.59% and 1.37% of total loans respectively.

As at the end of 2019, the Group's credit-impaired loans totalled RMB178.235 billion, an increase of RMB11.283 billion compared with the prior year-end. The credit-impaired loans to total loans ratio was 1.37%, a decrease of 0.05 percentage point compared with the prior year-end. Credit-impaired loans of the Bank's institutions in the Chinese mainland totalled RMB169.951 billion, an increase of RMB7.173 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%, down by 0.11 percentage point 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 RMB8.284 billion and a credit-impaired loans to total loans ratio of 0.30%, an increase of RMB4.110 billion and an increase of 0.13 percentage point compared with the prior year-end respectively.

Movement of Credit-Impaired Loans

Unit: RMB million

Items	2019	2018	2017
Group			
Balance at the beginning of the year	**166,952**	157,882	145,311
Increase during the year	**94,870**	83,009	71,573
Decrease during the year	**(83,587)**	(73,939)	(59,002)
Balance at the end of the year	**178,235**	166,952	157,882
Chinese mainland			
Balance at the beginning of the year	**162,778**	154,208	141,458
Increase during the year	**88,658**	80,680	69,854
Decrease during the year	**(81,485)**	(72,110)	(57,104)
Balance at the end of the year	**169,951**	162,778	154,208

Loans and Credit-Impaired Loans by Currency

Unit: RMB million

Items	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
	Total loans	**Impaired loans**	Total loans	Impaired loans	Total loans	Impaired loans
Group						
RMB	**10,125,083**	**150,532**	9,074,501	151,313	8,325,013	145,605
Foreign currency	**2,909,106**	**27,703**	2,713,182	15,639	2,571,545	12,277
Total	**13,034,189**	**178,235**	11,787,683	166,952	10,896,558	157,882
Chinese mainland						
RMB	**10,041,692**	**149,808**	8,991,494	151,292	8,243,556	145,540
Foreign currency	**260,716**	**20,143**	282,055	11,486	339,629	8,668
Total	**10,302,408**	**169,951**	9,273,549	162,778	8,583,185	154,208

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.

In 2019, the Group's impairment losses on loans and advances stood at RMB98.771 billion, a decrease of RMB9.134 billion compared with the prior year. The credit cost was 0.80%, down 0.15 percentage point compared with the prior year. Specifically, the Bank's institutions in the Chinese mainland registered impairment losses on loans and advances of RMB97.456 billion, a decrease of RMB9.394 billion compared with the prior year. The credit cost of the Bank's institutions in the Chinese mainland was 1.00%, down 0.20 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 2019**	As at 31 December 2018	As at 31 December2017
Loan concentration ratio of the largest single borrower	≤10	**3.2**	3.6	3.8
Loan concentration ratio of the ten largest borrowers	≤50	**14.5**	15.3	17.4

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 2019.

Unit: RMB million, except percentages

	Industry	Related Parties or not	Outstanding loans	% of total loans
Customer A	Manufacturing	No	69,762	0.54%
Customer B	Transportation, storage and postal services	No	49,085	0.38%
Customer C	Transportation, storage and postal services	No	36,645	0.28%
Customer D	Commerce and services	No	31,923	0.24%
Customer E	Transportation, storage and postal services	No	31,691	0.24%
Customer F	Real estate	No	22,000	0.17%
Customer G	Transportation, storage and postal services	No	20,711	0.16%
Customer H	Commerce and services	No	20,185	0.15%
Customer I	Production and supply of electricity, heating, gas and water	No	20,031	0.15%
Customer J	Transportation, storage and postal services	No	17,398	0.13%

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 effectiveness of its market risk management by improving its market risk appetite transmission mechanism, enriching the Group's market risk management framework and optimising the Group's market risk limit management model. It strengthened risk judgment and analysis, intensified and coordinated derivative risk management and control, and conducted more proactive and forward-looking risk management. The Bank also optimised the flexibility of its counterparty credit risk control mechanism, and enhanced risk warning and mitigation capacity. It continuously promoted the building of the market risk system and improved the accuracy of risk measurement. Please refer to Note VI.4 to the Consolidated Financial Statements for detailed information regarding market risk.

The Bank closely tracked market and policy changes, reviewed and revised relevant policies and regulations for the Group's securities and asset management businesses, strongly supported new businesses in the development of the direct financing market and pushed forward the establishment of new mechanisms. It continued to conduct default risk inspection of credit bonds, strengthened the early warning of risk events, and improved work quality and effectiveness. 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 and managed exchange rate risk through timely settlement and hedging, thus effectively controlling its foreign exchange exposure.

Management of Interest Rate Risk in the Banking Book

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

The Bank assessed the interest rate risk in the banking book mainly through the analysis of interest rate repricing gaps, and made timely adjustments to the structure of its assets and liabilities 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 follows[6]:

Unit: RMB million

	As at 31 December 2019				As at 31 December 2018			
Items	RMB	USD	HKD	Other	RMB	USD	HKD	Other
Up 25 bps	(3,962)	(1,077)	534	(29)	(3,520)	(670)	328	(274)
Down 25 bps	3,962	1,077	(534)	29	3,520	670	(328)	274

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.

6 This analysis is based on the approach prescribed by the CBIRC, which includes interest-sensitive off-balance sheet positions.

As at the end of 2019, 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 2019**	As at 31 December 2018	As at 31 December 2017
Liquidity ratio	RMB	≥25	**54.6**	58.7	47.1
	Foreign currency	≥25	**60.4**	54.8	56.9

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 2019, 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 2019**	As at 31 December 2018
Overdue/undated	**2,077,009**	2,071,988
On demand	**(8,035,944)**	(7,669,897)
Up to 1 month	**(1,010,716)**	(651,459)
1–3 months (inclusive)	**(348,821)**	(591,520)
3–12 months (inclusive)	**269,460**	(54,305)
1–5 years (inclusive)	**2,721,272**	3,238,374
Over 5 years	**6,304,436**	5,382,216
Total	**1,976,696**	1,725,397

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

Reputational Risk Management

The Bank earnestly implemented regulatory requirements on reputational risk management, continued to enhance its reputational risk management system and mechanism and strengthened the consolidated management of reputational risk, so as to enhance its overall reputational risk management capabilities. It attached great importance to the investigation and pre-warning of potential reputational risk factors, strengthened public opinion monitoring, continued to conduct reputational risk identification, assessment and reporting, 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 second line of defence consists of the internal control and risk management departments of the Bank's institutions at all levels. 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 staff non-compliance sanctions 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 audit of the Bank's internal control and risk management in respect of its adequacy and effectiveness. The Bank continued to push forward the reform of its human resource management system for the audit line, and further intensified the vertical management of its audit function. It enhanced audit team building, pushed forward the implementation of its three-year plan for IT applications in audit, reinforced the use of IT-based audit approaches, continuously conducted audit circulatory monitoring, and established an audit working mechanism for identifying and revealing material risks. 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 prioritised by the Group and of special concern to regulators. The audit department concentrated its attention on systemic, trending, emerging and important issues, so as to practically perform its internal audit function. It continued to apply a normalised supervision mechanism for the rectification of audit findings, and urged the timely and effective rectification of issues, so as to continually improve the Bank's internal governance and control mechanism.

Rigorously implementing the requirements of the CBIRC, the Bank organised bank-wide risk inspections to actively identify and mitigate risks, raised employees' compliance awareness and fostered an internal control compliance culture by carrying out such campaigns as "consolidating the results achieved in cracking down on irregularities and boosting compliant operations", together with case-based warning education and illegal fund-raising risk investigation and rectification. In addition, the Bank introduced internal control and compliance management evaluation so as to enhance routine management and control at all levels.

The Bank continued to implement the *Basic Standard for Enterprise Internal Control* and its supporting guidelines, adhering to the primary goal of ensuring the effectiveness of its internal control over financial reporting and the accuracy of its financial information. It also constantly improved non-financial internal control. The Bank 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 a 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 2019, the Bank succeeded in preventing 218 external cases involving RMB140 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 risks, thus continuously improving its risk management measures. The Bank enhanced its 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, carried out disaster recovery drills and improved the Group's capacity for continuous business operation.

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 sanctions compliance policies, optimised AML resource allocation, deepened AML efforts and strengthened sanctions compliance monitoring and management. It intensified system and model building and improved system functionality. It endeavoured to build a proactive, forward-looking and robust management framework for overseas compliance through a compliance risk assessment programme. It improved the AML and sanctions 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, revised management regulation and improved its management mechanism. It stepped up efforts in 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 launched an internal transaction management system and continuously implemented internal transaction monitoring and reporting, thereby improving the quality and efficiency of its internal transaction management.

Capital Management

Adhering to the philosophy of high-quality development and centring on the objective of value creation, the Bank continued to improve its capital management system, moved more rapidly to replenish capital through external financing channels, and ramped up innovation in capital instruments. Through these efforts, the Bank established adequate capital levels and strong risk resilience, and further improved its capital use efficiency and value creation capabilities.

The Bank improved its internal refined management and raised awareness of value creation. By enhancing its capital budget and assessment mechanism, the Bank realised differentiated management and continuously upgraded its remuneration allocation system, which is linked to value creation. Giving full play to the guiding role of capital, the Bank pushed forward the adjustment of its on- and off-balance sheet asset structure, actively developed capital-light businesses and reasonably controlled the risk weighting of assets. In addition, the Bank stepped up efforts in system building, launched a capital management data platform, and thus cemented foundations for refined management. Meanwhile, the Bank accelerated external capital replenishment and enriched the variety of its capital instruments. During 2019, the Bank successfully issued RMB100.0 billion of preference shares, RMB40.0 billion of undated capital bonds and RMB70.0 billion of tier 2 capital bonds. The RMB40.0 billion of undated capital bonds were the first capital bonds in the Chinese banking industry to be classified as additional tier 1 capital instruments.

As at the end of 2019, the Group's capital adequacy ratio reached 15.59%, an increase of 0.62 percentage point from the end of 2018, reflecting the further consolidation of its capital base. The Bank will tap into its potential and continue to strengthen its capital management, promoting the high-quality development of its various businesses.

Capital Adequacy Ratios

As at the end of 2019, 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 2019	As at 31 December 2018	**As at 31 December 2019**	As at 31 December 2018
Net common equity tier 1 capital	**1,596,378**	1,465,769	**1,346,623**	1,251,056
Net tier 1 capital	**1,806,435**	1,575,293	**1,546,517**	1,350,770
Net capital	**2,201,278**	1,922,350	**1,927,188**	1,683,893
Common equity tier 1 capital adequacy ratio	**11.30%**	11.41%	**10.99%**	11.08%
Tier 1 capital adequacy ratio	**12.79%**	12.27%	**12.62%**	11.96%
Capital adequacy ratio	**15.59%**	14.97%	**15.72%**	14.92%

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

Leverage Ratio

As at the end of 2019, 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 2019	As at 31 December 2018
Net tier 1 capital	**1,806,435**	1,575,293
Adjusted on- and off-balance sheet assets	**24,303,201**	22,700,133
Leverage ratio	**7.43%**	6.94%

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

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

Organisational Management

As at the end of 2019, the Bank had a total of 11,699 institutions worldwide, including 11,142 institutions in the Chinese mainland and 557 institutions in Hong Kong, Macao, Taiwan and other countries and regions. Its commercial banking business in the Chinese mainland comprised 10,652 institutions, including 38 tier-1 and direct branches, 364 tier-2 branches and 10,249 outlets.

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

Unit: RMB million/unit/person, except percentages

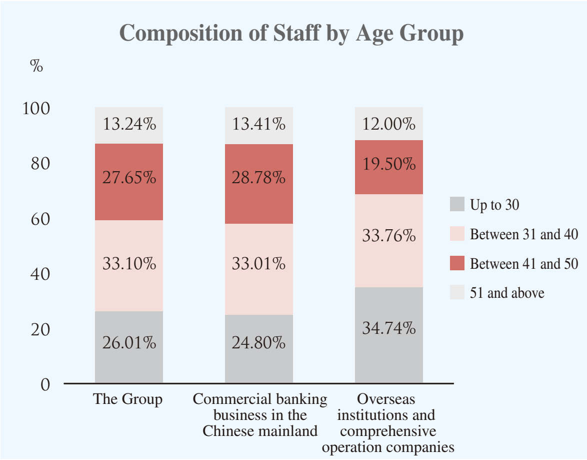
Items	Assets		Organisations		Employees	
	Total assets	% of total	Number	% of total	Number	% of total
Northern China	7,484,813	30.86%	2,091	17.87%	61,935	20.02%
Northeastern China	756,133	3.12%	939	8.04%	24,647	7.97%
Eastern China	4,585,157	18.90%	3,572	30.53%	91,692	29.64%
Central and Southern China	3,455,784	14.25%	2,820	24.10%	68,053	22.00%
Western China	1,696,434	6.99%	1,720	14.70%	37,717	12.19%
Hong Kong, Macao and Taiwan	4,217,013	17.38%	427	3.65%	19,205	6.20%
Other countries and regions	2,062,659	8.50%	130	1.11%	6,135	1.98%
Elimination	(1,488,249)					
Total	22,769,744	100.00%	11,699	100.00%	309,384	100.00%

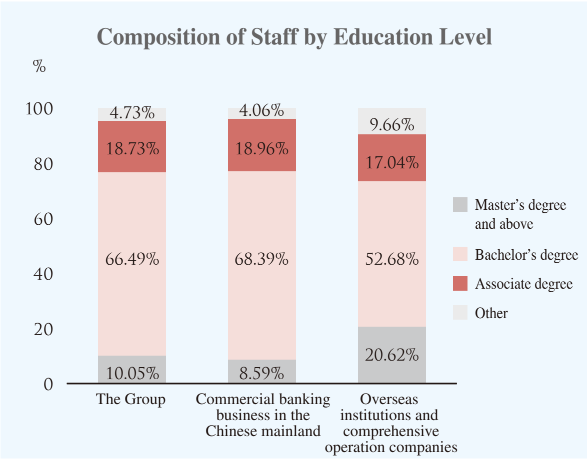
Note: The proportion of geographic assets was based on data before intra-group elimination.

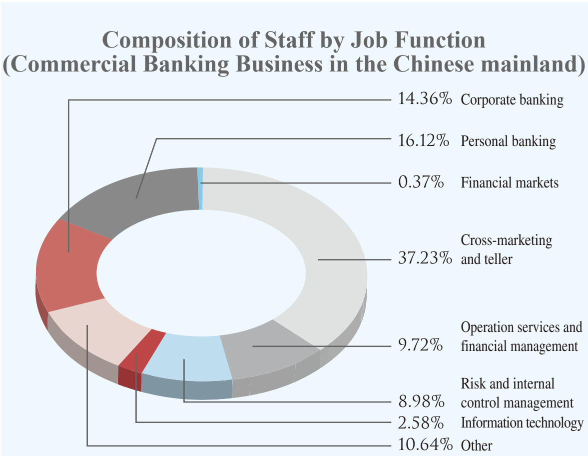
Human Resources Development and Management

As at the end of 2019, the Bank had 309,384 employees. There were 284,044 employees in the Chinese mainland, of which 271,939 worked in the Bank's commercial banking business in the Chinese mainland. The Bank had 25,340 employees in Hong Kong, Macao, Taiwan and other countries and regions. As at the end of 2019, the Bank bore costs for a total of 5,318 retirees.

In 2019, centring on the Group's strategies and annual priorities, the Bank focused on "strong innovation, strong services, strong coordination and strong sharing", deepened reform of organisational structure, and made every effort to build a "strong headquarters". At the Group level, the Bank established a management decision-making and coordination mechanism covering all domestic branches, overseas institutions and comprehensive operation companies. It optimised the personal banking business structure, enhanced the synergy and penetration of personal banking marketing management, and embedded a "digital DNA" into all products, processes and fields of personal banking, so as to seize business opportunities and improve service quality and efficiency. The Bank optimised its corporate credit management system, reshaped business processes and boosted the high-quality development of its corporate credit business. It improved its data governance system, established a top-down, coordinated and well-defined data governance framework, and accelerated the building of digital banking. In addition, it endeavoured to enhance its "soft power" by optimising its research management system, integrating resources across the Bank, and building an efficient and standardised global integrated research system.







The Bank vigorously strengthened its human resources, stimulated the enthusiasm of its employees, intensified the cultivation of young professionals, and continuously trained internationalised and all-round talented personnel. It strengthened the building of its overseas local staff and minority language talent team, and formulated and implemented a new programme for the cultivation of minority language personnel. It continuously pushed forward the building of professional development pathways by optimising pathway sequencing, improving professional qualification management and further opening up the development channel for professionals. Following national targeted poverty alleviation strategies, the Bank implemented a special recruitment plan for impoverished college students, supported employment in poverty-stricken areas, designated more management personnel to such areas and intensified their management. In response to the government's call for "ensuring stable employment", the Bank maintained a recruitment scale of more than 10,000 persons every year, increased the recruitment of talented employees with compound educational backgrounds and technological personnel, formulated a training plan for management trainees, and topped the rankings for "Best Employer in Financial Industry in the Opinion of Chinese University Students" for the 12th consecutive year.

In active response to national strategies, the Bank leveraged its characteristic advantages in globalised operations. It held two Belt and Road International Financial Exchange & Cooperation Seminars for five Central Asian countries, nine Portuguese-speaking countries and Macao SAR. 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 private enterprise and inclusive finance business, and guided the establishment of an appropriate perspective on performance. It actively served the development of key regions such as the Beijing-Tianjin-Hebei region, the Xiongan New Area, the Yangtze River Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan FTZ, facilitated the development of private enterprises, served the real economy, and provided special training on the development of key regions, inclusive finance and green finance. In 2019, the Bank's commercial banking institutions in the Chinese mainland held a variety of training courses, totalling 84,565 sessions with 2,927,903 participations.

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, 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.

Outlook

In 2020, the banking industry will face a complicated operating environment. The worldwide spread of COVID-19 has hit the global economy and financial markets. From an international perspective, the global economy remains in a period of undergoing profound adjustment following the financial crisis, and will face stronger downward pressure under the impact of the COVID-19 pandemic. Risks to the financial system will increase, and the pace of adjustment will be uneven within the international economic landscape, which will bring greater uncertainties and risks. From a domestic perspective, China's economy is in a critical period of tackling key challenges with regard to transforming its mode of development, improving its economic structure and shifting the drivers of growth. Although COVID-19 will have a temporary economic impact, the outlook towards growth for the Chinese economy will remain unchanged. The banking industry will face a more severe and complicated environment, with challenges and opportunities coexisting.

2020 marks the final year of the 13th Five-Year Plan period, and is also a critical year for achieving the objectives of the first stage of the Bank's development strategy. Focusing on the three major tasks of "serving the real economy, preventing and controlling risks, and deepening reform and innovation", and following the overall requirements of "**stimulating vitality, making agile response and achieving breakthroughs in key areas**", the Bank will apply the new development philosophy, overcome the COVID-19 impact, and deepen the implementation of its development strategies. With 2020 designated as the "Year of Enhanced Implementation", the Bank will strive to achieve breakthroughs in key areas, endeavour to boost high-quality development, and thus forge ahead towards a world-class bank in the new era.

First, it will actively align with national strategies and improve the quality and efficiency of its service to the real economy. Making full use of its professional advantages in the field of foreign exchange fund operations, and relying on its global and comprehensive business platforms, the Bank will effectively serve supply-side structural reform, integrate into China's new pattern of expanded opening-up, and support the transformation and upgrading of the real economy. The Bank will enhance financial support for COVID-19 epidemic prevention and control, especially in terms of supporting enterprises' business recovery. It will also strive to boost domestic and external demand, thus promoting the healthy operation of the economy. In 2020, the Bank's RMB loans in the Chinese mainland are expected to grow by approximately 10%.

Second, it will accelerate business transformation and improve its customer marketing and service capacities. Adhering to its customer-centric philosophy, the Bank will actively adapt to the trend of digital transformation. Making full use of new technologies such as AI and blockchain, it will improve its application of science and technology, innovate and upgrade its product system, enhance its system architecture and promote the improvement of customer experience, thus creating value for customers and the Bank.

Third, it will continuously improve its management mechanism and enhance the penetration of strategy transmission. Taking a results-oriented approach, the Bank will highlight strategic priorities and accelerate the building of a "strong headquarters". It will improve its management model in key areas, strengthen the overall balance of strategy implementation by category, reinvigorate the vitality of its business development and improve the efficiency of strategy implementation.

Fourth, it will push forward critical efforts in key areas and enhance support for strategy implementation. The Bank will actively solve development problems and accelerate the growth of its customer base by making breakthroughs in scenario building, focusing on enterprise-level architecture development and relying on smart operations, thus accelerating its efforts to realise digital, online and asset-light transformation.

Fifth, it will strengthen risk prevention and mitigation, and improve the quality and efficiency of risk management and control. The Bank will further improve its comprehensive risk management system and the Group's risk management structure, strengthen the management of material risk events and the Group's consolidated risk management, intensify the recovery and disposal of non-performing assets, and continuously enhance the ability to withstand risks.

Corporate Social Responsibilities

As a responsible state-owned commercial bank with century-long operations, the Bank attaches great importance to sustainable development. In 2019, guided by the strategic goal of "building a world-class bank in the new era" and under the guidance of the new development concepts of "innovation, coordination, green development, opening up and sharing", the Bank launched extensive practical initiatives in sustainable development, devoted itself to win-win cooperation with stakeholders, and endeavored to make contributions to the economy, society and environment.

Responsibility to the country

Capitalising on its unique strengths, the Bank further expanded its cross-border financial services worldwide. It has set up subsidiaries in 61 countries and regions outside the Chinese mainland, maintaining its global top one position in cross-border RMB clearing and settlement. The Bank continuously provided premier financial services for the Belt and Road Initiative. As at the end of 2019, it followed up on over 600 major projects along the Belt and Road with a total investment of approximately USD160 billion. The Bank has established an integrated regional financial services system with focuses on the Beijing-Tianjin-Hebei region, the Yangtze Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan Pilot Free Trade Port. The Bank optimised its credit direction by strengthening the support for next-generation information technologies, high-end equipment, energy conservation and environmental protection, the silver economy, winter sports, cultural tourism and health care. The Bank vigorously extended the reach of inclusive finance. It provided private enterprises with broader access to financing, and built the BOC Global SME Cross-border Matchmaking Services platform for micro, small and medium-sized enterprises. The Bank made advances in its support for agriculture, rural areas and farmers. It developed the *Programme of Bank of China for Serving the Rural Revitalisation*, accelerated the development of BOC Fullerton Community Bank, and improved the financial services network in rural areas. As at the end of 2019, the Bank reported a balance of agro-related loans at RMB1,411.9 billion, and BOC Fullerton Community Bank had established 125 banking corporations in 22 provinces (or municipalities) across the country. The Bank provided financial aid for the construction of the venues and auxiliary infrastructure of the Beijing 2022 Olympic Winter Games and key winter sports centres. In addition, it launched the programme of developing the payment environment for the Winter Olympics with the aim of realising a "technology-enabled Winter Olympics". The Bank continued to provide all-round financial services for the CIIE, attracted 4,625 domestic and foreign enterprises from 103 countries and regions to attend, and reached 2,160 tentative deals.

Responsibility to shareholders

The Bank improved its corporate governance capability, effectively protected shareholders' right to be informed, to participate and to make decisions, and continuously improved the operation mechanisms of the shareholders' meeting, the Board of Directors, the Board of Supervisors and the Senior Management. The Bank continued to strengthen risk prevention and control as well as compliant operation, propelled the building of the system of three lines of defence for risk management, timely followed up on the regulatory updates, regulatory inspection findings, regulatory assessment results and other compliance risk information from around the world, and complied with the requirements of Chinese and foreign regulators. The Bank intensified its efforts in compliant operation and anti-money laundering (AML) at home and abroad, improved its long-acting anti-corruption mechanism, maintained a "high-handed posture" in the anti-graft drive, and resolutely investigated and punished all kinds of post violations and crimes in the key areas and processes. It carried out the building of a clean culture across the board, gave play to the role of cases in warning education, and strengthened the defence against the corruption and corrosion in mind. Besides, the Bank refined investor relations management, held road shows, performance conferences and other activities to enhance communication with the capital market and continuously improve its information disclosure.

Responsibility to customers

The Bank optimised its mobile banking functions, and improved the user experience by applying digital technologies such as facial recognition, remote video and electronic signature. It promoted mobile smart counters across all of its outlets in the Chinese mainland. It concentrated on developing strategy-level scenarios in such areas as cross-border, education, sports and silver economy, and stepped up the pace of its digitalisation. The Bank improved its consumer protection in an all-round way, including setting up the Corporate Culture and Consumer Protection Committee under the Board of Directors, introducing online and process-based complaint management, and improving the efficiency of addressing customer complaints. Big data and cloud computing, among other technologies, were applied in its efforts to develop a network security defence system and enhance the real-time anti-fraud capabilities of internet finance. The Bank stepped up the efforts in the protection of customers' fund security, account security and information security, promoted the financial knowledge, innovated risk management models, and protected the legitimated rights and interests of consumers in multiple ways, from diverse perspectives, and via a variety of channels.

Responsibility to employees

Always abiding by the "open, fair and equal" employment policy, the Bank set no discriminative condition for employee recruitment, remuneration and welfare, and career development. It fully respected and protected the legitimate rights and interests of employees through signing labour contracts, launching collective consultations and holding the Employee Delegates' Meetings. The Bank cared for the employees' physical and mental health by providing a diverse set of medical insurance schemes and advocating a healthy lifestyle. In carrying out the talent development plan, the Bank organised a series of key talent programmes, e.g. the "Hundred-Talent Programme" and the "Sailing Programme", and accelerated the training of excellent personnel. In 2019, the Bank topped the "Best Employer in Financial Industry in the Opinion of Chinese University Students" for the 12th consecutive year.

Responsibility to the society

The Bank carried out the government's plans for poverty alleviation, and made great efforts to launch new models of alleviating poverty through finance by focusing on the industrial characteristics of poverty-stricken areas, and increased financial support for infrastructure, public services and featured industries in these areas to meet the financing needs of poverty-relief enterprises and projects. It made great efforts to launch new models of alleviating poverty through finance, formulated and issued the *Bank of China Plan on Finance-powered Poverty Alleviation* in 2019, introducing green channels of prioritised acceptance, due diligence and approval of poverty alleviation loan projects, with the aim of comprehensively improving the quality and efficiency of anti-poverty loan approvals. The Bank provided small-amount loans for poverty alleviation, supporting the people in impoverished areas to expand production and operation. At the end of 2019, the Bank's poverty alleviation loans stood at RMB117.3 billion.

The Bank continuously increased the support for designated poverty alleviation areas. In the year, it invested and attracted gratuitous anti-poverty funding of RMB170 million, trained over 44,000 community management personnel, technicians and underprivileged masses, directly bought and helped sell RMB180 million worth agricultural products from impoverished areas, directly benefited more than 115,000 members of the registered poverty-stricken population and lifted 7,000 people out of poverty. Poverty has been eliminated in all counties and regions in Yongshou, Changwu, Xunyi and Chunhua counties of Xianyang, Shaanxi Province.

The Bank extended government-sponsored student loans and so far has accumulatively granted more than RMB24 billion for over 1.8 million financially underprivileged students. In addition, the Bank recruited over 300 financially-disadvantaged college students in 2019 under its separate "Financially Underprivileged Students Recruitment Plan" for campus recruitment. Relying on its global network, the Bank carried out civil and cultural exchanges all over the world. It sponsored the Chinese Spring Festival celebration in Trafalgar Square in London for the 19th consecutive year. It also sponsored the Tan Kah Kee Science Award for the 16th consecutive year, rewarding young people devoting themselves to the country's scientific and technological advancement, in a bid to drive the prosperous development of China's scientific and technological undertakings. For the 11th consecutive year, the Bank conducted strategic cooperation with the National Center for the Performing Arts to support the development of high-end arts in China.

Since the outbreak of novel coronavirus pneumonia (COVID-19), the Bank has carefully studied and followed the guiding principles from General Secretary Xi Jinping's important instructions on the epidemic prevention and control, resolutely implemented the plans and decisions of the CPC Central Committee and the State Council, and implemented the relevant requirements of regulatory authorities. It effectively fulfilled its responsibilities as a large state-owned bank, introduced ten measures to further strengthen financial services and enhance performance in the epidemic prevention and control, and resolutely made contributions to win the battle of epidemic prevention and control.

Responsibility to the environment

To further the implementation of the concept of sticking to green development, the Bank developed and released the *Green Finance Development Plan of Bank of China* in 2019. It made active efforts to fulfil its green commitments, and signed the *Green Investment Principles for the Belt and Road* in the year to lift the environmental and social risk management standards of Belt and Road investments to a new high. It accelerated further innovation in green financial services, channelled credit resources into such green industries as energy conservation, environmental protection, clean energy and eco-manufacturing. In 2019, the Bank's balance of green credit stood at RMB737.57 billion, up 16.58% compared with the prior year. The Bank established an energy management system, formulated water and electricity consumption criteria, strengthened day-to-day management, monitored the operational status of high energy-consumption equipment, and reduced the consumption of resources and environmental impact through the smart application of energy-conserving technologies. The Bank pooled efforts in order to digitalise its channels, expanded mobile finance, promoted the use of intelligent service equipment to provide intelligent and paperless services across outlets. It built a next-generation intelligent, green data center to enable green management throughout the whole life cycle ranging from planning, design, construction to operation, in order to improve the performance and efficiency of the center across the board. It also actively promoted the "green office" concept by launching the online conference platform — BOC Conference Link, which is independently developed by the Bank and has been deployed across the Bank, and enabling meetings to be held in an environment-friendly, technological and paperless way.

The Bank's fulfilment of its social responsibilities was widely recognised by the society. It won awards including "Achievements in Assisting with the Fight against 'Three Critical Battles'", "Achievements in Belt and Road Initiative" and "Best Social Responsibility Manager" from the China Banking Association, and "2019 CSR Special Honor — Pioneer in the Construction of the Guangdong-Hong Kong-Macao Greater Bay Area" from the *New Weekly*. In 2019, the Bank was also added to the Hang Seng ESG Index and the Hang Seng Corporate Sustainability Index.

For details of the Bank's corporate social responsibility performance, please refer to the Bank's *2019 Corporate Social Responsibility Report* published on the websites of SSE, HKEX and the Bank.

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Share Capital

Unit: Share

	As at 1 January 2019		Increase/decrease during the reporting period					As at 31 December 2019	
	Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	Number of shares	Percentage
I. Shares subject to selling restrictions	-	-	-	-	-	-	-	-	-
II. Shares not subject to selling restrictions	**294,387,791,241**	**100.00%**	-	-	-	-	-	**294,387,791,241**	**100.00%**
1. RMB-denominated ordinary shares	210,765,514,846	71.59%	–	–	–	–	–	210,765,514,846	71.59%
2. Overseas listed foreign shares	83,622,276,395	28.41%	–	–	–	–	–	83,622,276,395	28.41%
III. Total Ordinary Shares	**294,387,791,241**	**100.00%**	-	-	-	-	-	**294,387,791,241**	**100.00%**

Notes:

1 As at 31 December 2019, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.

2 As at 31 December 2019, 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 2019: 700,005 (including 514,852 A-Share Holders and 185,153 H-Share Holders)

Number of ordinary shareholders as at the end of the last month before the disclosure of this report: 695,176 (including 510,829 A-Share Holders and 184,347 H-Share Holders)

The top ten ordinary shareholders as at 31 December 2019 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	4,953,529	81,916,812,187	27.83%	–	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	Buttonwood Investment Platform Ltd.	–	1,060,059,360	0.36%	–	None	State-owned legal person	A
6	HKSCC Limited	262,826,587	912,435,969	0.31%	–	None	Foreign legal person	A
7	China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH	420,886,318	839,587,874	0.29%	–	None	Other	A
8	MUFG Bank, Ltd.	–	520,357,200	0.18%	–	Unknown	Foreign legal person	H
9	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	236,234,219	489,508,446	0.17%	–	None	Other	A
10	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

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 2019. 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.

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 2019, the shareholders indicated in the following table were substantial shareholders (as defined in the SFO) having interests in shares of the Bank:

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	5,840,491,491	H	–	6.98%	1.98%
		3,041,000(S)	H	–	0.0036%	0.0010%
Citigroup Inc.	Person having a security interest in shares	497,000	H	–	0.0006%	0.0002%
	Interest of controlled corporations	535,617,373	H	–	0.64%	0.18%
		187,321,515(S)	H	–	0.22%	0.06%
	Approved lending agent	4,469,332,847(P)	H	–	5.34%	1.52%
	Total	5,005,447,220	H	–	5.99%	1.70%
		187,321,515(S)	H	–	0.22%	0.06%
		4,469,332,847(P)	H	–	5.34%	1.52%

Notes:

1 BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., while BlackRock Holdco 2 Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. Thus BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have equal interests in shares of the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. holds a long position of 5,840,491,491 H Shares and a short position of 3,041,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 5,840,491,491 H Shares, 119,994,000 H Shares are held through derivatives. The total 3,041,000 H Shares in the short position are held through derivatives.

2 Citigroup Inc. holds the entire issued share capital of Citicorp LLC, while Citicorp LLC holds the entire issued share capital of Citibank, N.A. Thus Citigroup Inc. and Citicorp LLC are deemed to have equal interests in shares of the Bank as Citibank, N.A. under the SFO. Citigroup Inc. holds a long position of 5,005,447,220 H Shares and a short position of 187,321,515 H Shares of the Bank through Citibank, N.A. and other corporations controlled by it. In the long position of 5,005,447,220 H Shares, 4,469,332,847 H Shares are held in the lending pool and 238,489,967 H Shares are held through derivatives. In the short position of 187,321,515 H Shares, 146,016,715 H Shares are held through derivatives.

3 "S" denotes short position, "P" denotes lending pool.

Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 31 December 2019, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Controlling Shareholder of the Bank

Central Huijin Investment Ltd.

Central Huijin Investment Ltd. ("Huijin") is a state-owned investment company established on 16 December 2003 under the Company Law, with Mr. PENG Chun as its legal representative. Wholly owned by China Investment Corporation ("CIC"), Huijin makes equity investments in major state-owned financial institutions, as authorised by the State Council. To the extent of its capital contribution, Huijin exercises its rights and 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 2019, 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 Bank Company Limited ★☆	19.53%
7	Hengfeng Bank Co., Limited	53.95%
8	China Everbright Group Ltd.	55.67%
9	China Jianyin Investment Limited	100.00%
10	China Galaxy Financial Holding Co., Ltd.	69.07%
11	Shenwan Hongyuan Group Co., Ltd. ★☆	20.05%
12	China Export & Credit Insurance Corporation	73.63%
13	China Reinsurance (Group) Corporation ☆	71.56%
14	New China Life Insurance Company Limited ★☆	31.34%
15	China International Capital Corporation Limited ☆	44.32%
16	China Securities Co., Ltd. ★☆	31.21%
17	Jiantou & Zhongxin Assets Management Limited	70.00%
18	Guotai Junan Investment Management Co., Ltd.	14.54%

Notes:

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

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

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

As at 31 December 2019, 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 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 2019: 87

Number of preference shareholders as at the end of the last month before the disclosure of this report: 87

The top ten preference shareholders as at 31 December 2019 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	200,000,000	220,000,000	13.75%	None	Other	Domestic Preference Shares
2	China Mobile Communications Group Co., Ltd.	–	180,000,000	11.25%	None	State-owned legal person	Domestic Preference Shares
3	CCB Trust Co., Ltd. — "Qian Yuan — Ri Xin Yue Yi" Open-ended Wealth Management Single Fund Trust	133,000,000	133,000,000	8.31%	None	Other	Domestic Preference Shares
4	China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH	70,000,000	86,000,000	5.38%	None	Other	Domestic Preference Shares
5	Bosera Fund — ABC — Agricultural Bank of China Limited	69,000,000	69,000,000	4.31%	None	Other	Domestic Preference Shares
6	China Resources SZITIC Trust Co., Ltd. — Investment No. 1 Single Fund Trust	66,500,000	66,500,000	4.16%	None	Other	Domestic Preference Shares
7	BOCOM Schroder Asset Management — BOCOM — Bank of Communications Co., Ltd.	51,800,000	65,000,000	4.06%	None	Other	Domestic Preference Shares
8	China National Tobacco Corporation	–	50,000,000	3.13%	None	State-owned legal person	Domestic Preference Shares
9	Postal Savings Bank of China Co., Ltd.	40,000,000	40,000,000	2.50%	None	State-owned legal person	Domestic Preference Shares
10	Hwabao Trust Co., Ltd. — Investment No. 2 — Fund Trust	38,000,000	38,000,000	2.38%	None	Other	Domestic Preference Shares

As at 31 December 2019, "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 October 2019, the Bank redeemed all 399,400,000 shares of the Offshore Preference Shares (First Tranche) issued on 23 October 2014. 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

Name	Year of birth	Gender	Position	Term of office
LIU Liange	1961	Male	Chairman	From October 2018 to the date of the Annual General Meeting in 2021
WANG Jiang	1963	Male	Vice Chairman and President	From January 2020 to the date of the Annual General Meeting in 2022
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 2020
XIAO Lihong	1965	Female	Non-executive Director	From August 2017 to the date of the Annual General Meeting in 2020
WANG Xiaoya	1964	Female	Non-executive Director	From August 2017 to the date of the Annual General Meeting in 2020
ZHANG Jiangang	1973	Male	Non-executive Director	From July 2019 to the date of the Annual General Meeting in 2022
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
WANG Xiquan	1960	Male	Chairman of the Board of Supervisors	From November 2016 to the date of the Annual General Meeting in 2022
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
WANG Wei	1963	Male	Executive Vice President	From December 2019
SUN Yu	1973	Male	Executive Vice President	From February 2019
ZHENG Guoyu	1967	Male	Executive Vice President	From May 2019
XIAO Wei	1960	Male	Chief Audit Officer	From November 2014
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, except Mr. SUN Yu who held 10,000 H shares of the Bank, held any share of the Bank.

Former Directors, Supervisors and Senior Management Members

Name	Year of birth	Gender	Position held before leaving the post	Term of office
CHEN Siqing	1960	Male	Chairman	From April 2014 to April 2019
WU Fulin	1963	Male	Executive Director and Executive Vice President	From February 2019 to January 2020
LI Jucai	1964	Male	Non-executive Director	From September 2015 to June 2019
LIAO Qiang	1974	Male	Non-executive Director	From September 2018 to March 2020
LU Zhengfei	1963	Male	Independent Director	From July 2013 to July 2019
LEUNG Cheuk Yan	1951	Male	Independent Director	From September 2013 to September 2019
LIU Wanming	1958	Male	Shareholder Supervisor	From August 2004 to May 2019
CHEN Yuhua	1953	Male	External Supervisor	From June 2015 to May 2019
PAN Yuehan	1964	Male	Chief Risk Officer	From April 2016 to January 2019

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

Remuneration of Directors, Supervisors and Senior Management Members Paid in 2019

Name	Position	Remuneration before tax from the Bank in 2019 (Unit: RMB ten thousand)				Remunerated by shareholding companies or other connected parties
		Remuneration paid	Employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund	Other monetary income	Total	
Incumbent Directors, Supervisors and Senior Management Members						
LIU Liange	Chairman	57.90	14.68	–	72.58	No
WANG Jiang	Vice Chairman and President	–	–	–	–	–
LIN Jingzhen	Executive Director and Executive Vice President	52.11	14.53	–	66.64	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
WANG Changyun	Independent Director	62.08	–	–	62.08	Yes
Angela CHAO	Independent Director	45.00	–	–	45.00	Yes
JIANG Guohua	Independent Director	45.49	–	–	45.49	Yes
Martin Cheung Kong LIAO	Independent Director	14.63	–	–	14.63	Yes
WANG Xiquan	Chairman of the Board of Supervisors	57.90	14.68	–	72.58	No
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	14.47	–	–	14.47	No
ZHENG Zhiguang	External Supervisor	14.47	–	–	14.47	No
WANG Wei	Executive Vice President	4.34	1.20	–	5.54	No
SUN Yu	Executive Vice President	52.11	14.53	–	66.64	No
ZHENG Guoyu	Executive Vice President	30.40	8.39	–	38.79	No
XIAO Wei	Chief Audit Officer	93.35	16.61	2.15	112.11	No
LIU Qiuwan	Chief Information Officer	93.35	17.32	2.15	112.82	No
LIU Jiandong	Chief Risk Officer	77.79	14.51	1.73	94.03	No
MEI Feiqi	Secretary to the Board of Directors and Company Secretary	88.90	17.43	4.49	110.82	No
Former Directors, Supervisors and Senior Management Members						
CHEN Siqing	Chairman	19.30	5.02	–	24.32	No
WU Fulin	Executive Director and Executive Vice President	52.11	14.53	–	66.64	No
LI Jucai	Non-executive Director	–	–	–	–	Yes
LIAO Qiang	Non-executive Director	–	–	–	–	Yes
LU Zhengfei	Independent Director	32.08	–	–	32.08	Yes
LEUNG Cheuk Yan	Independent Director	27.00	–	–	27.00	No
LIU Wanming	Shareholder Supervisor	34.12	6.75	1.33	42.20	No
CHEN Yuhua	External Supervisor	9.76	–	–	9.76	No
PAN Yuehan	Chief Risk Officer	7.78	1.41	0.12	9.31	No

Notes:

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

2 The 2019 final remuneration for Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, executive directors, shareholder supervisors 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, 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 Independent directors receive remuneration for 2019 in accordance with the resolution of the 2007 Annual General Meeting. External supervisors receive remuneration in accordance with the resolution of the 2009 Annual General Meeting. Remuneration for shareholder supervisors is in accordance with relevant remuneration scheme of the Bank and approved by the shareholders' meeting.

5 In 2019, Non-executive Directors Mr. ZHAO Jie, Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. ZHANG Jiangang, Mr. LI Jucai, 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 2019. 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 RMB11.75 million in remuneration to its directors, supervisors and senior management members' services in 2019.

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

Save as disclosed above, in 2019, 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, and 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 Jiang

Vice Chairman and President

Vice Chairman of the Board of Directors of the Bank since January 2020 and President of the Bank since December 2019. Mr. WANG joined the Bank in 2019. He served as Vice Governor of Jiangsu Province from July 2017 to November 2019, and as Vice President of Bank of Communications from August 2015 to July 2017. Mr. WANG worked in China Construction Bank ("CCB") for many years, successively serving as Deputy General Manager of Shandong Branch, General Manager of Hubei Branch and General Manager of Shanghai Branch. Mr. WANG has concurrently served as Vice Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited since March 2020. Mr. WANG graduated from Shandong Economics College in 1984, and from Xiamen University with a Doctor's Degree in Economics in 1999. He holds the title of Researcher.

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 has been serving as Chairman of BOC International Holdings Limited since April 2018, 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.

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 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 Non-trade 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.

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.

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 Hanqing 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 Hanqing Advanced Institute of Economics and Finance at RUC from 2006 to 2016. Mr. WANG is currently also the Vice Chairman of China Investment Specialty Construction Association, Director of China 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.

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.

Supervisors

WANG Xiquan
Chairman of the Board of Supervisors

Chairman of the Board of Supervisors of the Bank since November 2016 and Vice Party Secretary of the Bank since June 2016. Mr. WANG previously served in several positions at Industrial and Commercial Bank of China Limited ("ICBC") for many years. He served as the Executive Vice President of ICBC from September 2012 to July 2016 and Executive Director from June 2015 to July 2016. Mr. WANG served as a member of the senior management of ICBC from April 2010 to September 2012. Between September 1999 and April 2010, he successively served as Deputy Head of the Hebei Branch of ICBC, General Manager of Risk Management Department, General Manager of Internal Audit Bureau, and General Manager of Human Resources Department. Mr. WANG graduated from Shanxi Institute of Finance and Economics in 1983 and received a Doctor's Degree in Management from Nanjing University in 2009. He holds the title of Senior Economist.

WANG Zhiheng
Employee Supervisor

Employee Supervisor of the Bank since December 2018. Mr. WANG currently serves as General Manager of the Human Resources Department of the Head Office of the Bank and Director of BOC Aviation Limited, BOC International Holdings Limited and Bank of China Group Insurance Company 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 and General Manager of the Qinghai Branch 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.

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 Jiang

Vice Chairman and President

Please refer to the section "Directors"

LIN Jingzhen

Executive Director and Executive Vice President

Please refer to the section "Directors"

WANG Wei

Executive Vice President

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.

SUN Yu

Executive Vice President

Executive Vice President of the Bank since February 2019. Mr. SUN joined the Bank in 1998. Mr. SUN served as Chief Overseas Business Officer from September 2018 to February 2019, as General Manager of London Branch of the Bank, and CEO of Bank of China (UK) Limited from March 2015 to November 2018, and as General Manager of London Trading Center of the Bank from December 2015 to November 2018. Mr. SUN previously served as Director of Global Financial Markets Department, Director of Financial Markets Unit (Client Business), Director of Financial Markets Unit (Securities Investment), Deputy General Manager of the Shanghai Branch and General Manager of Global Markets Department of Bank of China (Hong Kong) Limited. Mr. SUN has concurrently served as Director of Bank of China (UK) Limited since March 2015, as Chairman of the Board of Directors of Bank of China (UK) Limited since December 2018, and as Chairman of the Board of Directors of BOC Aviation Limited since February 2019, as President of Shanghai RMB Trading Unit since November 2019, and as General Manager of Beijing Branch of the Bank since December 2019, and as Non-executive Directors of BOC Hong Kong (Holdings) Limited since March 2020. He graduated from Nankai University with a Master's Degree in Economics in 1998.

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, and concurrently served as Chairman of BOC Expresspay Co., Ltd since October 2019. 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.

XIAO Wei

Chief Audit Officer

Chief Audit Officer of the Bank since November 2014. Mr. XIAO joined the Bank in 1994, and served as General Manager of Financial Management Department of the Bank's Head Office from November 2009 to November 2014. Mr. XIAO served as Deputy General Manager of the Beijing Branch of the Bank from May 2004 to November 2009, and also concurrently served as Chief Financial Officer of the Beijing Branch of the Bank from January 2007 to November 2009. He successively served as Assistant General Manager and Deputy General Manager of the Asset-and-Liability Management Department of the Bank's Head Office from December 1999 to May 2004, and also served as temporary Deputy General Manager of the Beijing Branch of the Bank from November 2002 to May 2004. Mr. XIAO obtained a Doctor's Degree in Economics from Renmin University of China in 1994. He has the qualification of Senior Accountant.

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 BOCSOFT 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 with a Bachelor's Degree in Economics, 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

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

Changes in Directors, Supervisors and Senior Management Members

Changes in the Bank's directors were as follows:

Mr. WU Fulin began to serve as Executive Director and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 3 February 2019.

Mr. LIN Jingzhen began to serve as Executive Director and member of the Risk Policy Committee of the Board of Directors of the Bank as of 3 February 2019.

Mr. CHEN Siqing ceased to serve as Chairman of the Board of Directors, Executive Director and Chairman and member of the Strategic Development Committee of the Board of Directors of the Bank as of 28 April 2019 due to a change of job.

Mr. LI Jucai ceased to serve as Non-executive Director and member of the Strategic Development Committee and the Audit Committee of the Board of Directors of the Bank as of 25 June 2019 due to a change of job.

Mr. ZHAO Jie began to serve as member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 28 June 2019.

Mr. LIAO Qiang began to serve as member of the Risk Policy Committee of the Board of Directors of the Bank and ceased to serve as member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 28 June 2019.

Mr. JIANG Guohua began to serve as member of the Strategic Development Committee of the Board of Directors of the Bank as of 28 June 2019.

Mr. LIU Liange began to serve as Chairman of the Board of Directors, and Chairman of the Strategic Development Committee of the Board of Directors of the Bank as of 5 July 2019.

Mr. ZHANG Jiangang began to serve as Non-executive Director and member of the Strategic Development Committee and the Audit Committee of the Board of Directors of the Bank as of 29 July 2019.

Mr. LU Zhengfei ceased to serve as Independent Director, Chairman and 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 1 August 2019 due to the expiration of his term of office.

Mr. WANG Changyun began to serve as Chairman of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 1 August 2019.

Mr. JIANG Guohua began to serve as Chairman of the Audit Committee of the Board of Directors of the Bank as of 1 August 2019.

Mr. LEUNG Cheuk Yan ceased to serve as Independent Director, Chairman and member of the Connected Transactions Control Committee, member of the Audit Committee, and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 4 September 2019 due to the expiration of his term of office.

Mr. Martin Cheung Kong LIAO began to serve as Independent Director, Chairman and member of the Connected Transactions Control Committee, member of the Strategic Development Committee, member of the Audit Committee, and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 4 September 2019.

Mr. LIU Liange, Ms. WANG Xiaoya, Mr. LIAO Qiang and Mr. JIANG Guohua began to serve as member of the Corporate Culture and Consumer Protection Committee of the Board of Directors of the Bank as of 30 October 2019.

Mr. WANG Jiang began to serve as Vice Chairman of the Board of Directors, 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.

Changes in the Bank's supervisors were as follows:

Mr. WANG Zhiheng began to serve as member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 15 January 2019.

Mr. LI Changlin began to serve as member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 15 January 2019.

Mr. LENG Jie began to serve as member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 15 January 2019.

Mr. CHEN Yuhua ceased to serve as External Supervisor and Chairman of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 17 May 2019 due to related regulations.

Mr. JIA Xiangsen began to serve as External Supervisor of the Bank as of 17 May 2019, and began to serve as Chairman of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 9 August 2019.

Mr. ZHENG Zhiguang began to serve as External Supervisor of the Bank as of 17 May 2019, and began to serve as member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 9 August 2019.

Mr. LIU Wanming ceased to serve as Shareholder Supervisor and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 18 May 2019 due to the expiration of his term of office.

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

Mr. PAN Yuehan ceased to serve as Chief Risk Officer of the Bank as of 18 January 2019 due to a change of job.

Mr. SUN Yu began to serve as Executive Vice President of the Bank and ceased to serve as Chief Overseas Business Officer of the Bank as of 3 February 2019.

Mr. LIU Jiandong began to serve as Chief Risk Officer of the Bank as of 3 February 2019.

Mr. ZHENG Guoyu began to serve as Executive Vice President of the Bank as of 28 May 2019.

Mr. LIU Liange ceased to serve as President of the Bank as of 27 June 2019.

Mr. WANG Wei began to serve as Executive Vice President of the Bank as of 13 December 2019.

Mr. WANG Jiang began to serve as President of the Bank as of 30 December 2019.

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

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 comprehensively and systematically reviewed the Articles of Associations and the rules of procedure of each special committee. The Bank established the Corporate Culture and Consumer Protection Committee, which is responsible for cultural fostering and consumer protection at the Group level.

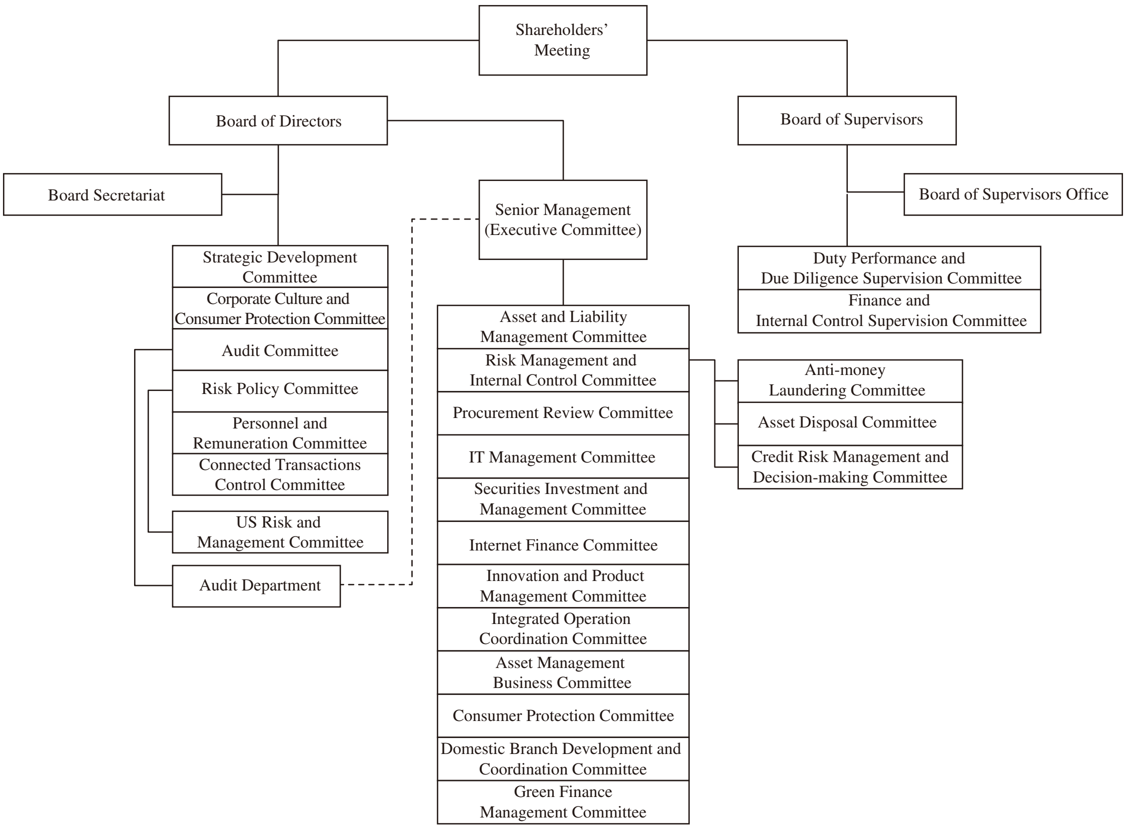
The Bank places great emphasis on improving its corporate governance operation mechanisms. It ensures that minority shareholders are properly informed and able to participate and make decisions. The annual shareholders' meetings are held in Beijing and Hong Kong on-site and connected by way of video conference, allowing shareholders from both the Chinese mainland and Hong Kong to attend in person. In addition, 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 2019, the Bank's corporate governance performance continued to be recognised by the capital markets and the public. The Bank was granted the 14th "Golden Prize of Round Table" for Value Creating Board of Directors of Chinese Listed Companies.

Corporate Governance Framework

The Bank's corporate governance framework is shown below:



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 2019.

Shareholders and Shareholders' Rights

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

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

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

Shareholders' Right to Propose Resolutions at Shareholders' Meetings

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

Shareholders' Right to Present Enquiries

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

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

Shareholders' Meeting

Functions and Powers of Shareholders' Meeting

The shareholders' meeting is the body of authority of the Bank. The shareholders' meeting is responsible for making decisions on the important issues of the Bank, including considering and approving the Bank's profit distribution plan, annual financial budget and financial statements, changes in the Bank's registered capital, adopting resolutions on matters such as the issue 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 4 January 2019, the Bank held its 2019 First Extraordinary General Meeting in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved seven proposals, including the general mandate to issue new shares of the Bank, the non-public issuance plan of domestic preference shares of the Bank, the non-public issuance plan of offshore preference shares of the Bank, the impact on dilution of current returns and remedial measures upon the issuance of preference shares of the Bank, formulating the *Shareholder Return Plan for 2018 to 2020 of Bank of China Limited*, the election of Mr. WU Fulin to be appointed as Executive Director of Bank of China Limited, and the election of Mr. LIN Jingzhen to be appointed as Executive Director of Bank of China Limited. The proposals regarding the general mandate to issue new shares of the Bank, the non-public issuance plan of domestic preference shares of the Bank, and the non-public issuance plan of offshore preference shares of the Bank were special resolutions, and others were ordinary resolutions.

On 17 May 2019, the Bank held its 2018 Annual General Meeting in Beijing and Hong Kong on-site and connected by way of video conference. A-Share Holders could also cast votes online. This meeting considered and approved 20 proposals including the 2018 work report of the Board of Directors, the 2018 work report of the Board of Supervisors, the 2018 annual financial report, the 2018 profit distribution plan, the 2019 annual budget for fixed assets investment, the appointment of the Bank's external auditor for 2019, the election of Mr. ZHANG Jiangang to be appointed as Non-executive Director of the Bank, the election of Mr. Martin Cheung Kong LIAO to be appointed as Independent Non-executive Director of the Bank, the election of Mr. WANG Changyun to be re-appointed as Independent Non-executive Director of the Bank, the election of Ms. Angela CHAO to be re-appointed as Independent Non-executive Director of the Bank, the election of Mr. WANG Xiquan to be re-appointed as Shareholder Representative Supervisor of the Bank, the election of Mr. JIA Xiangsen to be appointed as External Supervisor of the Bank, the election of Mr. ZHENG Zhiguang to be appointed as External Supervisor of the Bank, the 2017 remuneration distribution plan for Chairman of the Board of Directors and Executive Directors, the 2017 remuneration distribution plan for Chairman of the Board of Supervisors and Shareholder Representative Supervisors, the general mandate to issue new shares of the Bank, the issue of bonds, the issue of write-down undated capital bonds and the issue of qualified write-down tier 2 capital instruments. The meeting also heard the 2018 report on the connected transactions, the 2018 duty report of independent directors and the 2018 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 general mandate to issue new shares of the Bank, the issue of bonds, the issue of write-down undated capital bonds, and the issue of qualified write-down tier 2 capital instruments were special resolutions, and others were ordinary resolutions.

On 31 December 2019, the Bank held its 2019 Second Extraordinary General Meeting in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved seven proposals, including the 2018 remuneration distribution plan for Chairman of the Board of Directors and Executive Directors, the 2018 remuneration distribution plan for Chairman of the Board of Supervisors and Shareholder Representative Supervisors, improving the remuneration plan of Independent Non-executive Directors, the election of Ms. CHEN Chunhua as Independent Non-executive Director of the Bank, the election of Mr. CHUI Sai Peng Jose as Independent Non-executive Director of the Bank, the application for provisional authorisation of outbound donations, and the election of Mr. WANG Jiang as Executive Director of Bank of China Limited. All the proposals were ordinary resolutions.

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

The Bank issued announcements on the resolutions and legal opinions of the aforementioned shareholders' meetings on 4 January 2019, 17 May 2019 and 31 December 2019 respectively, pursuant to regulatory requirements. Please refer to the websites of SSE, HKEX and the Bank.

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

During the reporting period, the Board of Directors has fully implemented the resolutions passed at the shareholders' meetings and the scheme on the authorisation to the Board of Directors granted by the shareholders' meeting, and earnestly carried out the proposals regarding the 2018 profit distribution plan, the 2019 annual budget for fixed assets investment, the issuance of bonds, the appointments of directors and 2019 external auditor and so on.

Board of Directors

Functions and Powers of the Board of Directors

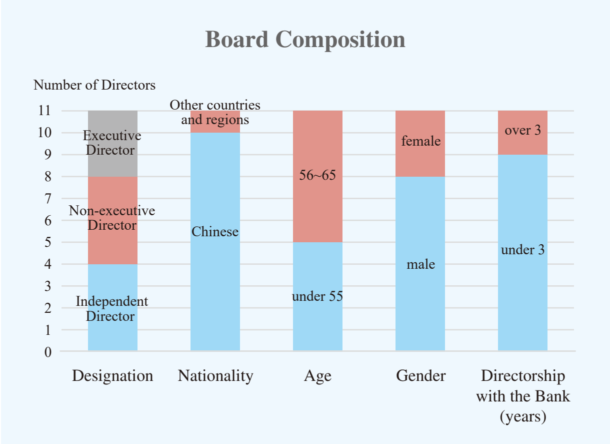
The Board of Directors, which is responsible to the shareholders' meeting, is the Bank's decision-making body. The Board of Directors exercises the following functions and powers as specified by the Bank's Articles of Association: convening shareholders' meetings and implementing the resolutions of shareholders'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

Composition of the Board of Directors

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

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

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



Convening of Board Meetings

In 2019, the Bank convened seven on-site meetings of the Board of Directors on 25 January, 29 March, 29 April, 28 June, 30 August, 30 October and 13 December respectively. At these meetings, the Board of Directors reviewed and approved 72 proposals related to the Bank's regular reports, the nomination of candidates for the directors, the appointment of senior management members, the issuance of bonds, the dividend distribution plan, the establishment of overseas branches and subsidiaries, etc. It also heard 15 reports related to the report on strategy implementation, circular on regulatory situation, the report on country risk management, and other matters.

In 2019, the Bank convened three 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, systems 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 *2019 Internal Control Assessment Report of Bank of China Limited* and the *2019 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.

Duty Performance of Directors

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

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

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

			Meetings of the Special Committees of the Board of Directors					
Directors	Shareholders' Meetings	Meetings of the Board of Directors	Strategic Development Committee	Corporate Culture and Consumer Protection Committee	Audit Committee	Risk Policy Committee	Personnel and Remuneration Committee	Connected Transactions Control Committee
Incumbent Directors								
LIU Liange	3/3	9/10	7/8	–	–	–	–	–
WANG Jiang	0/0	0/0	–	–	–	–	–	–
LIN Jingzhen	1/2	8/9	–	–	–	9/9	–	–
ZHAO Jie	3/3	10/10	–	–	5/5	10/10	5/5	–
XIAO Lihong	3/3	10/10	8/8	–	–	10/10	–	–
WANG Xiaoya	3/3	10/10	8/8	–	–	–	10/10	–
ZHANG Jiangang	1/1	6/6	3/3	–	2/2	–	–	–
WANG Changyun	3/3	10/10	8/8	–	5/5	10/10	9/10	–
Angela CHAO	2/3	8/10	–	–	5/5	5/10	–	1/4
JIANG Guohua	3/3	10/10	3/3	–	5/5	–	10/10	4/4
Martin Cheung Kong LIAO	1/1	5/5	2/2	–	1/1	–	4/4	1/1
Former Directors								
CHEN Siqing	0/1	2/2	3/3	–	–	–	–	–
WU Fulin	2/2	8/9	–	–	–	–	–	3/3
LI Jucai	2/2	3/3	4/4	–	3/3	–	–	–
LIAO Qiang	3/3	10/10	8/8	–	–	3/3	5/5	–
LU Zhengfei	2/2	3/4	–	–	3/3	–	5/5	2/2
LEUNG Cheuk Yan	2/2	5/5	–	–	4/4	–	6/6	3/3

Notes:

1 Please refer to the section "Directors, Supervisors and Senior Management Members — Changes in Directors, Supervisors and Senior Management Members" for changes in directors.

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

Training and Expertise Enhancement of Directors

In 2019, 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 international financial situation, advanced capital measurement approaches, development trends in internet-based business patterns, application scenarios and prospect for cooperation in the financial industry of 5G technologies, among others. The Bank also gave special presentations and training to the newly appointed directors in 2019 regarding its development strategy, business development, directors' responsibilities and internal control assessment. The Bank's directors also took it upon themselves to enhance their professional skills in various ways, including writing and publishing professional articles, attending forums and seminars, meeting with domestic and overseas regulators and conducting on-site research exercises at the Bank's domestic and overseas branches as well as at other advanced international banks.

Independence and Duty Performance of Independent Directors

There are currently four 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 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 2019, 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 2019, independent directors put forward constructive recommendations on capital replenishment, strategy implementation, the Group risk management, anti-money laundering and the development of overseas institutions, among others. These recommendations were adopted and diligently implemented by the Bank.

In 2019, 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, and Mr. Martin Cheung Kong LIAO 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 2019, the outstanding amount of letters of guarantee issued by the Bank was RMB1,049.629 billion.

Responsibility Statement of Directors on Financial Reports

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

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

Special Committees of the Board of Directors

Strategic Development Committee

The Strategic Development Committee comprises eight members, including Chairman Mr. LIU Liange, Vice Chairman and President Mr. WANG Jiang, Non-executive Directors Ms. XIAO Lihong, Ms. WANG Xiaoya and Mr. ZHANG Jiangang and Independent Directors Mr. WANG Changyun, Mr. JIANG Guohua and Mr. Martin Cheung Kong LIAO. 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 annual business plan and assessment measures on inclusive finance business, and supervising the Bank's implementation of inclusive finance strategies, policies and regulations.

The Strategic Development Committee held six on-site meetings and two meetings via written resolutions in 2019. At these meetings, it mainly approved the proposal on the business plan and financial budget of Bank of China for 2019, the profit distribution plan of Bank of China for 2018, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments, exercising the redemption right of the offshore preference shares, the inclusive finance development plan of Bank of China, the establishment of financial leasing company and so on. 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 and the layout of globalisation and diversification thus providing strong support to the scientific decision-making of the Board of Directors.

Corporate Culture and Consumer Protection Committee

The Bank set up the Corporate Culture and Consumer Protection Committee in October 2019 to enable the Board of Directors to make overall plans for and provide specialised guidance on the building of corporate culture and the protection of consumer rights. The committee comprises three members, including Chairman Mr. LIU Liange, Non-executive Director Ms. WANG Xiaoya, and Independent Director Mr. JIANG Guohua.

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 the implementation of such plans and policies, etc.; urging the management to examine and assess the Bank's implementation of its values, and promoting the refinement and breakdown, promotion and popularisation, education and training, and implementation of the 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 the code of conduct for the Bank's employees 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., 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.

Audit Committee

The Audit Committee comprises six members, including Non-executive Directors Mr. ZHAO Jie and Mr. ZHANG Jiangang and Independent Directors Mr. WANG Changyun, Ms. Angela CHAO, Mr. JIANG Guohua and Mr. Martin Cheung Kong LIAO. 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 five on-site meetings and one meeting via written resolutions in 2019. It mainly reviewed and approved the 2019 work plan and financial budget for internal audit, reviewed the Bank's 2018 financial report, 2019 interim financial report and financial reports for the first and third quarters of 2019, the *Internal Audit Charter*, the internal control work report for 2018 and the first half of 2019, the 2018 internal control assessment report, the audit results on internal control and management proposal, and the proposal on appointment of external auditors and audit fees for 2020. In addition, it heard the report on the Senior Management response to Ernst & Young's management proposal for 2018, reports on internal audit in 2018 and the first half of 2019, the report on three-year plan for IT application in audit and implementation progress (three times in aggregate), the 2018 report on the overseas supervision information, the profile of comprehensive operation companies in recent years, the report on progress in internal control audit of Ernst & Young in 2018, updates on compliance with the principle of independence and the report on 2019 audit plan and self-assessment report, the report on asset quality in the first quarter of 2019, and the report on prevention and control of external infringement cases in 2018.

Moreover, in response to changes in domestic and overseas economic trends, the Audit Committee paid close attention to developments in the Bank's progress towards improving business performance and cost-effectiveness control. Through joint meetings, 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 2019 audit plan, including areas of focus for auditing the 2019 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 2020, the Audit Committee reviewed and approved the Bank's 2019 financial statements and submitted them to the Board of Directors for approval.

In accordance with the *Policies of Selection, Rotation and Dismissal for External Auditors of Bank of China Limited*, the external auditors made a summary audit report and submitted a report on their independence compliance to the committee. The Bank's Senior Management appraised the external auditors' work. Based on this appraisal, the Audit Committee conducted its own assessment on the auditors' performance, effectiveness and independence compliance in 2019. It discussed re-engagement matters, and decided to reappoint Ernst & Young Hua

Ming LLP as the Bank's domestic auditor and internal control auditor for 2020, and to reappoint Ernst & Young as the Bank's international auditor for 2020. Such proposals have been submitted to the Board of Directors for approval.

Risk Policy Committee

The Risk Policy Committee of the Bank comprises five members, including Executive Director Mr. LIN Jingzhen, Non-executive Directors Mr. ZHAO Jie and Ms. XIAO Lihong, Independent Directors Mr. WANG Changyun and Ms. Angela CHAO. Independent Director Mr. WANG Changyun serves as the 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 administrative systems 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 construction of its case prevention and control management system.

The Risk Policy Committee held six on-site meetings and four meetings via written resolutions in 2019, at which it mainly considered the general principles of risk management, risk appetites statement and management measures, market risk management policy, trading book market risk limits, liquidity risk management policy, polices for interest rate risk in the banking book, country risk rating and limit, securities investment policy, measures for consolidated management, management measures for outsourcing risks, 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.

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 2019, the US Risk and Management Committee convened four on-site meetings and four meetings via written resolutions. It regularly heard 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 important 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 five members, including Non-executive Directors Mr. ZHAO Jie and Ms. WANG Xiaoya, Independent Directors Mr. WANG Changyun, Mr. JIANG Guohua and Mr. Martin Cheung Kong LIAO. Independent Director Mr. WANG Changyun 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 the senior management members of the Bank, and evaluating their performances.

The Personnel and Remuneration Committee held seven on-site meetings and three meetings by written resolutions in 2019. 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 2018, and the 2019 implementation plan for performance evaluation of the Chairman, Executive Directors and senior management members, the election of Mr. LIU Liange as Chairman of the Bank, the appointment of Mr. WANG Jiang as President, candidate for Executive Director, and Vice Chairman of the Bank, the appointment of Mr. SUN Yu, Mr. ZHENG Guoyu and Mr. WANG Wei as Executive Vice Presidents of the Bank, the appointment of Mr. LIU Jiandong as Chief Risk Officer of the Bank, the nomination of Mr. WANG Changyun and Ms. Angela CHAO to be re-appointed as Independent Non-executive Directors of the Bank, the nomination of Mr. ZHANG Jiangang as candidate for Non-executive Director of the Bank, the nomination of Mr. Martin Cheung Kong LIAO, Ms. CHEN Chunhua and Mr. CHUI Sai Peng Jose as candidates for Independent Non-executive Directors of the Bank, and the establishment of the Corporate Culture and Consumer Protection Committee of the Board of Directors.

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 three members, including Independent Directors Ms. Angela CHAO, Mr. JIANG Guohua and Mr. Martin Cheung Kong LIAO. 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 normative documents, 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 four meetings in 2019, at which it mainly reviewed and approved the amendments to connected transaction management policy, the report on connected transactions in 2018 and the report on the connected party list, among others. It also reviewed the statement of connected transactions of the Bank in 2018, among others. During the reporting period, the Connected Transactions Control Committee paid constant attention to the development of the Bank's policies and system 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 stable 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, internal control and risk management.

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 2019, 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 three 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 2019, 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 and by persistently stimulating vitality, making agile response and achieving breakthroughs in key areas, the Senior Management actively seized development opportunities, strived to eliminate bottlenecks, firmly held the bottom line for risk management and made solid work progress on all fronts, thus continuously enhancing the Bank's operating results.

During the reporting period, the Senior Management of the Bank held 32 regular meetings, at which it discussed and decided upon a series of significant matters, including the Group's business development, performance management, risk management, globalised development, integrated operation, IT development, data governance, smart operation and outlet transformation.

During the reporting period, the Senior Management (Executive Committee) additionally established five committees, the Integrated Operation Coordination Committee, which is responsible for the overall management and decision-making of the Group's integrated operation; the Asset Management Business Committee, which is responsible for the coordination, management and decision-making of the Group's asset management business; the Consumer Protection Committee, which is responsible for the unified planning and overall arrangement of the Bank's consumer protection work; the Domestic Branch Development and Coordination Committee, which is responsible for the overall coordination of key issues pertaining to the operation and management of the Bank's domestic branches; and the Green Finance Management Committee, which is responsible for the overall management and decision-making regarding the Group's green finance work. The Senior Management currently presides over the Asset and Liability Management Committee, the Risk Management and Internal Control Committee (which governs the Anti-money Laundering Committee, the Asset Disposal Committee and the Credit Risk Management and Decision-making Committee), the 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, and the Green Finance Management 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 2018 Annual General Meeting, Ernst & Young Hua Ming LLP was reappointed as the Bank's domestic auditor and internal control auditor for 2019 and Ernst & Young was reappointed as the Bank's international auditor for 2019.

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 RMB229 million for the year ended 31 December 2019, 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 2019. The Bank paid RMB31.3695 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 seven 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 2019.

At the forthcoming 2019 Annual General Meeting, the Board of Directors will tender a resolution for review and approval regarding the proposal on engaging Ernst & Young Hua Ming LLP as the Bank's domestic auditor and internal control auditor for 2020, providing audit services on its financial statements and internal control pursuant to CAS; and engaging Ernst & Young as the Bank's international auditor for 2020, providing financial statements audit services pursuant to IFRS.

Investor Relations and Information Disclosure

In 2019, the Bank continued to expand the depth and breadth of its capital market tracking and analysis, further enriched the forms of market communications and enhanced the initiative and effectiveness of its investor relations activities. The Bank successfully held its 2018 annual results briefing and 2019 interim results briefing, further expanded the coverage area of its annual road shows and made its best efforts to attract potential investors. The Bank held innovative reverse road-shows on specific topics as well as continuing its routine communication activities, such as results road-show, participating in the conferences for major investment banks, inviting the analysts and investors to visit the Bank, and holding the teleconferences etc., through which it actively introduced its recent developments, timely responded to market concerns, and earnestly listened to market feedback. The Bank continued to improve timely communication with minority shareholders so as to effectively protect their rights. As such, the Bank answered the investor hotlines promptly, provided comprehensive responses to the emails from shareholders and the enquiries posted on e-interaction online platform run by SSE. It organised the special communication with individual shareholders present at its annual general meeting and organised the open day for investors via the roadshow platform run by SSE, all of which resulted in active engagement and acclaim from investors. In addition, the Bank actively studied rating opinions and further strengthened communications with rating agencies, and actively maintained the stability of external ratings. In 2019, S&P Global Ratings upgraded the Bank's stand-alone credit profile (SACP), Fitch Ratings upgraded the Bank's short-term Issuer Default Rating (IDR), and Moody's Investors Service affirmed the Bank's ratings and outlook. At present, the Bank's external ratings are at the highest level among comparable domestic peers, which has the continuous positive effect of lowering financing costs and enhancing the Bank's market image.

In 2019, 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 the pertinence, effectiveness and transparency 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 2019, the Bank continued to enhance its work in investor relations and information disclosure and had received wide recognition. The Bank won awards including "Quam IR Awards — The Most Remarkable Investor Relations Recognition", the 7th "Overall Top 100 Listed Companies in Hong Kong" and "2019 Top 100 Listed Companies in China" etc. The Bank's annual report won a Gold Award in the overall category of the annual report competition and Technical Achievement Award of the League of American Communications Professionals (LACP). It also won a Gold Award in Chairman's/President's letter of the Annual Report Competition (ARC). 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 2019.

Principal Activities

The Bank provides a range of banking and related financial services, including commercial banking, investment banking, direct investment, securities, insurance, funds, 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 Group's annual results for 2019 are set out in the Consolidated Financial Statements. The Board of Directors has recommended a final dividend on ordinary shares for 2019 of RMB1.91 per ten shares (before tax), subject to the approval of the forthcoming Annual General Meeting scheduled on 30 June 2020. If approved, the 2019 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 announced by PBOC in the week before 30 June 2020 (inclusive), being the date of the Bank's Annual General Meeting. The A-Share dividend distribution date is expected to be 15 July 2020 and the H-Share dividend distribution date is expected to be 7 August 2020 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 2018 Annual General Meeting held on 17 May 2019, a final dividend on ordinary shares for 2018 of RMB0.184 per share (before tax) was approved for payment. The A-Share and H-Share dividends were distributed to the shareholders in June of 2019 in accordance with relevant regulations. The distribution plan has been accomplished and the actual distributed amount for ordinary shares was approximately RMB54.167 billion (before tax). No interim dividend on ordinary shares was paid for the period ended on 30 June 2019 by the Bank. The Bank did not propose any capitalisation of the capital reserve to share capital in 2019.

At the Board meeting held on 25 January 2019, 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 2019, with an annual dividend rate of 5.50% (before tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 30 August 2019, the dividend distribution plans for the Bank's Offshore Preference Shares (First Tranche) and Domestic Preference Shares (First Tranche) were approved. The Bank distributed dividends on the Offshore Preference Shares (First Tranche) on 23 October 2019. According to the issuance terms of the Offshore Preference Shares (First Tranche), dividends on Offshore Preference Shares (First Tranche) were denominated in RMB and paid in US dollars converted at a fixed exchange rate, with a total of approximately USD439 million (after tax) at an annual dividend rate of 6.75% (after tax). The Bank distributed dividends on the Domestic Preference Shares (First Tranche) on 21 November 2019, with a total of RMB1.920 billion (before tax) at an annual dividend rate of 6.00% (before tax). The dividend distribution plans have been accomplished.

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.

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
2019	0.191	56,228	187,405	30%	Nil
2018	0.184	54,167	180,086	30%	Nil
2017	0.176	51,812	172,407	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 2017	439 (USD million, after tax)	6.75% (after tax)
Domestic Preference Shares (First Tranche)	21 November 2017	1,920 (RMB million, before tax)	6.00% (before tax)
Domestic Preference Shares (Second Tranche)	13 March 2018	1,540 (RMB million, before tax)	5.50% (before tax)
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)

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.

In 2009, the Bank amended the Articles of Association to state that the Bank should maintain the continuity and stability of its profit distribution policy.

In 2013, the Bank amended the Articles of Association related to the cash dividend. This amendment clarified the Bank's profit distribution principles, policy and adjustment procedures, the consideration process of the profit distribution plan and other matters. The amendment states that 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 amendment also states that 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 2019, the Bank distributed dividends on ordinary shares for 2018 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 2019, 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 Thursday, 9 July to Tuesday, 14 July 2020 (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 Wednesday, 8 July 2020. The ex-dividend date of the Bank's H Shares will be on Tuesday, 7 July 2020.

Donations

Charitable and other donations made by the Group during the reporting period amounted to approximately RMB117.60 million.

Share Capital

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

Distributable Reserves

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

Fixed Assets

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

Financial Summary

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

Connected Transactions

Under the Hong Kong Listing Rules, transactions between the Bank and its connected persons (as defined under the Hong Kong Listing Rules) constitute connected transactions to the Bank. Such transactions are monitored and administered by the Bank in accordance with the Hong Kong Listing Rules. In 2019, 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.

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 2019, 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 Offshore Preference Shares (First Tranche) completed during the reporting period, 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 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 paragraph 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 2019.

A-Share Holders

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

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

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

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

H-Share Holders

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

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

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

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

Domestic Preference Share Holders

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

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

Offshore Preference Share Holders

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

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

Auditors

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

Consumer Rights Protection

The Bank puts a high premium on incorporating consumer rights protection into corporate governance, corporate culture, development strategy and operational management. It improved the consumer rights protection system and mechanism in 2019 by setting up the Corporate Culture and Consumer Protection Committee under the Board of Directors and the Consumer Protection Committee under the Executive Committee, adjusting the Consumer Protection Office and further strengthening consumer protection and complaint management. The Bank continued to promote the knowledge on consumer protection and launched a suite of financial consumer publicity and education activities in coordination with the regulators. The Bank paid attention to consumer demand, held the consumers' opinions in high regard, and continuously improved relevant products and services to streamline the complaint handling process and ensure smooth complaint channels.

Members of the Board of Directors

Executive Directors: LIU Liange, WANG Jiang, LIN Jingzhen

Non-executive Directors: ZHAO Jie, XIAO Lihong, WANG Xiaoya, ZHANG Jiangang

Independent Directors: WANG Changyun, Angela CHAO, JIANG Guohua, Martin Cheung Kong LIAO

On behalf of the Board of Directors
LIU Liange
Chairman
27 March 2020

Report of the Board of Supervisors

Meetings of the Board of Supervisors

In 2019, the Bank convened four on-site meetings of the Board of Supervisors on 29 March, 28 April, 30 August and 30 October. At these meetings, the Board of Supervisors reviewed and approved 27 proposals regarding the Bank's 2018 annual report, 2018 profit distribution plan, 2018 internal control assessment report, 2018 corporate social responsibility report, 2018 work report of the Board of Supervisors, evaluation opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors, senior management and its members for 2018, nomination of Mr. JIA Xiangsen and Mr. ZHENG Zhiguang to be appointed as external supervisors of the Bank, report for the first quarter ended 31 March 2019, 2019 interim report, report for the third quarter ended 30 September 2019, performance evaluation results for the Chairman of the Board of Supervisors and shareholder supervisors for 2018, 2018 remuneration distribution plan for 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 2019, and evaluation measures for duty performance of external supervisors (2019 version), among others. In 2019, the Board of Supervisors held four meetings by written resolution, at which it mainly reviewed and approved nine proposals regarding the amendments to Chapter 13 (Board of Supervisors) of the Articles of Association, report on the management of new products, and duty performance in market risk management, among others.

In 2019, 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	
WANG Xiquan	8/8
WANG Zhiheng	8/8
LI Changlin	7/8
LENG Jie	8/8
JIA Xiangsen	4/4
ZHENG Zhiguang	4/4
Former Supervisors	
LIU Wanming	4/4
CHEN Yuhua	4/4

Notes:

1 Please refer to the section "Directors, Supervisors and Senior Management Members — Changes in Directors, Supervisors and Senior Management Members" for changes in supervisors.

2 Supervisors who did not attend the meetings of the Board of Supervisors in person have authorised other supervisors to attend and vote at the meetings as their proxy.

In 2019, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held four on-site meetings and three meetings by written resolution, at which it reviewed and approved the proposals regarding the evaluation opinions on the duty performance and due diligence of the Board of Directors, senior management and their members for 2018, nomination of Mr. JIA Xiangsen and Mr. ZHENG Zhiguang to be appointed as external supervisors of the Bank, 2018 remuneration distribution plan for the Chairman of the Board of Supervisors and shareholder supervisors, and the implementation plan on performance management for the Chairman of the Board of Supervisors and shareholder supervisors in 2019, 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 2018 annual report, 2018 profit distribution plan, 2018 internal control assessment report, 2018 corporate social responsibility report, report for the first quarter ended 31 March 2019, 2019 interim report and report for the third quarter ended 30 September 2019, among others.

Performance of Supervision and Inspection by the Board of Supervisors

In 2019, with the aim of building BOC into a world-class bank in the new era, 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 diligently supervised the duty performance, strategy implementation, financial management, internal control and risk management, added a great deal of insight and perspective to its work and played a constructive supervisory role for the Bank's sound development, hence making new achievements in various tasks.

Stepped up the supervision of duty performance of directors and senior management members. First, the Board of Supervisors strengthened the supervision of 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. This allowed supervisors to stay informed regarding the duty performance of directors and senior management members, follow up on the decision-making, implementation and progress of major issues and key operation and management measures, and to share supervisory opinions and suggestions regarding major concerns in a timely fashion. Supervisors collected and analysed information on the duty performance of directors and senior management members at regular intervals, facilitated their duty performance in accordance with laws and regulations, and issued reminders on matters requiring particular attention. Second, it earnestly carried out annual duty performance assessment. The Board of Supervisors organised interviews with directors and senior management members on their duty performance, and formulated annual duty performance assessment opinions on the Board of Directors, the Senior Management and its members with due regards to routine supervision information. After review and approval at the meeting of the Board of Supervisors, it reported annual assessment results to the shareholders' meeting, as well as duly filing duty performance assessment opinions with the regulator. The duty performance supervision and assessment helped to enhance the Bank's overall level of corporate governance, and provided institutional support to the Bank's reform, innovation and sustainable development.

Deepened the review and supervision of strategy, finance and regular reports. Taking routine finance supervision as its basis, the Board of Supervisors analysed the Bank's operation and management in depth, tracked the Bank's operation and management dynamics at regular intervals, made its supervision increasingly forward-looking and effective, and solidified its efforts in the supervision of strategy and finance. First, the Board of Supervisors proactively proposed suggestions and recommendations for the Bank's operation and management as well as reform and development. At the seminar of directors and supervisors chaired by the Chairman, all supervisors made suggestions and recommendations on major issues such as corporate governance, operation and management, risk management and internal control, and proposed matters requiring the attention of the Board of Directors and the Senior Management, earnestly performing its strategy supervision and assessment function. The suggestions and recommendations were welcomed and adopted by the Board of Directors and the Senior Management. Second, the Board of Supervisors deepened routine supervision. It followed up on progress towards the implementation of major financial decisions, and put in place regular communication mechanism with the financial management, risk management, credit management, audit and other departments of the Head Office. It paid attention to the arrangement and implementation of financial management, tracked the implementation progress of the annual financial budget, and regularly sorted out and analysed the financial and accounting data of the Bank. Based on the analysis and study of the macro-economic situation and regulatory policies, the Board of Supervisors strengthened its forward-looking analysis and judgment of the Bank's financial position, prepared financial supervision and analysis briefings, and made timely prompts to relevant management departments to take effective measures to improve the operating status. Third, the Board of Supervisors solidified the review and supervision of regular reports. It properly performed its duties regarding the review and supervision of regular reports by regularly hearing reports on operating results and financial position, changes in risk assets, provisioning of reserves and material audit findings, and paying special attention to the accuracy of the application of accounting policies, the reasonableness of accounting valuation methods, authenticity of disclosure of risk events, the effectiveness of internal control over financial activities. It also heard special reports of the external auditor on audit plans and audit opinions, and strengthened supervision and guidance. It put forward four letters of supervisory recommendations and outlined 15 concerns and 29 specific suggestions to the Board of Directors and the Senior Management. These related to cultivating new income growth points, improving interest margin performance, performing well in inclusive finance, strengthening risk control, increasing the efforts in NPA mitigation, developing high-quality deposit and loan businesses, responding to changes in the external environment and giving full play to the Bank's advantages in globalised operations. The Board of Directors and the Senior Management paid much attention to the above-mentioned issues, and related management departments responded timely and actively remedied the issued requiring attention.

Made solid efforts in supervising routine risk management and internal control with an issue-oriented approach. In 2019, the Board of Supervisors kept up a keen awareness of changes in the external environment as well as new situations, new problems and new challenges faced by the Bank with respect to risk management and internal control. In implementing its risk supervision responsibilities, it was always mindful of worst-case scenarios, became more aware of urgency and potential dangers, and focused on forestalling and defusing material risks. Focusing on the overall imperative to prevent risks and boosting development, the Board of Supervisors followed up on the implementation of major risk resolution and key tasks in risk management and internal control, and paid constant attention to and followed up on the regional, industry-wide and policy risks faced by the Bank. It also strengthened its judgment of the internal and external situations, regularly analysed the Bank's overall risk management profile, promptly drew attention to risks, urged relevant parties to perform well in forestalling and defusing material risks, and timely observed, accurately understood and effectively addressed various risks and challenges.

Launched special in-depth surveys. In 2019, the Board of Supervisors continued to combine special surveys with its mission as specified in the Articles of Association. Giving full play to the practical and efficient characteristics of special surveys, it focused on the Bank's major plans, decisions and priorities, and organised three surveys on strategy implementation, the operation and management mode of village banks and the capacity building for globalised development. The survey teams were led by supervisors and consisted of directors and personnel from relevant departments of the Head Office. They held many discussions with Head Office departments and visited 14 domestic tier-1 branches, eight overseas institutions and their branches, and village banks in order to streamline existing problems, dig into their causes, and widely solicit proposed countermeasures. Based on this, they submitted survey reports that provided the Board of Directors and the Senior Management with forward-looking and effective opinions and suggestions. The Board of Directors and the Senior Management fully recognised the value of the survey reports, and held special meetings to make arrangement for rectification.

Actively improved the coordination in supervision. First, the Board of Supervisors strengthened coordination with directors. It drew on past experience, took new approaches and promoted healthy links between directors and supervisors. It strengthened the sharing of macro information, management information, peer information, risk prompts and other information with the Board of Directors. It intensified the communication and coordination with the Board of Directors and the Senior Management, promoted the sharing of supervision resources, and improved collaboration and coordination. This in turn, provided reference opinions for the Board of Supervisors to better perform its supervision responsibilities. Second, the Board of Supervisors deepened its collaboration with the second and third lines of defense and the comprehensive management departments of the Head Office, by strengthening joint information sharing, supervision coordination and training interaction. Overall, it actively leveraged the collaborative role of the supervision system to reduce the supervision costs, develop a broader vision, join forces, and improve the efficiency of supervision.

Strengthened self-improvement. The Board of Supervisors consolidated the foundation of supervision function, and facilitated the appointment of two new external supervisors. It held a special seminar to implement the guiding principles put forth at the Fourth Plenary Session of the 19th CPC Central Committee, improve its ability and efficiency, better perform its duties, and play a more constructive role in the corporate governance system. The Board of Supervisors organised and completed the annual duty performance assessment of itself and its members, and urged all the supervisors to earnestly perform the supervision duties delegated by the Articles of Association. Special training courses were held to improve the supervisors' expertise and duty performance capability. Experts inside and outside the Bank were invited to talk about the supervision and operation experience of financial holding companies, the evolution of big data-driven business decisions, the impact of LPR reform on the Bank's business development, the business development of the new zone in Shanghai FTZ, and the development history and experience of the Bank's peers. All supervisors performed their duties faithfully and diligently, made efforts to sharpen their policy competence and duty performance capability, actively attended meetings, earnestly reviewed proposals, heard working reports, undertook special surveys and expressed opinions professionally, rigorously and independently, thus conscientiously carrying out their supervisory function.

The Board of Directors and the Senior Management highly valued and greatly supported to the work of the Board of Supervisors. Through holding Executive Committee meetings and special meetings or in other forms, they earnestly studied the supervisory reminders of the Board of Supervisors, steadfastly pushed forward remediation measures and continually improved the Bank's overall level of corporate governance.

In accordance with the regulatory requirements, the Board of Supervisors has put forward the following supervision and assessment opinions regarding the duty performance related to remuneration management by the Board of Directors and the Senior Management of the Bank. During the reporting period, the Bank continuously improved its remuneration management policy system, made the incentive and restraint mechanism more reasonable and effective, and upgraded the performance assessment indicator system. It actively pushed forward the continuous innovation and efficiency enhancement of the resource allocation mechanism, and disclosed remuneration information in strict accordance with regulatory requirements. In its remuneration management, the Bank adhered to the principles of balancing income and risk, coordinated short-term and long-term remunerations and the combination of talent training and risk control, all of which is conducive to the implementation of the Bank's strategic objectives and enhancement of competitiveness of the Bank and consistent with the Bank's requirements for sustainable development. The Bank granted more remuneration resources to primary-level outlets, continuously improved the employee welfare support system, enhanced the sense of happiness and safety among its employees, and steadily increased employee remuneration competitiveness.

In accordance with the regulatory requirements, the Board of Supervisors issued the following supervision and assessment opinions regarding duty performance related to liquidity risk management by the Board of Directors and the Senior Management of the Bank. During the reporting period, the Bank adhered to the operating principle of balancing safety, liquidity and profitability, and continuously optimised the liquidity risk management system. In accordance with regulatory policies and management practice, the Bank reviewed and revised its liquidity risk management policy, the implementation rules for stress testing and its liquidity contingency plan; strengthened intraday liquidity risk management and centralised fund management; strengthened risk limit management and differentiated risk limit indicators for domestic and overseas institutions; conducted liquidity risk stress testing on a quarterly basis, and comprehensively analysed short-term and medium-to-long-term stress resistance. Thanks to these efforts, the Bank's liquidity risk indicators and stress testing results met regulatory and internal management requirements, and the liquidity risk was controllable overall.

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

Working Performance of the External Supervisors

During the reporting period, Mr. JIA Xiangsen, Mr. ZHENG Zhiguang and Mr. CHEN Yuhua, 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 Risk Policy Committee and the Audit Committee as non-voting attendees, and personally attended all the meetings of the Board of Supervisors and its special committees during their terms of office. Mr. JIA Xiangsen and Mr. ZHENG Zhiguang, the two external supervisors led two special surveys regarding the Bank's strategy implementation and the operation and management model of village banks, and proposed independent opinions such as accelerating technology infrastructure construction, improving innovation capability, sharpening traditional advantages, deepening mechanism reform and innovation, building an agile response system, pushing forward breakthroughs in key fields, leveraging the advantages of the Bank's investment banking license, and promoting innovations based on the macro policies. They also participated in the special survey on the capacity building for globalised development, and put forward opinions and suggestions regarding strengthening differentiated management, increasing overseas IT investment and intensifying the cultivation of a global talent team, thus playing an active role in promoting the improvement of the Bank's corporate governance and management. During the reporting period, Mr. JIA Xiangsen and Mr. ZHENG Zhiguang worked at the Bank for more than 15 working days.

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 holds that none of the litigation and arbitration cases will have a 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 that is required to be disclosed.

Implementation of Stock Incentive Plan and Employee Stock Ownership Plan

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

Significant Connected Transactions

The Bank had no significant connected transactions during the reporting period. For details of the related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note V.43 of the Consolidated Financial Statements.

Major Contracts and the 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.

Undertakings

Huijin made a "non-competing commitment" when the Bank launched its IPO. As at 31 December 2019, 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 2019, The Bank's Directors and Senior Management have strictly observed and have 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 Bank's *2019 Corporate Social Responsibility Report* 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 144 to 298, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loans and advances to customers	
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 2019, gross loans and advances to customers amounted to RMB13,068,785 million, representing 57% of total assets, and impairment allowance for loans and advances to customers amounted to RMB325,923 million), impairment of loans and advances is considered a key audit matter. Relevant disclosures are included in 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 and 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: • Assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, 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.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loans and advances to customers (Continued)	
	2. Design and operating effectiveness of key controls: • Evaluated and tested the data and processes used to determine expected credit loss, 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.
Valuation of financial instruments	
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 2019, financial instruments measured at fair value of the Group mainly included RMB2,736,379 million in financial investments, representing 12% 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 2019, 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 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.

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 power arising from rights, variable returns, and 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.

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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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, related safeguards.

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
27 March 2020

Consolidated Financial Statements

CONTENTS

CONTENTS (Continued)

Consolidated Income Statement

For the year ended 31 December 2019 (Amount in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2019	2018
Interest income	V.1	**742,207**	687,900
Interest expense	V.1	**(367,957)**	(328,194)
Net interest income		**374,250**	359,706
Fee and commission income	V.2	**104,917**	99,997
Fee and commission expense	V.2	**(15,305)**	(12,789)
Net fee and commission income		**89,612**	87,208
Net trading gains	V.3	**28,563**	6,719
Net gains on transfers of financial asset	V.4	**3,477**	2,817
Other operating income	V.5	**54,108**	47,356
Operating income		**550,010**	503,806
Operating expenses	V.6	**(198,269)**	(176,979)
Impairment losses on assets	V.9	**(102,153)**	(99,294)
Operating profit		**249,588**	227,533
Share of results of associates and joint ventures	V.19	**1,057**	2,110
Profit before income tax		**250,645**	229,643
Income tax expense	V.10	**(48,754)**	(37,208)
Profit for the year		**201,891**	192,435
Attributable to:			
Equity holders of the Bank		**187,405**	180,086
Non-controlling interests		**14,486**	12,349
		201,891	192,435
Earnings per share (in RMB)	V.11		
— Basic		**0.61**	0.59
— Diluted		**0.61**	0.59

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 2019 (Amount in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
Profit for the year		**201,891**	192,435
Other comprehensive income:	V.12		
Items that will not be reclassified to profit or loss			
— Actuarial gains/(losses) on defined benefit plans		**13**	(103)
— Changes in fair value on investments in equity instruments designated at fair value through other comprehensive income		**2,146**	(1,216)
— Other		**(69)**	(52)
Subtotal		**2,090**	(1,371)
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		**11,919**	22,072
— Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income		**515**	(600)
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method		**(440)**	59
— Exchange differences from the translation of foreign operations		**7,089**	12,775
— Other		**602**	197
Subtotal		**19,685**	34,503
Other comprehensive income for the year, net of tax		**21,775**	33,132
Total comprehensive income for the year		**223,666**	225,567
Total comprehensive income attributable to:			
Equity holders of the Bank		**205,601**	209,946
Non-controlling interests		**18,065**	15,621
		223,666	225,567

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

Consolidated Statement of Financial Position

As at 31 December 2019 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 31 December 2019	2018
ASSETS			
Cash and due from banks and other financial institutions	V.13	**565,467**	439,931
Balances with central banks	V.14	**2,078,809**	2,331,053
Placements with and loans to banks and other financial institutions	V.15	**898,959**	1,042,358
Government certificates of indebtedness for bank notes issued	V.26	**155,466**	145,010
Precious metals		**206,210**	181,203
Derivative financial assets	V.16	**93,335**	124,126
Loans and advances to customers, net	V.17	**12,743,425**	11,515,764
Financial investments	V.18	**5,514,062**	5,054,551
— financial assets at fair value through profit or loss		**518,250**	370,491
— financial assets at fair value through other comprehensive income		**2,218,129**	1,879,759
— financial assets at amortised cost		**2,777,683**	2,804,301
Investments in associates and joint ventures	V.19	**23,210**	23,369
Property and equipment	V.20	**244,540**	227,394
Investment properties	V.21	**23,108**	22,086
Deferred income tax assets	V.35	**44,029**	38,204
Other assets	V.22	**179,124**	122,226
Total assets		**22,769,744**	21,267,275

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

Consolidated Statement of Financial Position (Continued)

As at 31 December 2019 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 31 December 2019	2018
LIABILITIES			
Due to banks and other financial institutions	V.24	**1,668,046**	1,731,209
Due to central banks	V.25	**846,277**	907,521
Bank notes in circulation	V.26	**155,609**	145,187
Placements from banks and other financial institutions	V.27	**639,675**	612,267
Financial liabilities held for trading	V.28	**19,475**	14,327
Derivative financial liabilities	V.16	**90,060**	99,254
Due to customers	V.29	**15,817,548**	14,883,596
Bonds issued	V.30	**1,096,087**	782,127
Other borrowings	V.31	**28,011**	32,761
Current tax liabilities	V.32	**59,102**	27,894
Retirement benefit obligations	V.33	**2,533**	2,825
Deferred income tax liabilities	V.35	**5,452**	4,548
Other liabilities	V.36	**365,173**	298,362
Total liabilities		**20,793,048**	19,541,878
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	**199,893**	99,714
Capital reserve	V.37.2	**136,012**	142,135
Treasury shares	V.37.3	**(7)**	(68)
Other comprehensive income	V.12	**19,613**	1,417
Statutory reserves	V.38.1	**174,762**	157,464
General and regulatory reserves	V.38.2	**250,100**	231,525
Undistributed profits	V.38	**776,940**	686,405
		1,851,701	1,612,980
Non-controlling interests	V.39	**124,995**	112,417
Total equity		**1,976,696**	1,725,397
Total equity and liabilities		**22,769,744**	21,267,275

Approved and authorised for issue by the Board of Directors on 27 March 2020.

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

LIU Liange
Director

WANG Jiang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019 (Amount in millions of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 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	V.37.4	**–**	**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**

		Attributable to equity holders of the Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2018		294,388	99,714	141,880	(28,454)	141,247	207,402	605,277	(102)	79,910	1,541,262
Total comprehensive income	V.12	–	–	–	29,860	–	–	180,086	–	15,621	225,567
Appropriation to statutory reserves	V.38.1	–	–	–	–	16,217	–	(16,217)	–	–	–
Appropriation to general and regulatory reserves	V.38.2	–	–	–	–	–	24,123	(24,123)	–	–	–
Dividends	V.38.3	–	–	–	–	–	–	(58,603)	–	(5,101)	(63,704)
Net change in treasury shares	V.37.3	–	–	–	–	–	–	–	34	–	34
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	20,583	20,583
Other comprehensive income transferred to retained earnings	V.12	–	–	–	11	–	–	(11)	–	–	–
Other		–	–	255	–	–	–	(4)	–	1,404	1,655
As at 31 December 2018		294,388	99,714	142,135	1,417	157,464	231,525	686,405	(68)	112,417	1,725,397

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019 (Amount in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
Cash flows from operating activities			
Profit before income tax		**250,645**	229,643
Adjustments:			
Impairment losses on assets		**102,153**	99,294
Depreciation of property and equipment and right-of-use assets		**21,136**	13,403
Amortisation of intangible assets and other assets		**4,219**	3,640
Net gains on disposal of property and equipment, intangible assets and other long-term assets		**(1,089)**	(820)
Net gains on disposal of investments in subsidiaries, associates and joint ventures		**(91)**	(148)
Share of results of associates and joint ventures		**(1,057)**	(2,110)
Interest income arising from financial investments		**(155,126)**	(144,326)
Dividends arising from investment securities		**(388)**	(264)
Net gains on financial investments		**(1,981)**	(2,817)
Interest expense arising from bonds issued		**30,942**	21,718
Accreted interest on impaired loans		**(1,497)**	(1,652)
Interest expense arising from lease liabilities		**876**	N/A
Net changes in operating assets and liabilities:			
Net decrease in balances with central banks		**64,656**	188,996
Net (increase)/decrease in due from and placements with and loans to banks and other financial institutions		**(144,184)**	107,814
Net increase in precious metals		**(25,019)**	(8,447)
Net increase in loans and advances to customers		**(1,322,755)**	(964,105)
Net increase in other assets		**(184,386)**	(173,682)
Net (decrease)/increase in due to banks and other financial institutions		**(60,531)**	298,113
Net decrease in due to central banks		**(59,590)**	(138,637)
Net increase in placements from banks and other financial institutions		**27,391**	110,368
Net increase in due to customers		**932,931**	1,048,755
Net (decrease)/increase in other borrowings		**(4,750)**	2,133
Net increase in other liabilities		**70,573**	4,004
Cash (outflow)/inflow from operating activities		**(456,922)**	690,873
Income tax paid		**(27,344)**	(28,515)
Net cash (outflow)/inflow from operating activities		**(484,266)**	662,358

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

	Note	Year ended 31 December 2019	2018
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**10,554**	10,273
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		**1,459**	5,300
Dividends received		**1,693**	499
Interest income received from financial investments		**153,950**	140,366
Proceeds from disposal/maturity of financial investments		**2,800,591**	2,425,239
Increase in investments in subsidiaries, associates and joint ventures		**(1,249)**	(3,246)
Purchase of property and equipment, intangible assets and other long-term assets		**(39,019)**	(42,149)
Purchase of financial investments		**(3,093,657)**	(2,722,573)
Other net cash flows from investing activities		**–**	3,798
Net cash outflow from investing activities		**(165,678)**	(182,493)
Cash flows from financing activities			
Proceeds from issuance of bonds		**985,472**	664,202
Proceeds from issuance of other equity instruments		**139,961**	–
Proceeds from non-controlling shareholders investment		**1,380**	20,583
Repayments of debts issued		**(684,069)**	(377,446)
Cash payments for interest on bonds issued		**(28,770)**	(14,332)
Repayments of other equity instruments issued		**(45,987)**	–
Dividend payments to equity holders of the Bank		**(60,993)**	(58,603)
Dividend and coupon payments to non-controlling shareholders		**(6,794)**	(5,101)
Other net cash flows from financing activities		**(7,089)**	34
Net cash inflow from financing activities		**293,111**	229,337
Effect of exchange rate changes on cash and cash equivalents		**14,125**	20,646
Net (decrease)/increase in cash and cash equivalents		**(342,708)**	729,848
Cash and cash equivalents at beginning of year		**1,688,600**	958,752
Cash and cash equivalents at end of year	V.42	**1,345,892**	1,688,600

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

I GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

Bank of China Limited (the "Bank"), formerly known as Bank of China, a State-owned joint stock commercial bank, was founded on 5 February 1912. From its formation until 1949, the Bank performed various functions of a central bank, foreign exchange bank and commercial bank specialising in trade finance. Following the founding of the People's Republic of China (the "PRC") in 1949, the Bank was designated as a specialised foreign exchange 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"), which owned 64.02% of the ordinary shares of the Bank as at 31 December 2019 (31 December 2018: 64.02%).

These consolidated financial statements have been approved by the Board of Directors on 27 March 2020.

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 statement. 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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards, amendments and interpretations effective and have been early adopted by the Group in 2019

On 1 January 2019, the Group adopted the following new standards, amendments and interpretations.

IFRS 16	*Leases*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
IAS 19 Amendments	*Plan amendment, Curtailment or Settlement*
IAS 28 Amendments	*Long-term Interests in Associates and Joint Ventures*
Annual Improvements to IFRSs 2015–2017 Cycle (issued in December 2017)	

In January 2016, the IASB issued IFRS 16 *Leases*, which replaced IAS 17 and IFRIC 4. Under IFRS 16, the classifications of finance lease and operating lease for lessees are removed, and lessees recognise right-of-use assets and lease liabilities for all leases (except short-term leases and leases of low-value assets elected to be accounted for using a practical expedient) and recognise depreciation and interest expense respectively. The Group has adopted IFRS 16 since 1 January 2019 (refer to the 2018 annual report for the accounting policies related to leases of the Group in 2018) and applied the modified retrospective approach without restating comparative figures. The Group has not reassessed the existing contracts before 1 January 2019 (date of initial application) and has used practical expedients. As a lessee, the Group has elected to exercise the recognition exemption not to recognise the right-of-use assets and lease liabilities for leases of which the underlying assets are of low value or for which the contract would end within 12 months from the date of initial application, and has recognised the profit or loss on a straight-line basis over the lease term. Therefore, the financial information for the year ended 31 December 2019 related to leasing presented on the financial statements is not comparable with the comparative financial information presented in the 2018 financial statements in accordance with the former lease standards.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards, amendments and interpretations effective and have been early adopted by the Group in 2019 (Continued)

For the outstanding minimum lease payment for operating leases disclosed in the financial statements of 2018, the Group used its incremental borrowing interest rate as at 1 January 2019 to discount the lease payment, and the reconciliation to the opening balance for the lease liabilities in the statement of financial position as at 1 January 2019 is as follows:

	Amount
Minimum lease payment for operating leases as at 31 December 2018	28,093
Less: minimum lease payment with recognition exemption — short-term leases	**(938)**
Less: minimum lease payment with recognition exemption — leases of low-value assets	**(53)**
Less: the impact of lease payment discounted at incremental borrowing interest rate as at 1 January 2019	**(6,564)**
Add: other adjustments	**544**
Lease liabilities as at 1 January 2019	**21,082**
Right-of-use assets as at 1 January 2019	**22,563**

IFRIC Interpretation 23 clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The interpretation mainly addresses the following four areas: whether an entity separately considers the uncertainty of tax treatments; assumptions adopted by an entity to address the examination of tax treatments by taxation authorities; how an entity determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances.

IAS 19 Amendments describe the accounting when a defined benefit plan amendment, curtailment or settlement occurs during a reporting period. The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments do not address the accounting for "significant market fluctuations" in the absence of a plan amendment, curtailment or settlement.

IAS 28 Amendments clarify that an entity applies IFRS 9 *Financial Instruments* ("IFRS 9") to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Entities must apply the amendments retrospectively, with certain exceptions.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards, amendments and interpretations effective and have been early adopted by the Group in 2019 (Continued)

Annual Improvements to IFRSs 2015–2017 Cycle was issued in December 2017. Those amendments affect IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

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.

1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2019

		Effective for annual periods beginning on or after
IFRS 3 Amendments	*Definition of a Business*	1 January 2020
IAS 1 and IAS 8 Amendments	*Definition of Material*	1 January 2020
IFRS 9, IAS 39 and IFRS 7 Amendments	*Interest Rate Benchmark Reform*	1 January 2020
IFRS 17	*Insurance Contracts*	1 January 2021
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

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.

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 2019 (Continued)

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 amendments must be applied retrospectively.

IFRS 17 *Insurance Contracts* 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 covers the recognition, measurement, presentation and disclosure of insurance contracts and applies to all types of insurance contracts.

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.

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

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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 annually for 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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

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.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments

4.1 Initial recognition and measurement

The Group recognises a financial asset or financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument, which is the trade date.

At initial recognition, the Group measures a financial asset or financial liability at its fair value. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial asset or liability, transaction costs are recognised in the initial measurement.

The fair value of a financial instrument at initial recognition is normally the transaction price. If the Group determines that the fair value at initial recognition differs from the transaction price, and if that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, the Group recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.

4.2 Classification and Subsequent measurement

4.2.1 Financial assets

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Business model

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. For example, financial assets are held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. If above two situations are not applicable, the 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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.1 Financial assets (Continued)

(1) Financial assets at amortised cost

The Group classifies financial assets as subsequently measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group holds are subsequently measured at amortised cost. That is, the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

(2) Financial assets at fair value through other comprehensive income

The Group classifies financial assets as subsequently measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.1 Financial assets (Continued)

(2) Financial assets at fair value through other comprehensive income (Continued)

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.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.2 Financial liabilities (Continued)

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).

4.2.4 Financial assets and financial liabilities designated as at fair value through profit or loss

The Group may, at initial recognition, irrevocably designate a financial asset or financial liability as measured at fair value through profit or loss, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a portfolio of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the portfolio is provided internally on that basis to the Group's key management personnel; or
- the financial liability contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.3 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies to secure customer loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the 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.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

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.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the financial reporting date, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the financial reporting date according to the ECL in 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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.6 Impairment measurement for losses on assets (Continued)

Measurement of ECL (Continued)

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 credit-impaired financial assets

- Parameters for measuring ECL

- Forward-looking information

- Modification of contractual cash flows

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.

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 (Continued)

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

Definition of credit-impaired financial assets

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.6 Impairment measurement for losses on assets (Continued)

Definition of credit-impaired financial assets (Continued)

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.

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, PPI, CPI, Investment in fixed assets, Home price index, Aggregate financing to the real economy.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.6 Impairment measurement for losses on assets (Continued)

Forward-looking information (Continued)

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 weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

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.

4.7 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. Credit risk valuation adjustments are applied to the Group's over-the-counter derivatives to reflect the credit risk of the counterparties and the Group, respectively. They are dependent on the expected future values of exposures for each counterparty and default probabilities, etc. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The 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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.7 Derivative financial instruments and hedge accounting (Continued)

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.7 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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.7 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.

4.8 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.

4.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

5 Precious metals 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.

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.

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.

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. 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.

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.

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.

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.

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 holders' 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 interests on perpetual bonds are 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.

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.

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 of property and equipment, 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 current year.

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 loss 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 involve 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.

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

2 Fair value of derivatives and other financial instruments

The Group establishes fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against the industry practice and observable current market transactions in the same or similar instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

With respect to the PRC government obligations related to large policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

3 Provisions

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

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.

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 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%

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	Year ended 31 December	
	2019	2018
Interest income		
Loans and advances to customers	**517,565**	469,098
Financial investments[1]	**155,126**	144,326
Due from and placements with and loans to banks and other financial institutions and central banks	**69,516**	74,476
Subtotal	**742,207**	687,900
Interest expense		
Due to customers	**(269,324)**	(229,998)
Due to and placements from banks and other financial institutions	**(66,103)**	(75,707)
Bonds issued and other[2]	**(32,530)**	(22,489)
Subtotal	**(367,957)**	(328,194)
Net interest income	**374,250**	359,706
Interest income accrued on impaired financial assets (included within interest income)	**1,497**	1,652

(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) The Group's interest expense related to lease liabilities amounted to RMB876 million for the year ended 31 December 2019.

2 Net fee and commission income

	Year ended 31 December	
	2019	2018
Bank card fees	**32,831**	29,943
Agency commissions	**20,320**	20,212
Settlement and clearing fees	**14,713**	13,670
Credit commitment fees	**12,746**	13,181
Spread income from foreign exchange business	**7,154**	7,740
Consultancy and advisory fees	**4,446**	3,534
Custodian and other fiduciary service fees	**4,120**	3,597
Other	**8,587**	8,120
Fee and commission income	**104,917**	99,997
Fee and commission expense	**(15,305)**	(12,789)
Net fee and commission income	**89,612**	87,208

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Net trading gains

	Year ended 31 December	
	2019	2018
Net gains from interest rate products	**15,303**	9,910
Net gains/(losses) from foreign exchange and foreign exchange products	**8,974**	(4,574)
Net gains from fund investments and equity products	**2,378**	423
Net gains from commodity products	**1,908**	960
Total(1)	**28,563**	6,719

(1) Included in "Net trading gains" above for the year ended 31 December 2019 are gains of RMB3,426 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (2018: losses of RMB1,355 million).

4 Net gains on transfers of financial asset

	Year ended 31 December	
	2019	2018
Net gains on derecognition of financial assets at fair value through other comprehensive income	**2,900**	1,700
Net gains on derecognition of financial assets at amortised cost(1)	**577**	1,117
Total	**3,477**	2,817

(1) All the net gains on the derecognition of financial assets at amortised cost result from disposals during the year ended 31 December 2019 and 2018.

5 Other operating income

	Year ended 31 December	
	2019	2018
Insurance premiums(1)	**26,819**	20,965
Aircraft leasing income	**11,753**	10,233
Revenue from sale of precious metals products	**6,484**	7,658
Dividend income(2)	**3,370**	1,918
Gains on disposal of property and equipment, intangible assets and other assets	**1,251**	949
Changes in fair value of investment properties (Note V.21)	**496**	919
Gains on disposal of subsidiaries, associates and joint ventures	**91**	148
Other(3)	**3,844**	4,566
Total	**54,108**	47,356

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

	Year ended 31 December	
	2019	2018
Life insurance contracts		
Gross earned premiums	**28,073**	21,037
Less: gross written premiums ceded to reinsurers	**(7,591)**	(6,259)
Net insurance premium income	**20,482**	14,778
Non-life insurance contracts		
Gross earned premiums	**7,587**	7,365
Less: gross written premiums ceded to reinsurers	**(1,250)**	(1,178)
Net insurance premium income	**6,337**	6,187
Total	**26,819**	20,965

(2) For equity instruments classified as financial assets at fair value through other comprehensive income, RMB388 million of dividend income is recognised for the year ended 31 December 2019 (2018: RMB265 million).

(3) For the year ended 31 December 2019, the government subsidy income from operating activities, as part of other operating income, is RMB283 million (2018: RMB620 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 Operating expenses

	Year ended 31 December	
	2019	2018
Staff costs (Note V.7)	**90,762**	85,391
General operating and administrative expenses(1)(2)	**41,845**	42,768
Insurance benefits and claims		
— Life insurance contracts	**21,829**	13,093
— Non-life insurance contracts	**4,208**	3,915
Depreciation and amortisation	**21,175**	13,451
Cost of sales of precious metal products	**5,372**	7,185
Taxes and surcharges	**4,984**	4,744
Other	**8,094**	6,432
Total(3)	**198,269**	176,979

(1) Included in the "General operating and administrative expenses" is principal auditors' remuneration of RMB229 million for the year ended 31 December 2019 (2018: RMB232 million), of which RMB72 million is for Hong Kong, Macao, Taiwan and other countries and regions of the Group (2018: RMB71 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 RMB1,405 million for the year ended 31 December 2019.

(3) Included in the "Operating expenses" are premises and equipment-related expenses (mainly comprised of property management and building maintenance expenses and taxes) of RMB13,644 million (2018: RMB12,262 million).

7 Staff costs

	Year ended 31 December	
	2019	2018
Salary, bonus and subsidy	**61,104**	58,242
Staff welfare	**3,896**	3,583
Retirement benefits	**60**	85
Social insurance		
— Medical	**4,085**	3,644
— Pension	**6,249**	6,835
— Annuity	**4,178**	2,372
— Unemployment	**207**	206
— Injury at work	**76**	87
— Maternity insurance	**256**	243
Housing funds	**4,595**	4,628
Labour union fee and staff education fee	**2,032**	1,941
Reimbursement for cancellation of labour contract	**15**	13
Other	**4,009**	3,512
Total	**90,762**	85,391

(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 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]	579	65	82	726
LIN Jingzhen[4][5]	–[2]	521	63	82	666
CHEN Siqing[4][6]	–[2]	193	24	26	243
WU Fulin[4][5][6]	–[2]	521	63	82	666
Non-executive directors					
ZHAO Jie[1]	–	–	–	–	–
XIAO Lihong[1]	–	–	–	–	–
WANG Xiaoya[1]	–	–	–	–	–
ZHANG Jiangang[1][5]	–	–	–	–	–
LI Jucai[1][6]	–	–	–	–	–
LIAO Qiang[1][6]	–	–	–	–	–
Independent directors					
WANG Changyun	621	–	–	–	621
Angela CHAO	450	–	–	–	450
JIANG Guohua	455	–	–	–	455
Martin Cheung Kong LIAO[5]	146	–	–	–	146
LU Zhengfei[6]	321	–	–	–	321
LEUNG Cheuk Yan[6]	270	–	–	–	270
Supervisors					
WANG Xiquan[4]	–	579	65	82	726
WANG Zhiheng	50[3]	–	–	–	50
LI Changlin	50[3]	–	–	–	50
LENG Jie	50[3]	–	–	–	50
JIA Xiangsen[5]	145	–	–	–	145
ZHENG Zhiguang[5]	145	–	–	–	145
LIU Wanming[4][6]	–	341	35	46	422
CHEN Yuhua[6]	98	–	–	–	98
	2,801	2,734	315	400	6,250

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Directors', supervisors' and senior management's emoluments (Continued)

For the year ended 31 December 2018

	Fees	Remuneration paid	Contributions to pension schemes	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
CHEN Siqing(4)(6)	–(2)	745	69	75	889
LIU Liange(4)	–(2)	248	24	26	298
GAO Yingxin(4)	–(2)	56	5	6	67
REN Deqi(4)	–(2)	335	32	36	403
ZHANG Qingsong(4)	–(2)	502	50	56	608
Non-executive directors					
ZHAO Jie(1)	–	–	–	–	–
LI Jucai(1)(6)	–	–	–	–	–
XIAO Lihong(1)	–	–	–	–	–
WANG Xiaoya(1)	–	–	–	–	–
LIAO Qiang(1)(6)	–	–	–	–	–
ZHANG Xiangdong(1)	–	–	–	–	–
Independent directors					
LU Zhengfei(6)	550	–	–	–	550
LEUNG Cheuk Yan(6)	400	–	–	–	400
WANG Changyun	493	–	–	–	493
Angela CHAO	425	–	–	–	425
JIANG Guohua	17	–	–	–	17
Nout WELLINK	297	–	–	–	297
Supervisors					
WANG Xiquan(4)	–	745	69	75	889
LIU Wanming(4)(6)	–	1,363	83	186	1,632
WANG Zhiheng	–	–	–	–	–
LI Changlin	–	–	–	–	–
LENG Jie	–	–	–	–	–
CHEN Yuhua(6)	260	–	–	–	260
WANG Xueqiang(4)	–	503	20	61	584
DENG Zhiying	50(3)	–	–	–	50
GAO Zhaogang	50(3)	–	–	–	50
XIANG Xi	50(3)	–	–	–	50
	2,592	4,497	352	521	7,962

(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 2019 and 2018, these non-executive directors of the Bank were not remunerated by the Bank.

(2) For the years ended 31 December 2019 and 2018, 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 2019 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 2019 financial statements. The final compensation for the year ended 31 December 2019 will be disclosed in a separate announcement when determined.

The compensation amounts for these directors and supervisors for the year ended 31 December 2018 were restated based on the finalised amounts as disclosed in the Bank's announcement dated 30 August 2019.

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) WU Fulin and LIN Jingzhen began to serve as Executive Director of the Bank as of 3 February 2019. ZHANG Jiangang began to serve as Non-executive Director of the Bank as of 29 July 2019. Martin Cheung Kong LIAO began to serve as Independent Director of the Bank as of 4 September 2019. JIA Xiangsen and ZHENG Zhiguang began to serve as External Supervisor of the Bank as of 17 May 2019.

(6) CHEN Siqing ceased to serve as Chairman of the Board of Directors and Executive Director of the Bank as of 28 April 2019. WU Fulin ceased to serve as Executive Director of the Bank as of 27 January 2020. LI Jucai ceased to serve as Non-executive Director of the Bank as of 25 June 2019. LIAO Qiang ceased to serve as Non-executive Director of the Bank as of 5 March 2020. LU Zhengfei ceased to serve as Independent Director of the Bank as of 1 August 2019. LEUNG Cheuk Yan ceased to serve as Independent Director of the Bank as of 4 September 2019. LIU Wanming ceased to serve as Shareholder Supervisor of the Bank as of 18 May 2019. CHEN Yuhua ceased to serve as External Supervisor of the Bank as of 17 May 2019.

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 2019 and 2018 respectively are as follows:

	Year ended 31 December	
	2019	2018
Basic salaries and allowances	**24**	23
Discretionary bonuses	**124**	105
Contributions to pension schemes and other	**4**	4
	152	132

Emoluments of the individuals were within the following bands:

	Year ended 31 December	
Amounts in RMB	**2019**	2018
16,000,001–20,000,000	**–**	1
20,000,001–50,000,000	**4**	4
50,000,001–70,000,000	**1**	–

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Directors', supervisors' and senior management's emoluments (Continued)

Five highest paid individuals (Continued)

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 2019 and 2018, 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	
	2019	2018
Loans and advances		
— Loans and advances at amortised cost	**98,483**	108,669
— Loans and advances at fair value through other comprehensive income	**288**	(764)
Subtotal	**98,771**	107,905
Financial investments		
— Financial assets at amortised cost	**(187)**	1,132
— Financial assets at fair value through other comprehensive income	**387**	(46)
Subtotal	**200**	1,086
Credit commitments	**2,117**	(10,194)
Other	**883**	346
Subtotal of impairment losses on credit	**101,971**	99,143
Other impairment losses on assets	**182**	151
Total	**102,153**	99,294

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Income tax expense

	Year ended 31 December	
	2019	2018
Current income tax		
— Chinese mainland income tax	**43,643**	20,726
— Hong Kong profits tax	**5,297**	5,036
— Macao, Taiwan and other countries and regions taxation	**4,768**	5,917
Adjustments in respect of current income tax of prior years	**3,870**	(9,255)
Subtotal	**57,578**	22,424
Deferred income tax (Note V.35.3)	**(8,824)**	14,784
Total	**48,754**	37,208

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	
	2019	2018
Profit before income tax	**250,645**	229,643
Tax calculated at the applicable statutory tax rate	**62,661**	57,411
Effect of different tax rates for Hong Kong, Macao, Taiwan and other countries and regions	**(5,282)**	(4,712)
Supplementary PRC tax on overseas income	**2,251**	1,347
Income not subject to tax(1)	**(27,846)**	(23,934)
Items not deductible for tax purposes(2)	**13,442**	10,977
Other	**3,528**	(3,881)
Income tax expense	**48,754**	37,208

(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.

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 2019 and 2018.

	Year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Bank	**187,405**	180,086
Less: dividends on preference shares declared	**(6,826)**	(6,791)
Profit attributable to ordinary shareholders of the Bank	**180,579**	173,295
Weighted average number of ordinary shares in issue (in million shares)	**294,378**	294,373
Basic and diluted earnings per share (in RMB)	**0.61**	0.59

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

	Year ended 31 December	
	2019	2018
Issued ordinary shares as at 1 January	**294,388**	294,388
Less: weighted average number of treasury shares	**(10)**	(15)
Weighted average number of ordinary shares in issue	**294,378**	294,373

(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	
	2019	2018
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	**13**	(103)
Changes in fair value on investments in equity instruments designated at fair value through other comprehensive income	**2,790**	(1,391)
Less: related income tax impact	**(644)**	175
Other	**(69)**	(52)
Subtotal	**2,090**	(1,371)
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	**17,694**	28,821
Less: related income tax impact	**(3,795)**	(5,684)
Amount transferred to the income statement	**(2,535)**	(1,410)
Less: related income tax impact	**555**	345
	11,919	22,072
Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income	**682**	(804)
Less: related income tax impact	**(167)**	204
	515	(600)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	**(587)**	127
Less: related income tax impact	**147**	(68)
	(440)	59
Exchange differences on translation of foreign operations	**7,764**	12,381
Less: net amount transferred to the income statement from other comprehensive income	**(675)**	394
	7,089	12,775
Other	**602**	197
Subtotal	**19,685**	34,503
Total	**21,775**	33,132

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:

	(Losses)/gains on financial assets at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Other	Total
As at 1 January 2018	(11,692)	(19,684)	2,922	(28,454)
Changes in amount for the previous year	21,087	8,725	59	29,871
As at 1 January 2019	**9,395**	**(10,959)**	**2,981**	**1,417**
Changes in amount for the year	**13,139**	**4,787**	**270**	**18,196**
As at 31 December 2019	**22,534**	**(6,172)**	**3,251**	**19,613**

13 Cash and due from banks and other financial institutions

	As at 31 December	
	2019	2018
Cash	**64,907**	76,755
Due from banks in Chinese mainland	**361,232**	270,861
Due from other financial institutions in Chinese mainland	**8,043**	13,767
Due from banks in Hong Kong, Macao, Taiwan and other countries and regions	**128,312**	75,998
Due from other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	**461**	278
Subtotal(1)	**498,048**	360,904
Accrued interest	**3,060**	2,698
Less: allowance for impairment losses(1)	**(548)**	(426)
Subtotal due from banks and other financial institutions	**500,560**	363,176
Total	**565,467**	439,931

(1) As at 31 December 2019 and 2018, the Group included all 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	
	2019	2018
Mandatory reserves(1)	**1,498,666**	1,575,873
Surplus reserves(2)	**132,247**	82,598
Other(3)	**447,048**	671,249
Subtotal	**2,077,961**	2,329,720
Accrued interest	**848**	1,333
Total	**2,078,809**	2,331,053

(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 2019, mandatory reserve funds placed with the PBOC were calculated at 12.5% (31 December 2018: 14.0%) and 5.0% (31 December 2018: 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 surplus reserve funds placed with the PBOC by branches in Chinese mainland and other funds.

(3) This mainly represented balances other than mandatory reserves and surplus reserves placed with the PBOC and 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	
	2019	2018
Placements with and loans to:		
Banks in Chinese mainland	**134,671**	172,366
Other financial institutions in Chinese mainland	**601,525**	771,007
Banks in Hong Kong, Macao, Taiwan and other countries and regions	**139,744**	83,223
Other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	**19,667**	11,723
Subtotal(1)(2)	**895,607**	1,038,319
Accrued interest	**4,090**	4,404
Less: allowance for impairment losses(2)	**(738)**	(365)
Total	**898,959**	1,042,358

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

	As at 31 December	
	2019	2018
Debt securities		
— Governments	**37,435**	52,716
— Policy banks	**93,364**	190,646
— Financial institutions	**23,588**	16,498
— Corporates	**–**	737
Subtotal	**154,387**	260,597
Less: allowance for impairment losses	**–**	–
Total	**154,387**	260,597

(2) As at 31 December 2019 and 2018, 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).

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 2019			As at 31 December 2018		
	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps[1]	**6,469,750**	**65,477**	**(52,598)**	8,245,972	97,603	(73,652)
Currency options	**333,559**	**1,835**	**(2,019)**	220,694	2,210	(1,829)
Currency futures	**1,894**	**10**	**(6)**	1,718	4	(11)
Subtotal	**6,805,203**	**67,322**	**(54,623)**	8,468,384	99,817	(75,492)
Interest rate derivatives						
Interest rate swaps	**3,454,898**	**18,252**	**(23,188)**	2,443,952	19,637	(18,012)
Interest rate options	**17,729**	**31**	**(29)**	24,342	42	(44)
Interest rate futures	**2,400**	**3**	**(27)**	17,970	1	(39)
Subtotal	**3,475,027**	**18,286**	**(23,244)**	2,486,264	19,680	(18,095)
Equity derivatives	**9,219**	**137**	**(184)**	7,276	237	(208)
Commodity derivatives and other	**347,655**	**7,590**	**(12,009)**	247,867	4,392	(5,459)
Total[2]	**10,637,104**	**93,335**	**(90,060)**	11,209,791	124,126	(99,254)

(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 bonds issued and financial investments arising from changes in foreign currency exchange rates and interest rates. Foreign currency exchange rate risk and interest rate risk are usually the primary risks which affect the change in fair value.

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies:

	Derivatives designated as hedging instruments in fair value hedges			
	Contractual/ Notional amount	Fair value		Line item in the statement of financial position
		Assets	Liabilities	
As at 31 December 2019				
Interest rate risk				
Interest rate swaps	**113,883**	**372**	**(2,366)**	**Derivative financial assets/liabilities**
Foreign exchange and interest rate risk				
Cross-currency interest rate swaps	**4,351**	**–**	**(711)**	**Derivative financial liabilities**
Total	**118,234**	**372**	**(3,077)**	
As at 31 December 2018				
Interest rate risk				
Interest rate swaps	117,618	1,788	(624)	Derivative financial assets/liabilities
Foreign exchange and interest rate risk				
Cross-currency interest rate swaps	4,280	–	(660)	Derivative financial liabilities
Total	121,898	1,788	(1,284)	

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 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**
As at 31 December 2018						
Interest rate risk						
Interest rate swaps						
Notional amount	206	2,127	11,529	71,852	31,904	117,618
Average fixed interest rate	2.95%	2.10%	3.34%	2.86%	3.23%	N/A
Foreign exchange and interest rate risk						
Cross-currency interest rate swaps						
Notional amount	–	–	–	3,939	341	4,280
Average fixed interest rate	–	–	–	5.09%	5.50%	N/A
Average exchange rate of USD/CNY	–	–	–	6.4848	6.0350	N/A
Average exchange rate of AUD/USD	–	–	–	0.9337	–	N/A

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(ii) The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	Fair value hedges				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line item in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
As at 31 December 2019					
Interest rate risk					
Bonds issued	**–**	**(11,962)**	**–**	**(75)**	**Bonds issued**
Financial investments	**105,905**	**–**	**2,520**	**–**	**Financial investments**
Foreign exchange and interest rate risk					
Bonds issued	**–**	**(3,640)**	**–**	**711**	**Bonds issued**
Total	**105,905**	**(15,602)**	**2,520**	**636**	
As at 31 December 2018					
Interest rate risk					
Bonds issued	–	(15,638)	–	174	Bonds issued
Financial investments	101,287	–	(1,956)	–	Financial investments
Foreign exchange and interest rate risk					
Bonds issued	–	(3,621)	–	660	Bonds issued
Total	101,287	(19,259)	(1,956)	834	

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

	Year ended 31 December	
	2019	2018
Net gains on		
— hedging instruments	**(3,097)**	192
— hedged items	**3,291**	115
Ineffectiveness recognised in net trading gains	**194**	307

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 2019 (2018: 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 2019, the carrying value of such due to customers amounted to RMB104,419 million (31 December 2018: RMB55,034 million) and due to central banks amounted to RMB1,407 million (31 December 2018: Nil).

(ii) The following table contains details of the derivative hedging instruments used in the Group's net investment hedging strategies:

	Derivatives designated as net investment hedging instruments			
	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities	Line item in the statement of financial position
As at 31 December 2019				
Foreign exchange forward and swap contracts	**41,128**	**29**	**(308)**	**Derivative financial assets/liabilities**
Total	**41,128**	**29**	**(308)**	
As at 31 December 2018				
Foreign exchange forward and swap contracts	2,157	–	(68)	Derivative financial liabilities
Total	2,157	–	(68)	

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(ii) The following table contains details of the derivative hedging instruments used in the Group's net investment hedging strategies (Continued):

The following table sets out the maturity and average exchange rate of the hedging instruments mentioned above:

	Net investment hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
As at 31 December 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**
As at 31 December 2018						
Foreign exchange risk						
Foreign exchange forward and swap contracts						
Notional amount	–	–	2,157	–	–	2,157
Average exchange rate of USD/ZAR	–	–	15.8892	–	–	N/A
Average exchange rate of USD/TRY	–	–	5.9104	–	–	N/A

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	
	2019	2018
Amounts of fair value changes on hedging instruments recognised in "Other comprehensive income"	**(849)**	(475)
Amounts of forward element reclassified from "Other comprehensive income" to profit or loss	**172**	16
Net amounts of fair value changes on hedging instruments recognised in "Other comprehensive income"	**(677)**	(459)

17 Loans and advances to customers

17.1 Analysis of loans and advances to customers by general condition

	As at 31 December	
	2019	2018
Measured at amortised cost		
— Corporate loans and advances	**7,644,359**	7,117,954
— Personal loans	**5,047,809**	4,440,085
— Discounted bills	**2,334**	2,001
Measured at fair value through other comprehensive income(1)		
— Discounted bills	**335,583**	224,113
Subtotal	**13,030,085**	11,784,153
Measured at fair value through profit or loss(2)		
— Corporate loans and advances	**4,104**	3,530
Total	**13,034,189**	11,787,683
Accrued interest	**34,596**	31,589
Total loans and advances	**13,068,785**	11,819,272
Less: allowance for loans at amortised cost	**(325,360)**	(303,508)
Loans and advances to customers, net	**12,743,425**	11,515,764

(1) As at 31 December 2019, loans at fair value through other comprehensive income of the Group were discounted bills. The allowance for impairment losses amounted to RMB563 million (31 December 2018: RMB273 million) and was credited to other comprehensive income.

(2) There was no significant change during the years ended 31 December 2019 and 2018, or cumulatively, in the fair value of the loans that was attributable to changes in the credit risk of the loans.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.2 Analysis of loans and advances to customers (accrued interest excluded) by geographical area, industry, collateral type and analysis of impaired and overdue loans and advances to customers is presented in Note VI.3.5.

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

(1) Allowance for loans at amortised cost

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
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**

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	87,094	76,050	117,419	280,563
Transfers to Stage 1	10,301	(9,636)	(665)	–
Transfers to Stage 2	(1,481)	1,929	(448)	–
Transfers to Stage 3	(350)	(25,985)	26,335	–
Charge for the year(i)	48,437	38,720	45,365	132,522
Reversal	(39,519)	(20,181)	(13,102)	(72,802)
Impairment (reversal)/losses due to stage transformation	(9,674)	17,487	41,136	48,949
Write-off and transfer out	(192)	(1,969)	(89,497)	(91,658)
Recovery of loans and advances written off	–	–	5,413	5,413
Unwinding of discount on allowance	–	–	(1,652)	(1,652)
Acquisition of subsidiaries	359	29	296	684
Exchange differences and other	814	159	516	1,489
As at 31 December	95,789	76,603	131,116	303,508

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

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 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
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**

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	829	204	–	1,033
Charge for the year	255	39	–	294
Reversal	(854)	(204)	–	(1,058)
Exchange differences and other	4	–	–	4
As at 31 December	234	39	–	273

In 2019, 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 gross carrying amount of RMB69,820 million (2018: RMB139,844 million) was transferred from Stage 1 to Stage 2 and Stage 3, and the impairment allowance increased correspondingly by RMB21,963 million (2018: RMB32,041 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 was RMB59,760 million (2018: RMB65,455 million), with a corresponding increase in impairment allowance of RMB22,340 million (2018: RMB21,567 million). The gross carrying amount of the loans transferred from Stage 2 to Stage 1 was RMB45,059 million (2018: RMB47,963 million), and the impairment allowance decreased correspondingly by RMB3,273 million (2018: RMB8,803 million). The gross carrying amount of loans transferred from Stage 3 to Stage 2 and Stage 1 was RMB5,857 million, and the impairment allowance decreased correspondingly by RMB1,677 million (2018: not significant).

- The write-off and disposal of the non-performing loans by the domestic branches amounted to RMB78,404 million (2018: RMB92,527 million), resulting in a corresponding reduction of RMB69,468 million (2018: RMB79,258 million) in impairment allowance for Stage 3 loans.

- The domestic branches converted RMB12,813 million (2018: RMB17,239 million) of loans into equity through debt-to-equity swaps and other instruments, resulting in a decrease of RMB10,193 million in impairment allowance for Stage 3 loans (2018: the impairment allowance for Stage 2 and Stage 3 decreased by RMB1,969 million and RMB4,927 million respectively).

- Through personal housing loan securitization, the domestic branches transferred out RMB50,871 million (2018: RMB37,949 million) of loans, resulting in a decrease of RMB269 million (2018: RMB192 million) and RMB354 million (2018: Nil) 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	
	2019	2018
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	**16,807**	10,495
— Public sectors and quasi-governments	**595**	647
— Policy banks	**40,005**	33,708
— Financial institutions	**169,477**	113,103
— Corporate	**44,629**	50,646
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**23,416**	20,595
— Public sectors and quasi-governments	**177**	23
— Financial institutions	**16,617**	14,575
— Corporate	**10,721**	5,085
	322,444	248,877
Equity instruments	**79,456**	47,061
Fund investments and other	**67,562**	49,983
Total financial assets held for trading and other financial assets at fair value through profit or loss	**469,462**	345,921
Financial assets at fair value through profit or loss (designated)		
Debt securities(1)		
Issuers in Chinese mainland		
— Government	**8,797**	1,756
— Policy banks	**2,418**	1,083
— Financial institutions	**9,592**	3,472
— Corporate	**1,329**	966
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**9,712**	2,916
— Public sectors and quasi-governments	**1,603**	1,494
— Financial institutions	**7,159**	7,977
— Corporate	**8,178**	4,906
Total financial assets at fair value through profit or loss (designated)	**48,788**	24,570
Total financial assets at fair value through profit or loss	**518,250**	370,491

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2019	2018
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	**676,685**	570,820
— Public sectors and quasi-governments	**71,172**	41,294
— Policy banks	**299,599**	262,597
— Financial institutions	**315,779**	348,300
— Corporate	**153,617**	120,344
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**412,194**	265,923
— Public sectors and quasi-governments	**51,252**	37,737
— Financial institutions	**106,951**	120,185
— Corporate	**109,103**	95,032
	2,196,352	1,862,232
Equity instruments and other	**21,777**	17,527
Total financial assets at fair value through other comprehensive income(2)	**2,218,129**	1,879,759
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government(3)(4)	**2,168,725**	2,079,661
— Public sectors and quasi-governments	**39,425**	43,610
— Policy banks	**100,638**	194,255
— Financial institutions	**30,637**	34,781
— Corporate	**15,677**	22,539
— China Orient(5)	**152,433**	153,627
Issuers in Hong Kong, Macao, Taiwan and other countries and regions		
— Governments	**80,472**	78,075
— Public sectors and quasi-governments	**66,356**	69,650
— Financial institutions	**31,937**	33,991
— Corporate	**47,588**	49,299
	2,733,888	2,759,488
Investment trusts, asset management plans and other	**13,544**	14,757
Accrued interest	**37,037**	37,810
Less: allowance for impairment losses	**(6,786)**	(7,754)
Total financial assets at amortised cost	**2,777,683**	2,804,301
Total financial investments(6)(7)(8)(9)	**5,514,062**	5,054,551

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2019	2018
Analysed as follows:		
Financial assets at fair value through profit or loss		
— Listed in Hong Kong	**46,731**	35,821
— Listed outside Hong Kong(10)	**255,171**	209,996
— Unlisted	**216,348**	124,674
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong	**130,743**	129,653
— Listed outside Hong Kong(10)	**1,365,202**	1,363,984
— Unlisted	**700,407**	368,595
Equity instruments and other		
— Listed in Hong Kong	**7,083**	6,233
— Listed outside Hong Kong(10)	**3,215**	2,018
— Unlisted	**11,479**	9,276
Financial assets at amortised cost		
— Listed in Hong Kong	**31,896**	38,550
— Listed outside Hong Kong(10)	**2,308,222**	2,304,434
— Unlisted	**437,565**	461,317
Total	**5,514,062**	5,054,551
Listed in Hong Kong	**216,453**	210,257
Listed outside Hong Kong(10)	**3,931,810**	3,880,432
Unlisted	**1,365,799**	963,862
Total	**5,514,062**	5,054,551

	As at 31 December			
	2019		2018	
	Carrying value	**Market value**	Carrying value	Market value
Debt securities at amortised cost				
— Listed in Hong Kong	**31,896**	**32,847**	38,550	38,155
— Listed outside Hong Kong(10)	**2,308,222**	**2,670,795**	2,304,434	2,318,733

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 2019 amounted to RMB1,254 million (31 December 2018: RMB862 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 2019 amounted to RMB2,477 million (31 December 2018: RMB2,358 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. The MOF shall continue to provide funding support for the principal and interest of the Orient Bond held by the Bank pursuant to Caijin [2004] No. 87 *Notice of the MOF Regarding Relevant Issues Relating to the Principal and Interest of Debt Securities of Financial Asset Management Companies Held by Bank of China and China Construction Bank*. As at 31 December 2019, the Bank had received early repayments amounting to RMB7,567 million cumulatively. 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.

(6) In 2019 and 2018, the Group did not reclassify any of its debt securities subsequent to their initial recognition.

(7) As at 31 December 2019, 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	
	2019	2018
Carrying value (accrued interest excluded)	**981,662**	981,414
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 RMB243,816 million as at 31 December 2019 (31 December 2018: RMB280,924 million).

(9) As at 31 December 2019, RMB1,140 million of debt securities of the Group was determined to be impaired and was included in Stage 3 (31 December 2018: RMB1,123 million), with an impairment allowance of RMB1,140 million (31 December 2018: RMB1,123 million); RMB479 million of debt securities was included in Stage 2 (31 December 2018: RMB1,755 million), with an impairment allowance of RMB5 million (31 December 2018: RMB4 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 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
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**

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	428	4	6,127	6,559
Impairment (reversal)/losses during the year	(150)	(2)	1,284	1,132
Write-off and transfer out	–	–	(41)	(41)
Exchange differences and other	50	1	53	104
As at 31 December	328	3	7,423	7,754

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

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
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**

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	906	–	–	906
Impairment (reversal)/losses during the year	(47)	1	–	(46)
Exchange differences and other	2	–	–	2
As at 31 December	861	1	–	862

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 Investment in associates and joint ventures

	Year ended 31 December	
	2019	2018
As at 1 January	**23,369**	17,180
Additions	**2,011**	8,820
Disposals	**(1,368)**	(5,152)
Share of results, net of tax	**1,057**	2,110
Dividends received	**(1,302)**	(227)
Exchange differences and other	**(557)**	638
As at 31 December	**23,210**	23,369

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	
	2019	2018
BOC International (China) Co., Ltd.	**4,733**	4,553
Ying Kou Port Group CORP.	**4,479**	4,549
CGN Phase I Private Equity Fund Company Limited	**1,569**	1,504
Graceful Field Worldwide Limited	**1,438**	1,374
Sichuan Lutianhua Co., Ltd.	**1,264**	1,227
Zhongxinboda (Wuhu) Investment Limited Partnership	**1,100**	1,710
Wkland Investments II Limited	**923**	876
Livi VB Limited	**907**	N/A
Wuhu Yuanzhong Jiaying Investment Limited Partnership	**819**	697
Guangdong Small and Medium Enterprises Equity Investment Fund Company Limited	**745**	768
Other	**5,233**	6,111
Total	**23,210**	23,369

As at 31 December 2019, 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 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

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment (Continued)

	Year ended 31 December 2018				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January	113,913	72,096	22,522	100,551	309,082
Additions	321	5,715	19,850	11,662	37,548
Transfer from investment properties (Note V.21)	1,665	–	–	–	1,665
Construction in progress transfer in/(out)	1,928	807	(11,960)	9,225	–
Deductions	(834)	(4,712)	(816)	(11,181)	(17,543)
Exchange differences	955	413	637	4,896	6,901
As at 31 December	117,948	74,319	30,233	115,153	337,653
Accumulated depreciation					
As at 1 January	(34,732)	(56,683)	–	(10,954)	(102,369)
Additions	(3,626)	(6,185)	–	(3,592)	(13,403)
Deductions	567	4,409	–	2,763	7,739
Transfer to investment properties (Note V.21)	47	–	–	–	47
Exchange differences	(297)	(293)	–	(654)	(1,244)
As at 31 December	(38,041)	(58,752)	–	(12,437)	(109,230)
Allowance for impairment losses					
As at 1 January	(789)	–	(217)	(93)	(1,099)
Additions	–	–	–	–	–
Deductions	15	–	–	56	71
Exchange differences	4	–	–	(5)	(1)
As at 31 December	(770)	–	(217)	(42)	(1,029)
Net book value					
As at 1 January	78,392	15,413	22,305	89,504	205,614
As at 31 December	79,137	15,567	30,016	102,674	227,394

As at 31 December 2019, there were no aircraft owned by BOC Aviation Limited, a subsidiary of the Group, which was acquired under finance lease arrangements (31 December 2018: Nil).

As at 31 December 2019, the net book amount of aircraft leased out by BOC Aviation Limited, a subsidiary of the Group, under operating leases was RMB114,659 million (31 December 2018: RMB102,657 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment (Continued)

As at 31 December 2019, the net book amount of aircraft owned by BOC Aviation Limited, a subsidiary of the Group, that has been pledged for loan facilities was RMB20,338 million (31 December 2018: RMB22,364 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 2019, the process of re-registration has not been completed. However, this registration process does not affect the rights of Bank of China Limited to these assets.

The carrying value of buildings is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2019	2018
Held in Hong Kong		
on long-term lease (over 50 years)	**3,694**	3,464
on medium-term lease (10–50 years)	**8,521**	8,525
on short-term lease (less than 10 years)	**10**	–
Subtotal	**12,225**	11,989
Held outside Hong Kong		
on long-term lease (over 50 years)	**4,353**	4,198
on medium-term lease (10–50 years)	**54,641**	57,087
on short-term lease (less than 10 years)	**6,690**	5,863
Subtotal	**65,684**	67,148
Total	**77,909**	79,137

21 Investment properties

	Year ended 31 December	
	2019	2018
As at 1 January	**22,086**	21,026
Additions	**468**	1,094
Transfer to property and equipment, net (Note V.20)	**(354)**	(1,712)
Deductions	**(11)**	(61)
Fair value changes (Note V.5)	**496**	919
Exchange differences	**423**	820
As at 31 December	**23,108**	22,086

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.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 Investment properties (Continued)

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 2019 amounted to RMB14,059 million and RMB6,666 million, respectively (31 December 2018: RMB13,371 million and RMB6,668 million). The valuations of these investment properties as at 31 December 2019 were principally performed by Knight Frank Petty Limited based on the open market price and other related information.

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2019	2018
Held in Hong Kong		
on long-term lease (over 50 years)	**3,273**	2,966
on medium-term lease (10–50 years)	**10,556**	10,185
Subtotal	**13,829**	13,151
Held outside Hong Kong		
on long-term lease (over 50 years)	**4,002**	4,136
on medium-term lease (10–50 years)	**5,002**	4,467
on short-term lease (less than 10 years)	**275**	332
Subtotal	**9,279**	8,935
Total	**23,108**	22,086

22 Other assets

	As at 31 December	
	2019	2018
Accounts receivable and prepayments(1)	**107,124**	82,521
Right-of-use assets(2)	**22,822**	N/A
Intangible assets(3)	**13,352**	12,467
Land use rights(4)	**6,903**	6,985
Long-term deferred expense	**3,222**	3,306
Repossessed assets(5)	**2,400**	2,318
Goodwill(6)	**2,686**	2,620
Interest receivable	**1,878**	1,422
Other	**18,737**	10,587
Total	**179,124**	122,226

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Other assets (Continued)

(1) Accounts receivable and prepayments

	As at 31 December	
	2019	2018
Accounts receivable and prepayments	**111,395**	86,627
Impairment allowance	**(4,271)**	(4,106)
Net value	**107,124**	82,521

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			
	2019		2018	
	Balance	**Impairment allowance**	Balance	Impairment allowance
Within 1 year	**101,442**	**(491)**	78,494	(371)
From 1 year to 3 years	**5,895**	**(900)**	3,358	(1,029)
Over 3 years	**4,058**	**(2,880)**	4,775	(2,706)
Total	**111,395**	**(4,271)**	86,627	(4,106)

(2) Right-of-use assets

	Year ended 31 December 2019		
	Buildings	**Motor vehicles and other**	**Total**
Cost			
As at 1 January	**22,652**	**120**	**22,772**
Additions	**7,341**	**38**	**7,379**
Deductions	**(624)**	**(3)**	**(627)**
Exchange differences	**131**	**1**	**132**
As at 31 December	**29,500**	**156**	**29,656**
Accumulated depreciation			
As at 1 January	**(209)**	**–**	**(209)**
Additions	**(6,632)**	**(53)**	**(6,685)**
Deductions	**81**	**–**	**81**
Exchange differences	**(21)**	**–**	**(21)**
As at 31 December	**(6,781)**	**(53)**	**(6,834)**
Net book value			
As at 1 January	**22,443**	**120**	**22,563**
As at 31 December	**22,719**	**103**	**22,822**

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Other assets (Continued)

(3) Intangible assets

	Year ended 31 December	
	2019	2018
Cost		
As at 1 January	**22,946**	19,995
Additions	**3,712**	2,992
Deductions	**(120)**	(97)
Exchange differences	**35**	56
As at 31 December	**26,573**	22,946
Accumulated amortisation		
As at 1 January	**(10,479)**	(8,390)
Additions	**(2,775)**	(2,078)
Deductions	**60**	34
Exchange differences	**(27)**	(45)
As at 31 December	**(13,221)**	(10,479)
Net book value		
As at 1 January	**12,467**	11,605
As at 31 December	**13,352**	12,467

(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	
	2019	2018
Held outside Hong Kong		
on long-term lease (over 50 years)	**83**	94
on medium-term lease (10–50 years)	**6,093**	6,058
on short-term lease (less than 10 years)	**727**	833
Total	**6,903**	6,985

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Other assets (Continued)

(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	
	2019	2018
Commercial properties	**2,596**	2,391
Residential properties	**615**	606
Other	**159**	158
Subtotal	**3,370**	3,155
Less: allowance for impairment losses	**(970)**	(837)
Repossessed assets, net	**2,400**	2,318

The total book value of repossessed assets disposed of during the year ended 31 December 2019 amounted to RMB276 million (2018: RMB348 million). The Group plans to dispose of the repossessed assets held at 31 December 2019 by auction, bidding or transfer.

(6) Goodwill

	Year ended 31 December	
	2019	2018
As at 1 January	**2,620**	2,481
Addition through acquisition of subsidiaries	**27**	44
Exchange differences	**39**	95
As at 31 December	**2,686**	2,620

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,681 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 Impairment allowance

	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**

	As at 1 January 2018	Additions/ (reversal), net	Write-off and transfer out	Exchange differences and other	As at 31 December 2018
Impairment allowance					
Loans and advances to customers					
— at amortised cost	280,563	108,669	(87,897)	2,173	303,508
— at fair value through other comprehensive income	1,033	(764)	–	4	273
Financial investments					
— at amortised cost	6,559	1,132	(41)	104	7,754
— at fair value through other comprehensive income	906	(46)	–	2	862
Credit commitments	31,182	(10,194)	–	366	21,354
Property and equipment	1,099	–	(71)	1	1,029
Land use rights	15	–	(5)	–	10
Repossessed assets	657	145	(32)	67	837
Other	6,629	352	(907)	(139)	5,935
Total	328,643	99,294	(88,953)	2,578	341,562

24 Due to banks and other financial institutions

	As at 31 December	
	2019	2018
Due to:		
Banks in Chinese mainland	**372,692**	434,504
Other financial institutions in Chinese mainland	**1,050,961**	1,016,374
Banks in Hong Kong, Macao, Taiwan and other countries and regions	**167,352**	193,535
Other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	**71,913**	79,036
Subtotal	**1,662,918**	1,723,449
Accrued interest	**5,128**	7,760
Total	**1,668,046**	1,731,209

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 Due to central banks

	As at 31 December	
	2019	2018
Foreign exchange deposits	**218,364**	204,758
Other	**619,298**	692,494
Subtotal	**837,662**	897,252
Accrued interest	**8,615**	10,269
Total	**846,277**	907,521

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	
	2019	2018
Placements from:		
Banks in Chinese mainland	**339,802**	268,435
Other financial institutions in Chinese mainland	**52,278**	29,495
Banks in Hong Kong, Macao, Taiwan and other countries and regions	**229,337**	307,531
Other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions	**16,434**	4,999
Subtotal	**637,851**	610,460
Accrued interest	**1,824**	1,807
Total(1)(2)	**639,675**	612,267

(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 2019. The corresponding total carrying amount of the above-mentioned financial liabilities was RMB14,767 million as at 31 December 2019 (31 December 2018: RMB876 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	
	2019	2018
Repurchase debt securities(i)	**177,410**	285,018

(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.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28 Financial liabilities held for trading

As at 31 December 2019 and 2018, financial liabilities held for trading mainly included short position in debt securities.

29 Due to customers

	As at 31 December	
	2019	2018
Demand deposits		
— Corporate deposits	**4,434,051**	4,178,962
— Personal deposits	**3,147,889**	2,935,661
Subtotal	**7,581,940**	7,114,623
Time deposits		
— Corporate deposits	**3,619,512**	3,507,071
— Personal deposits	**3,416,862**	3,148,265
Subtotal	**7,036,374**	6,655,336
Structured deposits(1)		
— Corporate deposits	**247,906**	246,380
— Personal deposits	**424,897**	338,544
Subtotal	**672,803**	584,924
Certificates of deposit	**283,193**	287,808
Other deposits(2)	**75,063**	73,751
Subtotal due to customers	**15,649,373**	14,716,442
Accrued interest	**168,175**	167,154
Total due to customers(3)	**15,817,548**	14,883,596

(1) According to 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 2019, the carrying amount of the above-mentioned financial liabilities is RMB17,969 million (31 December 2018: RMB24,141 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 2019 and 2018, there is 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 2019, the remaining maturity of special purpose funding ranges from 76 days to 34 years. The interest-bearing special purpose funding bears interest at floating and fixed rates ranging from 0.15% to 7.92% (31 December 2018: 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 2019 of RMB290,076 million (31 December 2018: RMB304,388 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Bonds issued

	Issue date	Maturity date	Annual interest rate	As at 31 December 2019	2018
Bonds issued at amortised cost					
Subordinated bonds issued					
2009 RMB Debt Securities First Tranche(1)	6 July 2009	8 July 2024	4.00%	–	24,000
2010 RMB Debt Securities(2)	9 March 2010	11 March 2025	4.68%	**24,930**	24,930
2011 RMB Debt Securities(3)	17 May 2011	19 May 2026	5.30%	**32,000**	32,000
2012 RMB Debt Securities Second Tranche(4)	27 November 2012	29 November 2027	4.99%	**18,000**	18,000
Subtotal(14)				**74,930**	98,930
Tier 2 capital bonds issued					
2014 RMB Debt Securities(5)	8 August 2014	11 August 2024	5.80%	–	29,972
2014 US Dollar Debt Securities(6)	13 November 2014	13 November 2024	5.00%	**20,852**	20,502
2017 RMB Debt Securities First Tranche(7)	26 September 2017	28 September 2027	4.45%	**29,965**	29,962
2017 RMB Debt Securities Second Tranche(8)	31 October 2017	2 November 2027	4.45%	**29,966**	29,964
2018 RMB Debt Securities First Tranche(9)	3 September 2018	5 September 2028	4.86%	**39,983**	39,982
2018 RMB Debt Securities Second Tranche(10)	9 October 2018	11 October 2028	4.84%	**39,985**	39,984
2019 RMB Debt Securities First Tranche 01(11)	20 September 2019	24 September 2029	3.98%	**29,988**	–
2019 RMB Debt Securities First Tranche 02(12)	20 September 2019	24 September 2034	4.34%	**9,996**	–
2019 RMB Debt Securities Second Tranche(13)	20 November 2019	22 November 2029	4.01%	**29,990**	–
Subtotal(14)				**230,725**	190,366
Other bonds issued(15)					
US Dollar Debt Securities				**223,192**	216,750
RMB Debt Securities				**52,788**	22,454
Other				**58,500**	76,090
Subtotal				**334,480**	315,294
Negotiable certificates of deposit(16)				**423,658**	150,273
Subtotal bonds issued at amortised cost				**1,063,793**	754,863
Bonds issued at fair value(17)				**26,113**	20,517
Subtotal bonds issued				**1,089,906**	775,380
Accrued interest				**6,181**	6,747
Total bonds issued(18)				**1,096,087**	782,127

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Bonds issued (Continued)

(1) The fixed rate portion of the first tranche of the subordinated bonds issued on 6 July 2009 has a maturity of 15 years, with a fixed coupon rate of 4.00%, paid annually. The Bank is entitled to early redeem all of the bonds at face value at the end of the tenth year. The Bank has early redeemed all of the bonds at face value on 8 July 2019.

(2) 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.

(3) 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%.

(4) 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%.

(5) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 8 August 2014. The bonds have a maturity of 10 years, with a fixed coupon rate of 5.80%. The Bank is entitled to redeem the bonds at the end of the fifth year. The Bank has early redeemed all of the bonds at face value on 12 August 2019.

(6) 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%.

(7) 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 bond at the end of the fifth year.

(8) 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 bond at the end of the fifth year.

(9) 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 bond at the end of the fifth year.

(10) 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 bond at the end of the fifth year.

(11) 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 bond at the end of the fifth year.

(12) 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 bond at the end of the tenth year.

(13) 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 bond at the end of the fifth 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 2019 by the Group, with dates of maturity ranging from 2020 to 2030.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Bonds issued (Continued)

(16) The RMB negotiable certificates of deposit issued by the Bank in 2018 matured in 2019. The outstanding balance will mature in 2020.

(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 2019, the carrying amount of the above-mentioned bonds issued by the Group is RMB26,113 million (31 December 2018: RMB20,517 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 2018: not significant). In the years of 2019 and 2018, 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 2019 and 2018, 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 2019, these other borrowings had a maturity ranging from 150 days to 6 years and bore floating and fixed interest rates ranging from 2.14% to 3.26% (31 December 2018: 2.65% to 4.26%).

During the years ended 31 December 2019 and 2018, 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	
	2019	2018
Corporate income tax	**51,787**	20,626
Value-added tax	**6,039**	5,966
City construction and maintenance tax	**427**	431
Education surcharges	**297**	282
Other	**552**	589
Total	**59,102**	27,894

33 Retirement benefit obligations

As at 31 December 2019, 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 RMB2,095 million (31 December 2018: RMB2,213 million) and RMB438 million (31 December 2018: RMB612 million), respectively, using the projected unit credit method.

The movements of the net liabilities recognised are as follows:

	Year ended 31 December	
	2019	2018
As at 1 January	**2,825**	3,027
Interest cost	**85**	110
Net actuarial (gains)/losses recognised	**(38)**	78
Benefits paid	**(339)**	(390)
As at 31 December	**2,533**	2,825

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Retirement benefit obligations (Continued)

Primary assumptions used:

	As at 31 December	
	2019	2018
Discount rate		
— Normal retiree	**3.25%**	3.28%
— Early retiree	**2.50%**	2.90%
Pension benefit inflation rate		
— Normal retiree	**3.0%**	3.0%
— Early retiree	**4.0%–3.0%**	5.0%–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 2019 and 2018, 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			
	2019		2018	
	Temporary differences	**Deferred tax assets/ (liabilities)**	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets	**166,707**	**44,029**	144,757	38,204
Deferred income tax liabilities	**(30,773)**	**(5,452)**	(25,729)	(4,548)
Net	**135,934**	**38,577**	119,028	33,656

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 Deferred income taxes (Continued)

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

	As at 31 December			
	2019		2018	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	**205,264**	**51,052**	184,629	45,993
Pension, retirement benefits and salary payables	**18,137**	**4,510**	18,371	4,582
Financial instruments at fair value through profit or loss and derivative financial instruments	**90,507**	**22,511**	89,473	22,327
Financial assets at fair value through other comprehensive income	**835**	**209**	5,386	1,059
Other temporary differences	**34,320**	**7,931**	30,132	6,889
Subtotal	**349,063**	**86,213**	327,991	80,850
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	**(93,862)**	**(23,336)**	(112,457)	(28,114)
Financial assets at fair value through other comprehensive income	**(29,403)**	**(7,228)**	(17,028)	(4,174)
Depreciation of property and equipment	**(20,629)**	**(3,521)**	(18,909)	(3,208)
Revaluation of property and investment properties	**(8,986)**	**(1,712)**	(8,775)	(1,675)
Other temporary differences	**(60,249)**	**(11,839)**	(51,794)	(10,023)
Subtotal	**(213,129)**	**(47,636)**	(208,963)	(47,194)
Net	**135,934**	**38,577**	119,028	33,656

As at 31 December 2019, deferred tax liabilities relating to temporary differences of RMB156,105 million associated with the Group's investments in subsidiaries had not been recognised (31 December 2018: RMB142,076 million). Refer to Note II.20.2.

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	
	2019	2018
As at 1 January	**33,656**	53,565
Credited/(charged) to the income statement (Note V.10)	**8,824**	(14,784)
Charged to other comprehensive income	**(4,180)**	(5,028)
Other	**277**	(97)
As at 31 December	**38,577**	33,656

35.4 The deferred income tax credit/charge in the income statement comprises the following temporary differences:

	Year ended 31 December	
	2019	2018
Asset impairment allowances	**5,059**	(219)
Financial instruments at fair value through profit or loss and derivative financial instruments	**4,962**	(10,337)
Pension, retirement benefits and salary payables	**(72)**	(91)
Other temporary differences	**(1,125)**	(4,137)
Total	**8,824**	(14,784)

36 Other liabilities

	As at 31 December	
	2019	2018
Insurance liabilities		
— Life insurance contracts	**113,742**	96,719
— Non-life insurance contracts	**10,169**	9,346
Items in the process of clearance and settlement	**66,628**	63,647
Salary and welfare payables(1)	**33,373**	30,997
Lease liabilities(2)	**21,590**	N/A
Provision(3)	**24,469**	22,010
Deferred income	**10,476**	9,264
Other	**84,726**	66,379
Total	**365,173**	298,362

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 Other liabilities (Continued)

(1) Salary and welfare payables

	As at 1 January 2019	Accrual	Payment	As at 31 December 2019
Salary, bonus and subsidy	**23,929**	**61,104**	**(61,368)**	**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**	**4,009**	**(3,965)**	**608**
Total(i)	**30,997**	**90,702**	**(88,326)**	**33,373**

	As at 1 January 2018	Accrual	Payment	As at 31 December 2018
Salary, bonus and subsidy	22,697	58,242	(57,010)	23,929
Staff welfare	–	3,583	(3,583)	–
Social insurance				
— Medical	1,029	3,644	(3,537)	1,136
— Pension	171	6,835	(6,825)	181
— Annuity	23	2,372	(2,085)	310
— Unemployment	7	206	(206)	7
— Injury at work	2	87	(87)	2
— Maternity insurance	3	243	(243)	3
Housing funds	31	4,628	(4,603)	56
Labour union fee and staff education fee	4,368	1,941	(1,517)	4,792
Reimbursement for cancellation of labour contract	16	13	(12)	17
Other	536	3,512	(3,484)	564
Total(i)	28,883	85,306	(83,192)	30,997

(i) There was no overdue payment for staff salary and welfare payables as at 31 December 2019 and 2018.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 Other liabilities (Continued)

(2) Lease liabilities

The Group's lease liabilities are analysed by the maturity date — undiscounted analysis

	As at 31 December	
	2019	2018
Less than 1 year	**6,307**	N/A
Between 1 to 5 years	**12,965**	N/A
Over 5 years	**8,860**	N/A
Undiscounted lease liabilities	**28,132**	N/A
Lease liabilities	**21,590**	N/A

(3) Provision

	As at 31 December	
	2019	2018
Allowance for credit commitments	**23,597**	21,354
Allowance for litigation losses (Note V. 41.1)	**872**	656
Total	**24,469**	22,010

The movement of the provision was as follows:

	Year ended 31 December	
	2019	2018
As at 1 January	**22,010**	32,177
Losses/(reversal) for the year	**2,423**	(10,120)
Utilised during the year	**(90)**	(413)
Exchange differences and other	**126**	366
As at 31 December	**24,469**	22,010

(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

37.1 Share capital

The Bank's share capital is as follows:

Unit: Share

	As at 31 December	
	2019	2018
Domestic listed A shares, par value RMB1.00 per share	**210,765,514,846**	210,765,514,846
Overseas listed H shares, par value 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	
	2019	2018
Share premium	**133,716**	139,921
Other capital reserve	**2,296**	2,214
Total	**136,012**	142,135

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 holders' 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 2019 was approximately 2.34 million (31 December 2018: approximately 22.80 million).

37.4 Other equity instruments

For the year ended 31 December 2019, the movements of the Bank's other equity instruments were as follows:

	As at 1 January 2019		Increase/(Decrease)		As at 31 December 2019	
	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount
Preference Shares						
Offshore Preference Shares[1]	399.4	39,782	(399.4)	(39,782)	–	–
Domestic Preference Shares (First Tranche)[2]	320.0	31,963	–	–	320.0	31,963
Domestic Preference Shares (Second Tranche)[3]	280.0	27,969	–	–	280.0	27,969
Domestic Preference Shares (Third Tranche)[4]	–	–	730.0	72,979	730.0	72,979
Domestic Preference Shares (Fourth Tranche)[5]	–	–	270.0	26,990	270.0	26,990
Subtotal	999.4	99,714	600.6	60,187	1,600.0	159,901
Perpetual Bonds						
Undated Capital Bonds[6]	–	–	–	39,992	–	39,992
Total		99,714		100,179		199,893

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)

(1) With the approvals by relevant regulatory authorities in China, the Bank redeemed all Offshore Preference Shares on 23 October 2019, at the USD equivalent amount (being the RMB amount that would be due under the Offshore Preference Shares as converted into USD using the fixed exchange rate of USD1.00 to CNY6.1448) of the redemption price of each Offshore Preference Share (including the dividends declared but remain undistributed on such Offshore Preference Shares for the current dividend period). The USD equivalent amount of the redemption price of all Offshore Preference Shares was USD6.939 billion.

(2) With the approvals by relevant regulatory authorities in China, the Bank issued 6.0% non-cumulative Domestic Preference Shares on 21 November 2014, in the aggregate par value of RMB32 billion. Each Domestic Preference Share has a par value of RMB100 and a total number of 320 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 21 November 2019 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 by 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.

(4) With the approvals by 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%, resetting 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 on 27 June 2024 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.

(5) With the approvals by 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%, resetting 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 on 29 August 2024 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.

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 by non-cumulative dividend. The Bank shall be entitled to cancel any dividend on the preference shares, and such cancellation shall not constitute a default. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full payment of dividends on the preference shares. Upon the occurrence of a 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 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 by 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%, resetting every 5 years.

The duration of the Bonds is the same as the 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 Bonds in whole or in part on each distribution payment date 5 years after the issuance date of the Bonds. Upon the occurrence of a trigger event for 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 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 Bonds.

The Bonds are paid by non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilize the proceeds from the cancelled distribution 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 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.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Statutory reserves, general and regulatory reserves and undistributed profits

38.1 Statutory reserves

Under relevant PRC laws, the Bank is required to transfer 10% of its net profit to non-distributable statutory surplus reserves. The appropriation to the statutory surplus reserves may cease when the balance of 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 balance of 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 27 March 2020, the Bank appropriated 10% of the net profit for the year ended 31 December 2019 to the statutory surplus reserves, amounting to RMB16,576 million (2018: RMB15,946 million).

In addition, some operations in Hong Kong, Macao, Taiwan and other countries and regions are required to transfer certain percentages of their net profits to the statutory surplus reserves as stipulated by local banking authorities.

38.2 General and regulatory reserves

Pursuant 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 within the equity holders' equity through the appropriation of profit to address unidentified potential impairment losses. The general reserve as a distribution of profits, being part of the owner's rights and interests, 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 27 March 2020 and on the basis of the Bank's profit for the year ended 31 December 2019, the Board of Directors of the Bank approved the appropriation of RMB17,863 million to the general reserve for the year ended 31 December 2019 (2018: RMB22,352 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 2019 and 2018, the reserve amounts set aside by BOCHK Group were RMB6,773 million and RMB6,448 million, respectively.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Statutory reserves, general and regulatory reserves and undistributed profits (Continued)

38.3 Dividends

Dividends for Ordinary Shares

An ordinary share dividend of RMB54,167 million in respect of the profit for the year ended 31 December 2018 was approved by the equity holders of the Bank at the Annual General Meeting held on 17 May 2019 and was distributed during the year.

An ordinary share dividend of RMB0.191 per share in respect of the profit for the year ended 31 December 2019 (2018: RMB0.184 per share), amounting to a total dividend of RMB56,228 million, based on the number of shares issued as at 31 December 2019 will be proposed for approval at the Annual General Meeting to be held on 30 June 2020. The dividend payable is not reflected in liabilities of the financial statements.

Dividends for Preference Shares

The dividend distribution of Domestic Preference Shares (Second Tranche) amounting to RMB1,540 million was approved by the Board of Directors of the Bank at the Board Meeting held on 25 January 2019 and the dividend of Domestic Preference Shares (Second Tranche) was distributed on 13 March 2019.

The dividend distribution of Offshore Preference Shares and Domestic Preference Shares (First Tranche) was approved by the Board of Directors of the Bank at the Board Meeting held on 30 August 2019. The dividend of Offshore Preference Shares amounting to USD487 million before tax was distributed on 23 October 2019. The dividend of Domestic Preference Shares (First Tranche) amounting to RMB1,920 million was distributed on 21 November 2019.

39 Non-controlling interests

Non-controlling interests of the subsidiaries of the Group are as follows:

	As at 31 December	
	2019	2018
BOC Hong Kong (Group) Limited	**96,257**	87,689
Bank of China Group Investment Limited	**10,531**	9,440
Tai Fung Bank Limited	**10,180**	9,034
Other	**8,027**	6,254
Total	**124,995**	112,417

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Changes in consolidation

On 1 July 2019, the Bank set up a wholly-owned subsidiary, BOC Wealth Management Co., Ltd. ("BOC Wealth Management"), which mainly engages in the issuance of wealth management products, investment and management of entrusted assets for investors. As at 31 December 2019, the Bank held 100% of the total capital of BOC Wealth Management.

41 Contingent liabilities and commitments

41.1 Legal proceedings and arbitrations

As at 31 December 2019, 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 2019, provisions of RMB872 million (31 December 2018: RMB656 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	
	2019	2018
Debt securities	**787,929**	990,743
Bills	**387**	1,603
Total	**788,316**	992,346

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 2019, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB22,067 million (31 December 2018: RMB27,218 million). As at 31 December 2019, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB2,271 million (31 December 2018: RMB2,631 million). These transactions are conducted under standard terms in the normal course of business.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 Contingent liabilities and commitments (Continued)

41.4 Capital commitments

	As at 31 December	
	2019	2018
Property and equipment		
— Contracted but not provided for	**53,752**	64,650
— Authorised but not contracted for	**1,215**	1,597
Intangible assets		
— Contracted but not provided for	**1,048**	934
— Authorised but not contracted for	**66**	25
Investment properties		
— Contracted but not provided for	**1,231**	7
Total	**57,312**	67,213

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 2019, 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 RMB12,763 million not later than one year (31 December 2018: RMB11,753 million), RMB51,384 million later than one year and not later than five years (31 December 2018: RMB47,494 million) and RMB50,746 million later than five years (31 December 2018: RMB50,248 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 2019, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB59,746 million (31 December 2018: RMB52,635 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.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 Contingent liabilities and commitments (Continued)

41.7 Credit commitments

	As at 31 December	
	2019	2018
Loan commitments[1]		
— with an original maturity of less than 1 year	**244,733**	186,425
— with an original maturity of 1 year or over	**1,360,065**	1,127,891
Undrawn credit card limits	**1,010,283**	954,394
Letters of guarantee issued[2]	**1,049,629**	1,070,825
Bank bill acceptance	**259,373**	256,360
Letters of credit issued	**133,571**	130,625
Accepted bills of exchange under letters of credit	**92,440**	98,849
Other	**192,476**	167,642
Total[3]	**4,342,570**	3,993,011

(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 2019, the unconditionally revocable loan commitments of the Group amounted to RMB299,556 million (31 December 2018: RMB254,033 million).

(2) Letters of guarantee issued mainly include financial guarantees and performance guarantees. These obligations on the Group to make payment 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	
	2019	2018
Credit commitments	**1,206,469**	1,102,554

41.8 Underwriting obligations

As at 31 December 2019, there was no firm commitment in underwriting securities of the Group (31 December 2018: Nil).

(Amount in millions of Renminbi, unless otherwise stated)

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	
	2019	2018
Cash and due from banks and other financial institutions	**347,724**	264,526
Balances with central banks	**541,837**	728,940
Placements with and loans to banks and other financial institutions	**393,674**	638,472
Financial investments	**62,657**	56,662
Total	**1,345,892**	1,688,600

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

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	
	2019	2018
Debt securities	**24,963**	18,511
Due to Huijin	**(2,913)**	(9,254)

Transaction amount

	Year ended 31 December	
	2019	2018
Interest income	**987**	701
Interest expense	**(320)**	(259)

(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 the business, main transactions that the Group entered into with the affiliates of parent company are as follows:

Transaction balances

	As at 31 December	
	2019	2018
Due from banks and other financial institutions	**59,332**	19,184
Placements with and loans to banks and other financial institutions	**115,781**	98,754
Financial investments	**395,205**	375,075
Derivative financial assets	**7,655**	10,874
Loans and advances to customers	**45,646**	32,275
Due to customers, banks and other financial institutions	**(185,610)**	(164,636)
Placements from banks and other financial institutions	**(244,059)**	(124,456)
Derivative financial liabilities	**(5,459)**	(6,434)
Credit commitments	**14,502**	12,159

Transaction amount

	Year ended 31 December	
	2019	2018
Interest income	**17,021**	12,709
Interest expense	**(9,679)**	(6,499)

(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)

(3) Transactions with companies under Huijin (Continued)

Interest rate ranges

	As at 31 December	
	2019	2018
Due from banks and other financial institutions	**0.00%–5.00%**	0.00%–8.20%
Placements with and loans to banks and other financial institutions	**-0.20%–4.50%**	-0.10%–8.00%
Financial investments	**0.00%–5.98%**	0.00%–6.20%
Loans and advances to customers	**1.44%–6.05%**	1.45%–6.18%
Due to customers, banks and other financial institutions	**0.00%–3.58%**	0.00%–6.10%
Placements from banks and other financial institutions	**-0.55%–9.50%**	-0.10%–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 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 the business, the main transactions that the Group entered into with associates and joint ventures are as follows:

Transaction balances

	As at 31 December	
	2019	2018
Loans and advances to customers	**1,373**	763
Due to customers, banks and other financial institutions	**(6,046)**	(4,709)
Credit commitments	**76**	43

Transaction amount

	Year ended 31 December	
	2019	2018
Interest income	**41**	22
Interest expense	**(220)**	(204)

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
BOC International (China) Co., Ltd.	PRC	91310000736650364G	37.14	37.14	RMB2,500	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
Zhongxinboda (Wuhu) Investment Limited Partnership	PRC	91340202MA2N9TTA6R	25.50	25.50	N/A	Asset management; Investment consulting
Wkland Investments II Limited	BVI	N/A	50.00	50.00	USD0.00002	Investment holding
Livi VB Limited	HK	N/A	29.13	44.00	HKD2,500	Internet finance
Wuhu Yuanzhong Jiaying Investment Limited Partnership	PRC	91340202MA2TBMDD6Q	70.00	Note (1)	N/A	Investment consulting; Equity 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 2019 and 2018.

(Amount in millions of Renminbi, unless otherwise stated)

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 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 2019 and 2018, 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 2019 and 2018 comprises:

	Year ended 31 December	
	2019	2018
Compensation for short-term employment benefits[1]	**9**	13
Compensation for post-employment benefits	**1**	1
Total	**10**	14

(1) The total compensation package for these key management personnel for the year ended 31 December 2019 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 2019 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 2019, the Bank's balance of loans to the connected natural persons as defined in the *Administration of Connected Transactions between Commercial Banks and Their Insiders and Shareholders* and *the Administrative Measures for the Disclosure of Information of Listed Companies* totalled approximately RMB410 million (31 December 2018: RMB168 million) and RMB23 million (31 December 2018: RMB21 million) respectively.

43.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

Transaction balances

	As at 31 December	
	2019	2018
Due from banks and other financial institutions	**21,908**	44,911
Placements with and loans to banks and other financial institutions	**152,839**	127,644
Due to banks and other financial institutions	**(88,195)**	(87,797)
Placements from banks and other financial institutions	**(52,285)**	(76,215)

Transaction amount

	Year ended 31 December	
	2019	2018
Interest income	**1,569**	1,465
Interest expense	**(2,165)**	(2,825)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Related party transactions (Continued)

43.8 Transactions with subsidiaries (Continued)

The general information of 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
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	HKD480	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 interest of BOC Group Trustee Company Limited, respectively.

For certain subsidiaries listed above, the voting rights ratio is not equal to the effective equity held ratio, mainly due to the impact of the indirect holdings.

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.

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			Other countries and regions	Elimination	Total
		BOCHK Group	Other	Subtotal			
Interest income	629,451	57,763	38,874	96,637	50,527	(34,408)	742,207
Interest expense	(310,586)	(23,679)	(33,123)	(56,802)	(35,042)	34,473	(367,957)
Net interest income	318,865	34,084	5,751	39,835	15,485	65	374,250
Fee and commission income	82,062	12,745	7,401	20,146	6,599	(3,890)	104,917
Fee and commission expense	(9,878)	(3,703)	(2,135)	(5,838)	(2,125)	2,536	(15,305)
Net fee and commission income	72,184	9,042	5,266	14,308	4,474	(1,354)	89,612
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
Investment 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
Include: 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 2018

	Chinese mainland	Hong Kong, Macao and Taiwan BOCHK Group	Hong Kong, Macao and Taiwan Other	Hong Kong, Macao and Taiwan Subtotal	Other countries and regions	Elimination	Total
Interest income	587,134	50,368	38,798	89,166	48,106	(36,506)	687,900
Interest expense	(283,189)	(18,318)	(32,017)	(50,335)	(31,176)	36,506	(328,194)
Net interest income	303,945	32,050	6,781	38,831	16,930	–	359,706
Fee and commission income	77,836	12,612	6,691	19,303	6,169	(3,311)	99,997
Fee and commission expense	(7,642)	(3,559)	(1,661)	(5,220)	(1,802)	1,875	(12,789)
Net fee and commission income	70,194	9,053	5,030	14,083	4,367	(1,436)	87,208
Net trading (losses)/gains	(83)	2,322	2,444	4,766	2,036	–	6,719
Net gains/(losses) on transfers of financial asset	2,859	17	(69)	(52)	10	–	2,817
Other operating income(1)	16,129	14,600	17,746	32,346	234	(1,353)	47,356
Operating income	393,044	58,042	31,932	89,974	23,577	(2,789)	503,806
Operating expenses(1)	(131,958)	(23,322)	(16,634)	(39,956)	(6,967)	1,902	(176,979)
Impairment losses on assets	(98,872)	(1,048)	(66)	(1,114)	692	–	(99,294)
Operating profit	162,214	33,672	15,232	48,904	17,302	(887)	227,533
Share of results of associates and joint ventures	10	(12)	2,112	2,100	–	–	2,110
Profit before income tax	162,224	33,660	17,344	51,004	17,302	(887)	229,643
Income tax expense							(37,208)
Profit for the year							192,435
Segment assets	16,925,075	2,553,366	1,627,527	4,180,893	2,009,680	(1,871,742)	21,243,906
Investment in associates and joint ventures	7,231	164	15,974	16,138	–	–	23,369
Total assets	16,932,306	2,553,530	1,643,501	4,197,031	2,009,680	(1,871,742)	21,267,275
Include: non-current assets(2)	100,098	27,719	143,779	171,498	5,837	(161)	277,272
Segment liabilities	15,625,811	2,332,126	1,512,393	3,844,519	1,943,129	(1,871,581)	19,541,878
Other segment items:							
Intersegment net interest (expense)/income	(10,009)	2,066	13,534	15,600	(5,591)	–	–
Intersegment net fee and commission income/(expense)	48	69	1,555	1,624	(236)	(1,436)	–
Capital expenditure	10,511	1,042	29,798	30,840	513	–	41,864
Depreciation and amortisation	11,175	1,036	4,449	5,485	383	–	17,043
Credit commitments	3,519,912	278,653	102,467	381,120	462,753	(370,774)	3,993,011

(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 and other long-term assets.

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	250,045	204,435	2,096	3,009	4,036	(79,092)	742,207
Interest expense	(173,036)	(116,514)	(149,510)	(599)	(65)	(7,427)	79,194	(367,957)
Net interest income/(expense)	184,642	133,531	54,925	1,497	2,944	(3,391)	102	374,250
Fee and commission income	32,753	54,472	14,190	3,997	2	2,085	(2,582)	104,917
Fee and commission expense	(1,307)	(8,765)	(2,068)	(1,086)	(3,988)	(317)	2,226	(15,305)
Net fee and commission income/(expense)	31,446	45,707	12,122	2,911	(3,986)	1,768	(356)	89,612
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)

44 Segment reporting (Continued)

As at and for the year ended 31 December 2018

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	344,483	215,904	203,012	1,700	2,731	3,147	(83,077)	687,900
Interest expense	(166,474)	(93,535)	(145,573)	(520)	(39)	(5,130)	83,077	(328,194)
Net interest income/(expense)	178,009	122,369	57,439	1,180	2,692	(1,983)	–	359,706
Fee and commission income	30,556	48,729	16,691	4,419	2	1,901	(2,301)	99,997
Fee and commission expense	(1,238)	(6,923)	(1,886)	(1,224)	(3,369)	(125)	1,976	(12,789)
Net fee and commission income/(expense)	29,318	41,806	14,805	3,195	(3,367)	1,776	(325)	87,208
Net trading gains/(losses)	2,498	901	2,746	304	(1,586)	1,798	58	6,719
Net gains/(losses) on transfers of financial asset	923	142	1,705	–	48	(1)	–	2,817
Other operating income	617	8,313	764	235	22,823	17,250	(2,646)	47,356
Operating income	211,365	173,531	77,459	4,914	20,610	18,840	(2,913)	503,806
Operating expenses	(58,987)	(71,483)	(17,456)	(2,949)	(19,448)	(9,569)	2,913	(176,979)
Impairment losses on assets	(88,871)	(8,751)	(1,348)	1	(20)	(305)	–	(99,294)
Operating profit	63,507	93,297	58,655	1,966	1,142	8,966	–	227,533
Share of results of associates and joint ventures	–	63	3	375	(157)	1,896	(70)	2,110
Profit before income tax	63,507	93,360	58,658	2,341	985	10,862	(70)	229,643
Income tax expense								(37,208)
Profit for the year								192,435
Segment assets	7,628,839	4,438,581	8,629,971	65,239	149,592	423,944	(92,260)	21,243,906
Investments in associates and joint ventures	–	143	–	4,690	–	18,622	(86)	23,369
Total assets	7,628,839	4,438,724	8,629,971	69,929	149,592	442,566	(92,346)	21,267,275
Segment liabilities	9,435,725	6,218,896	3,574,230	50,915	134,988	219,223	(92,099)	19,541,878
Other segment items:								
Intersegment net interest income/(expense)	36,820	43,889	(79,778)	161	54	(1,146)	–	–
Intersegment net fee and commission income/(expense)	506	1,362	95	(403)	(1,493)	258	(325)	–
Capital expenditure	3,263	3,618	178	130	81	34,594	–	41,864
Depreciation and amortisation	4,765	6,023	1,622	121	91	4,421	–	17,043
Credit commitments	2,859,851	1,133,160	–	–	–	–	–	3,993,011

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 2019		As at 31 December 2018	
	Carrying amount of transferred assets	**Carrying amount of associated liabilities**	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	**528**	**503**	108,146	104,434

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 RMB956 million as at 31 December 2019 (31 December 2018: RMB1,273 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 RMB49,985 million for this year (2018: RMB43,080 million) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB15,250 million as at 31 December 2019 (31 December 2018: RMB9,639 million).

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-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 2019, the balance of the above unconsolidated bank wealth management products sponsored by the Group amounted to RMB1,231,861 million (31 December 2018: RMB1,157,201 million). The balance of unconsolidated publicly offered funds and asset management plans sponsored by the Group amounted to RMB638,865 million (31 December 2018: RMB762,725 million).

For the year ended 31 December 2019, the above-mentioned management fee, commission and custodian fee amounted to RMB6,904 million (2018: RMB9,041 million).

As at 31 December 2019, the balance of interest and commission receivable held by the Group in above-mentioned structured entities are 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 2019, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB180,050 million (2018: RMB122,322 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 31 December 2019, the balance of the above transactions was RMB170,797 million (31 December 2018: RMB107,000 million). The maximum exposure to loss of those placements approximated to their carrying amount.

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB570 million for the year ended 31 December 2019 (2018: RMB163 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.

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 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**
As at 31 December 2018					
Fund investments	39,237	–	–	39,237	39,237
Investment trusts and asset management plans	2,420	–	8,561	10,981	10,981
Asset-backed securitisations	759	49,195	48,613	98,567	98,567

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.

(Amount in millions of Renminbi, unless otherwise stated)

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: Financial instruments*	Amounts not set off in the statement of financial position: Cash collateral received	Net amount
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**
As at 31 December 2018						
Derivatives	42,257	–	42,257	(25,990)	(2,891)	13,376
Reverse repo agreements	4,350	–	4,350	(4,350)	–	–
Other assets	11,727	(8,072)	3,655	–	–	3,655
Total	58,334	(8,072)	50,262	(30,340)	(2,891)	17,031

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: Financial instruments*	Amounts not set off in the statement of financial position: Cash collateral pledged	Net amount
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**
As at 31 December 2018						
Derivatives	40,691	–	40,691	(25,976)	(2,029)	12,686
Repurchase agreements	22,446	–	22,446	(22,446)	–	–
Other liabilities	8,681	(8,072)	609	–	–	609
Total	71,818	(8,072)	63,746	(48,422)	(2,029)	13,295

* Including non-cash collateral.

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	
	2019	2018
ASSETS		
Cash and due from banks and other financial institutions	**520,638**	413,600
Balances with central banks	**1,913,236**	1,958,832
Placements with and loans to banks and other financial institutions	**961,732**	1,099,001
Government certificates of indebtedness for bank notes issued	**8,698**	8,060
Precious metals	**197,914**	175,333
Derivative financial assets	**68,731**	96,497
Loans and advances to customers, net	**11,204,197**	10,157,694
Financial investments	**4,343,595**	4,221,661
— financial assets at fair value through profit or loss	**281,703**	225,230
— financial assets at fair value through other comprehensive income	**1,422,035**	1,316,998
— financial assets at amortised cost	**2,639,857**	2,679,433
Investments in subsidiaries	**123,658**	111,884
Investments in associates and joint ventures	**7,998**	7,317
Consolidated structured entities	**209,092**	127,192
Property and equipment	**83,403**	82,440
Investment properties	**2,338**	2,002
Deferred income tax assets	**45,284**	38,208
Other assets	**83,331**	43,312
Total assets	**19,773,845**	18,543,033

(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)

48.1 The Bank's statement of financial position (Continued)

	As at 31 December	
	2019	2018
LIABILITIES		
Due to banks and other financial institutions	**1,672,571**	1,721,071
Due to central banks	**791,046**	847,493
Bank notes in circulation	**8,842**	8,237
Placements from banks and other financial institutions	**587,735**	586,749
Financial liabilities held for trading	**2,158**	2,642
Derivative financial liabilities	**61,919**	74,855
Due to customers	**13,788,093**	12,999,376
Bonds issued	**1,004,095**	704,886
Current tax liabilities	**50,851**	23,826
Retirement benefit obligations	**2,537**	2,825
Deferred income tax liabilities	**308**	121
Other liabilities	**149,809**	126,520
Total liabilities	**18,119,964**	17,098,601
EQUITY		
Share capital	**294,388**	294,388
Other equity instruments	**199,893**	99,714
Capital reserve	**132,627**	138,832
Other comprehensive income	**19,292**	8,596
Statutory reserves	**171,003**	154,313
General and regulatory reserves	**240,279**	222,462
Undistributed profits	**596,399**	526,127
Total equity	**1,653,881**	1,444,432
Total equity and liabilities	**19,773,845**	18,543,033

Approved and authorised for issue by the Board of Directors on 27 March 2020.

LIU Liange	**WANG Jiang**
Director	*Director*

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 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**

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Total
As at 1 January 2018	294,388	99,714	138,832	(9,902)	138,275	200,022	463,809	1,325,138
Total comprehensive income	–	–	–	18,437	–	–	159,460	177,897
Appropriation to statutory reserves	–	–	–	–	16,038	–	(16,038)	–
Appropriation to general and regulatory reserves	–	–	–	–	–	22,440	(22,440)	–
Dividends	–	–	–	–	–	–	(58,603)	(58,603)
Other comprehensive income transferred to retained earnings	–	–	–	61	–	–	(61)	–
As at 31 December 2018	294,388	99,714	138,832	8,596	154,313	222,462	526,127	1,444,432

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 Events after the financial reporting date

Dividend distribution plan of Domestic Preference Shares (Second Tranche)

The dividend distribution of Domestic Preference Shares (Second Tranche) was approved by the Board of Directors of the Bank at the Board meeting held on 13 January 2020. The dividend of RMB1,540 million was paid at a rate of 5.5% on 13 March 2020. The dividend payable was not reflected in liabilities of the financial statements.

Issuance of Offshore Preference Shares

The Bank has received the *Approval Regarding the Offshore Non-public Issuance of Preference Shares by Bank of China Limited* (Zhengjian Approval [2020] No. 254) from the China Securities Regulatory Commission ("CSRC"), which approved the offshore issuance of no more than 200 million preference shares by the Bank, with each share having a par value of RMB100. The Bank has issued Non-cumulative Perpetual Offshore Preference Shares with a total aggregate amount of USD2,820,000,000 and a dividend rate of 3.60% on 26 February 2020. The total number of the Offshore Preference Shares that have been issued is 197,865,300 and the issuance has been completed on 4 March 2020. Capital raised from the issuance of Offshore Preference Shares, after deduction of commissions and expenses relating to the issuances, will be wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

Subordinated Bonds Redemption

On 11 March 2020, the Bank redeemed at face value all of the fixed-rate subordinated bonds issued in 2010 with a maturity of 15 years amounting to RMB24.93 billion. The redemption details have been set out in the Bank's announcement dated 12 March 2020.

Evaluation of the impact of COVID-19

The outbreak of the novel coronavirus disease (COVID-19) since early January 2020 has taken a phased toll on the economy, thus likely having impacts, to a certain extent, on the Group's asset quality and returns from certain businesses. The magnitude of the COVID-19 impact depends on the progress of prevention and containment of the epidemic, its duration and the implementation of related control policies. The ECL of the Group at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. In 2020, the Group will continuously and closely monitor the status of fight against COVID-19, evaluate and proactively address its impact on the Group's financial position and performance, including impairment losses of financial assets. Such evaluation remains in progress as of the date of publishing this report.

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.

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. 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.

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 policies to maintain strict control limits on net open derivative positions based on the notional amount and term. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets for which fair value is positive). The derivative credit risk exposure is managed as part of the overall exposure lending limits set for customers and financial institutions. Collateral or other security is not usually obtained for credit risk exposures on these financial instruments.

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.

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. The amount of acceptable collateral at the time of loan origination is determined by the Credit Management Department and is subject to loan-to-value ratio limits based on type and is monitored on an ongoing basis by the Credit Management Department. The maximum loan-to-value ratios based on principal collateral types for corporate loans and advances are:

Collateral	Maximum loan-to-value ratio
Deposit receipt	95%
PRC Treasury bonds	90%
PRC financial institution bonds	85%
Publicly traded stocks	50%
Construction land use rights	70%
Real estate	70%
Automobiles	50%

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	
	2019	2018
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Due from banks and other financial institutions	**500,560**	363,176
Balances with central banks	**2,078,809**	2,331,053
Placements with and loans to banks and other financial institutions	**898,959**	1,042,358
Government certificates of indebtedness for bank notes issued	**155,466**	145,010
Derivative financial assets	**93,335**	124,126
Loans and advances to customers, net	**12,743,425**	11,515,764
Financial investments		
— financial assets at fair value through profit or loss	**378,131**	279,472
— financial assets at fair value through other comprehensive income	**2,196,352**	1,862,232
— financial assets at amortised cost	**2,777,683**	2,804,301
Other assets	**115,941**	88,012
Subtotal	**21,938,661**	20,555,504
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of guarantee issued	**1,049,629**	1,070,825
Loan commitments and other credit commitments	**3,292,941**	2,922,186
Subtotal	**4,342,570**	3,993,011
Total	**26,281,231**	24,548,515

The table above represents a worst case scenario of credit risk exposure of the Group as at 31 December 2019 and 2018, 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 2019, 48.49% of the Group's total maximum credit exposure is derived from loans and advances to customers (31 December 2018: 46.91%) and 20.31% represents investments in debt securities (31 December 2018: 20.09%).

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, industry, collateral type and analysis of impaired and overdue loans and advances to customers is 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			
	2019		2018	
	Amount	% of total	Amount	% of total
Chinese mainland	**10,302,408**	**79.04%**	9,273,549	78.67%
Hong Kong, Macao and Taiwan	**1,697,434**	**13.02%**	1,515,844	12.86%
Other countries and regions	**1,034,347**	**7.94%**	998,290	8.47%
Total	**13,034,189**	**100.00%**	11,787,683	100.00%

Chinese mainland

	As at 31 December			
	2019		2018	
	Amount	% of total	Amount	% of total
Northern China	**1,573,127**	**15.27%**	1,456,249	15.70%
Northeastern China	**494,186**	**4.80%**	501,420	5.41%
Eastern China	**4,016,742**	**38.99%**	3,622,159	39.06%
Central and Southern China	**2,875,436**	**27.91%**	2,499,434	26.95%
Western China	**1,342,917**	**13.03%**	1,194,287	12.88%
Total	**10,302,408**	**100.00%**	9,273,549	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 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**
As at 31 December 2018				
Corporate loans and advances				
— Trade bills	778,907	95,793	128,916	1,003,616
— Other	4,559,625	964,102	820,255	6,343,982
Personal loans	3,935,017	455,949	49,119	4,440,085
Total	9,273,549	1,515,844	998,290	11,787,683

(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			
	2019		2018	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	**1,706,650**	**13.09%**	1,516,354	12.86%
Manufacturing	**1,679,202**	**12.88%**	1,674,340	14.21%
Transportation, storage and postal services	**1,294,922**	**9.93%**	1,182,411	10.03%
Real estate	**1,042,664**	**8.00%**	915,793	7.77%
Production and supply of electricity, heating, gas and water	**649,289**	**4.98%**	648,849	5.50%
Financial services	**565,333**	**4.34%**	398,478	3.38%
Mining	**293,375**	**2.25%**	320,369	2.72%
Construction	**255,160**	**1.96%**	239,397	2.03%
Water, environment and public utility management	**199,376**	**1.53%**	167,811	1.42%
Public utilities	**149,855**	**1.15%**	125,917	1.07%
Other	**150,554**	**1.16%**	157,879	1.34%
Subtotal	**7,986,380**	**61.27%**	7,347,598	62.33%
Personal loans				
Mortgages	**3,993,271**	**30.64%**	3,503,563	29.72%
Credit cards	**476,743**	**3.66%**	426,338	3.62%
Other	**577,795**	**4.43%**	510,184	4.33%
Subtotal	**5,047,809**	**38.73%**	4,440,085	37.67%
Total	**13,034,189**	**100.00%**	11,787,683	100.00%

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			
	2019		2018	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	**1,269,121**	**12.32%**	1,130,498	12.19%
Manufacturing	**1,285,438**	**12.48%**	1,296,509	13.98%
Transportation, storage and postal services	**1,129,091**	**10.96%**	1,009,087	10.88%
Real estate	**553,951**	**5.38%**	469,358	5.06%
Production and supply of electricity, heating, gas and water	**489,086**	**4.75%**	504,348	5.44%
Financial services	**398,095**	**3.86%**	253,212	2.73%
Mining	**165,218**	**1.60%**	178,471	1.92%
Construction	**214,351**	**2.08%**	200,982	2.17%
Water, environment and public utility management	**188,387**	**1.83%**	157,594	1.70%
Public utilities	**120,595**	**1.17%**	107,201	1.16%
Other	**37,358**	**0.36%**	31,272	0.34%
Subtotal	**5,850,691**	**56.79%**	5,338,532	57.57%
Personal loans				
Mortgages	**3,582,138**	**34.77%**	3,154,164	34.01%
Credit cards	**462,150**	**4.49%**	411,145	4.43%
Other	**407,429**	**3.95%**	369,708	3.99%
Subtotal	**4,451,717**	**43.21%**	3,935,017	42.43%
Total	**10,302,408**	**100.00%**	9,273,549	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			
	2019		2018	
	Amount	% of total	Amount	% of total
Unsecured loans	**4,151,941**	**31.86%**	3,636,400	30.84%
Guaranteed loans	**1,572,146**	**12.06%**	1,837,442	15.59%
Collateralised and other secured loans	**7,310,102**	**56.08%**	6,313,841	53.57%
Total	**13,034,189**	**100.00%**	11,787,683	100.00%

Chinese mainland

	As at 31 December			
	2019		2018	
	Amount	% of total	Amount	% of total
Unsecured loans	**2,923,150**	**28.37%**	2,585,343	27.88%
Guaranteed loans	**1,211,994**	**11.77%**	1,417,321	15.28%
Collateralised and other secured loans	**6,167,264**	**59.86%**	5,270,885	56.84%
Total	**10,302,408**	**100.00%**	9,273,549	100.00%

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impaired status

(i) Impaired loans and advances by geographical area

Group

	As at 31 December					
	2019			2018		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	**169,951**	**95.35%**	**1.65%**	162,778	97.50%	1.76%
Hong Kong, Macao and Taiwan	**3,842**	**2.16%**	**0.23%**	2,720	1.63%	0.18%
Other countries and regions	**4,442**	**2.49%**	**0.43%**	1,454	0.87%	0.15%
Total	**178,235**	**100.00%**	**1.37%**	166,952	100.00%	1.42%

Chinese mainland

	As at 31 December					
	2019			2018		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	**31,762**	**18.69%**	**2.02%**	23,053	14.16%	1.58%
Northeastern China	**22,123**	**13.02%**	**4.48%**	40,580	24.93%	8.09%
Eastern China	**59,764**	**35.17%**	**1.49%**	56,423	34.66%	1.56%
Central and Southern China	**39,060**	**22.98%**	**1.36%**	28,114	17.28%	1.12%
Western China	**17,242**	**10.14%**	**1.28%**	14,608	8.97%	1.22%
Total	**169,951**	**100.00%**	**1.65%**	162,778	100.00%	1.76%

(ii) Impaired loans and advances by customer type

Group

	As at 31 December					
	2019			2018		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**149,427**	**83.84%**	**1.87%**	139,108	83.32%	1.89%
Personal loans	**28,808**	**16.16%**	**0.57%**	27,844	16.68%	0.63%
Total	**178,235**	**100.00%**	**1.37%**	166,952	100.00%	1.42%

Chinese mainland

	As at 31 December					
	2019			2018		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**141,978**	**83.54%**	**2.43%**	135,421	83.19%	2.54%
Personal loans	**27,973**	**16.46%**	**0.63%**	27,357	16.81%	0.70%
Total	**169,951**	**100.00%**	**1.65%**	162,778	100.00%	1.76%

(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 impaired status (Continued)

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

	As at 31 December					
	2019			2018		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Commerce and services	**45,104**	**25.31%**	**3.55%**	38,579	23.11%	3.41%
Manufacturing	**59,646**	**33.46%**	**4.64%**	70,092	41.98%	5.41%
Transportation, storage and postal services	**8,276**	**4.64%**	**0.73%**	7,453	4.46%	0.74%
Real estate	**2,936**	**1.65%**	**0.53%**	4,370	2.62%	0.93%
Production and supply of electricity, heating, gas and water	**10,954**	**6.15%**	**2.24%**	1,952	1.17%	0.39%
Financial services	**225**	**0.13%**	**0.06%**	127	0.08%	0.05%
Mining	**4,946**	**2.77%**	**2.99%**	5,494	3.29%	3.08%
Construction	**3,561**	**2.00%**	**1.66%**	2,423	1.45%	1.21%
Water, environment and public utility management	**1,594**	**0.89%**	**0.85%**	1,223	0.73%	0.78%
Public utilities	**877**	**0.49%**	**0.73%**	159	0.10%	0.15%
Other	**3,859**	**2.17%**	**10.33%**	3,549	2.13%	11.35%
Subtotal	**141,978**	**79.66%**	**2.43%**	135,421	81.12%	2.54%
Personal loans						
Mortgages	**10,463**	**5.87%**	**0.29%**	10,225	6.12%	0.32%
Credit cards	**10,269**	**5.76%**	**2.22%**	9,636	5.77%	2.34%
Other	**7,241**	**4.06%**	**1.78%**	7,496	4.49%	2.03%
Subtotal	**27,973**	**15.69%**	**0.63%**	27,357	16.38%	0.70%
Total for Chinese mainland	**169,951**	**95.35%**	**1.65%**	162,778	97.50%	1.76%
Hong Kong, Macao, Taiwan and other countries and regions	**8,284**	**4.65%**	**0.30%**	4,174	2.50%	0.17%
Total	**178,235**	**100.00%**	**1.37%**	166,952	100.00%	1.42%

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

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

(iv) Impaired loans and advances and related allowance by geographical area

	Impaired loans	Allowance for impairment losses	Net
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**
As at 31 December 2018			
Chinese mainland	162,778	(128,714)	34,064
Hong Kong, Macao and Taiwan	2,720	(1,407)	1,313
Other countries and regions	1,454	(995)	459
Total	166,952	(131,116)	35,836

(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 2019	As at 31 December 2018	**As at 31 December 2019**	As at 31 December 2018
Portion covered	**94,007**	88,150	**92,737**	86,343
Portion not covered	**55,420**	50,958	**49,241**	49,078
Total	**149,427**	139,108	**141,978**	135,421
Fair value of collateral held	**49,054**	48,353	**46,939**	45,404

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 overdue 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 2019 and 2018.

As at 31 December 2019 and 2018, 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 91–360 days	Past due 361 days–3 years	Past due over 3 years	Total
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**
As at 31 December 2018					
Unsecured loans	11,682	16,415	7,353	2,016	37,466
Guaranteed loans	18,927	30,269	25,358	5,098	79,652
Collateralised and other secured loans	54,145	23,805	19,692	5,191	102,833
Total	84,754	70,489	52,403	12,305	219,951

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 91–360 days	Past due 361 days–3 years	Past due over 3 years	Total
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**
As at 31 December 2018					
Unsecured loans	8,867	15,652	6,875	1,994	33,388
Guaranteed loans	15,425	30,202	25,072	5,062	75,761
Collateralised and other secured loans	43,837	23,539	18,998	5,116	91,490
Total	68,129	69,393	50,945	12,172	200,639

(ii) Analysis of overdue loans and advances by geographical area

	As at 31 December	
	2019	2018
Chinese mainland	**149,978**	200,639
Hong Kong, Macao and Taiwan	**7,171**	7,972
Other countries and regions	**5,480**	11,340
Subtotal	**162,629**	219,951
Percentage	**1.25%**	1.87%
Less: total loans and advances to customers which have been overdue for less than 3 months	**(62,838)**	(84,754)
Total loans and advances to customers which have been overdue for more than 3 months	**99,791**	135,197

(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 exposure

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

	As at 31 December 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
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 2018			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
Pass	11,183,826	91,017	6	11,274,849
Special-mention	–	342,358	5	342,363
Substandard	–	–	49,788	49,788
Doubtful	–	–	49,341	49,341
Loss	–	–	67,812	67,812
Total	11,183,826	433,375	166,952	11,784,153

As at 31 December 2019 and 2018, loans and advances by five-category loan classification and three-staging 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 2019, 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.

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 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**
As at 31 December 2018				
Issuers in Chinese mainland				
— Government	3,965	2,650,164	–	2,654,129
— Public sectors and quasi-governments	84,364	–	–	84,364
— Policy banks	–	484,992	–	484,992
— Financial institutions	88,468	179,041	229,166	496,675
— Corporate	64,555	102,771	24,364	191,690
— China Orient	153,627	–	–	153,627
Subtotal	394,979	3,416,968	253,530	4,065,477
Issuers in Hong Kong, Macao, Taiwan and other countries and regions				
— Governments	59	355,291	11,252	366,602
— Public sectors and quasi-governments	51,915	56,824	–	108,739
— Financial institutions	3,022	129,934	41,763	174,719
— Corporate	10,824	117,569	24,663	153,056
Subtotal	65,820	659,618	77,678	803,116
Total	460,799	4,076,586	331,208	4,868,593

(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 2019			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
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**

	As at 31 December 2018			
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
Unrated	420,982	414	–	421,396
A to AAA	3,905,218	158	–	3,905,376
Lower than A	269,793	1,180	–	270,973
Total	4,595,993	1,752	–	4,597,745

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 CCR of derivatives of the Group are calculated in accordance with the *Assets Measurement Rules for Counterparty Default Risk of Derivatives* since 1 January 2019.

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

	As at 31 December	
	2019	2018
Risk-weighted assets for default risk		
Currency derivatives	**62,076**	54,280
Interest rate derivatives	**10,442**	2,888
Equity derivatives	**338**	233
Commodity derivatives and other	**12,135**	3,334
	84,991	60,735
Risk-weighted assets for CVA	**79,954**	51,107
Risk-weighted assets for CCPs	**6,095**	10,220
Total	**171,040**	122,062

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. Both the Group's trading book and banking book face market risks. 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 (including those financial instruments purchased with surplus funds and managed in the investment 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 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 2019 and 2018:

Unit: USD million

	Year ended 31 December					
	2019			2018		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	**18.70**	**23.50**	**13.24**	17.26	23.85	12.24
Foreign exchange risk	**18.00**	**26.69**	**9.80**	10.19	17.66	4.99
Volatility risk	**0.44**	**2.27**	**0.17**	0.38	0.71	0.11
Commodity risk	**1.77**	**6.26**	**0.75**	1.14	5.55	0.13
Total of the Bank's trading VaR	**23.03**	**29.56**	**17.11**	19.87	26.28	13.92

The reporting of risk in relation to bullion is included in foreign exchange risk above.

Unit: USD million

	Year ended 31 December					
	2019			2018		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	**2.72**	**5.30**	**1.26**	3.37	5.50	1.65
Foreign exchange risk	**1.63**	**2.69**	**0.93**	2.30	3.45	1.37
Equity risk	**0.10**	**0.32**	**0.03**	0.20	0.90	0.03
Commodity risk	**2.06**	**5.59**	**0.03**	0.40	1.24	0.11
Total BOCHK (Holdings)'s trading VaR	**3.95**	**6.70**	**2.24**	4.21	5.84	3.07
BOCI's trading VaR[(i)]						
Equity derivatives unit	**0.76**	**1.96**	**0.34**	0.64	2.04	0.16
Fixed income unit	**0.66**	**0.97**	**0.51**	1.25	1.86	0.65
Global commodity unit	**0.20**	**0.36**	**0.10**	0.29	0.52	0.17
Total BOCI's trading VaR	**1.61**	**2.95**	**1.17**	2.18	3.85	1.24

(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.

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

The banking book is exposed to interest rate risk arising from mismatches in repricing periods and inconsistent adjustments between the benchmark interest rates of assets and liabilities. The Group takes on exposure to interest rate risk and fluctuations in market interest rates that will impact the Group's financial position.

The Group assesses interest rate risk in the banking book 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 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

The Group performs sensitivity analysis by measuring the impact of a change in interest rates on "Net interest income". This analysis 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 makes timely adjustment to the structure of assets and liabilities based on changes in the market situation, and controls 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	
	2019	2018
+ 25 basis points parallel move in all yield curves	**(4,534)**	(4,136)
– 25 basis points parallel move in all yield curves	**4,534**	4,136

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 increase or decrease by RMB14,591 million (2018: RMB13,733 million) for every 25 basis points upwards or downwards parallel shift, 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 2019						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	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

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Market risk (Continued)

4.3 GAP analysis (Continued)

	As at 31 December 2018						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	211,195	29,873	115,397	3,356	–	80,110	439,931
Balances with central banks	2,113,231	2,085	619	–	–	215,118	2,331,053
Placements with and loans to banks and other financial institutions	668,153	98,129	225,933	45,694	–	4,449	1,042,358
Derivative financial assets	–	–	–	–	–	124,126	124,126
Loans and advances to customers, net	3,146,270	2,145,073	5,613,781	119,794	53,241	437,605	11,515,764
Financial investments							
— financial assets at fair value through profit or loss	19,425	37,327	75,423	44,898	96,195	97,223	370,491
— financial assets at fair value through other comprehensive income	112,091	172,122	406,442	789,385	360,876	38,843	1,879,759
— financial assets at amortised cost	14,863	83,459	283,575	1,605,967	777,123	39,314	2,804,301
Other	5,188	–	–	–	3,661	750,643	759,492
Total assets	6,290,416	2,568,068	6,721,170	2,609,094	1,291,096	1,787,431	21,267,275
Liabilities							
Due to banks and other financial institutions	1,011,125	313,145	181,766	49,045	–	176,128	1,731,209
Due to central banks	275,905	156,600	456,671	8,071	–	10,274	907,521
Placements from banks and other financial institutions	428,797	122,663	57,583	1,417	–	1,807	612,267
Derivative financial liabilities	–	–	–	–	–	99,254	99,254
Due to customers	8,515,651	1,354,989	2,668,074	1,960,185	105	384,592	14,883,596
Bonds issued	91,311	157,934	179,233	311,777	35,125	6,747	782,127
Other	17,849	24,535	1,560	2,515	5,246	474,199	525,904
Total liabilities	10,340,638	2,129,866	3,544,887	2,333,010	40,476	1,153,001	19,541,878
Total interest repricing gap	(4,050,222)	438,202	3,176,283	276,084	1,250,620	634,430	1,725,397

(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.

		Effect on profit before tax		Effect on equity*	
Currency	Change in currency rate	**As at 31 December 2019**	As at 31 December 2018	**As at 31 December 2019**	As at 31 December 2018
USD	+1%	**354**	521	**522**	527
HKD	+1%	**(262)**	(338)	**2,079**	2,199

* 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.

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 2019 and 2018. 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 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

(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 2018							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	308,697	79,058	17,818	6,442	5,694	1,575	20,647	439,931
Balances with central banks	1,855,438	280,029	40,625	39,770	36,838	47,950	30,403	2,331,053
Placements with and loans to banks and other financial institutions	878,861	93,903	30,994	7,636	3,094	283	27,587	1,042,358
Derivative financial assets	67,601	17,913	29,945	621	37	5,237	2,772	124,126
Loans and advances to customers, net	8,830,692	1,146,207	923,070	201,731	12,637	65,563	335,864	11,515,764
Financial investments								
— financial assets at fair value through profit or loss	238,495	56,988	72,981	2,011	–	16	–	370,491
— financial assets at fair value through other comprehensive income	1,191,739	453,918	116,376	30,629	8,573	3,023	75,501	1,879,759
— financial assets at amortised cost	2,548,402	229,300	3,496	3,450	746	1,456	17,451	2,804,301
Other	213,438	148,481	185,113	568	1,244	2,097	208,551	759,492
Total assets	16,133,363	2,505,797	1,420,418	292,858	68,863	127,200	718,776	21,267,275
Liabilities								
Due to banks and other financial institutions	1,060,308	404,757	34,551	40,090	14,270	7,049	170,184	1,731,209
Due to central banks	628,327	246,540	26,758	5,461	–	434	1	907,521
Placements from banks and other financial institutions	266,692	271,303	39,642	12,669	11,242	5,411	5,308	612,267
Derivative financial liabilities	50,554	14,104	26,366	678	46	5,059	2,447	99,254
Due to customers	11,256,454	1,716,821	1,202,357	194,439	58,478	46,334	408,713	14,883,596
Bonds issued	447,679	252,059	6,682	48,465	1,852	9,793	15,597	782,127
Other	191,501	84,330	230,918	2,327	480	1,323	15,025	525,904
Total liabilities	13,901,515	2,989,914	1,567,274	304,129	86,368	75,403	617,275	19,541,878
Net on-balance sheet position	2,231,848	(484,117)	(146,856)	(11,271)	(17,505)	51,797	101,501	1,725,397
Net off-balance sheet position	(795,575)	520,806	355,983	21,144	19,415	(49,526)	(40,626)	31,621
Credit commitments	2,715,693	794,823	223,494	111,092	10,425	44,054	93,430	3,993,011

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Liquidity risk

The liquidity risk means 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 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

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Liquidity risk (Continued)

5.2 Maturity analysis (Continued)

	As at 31 December 2018							
	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	178,645	110,908	30,365	116,636	3,356	–	439,931
Balances with central banks	1,588,770	511,244	216,281	2,087	12,329	342	–	2,331,053
Placements with and loans to banks and other financial institutions	44	–	659,399	92,855	231,633	58,427	–	1,042,358
Derivative financial assets	–	10,055	22,259	30,528	38,686	18,634	3,964	124,126
Loans and advances to customers, net	69,539	154,707	397,574	1,086,838	2,478,055	3,036,778	4,292,273	11,515,764
Financial investments								
— financial assets at fair value through profit or loss	93,524	–	16,772	32,788	71,133	52,863	103,411	370,491
— financial assets at fair value through other comprehensive income	16,456	–	71,630	120,021	428,041	870,105	373,506	1,879,759
— financial assets at amortised cost	2,001	–	15,328	78,810	306,782	1,623,516	777,864	2,804,301
Other	301,633	338,223	22,683	7,554	18,968	50,792	19,639	759,492
Total assets	2,071,988	1,192,874	1,532,834	1,481,846	3,702,263	5,714,813	5,570,657	21,267,275
Liabilities								
Due to banks and other financial institutions	–	1,038,168	143,392	314,126	186,252	49,271	–	1,731,209
Due to central banks	–	172,280	104,114	157,466	465,590	8,071	–	907,521
Placements from banks and other financial institutions	–	–	429,492	123,223	58,135	1,417	–	612,267
Derivative financial liabilities	–	7,314	19,861	18,267	33,305	17,434	3,073	99,254
Due to customers	–	7,368,721	1,405,144	1,349,078	2,740,128	2,010,860	9,665	14,883,596
Bonds issued	–	–	45,983	99,061	196,535	323,057	117,491	782,127
Other	–	276,288	36,307	12,145	76,623	66,329	58,212	525,904
Total liabilities	–	8,862,771	2,184,293	2,073,366	3,756,568	2,476,439	188,441	19,541,878
Net liquidity gap	2,071,988	(7,669,897)	(651,459)	(591,520)	(54,305)	3,238,374	5,382,216	1,725,397

(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 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)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Liquidity risk (Continued)

5.3 Undiscounted cash flows by contractual maturities (Continued)

	As at 31 December 2018							
	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	178,651	111,218	30,532	118,297	3,696	–	442,415
Balances with central banks	1,588,770	511,244	216,643	2,099	12,329	342	–	2,331,427
Placements with and loans to banks and other financial institutions	48	–	660,424	95,839	238,102	60,246	–	1,054,659
Loans and advances to customers, net	71,503	154,728	420,408	1,162,609	2,787,330	4,105,071	6,109,473	14,811,122
Financial investments								
— financial assets at fair value through profit or loss	93,562	–	16,818	33,180	76,304	75,588	139,717	435,169
— financial assets at fair value through other comprehensive income	16,496	–	72,228	121,707	459,033	986,895	433,630	2,089,989
— financial assets at amortised cost	2,032	–	15,587	82,033	356,737	1,853,204	897,790	3,207,383
Other financial assets	763	148,184	13,867	926	3,930	210	4,740	172,620
Total financial assets	1,773,195	992,807	1,527,193	1,528,925	4,052,062	7,085,252	7,585,350	24,544,784
Due to banks and other financial institutions	–	1,038,230	143,665	315,386	187,753	52,826	–	1,737,860
Due to central banks	–	172,289	104,338	158,161	470,743	8,716	–	914,247
Placements from banks and other financial institutions	–	–	429,704	124,123	59,521	1,509	–	614,857
Due to customers	–	7,368,831	1,407,351	1,354,994	2,770,079	2,159,790	9,959	15,071,004
Bonds issued	–	–	46,457	99,898	210,560	362,609	139,539	859,063
Other financial liabilities	–	222,147	23,038	7,037	7,936	30,083	9,715	299,956
Total financial liabilities	–	8,801,497	2,154,553	2,059,599	3,706,592	2,615,533	159,213	19,496,987
Derivative cash flow								
Derivative financial instruments settled on a net basis	–	2,659	2,135	7,101	5,020	(120)	516	17,311
Derivative financial instruments settled on a gross basis								
Total inflow	–	79,242	2,831,895	1,618,108	3,116,519	368,456	7,805	8,022,025
Total outflow	–	(79,178)	(2,830,917)	(1,612,726)	(3,112,216)	(367,680)	(7,784)	(8,010,501)

(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 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**
As at 31 December 2018				
Loan commitments [1]	1,603,299	527,815	137,596	2,268,710
Guarantees, acceptances and other financial facilities	1,125,754	283,767	314,780	1,724,301
Subtotal	2,729,053	811,582	452,376	3,993,011
Operating lease commitments	6,698	12,931	8,464	28,093
Capital commitments	26,828	40,385	–	67,213
Total	2,762,579	864,898	460,840	4,088,317

(1) Included within "Loan commitments" are amounts relating to loan commitments and undrawn credit card limits. Refer to Note V.41.7.

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 using inputs other than quoted prices included within Level 1 that 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 for the asset or liability that is 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 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial 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**
Financial 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)**

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	11,655	112,465	6	124,126
Loans and advances to customers at fair value	–	227,643	–	227,643
Financial assets at fair value through profit or loss				
— Debt securities	3,448	261,582	8,417	273,447
— Equity instruments	3,868	104	43,089	47,061
— Fund investments and other	10,730	4,741	34,512	49,983
Financial assets at fair value through other comprehensive income				
— Debt securities	121,859	1,738,951	1,422	1,862,232
— Equity instruments and other	6,592	5,571	5,364	17,527
Investment properties	–	2,248	19,838	22,086
Financial liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(876)	–	(876)
Due to customers at fair value	–	(24,141)	–	(24,141)
Bonds issued at fair value	–	(20,517)	–	(20,517)
Short position in debt securities	(2,642)	(11,685)	–	(14,327)
Derivative financial liabilities	(8,928)	(90,326)	–	(99,254)

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Fair value (Continued)

6.1 Assets and liabilities measured at fair value (Continued)

Reconciliation of Level 3 items

		Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		
	Derivative financial assets	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

		Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		
	Derivative financial assets	Debt Securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other	Investment properties
As at 1 January 2018	–	3,034	23,205	27,899	1,405	4,695	18,597
Total gains and losses							
— profit/(loss)	6	(273)	98	2,678	–	–	556
— other comprehensive income	–	–	–	–	(50)	(911)	–
Sales	–	(5)	(538)	(1,767)	(1)	(3)	(61)
Purchases	–	5,582	20,324	5,681	–	1,588	711
Settlements	–	(1)	–	–	–	–	–
Transfers out of Level 3, net	–	–	–	–	–	–	–
Other changes	–	80	–	21	68	(5)	35
As at 31 December 2018	6	8,417	43,089	34,512	1,422	5,364	19,838
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2018	6	(273)	98	2,677	–	–	535

(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 2019 and 2018 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 2019 and 2018 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					
	2019			2018		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains for the year	**(39)**	**4,470**	**4,431**	22	3,043	3,065

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 2019.

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 on the statement of financial reporting date.

	As at 31 December			
	2019		2018	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Debt securities				
at amortised cost[(1)]	**2,769,400**	**2,774,641**	2,795,740	2,806,772
Financial liabilities				
Bonds issued[(2)]	**1,069,974**	**1,069,309**	761,610	766,005

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 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**

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities at amortised cost	73,055	2,534,891	2,237	2,610,183
Financial liabilities				
Bonds issued	–	758,805	7,200	766,005

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.

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 development; and maintain the high quality and adequacy of capital as to meet regulation requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business in the Group.

- Allocation optimisation and benefit augmentation. Allocate capital properly by prioritising the asset businesses with low capital occupancy and high comprehensive income, and steadily improve the efficiency and return of capital, to achieve the reciprocal matchup and dynamic equilibrium among risks, assets and returns.

- Refined management and capital level improvement. Optimise the capital management system by sufficiently identifying, calculating, monitoring, mitigating, and controlling various types of risks; incorporate capital restraints into the whole process of product pricing, resource allocation, structural adjustments, performance evaluation, etc., ensuring that the capital employed is commensurate with the related risks and the level of risk management.

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

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

As a Systemically Important Bank, the Group's capital adequacy ratios are required to meet the lowest requirements of the CBIRC, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 8.50%, 9.50% and 11.50%, 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.

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	
	2019	2018
Common equity tier 1 capital adequacy ratio	**11.30%**	11.41%
Tier 1 capital adequacy ratio	**12.79%**	12.27%
Capital adequacy ratio	**15.59%**	14.97%
Composition of the Group's capital base		
Common equity tier 1 capital	**1,620,563**	1,488,010
Common shares	**294,388**	294,388
Capital reserve	**134,269**	140,422
Surplus reserve	**173,832**	156,711
General reserve	**249,983**	231,416
Undistributed profits	**721,731**	637,609
Eligible portion of minority interests	**30,528**	28,229
Other[2]	**15,832**	(765)
Regulatory deductions	**(24,185)**	(22,241)
Of which:		
Goodwill	**(182)**	(182)
Other intangible assets (except land use rights)	**(12,936)**	(12,078)
Direct or indirect investments in own shares	**(7)**	(68)
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	**(9,955)**	(9,913)
Net common equity tier 1 capital	**1,596,378**	1,465,769
Additional tier 1 capital	**210,057**	109,524
Preference shares and related premium	**159,901**	99,714
Additional capital instruments and related premium	**39,992**	–
Eligible portion of minority interests	**10,164**	9,810
Net tier 1 capital	**1,806,435**	1,575,293
Tier 2 capital	**394,843**	347,473
Tier 2 capital instruments issued and related premium	**280,092**	256,189
Excess loan loss provisions	**105,127**	82,093
Eligible portion of minority interests	**9,624**	9,191
Regulatory deductions	**–**	(416)
Significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation	**–**	(416)
Net capital	**2,201,278**	1,922,350
Risk-weighted assets	**14,123,915**	12,841,526

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.

(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 2019 and 2018 or total equity as at 31 December 2019 and 2018 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	
	2019	2018
RMB current assets to RMB current liabilities	**54.56%**	58.71%
Foreign currency current assets to foreign currency current liabilities	**60.38%**	54.78%

The liquidity ratios are calculated in accordance with the relevant provisions of the CBIRC.

Liquidity coverage ratio

According to the *Measures for the Information Disclosure of 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 supervision standard for liquidity coverage ratio shall not be less than 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 2019, the Group measured 92-day LCR on this basis, with average ratio[(3)] standing at 136.36%, representing an increase of 1.60 percentage points over the previous quarter, which was primarily due to the increase in the high-quality liquid assets ("HQLA").

	2019			
	Quarter ended 31 December	Quarter ended 30 September	Quarter ended 30 June	Quarter ended 31 March
Average value of LCR	**136.36%**	**134.76%**	**137.95%**	**149.24%**

(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 2019 are as follows:

No.		Total unweighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		**3,962,370**
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	**7,175,950**	**528,304**
3	Stable deposits	**3,655,623**	**176,271**
4	Less stable deposits	**3,520,327**	**352,033**
5	Unsecured wholesale funding, of which:	**8,654,416**	**3,292,153**
6	Operational deposits (excluding those generated from correspondent banking activities)	**4,733,637**	**1,167,817**
7	Non-operational deposits (all counterparties)	**3,871,915**	**2,075,472**
8	Unsecured debts	**48,864**	**48,864**
9	Secured funding		**2,011**
10	Additional requirements, of which:	**3,063,276**	**1,860,288**
11	Outflows related to derivative exposures and other collateral requirements	**1,755,675**	**1,755,675**
12	Outflows related to loss of funding on debt products	**–**	**–**
13	Credit and liquidity facilities	**1,307,601**	**104,613**
14	Other contractual funding obligations	**50,295**	**50,295**
15	Other contingent funding obligations	**2,323,849**	**54,129**
16	**Total cash outflows**		**5,787,180**
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	**116,073**	**106,113**
18	Inflows from fully performing exposures	**1,418,757**	**898,223**
19	Other cash inflows	**1,974,771**	**1,873,490**
20	**Total cash inflows**	**3,509,601**	**2,877,826**
			Total adjusted value
21	**Total HQLA**		**3,962,370**
22	**Total net cash outflows**		**2,909,354**
23	**Liquidity coverage ratio**		**136.36%**

(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.

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 *Measures for the Disclosure of Information on Net Stable Funding Ratio by 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 NSFR should be equal to at least 100% on an ongoing basis since 1 July 2018.

The Group's net stable funding ratio

As stipulated by the *Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks* issued by CBIRC, banks approved to implement the advanced approaches of capital measurement by CBIRC in accordance with *Rules on Capital Management of Commercial Banks (Tentative)* shall disclose the information of net stable funding ratio for the preceding two consecutive quarters at least semi-annually.

As at 31 December 2019, the Group's NSFR was 124.46% on a consolidated basis[2], representing a decrease of 0.82 percentage point over the previous quarter. As at 30 September 2019, the Group's NSFR was 125.28%, representing a decrease of 1.53 percentage points over the previous quarter. The Group's NSFR remained stable, and met the regulatory requirement.

	2019			
	Quarter ended 31 December	Quarter ended 30 September	Quarter ended 30 June	Quarter ended 31 March
Ending value of NSFR[3]	**124.46%**	**125.28%**	**126.81%**	**126.75%**

(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 2019 are as follows:

No.	Items	Unweighted value: No maturity	Unweighted value: <6 months	Unweighted value: 6–12 months	Unweighted value: ≥1 year	Weighted value
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,145,900	2,145,900
2	Regulatory capital	–	–	–	2,070,970	2,070,970
3	Other capital instruments	–	–	–	74,930	74,930
4	Retail deposits and deposits from small business customers	3,892,369	3,954,442	116,983	19,928	7,383,810
5	Stable deposits	1,635,679	2,240,551	53,123	8,287	3,741,173
6	Less stable deposits	2,256,690	1,713,891	63,860	11,641	3,642,637
7	Wholesale funding	4,797,417	5,545,346	908,553	494,666	4,995,038
8	Operational deposits	4,446,337	333,937	–	–	2,390,137
9	Other wholesale funding	351,080	5,211,409	908,553	494,666	2,604,901
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	75,617	199,732	4,922	408,423	316,106
12	NSFR derivatives liabilities				94,777	
13	All other liabilities and equity not included in the above categories	75,617	199,732	4,922	313,646	316,106
14	**Total ASF**					14,840,854
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					607,090
16	Deposits held at other financial institutions for operational purposes	94,942	19,670	–	–	57,306
17	Loans and securities	61,942	4,493,443	1,939,578	8,537,927	9,913,026
18	Loans to financial institutions secured by Level 1 assets	–	9,678	–	–	968
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	61,942	1,296,940	297,022	112,532	464,875
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,483,840	1,432,902	4,257,280	5,497,219
21	With a risk weight of less than or equal to 35%	–	176,090	7,107	4,261	16,635

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 2019 are as follows (Continued):

No.	Items	Unweighted value: No maturity	Unweighted value: <6 months	Unweighted value: 6–12 months	Unweighted value: ≥1 year	Weighted value
Required Stable Funding (RSF) Item (Continued)						
22	Residential mortgages of which:	–	102,000	90,389	3,836,062	3,307,594
23	With a risk weight of less than or equal to 35%	–	5,825	5,937	246,263	165,952
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	600,985	119,265	332,053	642,370
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	617,391	102,745	790	516,505	1,107,412
27	Physical traded commodities, including gold	209,955				178,462
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				239	203
29	NSFR derivatives assets				101,894	7,117
30	NSFR derivatives liabilities with additional requirements				18,955*	18,955
31	All other assets not included in the above categories	407,436	102,745	790	414,372	902,675
32	Off-balance sheet items				6,041,880	239,017
33	**Total RSF**					**11,923,851**
34	**NSFR**					**124.46%**

* 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 2019 are as follows:

		Unweighted value				
No.	Items	No maturity	<6 months	6–12 months	≥1 year	Weighted value
Available Stable Funding (ASF) Item						
1	Capital	–	–	–	2,131,547	2,131,547
2	Regulatory capital	–	–	–	2,056,617	2,056,617
3	Other capital instruments	–	–	–	74,930	74,930
4	Retail deposits and deposits from small business customers	3,955,848	3,865,334	129,008	7,685	7,356,824
5	Stable deposits	1,623,087	2,202,415	53,834	3,035	3,688,405
6	Less stable deposits	2,332,761	1,662,919	75,174	4,650	3,668,419
7	Wholesale funding	4,724,948	5,488,317	915,810	506,581	5,007,443
8	Operational deposits	4,392,785	349,197	–	–	2,370,990
9	Other wholesale funding	332,163	5,139,120	915,810	506,581	2,636,453
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	77,588	173,526	4,074	445,791	306,859
12	NSFR derivatives liabilities				140,968	
13	All other liabilities and equity not included in the above categories	77,588	173,526	4,074	304,823	306,859
14	**Total ASF**					14,802,673
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					623,655
16	Deposits held at other financial institutions for operational purposes	64,269	5,713	–	–	34,991
17	Loans and securities	62,425	4,452,699	2,243,116	8,263,590	9,788,949
18	Loans to financial institutions secured by Level 1 assets	–	10,759	–	–	1,076
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	62,425	1,386,184	326,912	79,814	460,562
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	2,538,976	1,457,972	4,161,028	5,460,922
21	With a risk weight of less than or equal to 35%	–	169,778	7,546	6,598	21,054

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 2019 are as follows (Continued):

		Unweighted value				
No.	Items	No maturity	<6 months	6–12 months	≥1 year	Weighted value
Required Stable Funding (RSF) Item (Continued)						
22	Residential mortgages of which:	–	131,591	119,881	3,659,945	3,196,236
23	With a risk weight of less than or equal to 35%	–	47,793	33,734	202,265	172,236
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	385,189	338,351	362,803	670,153
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	647,395	82,079	557	580,245	1,141,046
27	Physical traded commodities, including gold	251,378				213,671
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				282	240
29	NSFR derivatives assets				157,279	16,311
30	NSFR derivatives liabilities with additional requirements				28,194*	28,194
31	All other assets not included in the above categories	396,017	82,079	557	422,684	882,630
32	Off-balance sheet items				5,786,886	227,453
33	**Total RSF**					**11,816,094**
34	**NSFR**					**125.28%**

* 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".

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

2 Currency concentrations

The following information is computed in accordance with the provisions of the CBIRC.

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
As at 31 December 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**
As at 31 December 2018				
Spot assets	3,679,148	1,488,089	1,445,560	6,612,797
Spot liabilities	(4,207,568)	(1,863,120)	(1,406,375)	(7,477,063)
Forward purchases	6,113,388	750,992	1,195,354	8,059,734
Forward sales	(5,492,047)	(409,454)	(1,245,872)	(7,147,373)
Net options position*	(40,858)	(258)	(1,885)	(43,001)
Net long/(short) position	52,063	(33,751)	(13,218)	5,094
Structural position	52,685	219,887	70,141	342,713

* The net option position is calculated in accordance with the relevant provisions of the CBIRC.

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 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**
As at 31 December 2018				
Asia Pacific				
Chinese mainland	608,194	418,266	701,782	1,728,242
Hong Kong	18,193	1	469,543	487,737
Other Asia Pacific locations	80,097	33,887	371,850	485,834
Subtotal	706,484	452,154	1,543,175	2,701,813
North and South America	59,618	224,329	145,386	429,333
Other	54,341	77,159	234,936	366,436
Total	820,443	753,642	1,923,497	3,497,582

(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	
	2019	2018
Total loans and advances to customers which have been overdue		
within 3 months	**62,838**	84,754
between 3 and 6 months	**22,789**	24,673
between 6 and 12 months	**22,653**	45,816
over 12 months	**54,349**	64,708
Total	**162,629**	219,951
Percentage		
within 3 months	**0.48%**	0.72%
between 3 and 6 months	**0.17%**	0.21%
between 6 and 12 months	**0.18%**	0.39%
over 12 months	**0.42%**	0.55%
Total	**1.25%**	1.87%

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 2019 and 2018 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)]:

	2019			
	As at 31 December	As at 30 September	As at 30 June	As at 31 March
Net tier 1 capital	**1,806,435**	**1,823,977**	**1,749,305**	**1,662,406**
Adjusted on- and off-balance sheet assets	**24,303,201**	**24,085,613**	**23,813,940**	**23,032,078**
Leverage ratio	**7.43%**	**7.57%**	**7.35%**	**7.22%**

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Leverage ratio (Continued)

No.	Items	As at 31 December 2019
1	Total consolidated assets	**22,769,744**
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(9,955)**
3	Adjustments for fiduciary assets	**–**
4	Adjustments for derivative financial instruments	**129,062**
5	Adjustments for securities financing transactions	**117,131**
6	Adjustments for off-balance sheet exposures	**1,686,949**
7	Other adjustments	**(389,730)**
8	Adjusted on- and off-balance sheet assets	**24,303,201**

No.	Items	As at 31 December 2019
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	**22,146,521**
2	Less: Tier 1 capital deductions	**(24,185)**
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**22,122,336**
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	**93,226**
5	Add-on amounts for potential future exposure associated with all derivative transactions	**128,753**
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	**465**
10	Less: Deductible amounts for written credit derivatives	**(47)**
11	**Total derivative exposures**	**222,397**
12	Accounting balance for securities financing transaction assets	**154,049**
13	Less: Deducted amounts for securities financing transaction assets	**–**
14	Counterparty credit risk exposure for securities financing transaction assets	**117,470**
15	Agent transaction exposures	**–**
16	**Balance of assets in securities financing transactions**	**271,519**
17	Off-balance sheet items	**4,787,188**
18	Less: Adjustments for conversion to credit equivalent amounts	**(3,100,239)**
19	**Adjusted off-balance sheet exposures**	**1,686,949**
20	Net tier 1 capital	**1,806,435**
21	Adjusted on- and off-balance sheet exposures	**24,303,201**
22	**Leverage ratio**	**7.43%**

(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 following global systemic importance assessment indicators of commercial banks are disclosed in accordance with the *Guidelines for the Disclosure of Global Systemic Importance Assessment Indicators of Commercial Banks* (Yin Jian Fa, [2014] No.1).

No.	Indicators(1)	2019 value
1	Adjusted on-balance and off-balance sheet assets	**24,303,201**
2	Intra-financial system assets	**2,101,540**
3	Intra-financial system liabilities	**1,972,706**
4	Securities and other financing instruments	**3,938,510**
5	Payments settled via payment systems or correspondent banks	**624,289,447**
6	Assets under custody	**11,119,177**
7	Underwritten transactions in debt and equity markets	**1,861,559**
8	Notional amount of over-the-counter derivatives	**10,632,811**
9	Trading and available for sale securities	**1,125,572**
10	Level 3 assets	**62,976**
11	Cross-jurisdictional claims	**3,895,282**
12	Cross-jurisdictional liabilities	**4,537,599**

(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 2019

2019 Annual Results	To be announced on 27 March 2020
2019 Annual Report	To be printed and dispatched to H-Share Holders in late April 2020
2019 Annual General Meeting	To be held on 30 June 2020
2020 Interim Results	To be announced no later than 30 August 2020

Annual General Meeting

The Bank's 2019 Annual General Meeting is scheduled to be held at 9:30 a.m. on Tuesday, 30 June 2020.

Dividends on Ordinary Shares

The Board of Directors recommended a final dividend on ordinary shares for 2019 of RMB1.91 per ten shares (before tax), subject to the approval of shareholders at the 2019 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 (First Tranche) were traded on the Comprehensive Business Platform of SSE on 8 December 2014. The Domestic Preference Shares (Second Tranche) were traded on the Comprehensive Business Platform of SSE on 31 March 2015. 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:	1,797,865,300	shares
Including:		
Domestic Preference Share:	1,600,000,000	shares
Offshore Preference Share:	197,865,300	shares

Market Capitalisation

As at the last trading day of 2019 (31 December), the Bank's market capitalisation was RMB1,027.166 billion (based on the closing price of A Shares and H Shares on 31 December 2019, and the exchange rate of HKD100 = RMB89.578 as published by the SAFE on 31 December 2019).

Reference for Shareholders

Securities Price

	Closing price on 31 December 2019	Highest trading price in the year	Lowest trading price in the year
A Share	RMB3.69	RMB4.06	RMB3.49

	Closing price on 31 December 2019	Highest trading price in the year	Lowest trading price in the year
H Share	HKD3.33	HKD3.84	HKD2.91

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 (First Tranche)

Stock Name	中行優1
Shanghai Stock Exchange	360002
Bloomberg	EK6323670

Domestic Preference Share (Second Tranche)

Stock Name	中行優2
Shanghai Stock Exchange	360010
Bloomberg	EK8196546

Domestic Preference Share (Third Tranche)

Stock Name	中行優3
Shanghai Stock Exchange	360033
Bloomberg	AZ8714182

Domestic Preference Share (Fourth Tranche)

Stock Name	中行優4
Shanghai Stock Exchange	360035
Bloomberg	ZQ0362264

Offshore Preference Share (Second Tranche)

Stock Name	BOC 20USDPREF
Hong Kong Stock Exchange	4619
Reuters	4619.HK
Bloomberg	BG2289661

Shareholder Enquiry

If a shareholder wishes to enquire about share transfers, changes of name or address, or loss of share certificates, or to receive other information concerning the shares held, please write to the following address:

A Share

Shanghai Branch of China Securities Depository and Clearing Corporation Limited
3/F, China Insurance Building,
166 East Lujiazui Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-3887 4800

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
3/F, China Insurance Building,
166 East Lujiazui Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-3887 4800

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+
Dagong Global Credit Rating Co., Ltd. (RMB):	AAA

Investor Enquiry

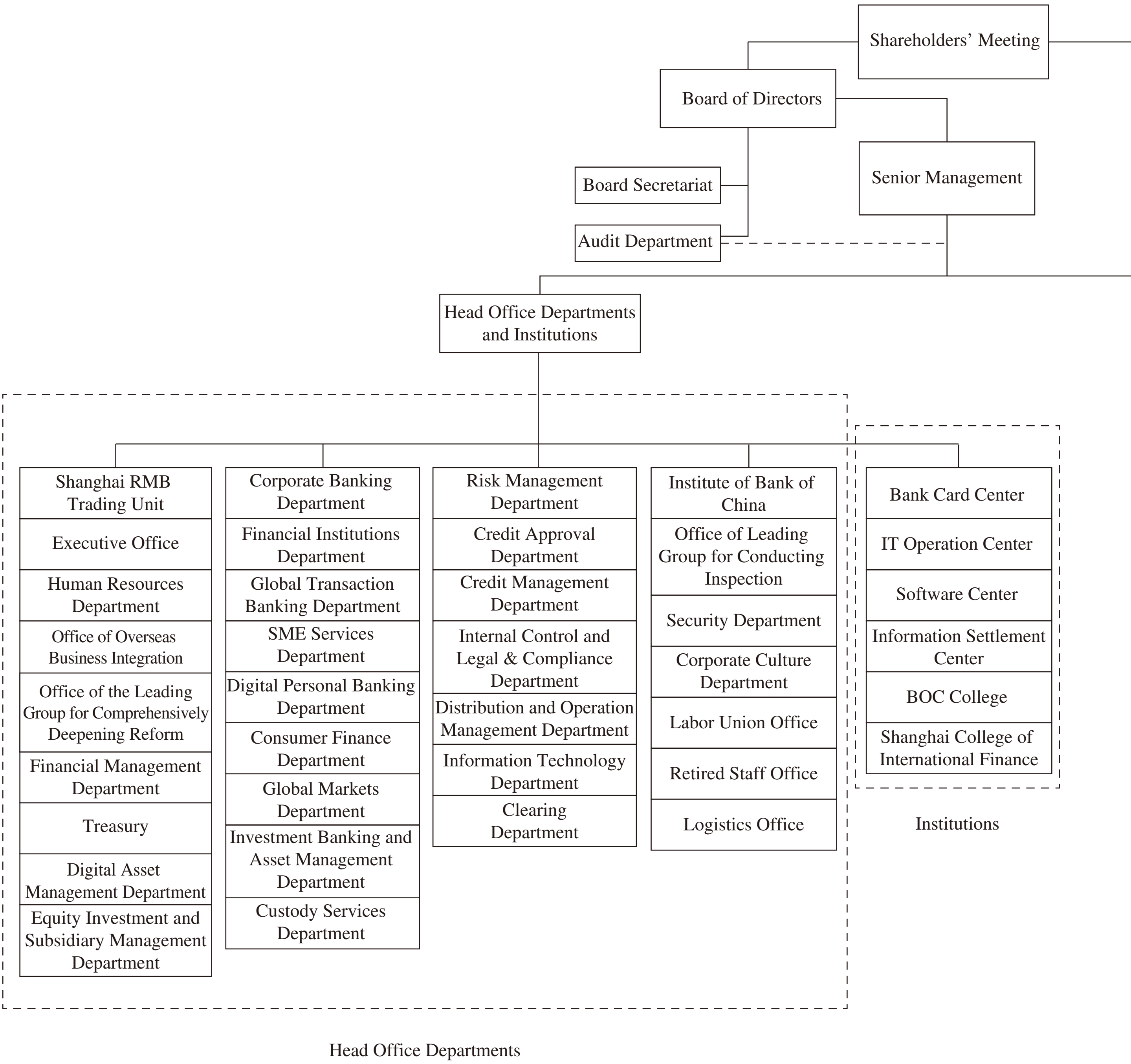
Investor Relations Team, Board Secretariat, Bank of China Limited
8/F, Bank of China Building, No. 1 Fuxingmen Nei Dajie, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: ir@bankofchina.com

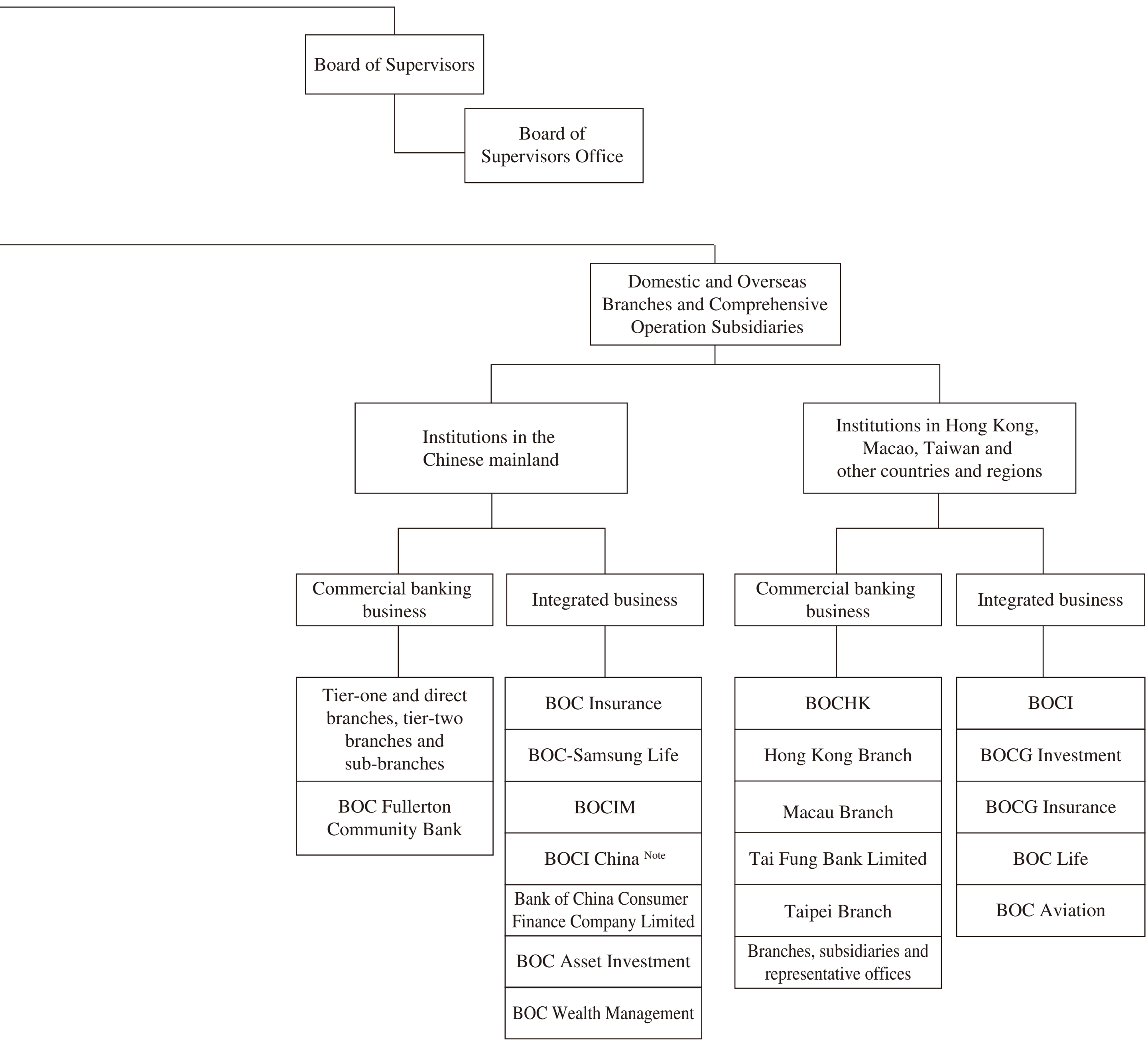
Other Information

You may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, China) to request the annual report prepared under IFRS or visit the Bank's office address for copies prepared under CAS. The Chinese and/or English versions of the annual report are also available on the following websites: www.boc.cn, www.sse.com.cn and www.hkexnews.hk.

Should you have any queries about how to obtain copies of this annual report or access the document on the Bank's website, please call the Bank's H-Share Registrar at (852) 2862 8688 or the Bank's hotlines at (86) 10-6659 2638.

Organisational Chart





Note: The Bank holds 33.42% of the equity interest of BOCI China through its wholly-owned subsidiary BOCI.

List of Major Branches and Subsidiaries

MAJOR BRANCHES AND SUBSIDIARIES IN THE CHINESE MAINLAND

HEAD OFFICE

1 FUXINGMEN NEI DAJIE,BEIJING,
CHINA
SWIFT: BKCHCNBJ
TEL: (86) 010-66596688
FAX: (86) 010-66016871
POST CODE: 100818
WEBSITE: www.boc.cn

BEIJING BRANCH

A,C,E KAIHENG CENTER,
2 CHAOYANGMEN NEI DAJIE,
DONGCHENG DISTRICT, BEIJING,
CHINA
SWIFT: BKCHCNBJ110
TEL: (86) 010-85121491
FAX: (86) 010-85121739
POST CODE: 100010

TIANJIN BRANCH

8 YOUYI NORTH ROAD,
HEXI DISTRICT, TIANJIN,
CHINA
SWIFT: BKCHCNBJ200
TEL: (86) 022-27108002
FAX: (86) 022-23312805
POST CODE: 300204

HEBEI BRANCH

28 ZIQIANG ROAD,
SHIJIAZHUANG, HEBEI PROV.,
CHINA
SWIFT: BKCHCNBJ220
TEL: (86) 0311-69696681
FAX: (86) 0311-69696692
POST CODE: 050000

SHANXI BRANCH

186 PINGYANG ROAD,
XIAODIAN DISTRICT,
TAIYUAN, SHANXI PROV.,
CHINA
SWIFT: BKCHCNBJ680
TEL: (86) 0351-8266016
FAX: (86) 0351-8266021
POST CODE: 030006

INNER MONGOLIA BRANCH

12 XINHUA DAJIE,
XIN CHENG DISTRICT, HUHHOT,
INNER MONGOLIA AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ880
TEL: (86) 0471-4690128
FAX: (86) 0471-4690001
POST CODE: 010010

LIAONING BRANCH

253 SHIFU ROAD, SHENHE DISTRICT,
SHENYANG, LIAONING PROV.,
CHINA
SWIFT: BKCHCNBJ810
TEL: (86) 024-22810827
FAX: (86) 024-22857333
POST CODE: 110013

JILIN BRANCH

699 XI AN DA LU, CHANGCHUN, JILIN PROV.,
CHINA
SWIFT: BKCHCNBJ840
TEL: (86) 0431-88408888
FAX: (86) 0431-88408901
POST CODE: 130061

HEILONGJIANG BRANCH

19 HONGJUN STREET, NANGANG DISTRICT,
HARBIN, HEILONGJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ860
TEL: (86) 0451-53636890
FAX: (86) 0451-53624147
POST CODE: 150001

SHANGHAI BRANCH

200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT, SHANGHAI,
CHINA
SWIFT: BKCHCNBJ300
TEL: (86) 021-50375566
FAX: (86) 021-50372911
POST CODE: 200120

JIANGSU BRANCH

148 ZHONG SHAN NAN LU,
NANJING, JIANGSU PROV.,
CHINA
SWIFT: BKCHCNBJ940
TEL: (86) 025-84207888
FAX: (86) 025-84200407
POST CODE: 210005

ZHEJIANG BRANCH

321 FENG QI ROAD,
HANGZHOU, ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ910
TEL: (86) 0571-85011888
FAX: (86) 0571-87074837
POST CODE: 310003

ANHUI BRANCH

NO. 1688, YUNGU ROAD,
BINHU NEW DISTRICT, HEFEI, ANHUI PROV.,
CHINA
SWIFT: BKCHCNBJ780
TEL: (86) 0551-62926995
FAX: (86) 0551-62926993
POST CODE: 230091

FUJIAN BRANCH

BOC BLDG., 136 WUSI ROAD,
FUZHOU, FUJIAN PROV.,
CHINA
SWIFT: BKCHCNBJ720
TEL: (86) 0591-87090999
FAX: (86) 0591-87090111
POST CODE: 350003

JIANGXI BRANCH

10, LVYIN ROAD, HONGGUTAN NEW DISTRICT,
NANCHANG, JIANGXI PROV.,
CHINA
SWIFT: BKCHCNBJ550
TEL: (86) 0791-86471503
FAX: (86) 0791-86471505
POST CODE: 330038

SHANDONG BRANCH

22 LUOYUAN STREET,
JINAN, SHANDONG PROV.,
CHINA
SWIFT: BKCHCNBJ500
TEL: (86) 0531-58522001
FAX: (86) 0531-58522000
POST CODE: 250000

HENAN BRANCH

3-1 BUSINESS OUTER RING ROAD,
ZHENGDONG NEW DISTRICT,
ZHENGZHOU, HENAN PROV.,
CHINA
SWIFT: BKCHCNBJ530
TEL: (86) 0371-87008888
FAX: (86) 0371-87007888
POST CODE: 450018

HUBEI BRANCH

677 JIANSHE ROAD, 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) 020-83347666
POST CODE: 510180

GUANGXI BRANCH

39 GUCHENG ROAD, NANNING,
GUANGXI ZHUANG AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ480
TEL: (86) 0771-2879602
FAX: (86) 0771-2813844
POST CODE: 530022

HAINAN BRANCH

29, 31 DATONG ROAD, LONGHUA DISTRICT,
HAIKOU, HAINAN PROV.,
CHINA
SWIFT: BKCHCNBJ740
TEL: (86) 0898-66778001
FAX: (86) 0898-66562040
POST CODE: 570102

SICHUAN BRANCH

35 MID. RENMIN ROAD (2 DUAN),
CHENGDU, SICHUAN PROV.,
CHINA
SWIFT: BKCHCNBJ570
TEL: (86) 028-86741950
FAX: (86) 028-86403346
POST CODE: 610031

GUIZHOU BRANCH

BOC BLDG., 347 RUIJIN SOUTH ROAD,
GUIYANG, GUIZHOU PROV.,
CHINA
SWIFT: BKCHCNBJ240
TEL: (86) 0851-85822419
FAX: (86) 0851-85863981
POST CODE: 550002

YUNNAN BRANCH

515 BEIJING ROAD,
KUNMING, YUNNAN PROV.,
CHINA
SWIFT: BKCHCNBJ640
TEL: (86) 0871-63191216
FAX: (86) 0871-63175573
POST CODE: 650051

TIBET BRANCH

113 JINZHU XI LU, LHASA,
TIBET AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ900
TEL: (86) 0891-6835311
FAX: (86) 0891-6835311
POST CODE: 850000

SHAANXI BRANCH

18 TANGYAN ROAD BEIDUAN,
LIANHU DISTRICT, XI'AN,
SHAANXI PROV.,
CHINA
SWIFT: BKCHCNBJ620
TEL: (86) 029-89593900
FAX: (86) 029-89592999
POST CODE: 710077

GANSU BRANCH

525 TIANSHUI SOUTH ROAD,
CHENGGUAN DISTRICT
LANZHOU, GANSU PROV.,
CHINA
SWIFT: BKCHCNBJ660
TEL: (86) 0931-7825004
FAX: (86) 0931-7825004
POST CODE: 730000

QINGHAI BRANCH

218 DONGGUAN STREET,
CHENG DONG DISTRICT, XINING,
QINGHAI PROV.,
CHINA
SWIFT: BKCHCNBJ280
TEL: (86) 0971-8178888
FAX: (86) 0971-8174971
POST CODE: 810000

NINGXIA BRANCH

39 XINCHANG EAST ROAD,
JINFENG DISTRICT, YINCHUAN,
NINGXIA HUI AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ260
TEL: (86) 0951-5681505
FAX: (86) 0951-5681509
POST CODE: 750002

XINJIANG BRANCH

1 DONGFENG ROAD, URUMQI,
XINJIANG UYGUR AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ760
TEL: (86) 0991-2328888
FAX: (86) 0991-2825095
POST CODE: 830002

CHONGQING BRANCH

218 ZHONG SHAN YI ROAD,
YU ZHONG DISTRICT, CHONGQING,
CHINA
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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
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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) 0512-65113558
FAX: (86) 0512-65114906
POST CODE: 215028

NINGBO BRANCH

139 YAOHANG STREET, NINGBO,
ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ92A
TEL: (86) 0574-87196666
FAX: (86) 0574-87198889
POST CODE: 315000

QINGDAO BRANCH

59 HONGKONG MIDDLE ROAD,
QINGDAO, SHANDONG PROV.,
CHINA
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TEL: (86) 0532-85979700
FAX: (86) 0532-67755601
POST CODE: 266071

DALIAN BRANCH

9 ZHONGSHAN SQUARE, ZHONGSHAN DISTRICT,
DALIAN, LIAONING PROV.,
CHINA
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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 COMPANY LIMITED

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XICHENG DISTRICT, BEIJING,
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FAX: (86) 010-83260006
POST CODE: 100032
WEBSITE: www.bocins.com

BANK OF CHINA INVESTMENT MANAGEMENT CO., LTD.

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FAX: (86) 021-68873488
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WEBSITE: www.bocim.com

BANK OF CHINA CONSUMER FINANCE COMPANY LIMITED

1409#, BOC BUILDING
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WEBSITE: www.bocfullertonbank.com

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9/F, NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT, BEIJING,
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FAX: (86) 010-83262777
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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,
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TEL: (86) 010-83937333
FAX: (86) 010-83937555
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BANK OF CHINA GROUP INSURANCE COMPANY LIMITED

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FAX: (81) 335058868
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41, CHEONG GYE CHEON-RO, JONGNO-GU,
SEOUL 03188
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FAX: (82) 23996265
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PLAZA OSK, 25 JALAN AMPANG
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MALAYSIA
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WEBSITE: www.bankofchina.com/my

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SOUTH SATHORN ROAD,
TUNGMAHAMEK SATHORN DISTRICT,
BANGKOK 10120,
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FAX: (66) 22861020
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JAKARTA 12920,
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FAX: (62) 215201113/215207552
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SISATTANAK DISTRICT,
VIENTIANE CAPITAL,
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JALAN DATO RATNA, KAMPONG KIARONG,
BANDAR SERI BEGAWAN BE1318,
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BANK OF CHINA (NEW ZEALAND) LIMITED

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AUCKLAND, 1010,
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REPUBLIC OF KAZAKHSTAN
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FAX: (7727) 2585514
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MAKER MAXITY, BANDRA KURLA COMPLEX,
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DUBAI BRANCH

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ABU DHABI BRANCH

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AL REEM ISLAND,
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QATAR FINANCIAL CENTRE BRANCH

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QATAR
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ULAANBAATAR REPRESENTATIVE OFFICE

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BOC AVIATION (IRELAND) LIMITED

SUITE 202, SOBO WORKS,
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DUBLIN D02 K156
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75116 PARIS,
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